



**\$963,459,000**  
**CONNECTICUT AVENUE SECURITIES TRUST 2019-HRP1**  
*Issuer*

**FANNIE MAE**  
*Trustor and Administrator*

**CONNECTICUT AVENUE SECURITIES,  
Series 2019-HRP1 Securities Due November 2039**

Offered Securities: The Classes of Securities shown below. The Class M-2 Notes are a Class of RCR Notes. These Notes may be exchanged for other Classes of Notes and vice versa in the combinations set forth on Schedule I. Schedule I also sets forth further combinations of other Classes of RCR Notes and Exchangeable Notes. The Offered Securities and the other Exchangeable and RCR Notes are referred to as the "**Securities**".

Offering Terms: The initial purchasers (each, an "**Initial Purchaser**") named below are offering the Offered Securities.

Closing Date: On or about December 6, 2019.

Security Classes	Original Principal Balance	Class Coupon	CUSIP Number	Maturity Date	Expected Ratings (S&P/KBRA)	Price to Investors	Initial Purchaser Discounts	Proceeds to Issuer
M-2 .....	\$557,792,000	(1)	(2)	November 2039	B (sf) / B (sf)	100.00%	0.50%	(3)
B-1 .....	\$405,667,000	(1)	(2)	November 2039	NR / NR	100.00%	0.50%	(3)

(1) See "*Summary of Terms — Interest*" herein.

(2) See "*Summary of Terms — CUSIP Numbers*" herein.

(3) See "*Distribution Arrangements*" herein.

You should read this Offering Memorandum together with all documents that are incorporated by reference in this Offering Memorandum. See "*Additional Information*" herein. Each recipient of this Offering Memorandum is deemed to agree that under no circumstance will the information contained herein be used by it to derive information about any particular individual in violation of applicable privacy laws and regulations.

**The Connecticut Avenue Securities, Series 2019-HRP1 Securities are complex financial instruments and may not be suitable investments for you. You should consider carefully the risk factors described beginning on page 35 of this Offering Memorandum, on page 25 of Fannie Mae's Annual Report on Form 10-K for the year ended December 31, 2018 and on page 106 of Fannie Mae's Quarterly Report on Form 10-Q for the period ended September 30, 2019. You should not purchase Securities unless you understand and are able to bear these and any other applicable risks. You should purchase Securities only if you understand the information contained in this Offering Memorandum and the documents incorporated by reference in this Offering Memorandum.**

**THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES OR BLUE SKY LAWS OF ANY STATE. ACCORDINGLY, THE SECURITIES ARE BEING OFFERED AND SOLD ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT. THE SECURITIES ARE NOT TRANSFERABLE EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS OR CERTAIN OTHER ENTITIES, EACH IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED IN "*DISTRIBUTION ARRANGEMENTS — SELLING RESTRICTIONS*" ON PAGE 181 OF THIS OFFERING MEMORANDUM.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the securities or determined that this Offering Memorandum is accurate or complete. Any representation to the contrary is a criminal offense.

Prospective investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

The Securities are obligations (or interests in obligations) of the Issuer only. The RCR Notes represent interests in the related Exchangeable Notes. The Securities, including any interest or return of discount on the Securities, are not guaranteed by, and are not debts or obligations of, Fannie Mae or of the United States or any agency or instrumentality of the United States.

This Offering Memorandum may only be used for the purposes for which it has been published.



**The Index of Definitions beginning on page 185 of this Offering Memorandum shows where definitions of certain defined terms appear in this Offering Memorandum.**

The Securities are expected to be made eligible for trading in book-entry form through the Same-Day Funds Settlement System of The Depository Trust Company ("DTC"), which may include delivery through Clearstream Banking, société anonyme and the Euroclear System, against payment therefor in immediately available funds.

**BofA Securities**

Lead Manager and Joint Bookrunner

**Citigroup**

Co-Lead Manager and Joint Bookrunner

**J.P. Morgan**  
Co-Manager

**Morgan Stanley**  
Co-Manager

**Nomura**  
Co-Manager

**Wells Fargo Securities**  
Co-Manager

**Academy Securities, Inc.**  
Selling Group Member

**Blaylock Van, LLC**  
Selling Group Member

**December 4, 2019**

THE SECURITIES HAVE NOT BEEN REGISTERED WITH, OR RECOMMENDED BY, ANY FEDERAL, STATE OR NON-U.S. SECURITIES COMMISSION, SECURITIES REGULATORY AUTHORITY OR INSURANCE OR OTHER REGULATORY BODY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT REVIEWED THIS DOCUMENT NOR CONFIRMED OR DETERMINED THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

SIMULTANEOUSLY WITH THE ISSUANCE OF THE SECURITIES, THE ISSUER WILL ENTER INTO A CREDIT PROTECTION AGREEMENT WITH FANNIE MAE UNDER WHICH FANNIE MAE WILL BE REQUIRED TO PAY THE CREDIT PREMIUM AMOUNTS, CREDIT PROTECTION REIMBURSEMENT AMOUNTS AND INVESTMENT LIQUIDATION CONTRIBUTIONS, IF ANY, DUE TO THE ISSUER, AND THE ISSUER WILL BE REQUIRED TO PAY CREDIT PROTECTION AMOUNTS TO FANNIE MAE IF CERTAIN CREDIT EVENTS OR CERTAIN MODIFICATION EVENTS OCCUR. THE ISSUER'S RIGHTS, TITLE AND INTEREST IN THE CREDIT PROTECTION AGREEMENT WILL BE GRANTED TO THE INDENTURE TRUSTEE, ON BEHALF OF SECURITYHOLDERS, PURSUANT TO THE INDENTURE. A TERMINATION OF THE CREDIT PROTECTION AGREEMENT WILL RESULT IN AN EARLY REDEMPTION OF THE SECURITIES.

WHILE THE ISSUER MAY FALL WITHIN THE DEFINITION OF A "COMMODITY POOL" UNDER THE COMMODITY EXCHANGE ACT, FANNIE MAE IS NOT REGISTERED WITH THE COMMODITY FUTURES TRADING COMMISSION (THE "CFTC") AS A COMMODITY POOL OPERATOR (A "CPO") IN RELIANCE ON CFTC NO-ACTION LETTER 14-111 ISSUED BY THE CFTC DIVISION OF SWAP DEALER AND INTERMEDIARY OVERSIGHT TO FANNIE MAE. AS PART OF THIS NO-ACTION LETTER, FANNIE MAE AGREES TO COMPLY WITH THE PROVISIONS OF CFTC RULE 4.13(a)(3) WITH RESPECT TO THE ISSUER (EXCEPT, TO THE LIMITED EXTENT DESCRIBED IN THE NO-ACTION LETTER, THE RESTRICTION ON MARKETING INVESTMENTS IN THE TRUST AS OR IN A VEHICLE FOR TRADING IN THE COMMODITY FUTURES OR COMMODITY OPTIONS MARKETS OR IN SWAPS). CFTC RULE 4.13(a)(3) REQUIRES, AMONG OTHER THINGS, THAT THE ISSUER ENGAGE IN ONLY LIMITED COMMODITY INTEREST TRADING AS SPECIFIED IN THE RULE AND THAT EACH INVESTOR BE AN ELIGIBLE INVESTOR AS SPECIFIED IN THE RULE. IT ALSO REQUIRES THAT THE SECURITIES BE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND BE OFFERED AND SOLD WITHOUT MARKETING TO THE PUBLIC IN THE UNITED STATES. PURSUANT TO CFTC RULE 4.13(a)(3), UNLIKE A REGISTERED CPO, FANNIE MAE IS NOT REQUIRED TO PROVIDE INVESTORS OR POTENTIAL INVESTORS WITH A CFTC-COMPLIANT DISCLOSURE DOCUMENT OR CERTIFIED ANNUAL REPORTS THAT SATISFY THE REQUIREMENTS OF CFTC RULES APPLICABLE TO REGISTERED CPOs. FURTHER, THIS OFFERING MEMORANDUM HAS NOT BEEN REVIEWED OR APPROVED BY THE CFTC AND IT IS NOT ANTICIPATED THAT SUCH REVIEW OR APPROVAL WILL OCCUR.

AS DESCRIBED IN THIS OFFERING MEMORANDUM, THE SECURITIES ARE LINKED TO THE CREDIT AND PRINCIPAL PAYMENT RISK OF CERTAIN RESIDENTIAL MORTGAGE LOANS BUT ARE NOT BACKED OR SECURED BY SUCH MORTGAGE LOANS. THE OCCURRENCE OF CERTAIN CREDIT EVENTS OR MODIFICATION EVENTS ON THESE MORTGAGE LOANS, AS DESCRIBED IN THIS OFFERING MEMORANDUM, WILL RESULT IN WRITE-DOWNS OF THE CLASS PRINCIPAL BALANCES OF THE SECURITIES TO THE EXTENT LOSSES ARE REALIZED ON SUCH MORTGAGE LOANS AS A RESULT OF THESE EVENTS. IN ADDITION, THE INTEREST ENTITLEMENT OF THE SECURITIES WILL BE SUBJECT TO REDUCTION BASED ON THE OCCURRENCE OF MODIFICATION EVENTS ON THESE MORTGAGE LOANS TO THE EXTENT LOSSES ARE REALIZED WITH RESPECT THERETO, AS FURTHER DESCRIBED HEREIN UNDER "*DESCRIPTION OF THE SECURITIES—HYPOTHETICAL STRUCTURE AND CALCULATIONS WITH RESPECT TO THE REFERENCE TRANCHE—ALLOCATION OF MODIFICATION LOSS AMOUNT.*" PURSUANT TO THE CREDIT PROTECTION AGREEMENT, UPON THE OCCURRENCE OF ANY SUCH CREDIT EVENTS OR MODIFICATION EVENTS RESULTING IN ANY SUCH WRITE-DOWNS, THE ISSUER WILL BE REQUIRED TO PAY CREDIT PROTECTION AMOUNTS TO FANNIE MAE IN THE AMOUNT OF THE AGGREGATE OF TRANCHE WRITE-DOWN AMOUNTS, IF ANY, ALLOCATED TO REDUCE THE CLASS PRINCIPAL BALANCES OF THE SECURITIES, WHICH SUCH PAYMENTS TO FANNIE MAE WILL BE SENIOR IN PRIORITY TO ANY PAYMENTS MADE ON

THE SECURITIES. CONVERSELY, PURSUANT TO THE CREDIT PROTECTION AGREEMENT, FANNIE MAE WILL BE OBLIGATED TO PAY TO THE ISSUER A CREDIT PROTECTION REIMBURSEMENT AMOUNT IN AN AMOUNT EQUAL TO THE AGGREGATE OF TRANCHE WRITE-UP AMOUNTS, IF ANY, ALLOCATED TO INCREASE THE CLASS PRINCIPAL BALANCES OF THE SECURITIES.

THIS OFFERING MEMORANDUM CONTAINS SUBSTANTIAL INFORMATION ABOUT THE SECURITIES AND THE OBLIGATIONS OF THE ISSUER, THE INDENTURE TRUSTEE, THE EXCHANGE ADMINISTRATOR AND THE CUSTODIAN WITH RESPECT TO THE SECURITIES. POTENTIAL INVESTORS ARE URGED TO REVIEW THIS OFFERING MEMORANDUM IN ITS ENTIRETY.

PROSPECTIVE PURCHASERS ARE NOT TO CONSTRUE THE CONTENTS OF THIS OFFERING MEMORANDUM OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM FANNIE MAE, THE INDENTURE TRUSTEE, THE EXCHANGE ADMINISTRATOR, AN INITIAL PURCHASER OR ANY OF THEIR RESPECTIVE OFFICERS, EMPLOYEES OR AGENTS AS INVESTMENT, LEGAL, ACCOUNTING OR TAX ADVICE. PRIOR TO INVESTING IN THE SECURITIES A PROSPECTIVE PURCHASER SHOULD CONSULT WITH ITS ATTORNEYS AND ITS INVESTMENT, ACCOUNTING, REGULATORY AND TAX ADVISORS TO DETERMINE THE CONSEQUENCES OF AN INVESTMENT IN THE SECURITIES AND ARRIVE AT AN INDEPENDENT EVALUATION OF SUCH INVESTMENT, INCLUDING THE RISKS RELATED THERETO.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFERING MEMORANDUM. THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SECURITIES. THIS OFFERING MEMORANDUM WILL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR WILL THERE BE ANY SALE OF THE SECURITIES, IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH STATE OR OTHER JURISDICTION.

THE DELIVERY OF THIS OFFERING MEMORANDUM AT ANY TIME DOES NOT IMPLY THAT INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE OF THIS OFFERING MEMORANDUM OR THE EARLIER DATES REFERENCED HEREIN.

SUBJECT TO LIMITED EXCEPTIONS IN CONNECTION WITH THE INITIAL SALE OF THE SECURITIES, THE SECURITIES MAY BE SOLD ONLY TO QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF RULE 144A UPON SATISFACTION OF CERTAIN PROVISIONS OF THIS OFFERING MEMORANDUM. SEE "*DISTRIBUTION ARRANGEMENTS — SELLING RESTRICTIONS*" IN THIS OFFERING MEMORANDUM. PROSPECTIVE INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THIS OFFERING MEMORANDUM HAS BEEN PREPARED BY FANNIE MAE SOLELY FOR USE IN CONNECTION WITH THE SALE OF THE SECURITIES.

#### **FANNIE MAE IS IN CONSERVATORSHIP; POTENTIAL RECEIVERSHIP**

FANNIE MAE CONTINUES TO OPERATE UNDER THE CONSERVATORSHIP THAT COMMENCED ON SEPTEMBER 6, 2008, CONDUCTING FANNIE MAE'S BUSINESS UNDER THE DIRECTION OF THE FEDERAL HOUSING FINANCE AGENCY ("**FHFA**") AS FANNIE MAE'S CONSERVATOR (THE "**CONSERVATOR**"). UPON ITS APPOINTMENT, FHFA, AS CONSERVATOR, IMMEDIATELY SUCCEEDED TO ALL RIGHTS, TITLES, POWERS AND PRIVILEGES OF FANNIE MAE AND OF ANY STOCKHOLDER, OFFICER OR DIRECTOR OF FANNIE MAE WITH RESPECT TO FANNIE MAE'S BUSINESS AND ASSETS. THE CONSERVATOR HAS DIRECTED AND WILL CONTINUE TO DIRECT CERTAIN OF FANNIE MAE'S BUSINESS ACTIVITIES AND STRATEGIES. UNDER THE HOUSING AND ECONOMIC RECOVERY ACT ("**HERA**"), FHFA MUST PLACE FANNIE MAE INTO RECEIVERSHIP IF THE DIRECTOR OF FHFA MAKES A DETERMINATION IN WRITING THAT FANNIE MAE'S ASSETS ARE, AND FOR A PERIOD OF 60 DAYS HAVE BEEN, LESS THAN FANNIE MAE'S OBLIGATIONS. FHFA

HAS NOTIFIED FANNIE MAE THAT THE MEASUREMENT PERIOD FOR ANY MANDATORY RECEIVERSHIP DETERMINATION WITH RESPECT TO FANNIE MAE'S ASSETS AND OBLIGATIONS WOULD COMMENCE NO EARLIER THAN THE SEC PUBLIC FILING DEADLINE FOR FANNIE MAE'S QUARTERLY OR ANNUAL FINANCIAL STATEMENTS AND WOULD CONTINUE FOR 60 CALENDAR DAYS AFTER THAT DATE. FHFA HAS ALSO ADVISED FANNIE MAE THAT, IF, DURING THAT 60-DAY PERIOD, FANNIE MAE RECEIVES FUNDS FROM TREASURY IN AN AMOUNT AT LEAST EQUAL TO THE DEFICIENCY AMOUNT UNDER THE SENIOR PREFERRED STOCK PURCHASE AGREEMENT, THE DIRECTOR OF FHFA WILL NOT MAKE A MANDATORY RECEIVERSHIP DETERMINATION.

IN ADDITION, FANNIE MAE COULD BE PUT INTO RECEIVERSHIP AT THE DISCRETION OF THE DIRECTOR OF FHFA AT ANY TIME FOR OTHER REASONS, INCLUDING CONDITIONS THAT FHFA HAS ALREADY ASSERTED EXISTED AT THE TIME THE THEN DIRECTOR OF FHFA PLACED FANNIE MAE INTO CONSERVATORSHIP. THESE INCLUDE: A SUBSTANTIAL DISSIPATION OF ASSETS OR EARNINGS DUE TO UNSAFE OR UNSOUND PRACTICES; THE EXISTENCE OF AN UNSAFE OR UNSOUND CONDITION TO TRANSACT BUSINESS; AN INABILITY TO MEET FANNIE MAE'S OBLIGATIONS IN THE ORDINARY COURSE OF BUSINESS; A WEAKENING OF FANNIE MAE'S CONDITION DUE TO UNSAFE OR UNSOUND PRACTICES OR CONDITIONS; CRITICAL UNDERCAPITALIZATION; THE LIKELIHOOD OF LOSSES THAT WILL DEplete SUBSTANTIALLY ALL OF FANNIE MAE'S CAPITAL; OR BY CONSENT. A RECEIVERSHIP WOULD TERMINATE THE CURRENT CONSERVATORSHIP.

IF FHFA WERE TO BECOME FANNIE MAE'S RECEIVER, IT COULD EXERCISE CERTAIN POWERS THAT COULD ADVERSELY AFFECT THE SECURITIES.

IN ITS CAPACITY AS RECEIVER, FHFA WOULD HAVE THE RIGHT TO TRANSFER OR SELL ANY ASSET OR LIABILITY OF FANNIE MAE, INCLUDING FANNIE MAE'S OBLIGATIONS UNDER THE CREDIT PROTECTION AGREEMENT, WITHOUT ANY APPROVAL, ASSIGNMENT OR CONSENT OF ANY PARTY. IF FHFA, AS RECEIVER, WERE TO TRANSFER SUCH OBLIGATION TO ANOTHER PARTY, HOLDERS OF THE SECURITIES WOULD HAVE TO RELY ON THAT PARTY FOR SATISFACTION OF FANNIE MAE'S OBLIGATIONS THEREUNDER AND WOULD BE EXPOSED TO THE CREDIT RISK OF THAT PARTY.

DURING A RECEIVERSHIP, CERTAIN RIGHTS OF HOLDERS OF THE SECURITIES MAY NOT BE ENFORCEABLE AGAINST FHFA, OR ENFORCEMENT OF SUCH RIGHTS MAY BE DELAYED.

HERA ALSO PROVIDES THAT NO PERSON MAY EXERCISE ANY RIGHT OR POWER TO TERMINATE, ACCELERATE OR DECLARE AN EVENT OF DEFAULT UNDER CERTAIN CONTRACTS TO WHICH FANNIE MAE IS A PARTY, OR OBTAIN POSSESSION OF OR EXERCISE CONTROL OVER ANY PROPERTY OF FANNIE MAE, OR AFFECT ANY CONTRACTUAL RIGHTS OF FANNIE MAE, WITHOUT THE APPROVAL OF FHFA AS RECEIVER, FOR A PERIOD OF 90 DAYS FOLLOWING THE APPOINTMENT OF FHFA AS RECEIVER.

#### **IMPORTANT NOTICE REGARDING THE SECURITIES**

The Securities referred to in this Offering Memorandum are subject to modification or revision (including the possibility that one or more Classes of Securities may be split, combined or eliminated at any time prior to issuance or availability of a final Offering Memorandum), and the Securities are offered on a "when, as and if issued" basis. Each prospective investor understands that, when considering the purchase of the Securities, a contract of sale will come into being no sooner than the date on which the relevant Class of Securities has been priced and a confirmation of the allocation of Securities has been made to such prospective investor; any "indications of interest" expressed by a prospective investor, and any "soft circles" generated, will not create binding contractual obligations for a prospective investor, any Initial Purchaser or the Issuer.

Because the Securities are being offered on a "when, as and if issued" basis, any such contract will terminate, by its terms, without any further obligation or liability between you and the Issuer, if the Securities themselves, or the particular Class of Securities to which the contract relates, are not issued. Because the Securities are subject to modification or revision, any such contract also is conditioned upon the understanding that no material change will

occur with respect to the relevant Class of Securities prior to the Closing Date. If a material change does occur with respect to a Class of Securities being purchased, then that change will cause the termination of the contract, by its terms, with a prospective investor to purchase the related Securities without any further obligation or liability between the prospective investor and Fannie Mae (an "**Automatic Termination**"). If an Automatic Termination occurs, Fannie Mae will provide a prospective investor with revised offering materials reflecting the material change and give the prospective investor an opportunity to purchase the related Class of Securities. In order for a prospective investor to indicate its interest in purchasing such Class, such prospective investor must communicate to Fannie Mae its desire to do so within such timeframe as may be designated in connection with such prospective investor's receipt of the revised offering materials.

If Fannie Mae or the Initial Purchasers determine that a condition is not satisfied in any material respect, prospective investors will be notified, and none of Fannie Mae, the Issuer or the Initial Purchasers will have any obligation to prospective investors to deliver any portions of the Securities that such prospective investors have committed to purchase, and there will be no liability between the Initial Purchasers, Fannie Mae, the Issuer or any of their respective agents or affiliates, on the one hand, and prospective investors, on the other hand, as a consequence of the non-delivery.

The information contained in these materials may be based on assumptions regarding market conditions and other matters as reflected herein. No representation is made regarding the reasonableness of such assumptions or the likelihood that any such assumptions will coincide with actual market conditions or events, and these materials should not be relied upon for such purposes. The Initial Purchasers and their respective affiliates, officers, directors, partners and employees, including persons involved in the preparation or issuance of this Offering Memorandum, may from time to time have long or short positions in, and buy and sell, the securities mentioned herein or derivatives thereof (including options). In addition, the Initial Purchasers and their respective affiliates, officers, directors, partners and employees, including persons involved in the preparation or issuance of this Offering Memorandum, may have an investment or commercial banking relationship with Fannie Mae. See "*Risk Factors — The Interests of Fannie Mae, the Initial Purchasers and Others May Conflict With and Be Adverse to the Interests of the Securityholders — Potential Conflicts of Interest of the Initial Purchasers and their Affiliates*". Information in this Offering Memorandum is current only as of the date appearing on such material. Information in this Offering Memorandum regarding any Securities supersedes all prior information regarding such Securities. The Securities may not be suitable for all prospective investors.

**TABULAR DATA REGARDING THE OFFERED SECURITIES, THE EXCHANGEABLE NOTES AND CERTAIN CERTIFICATES AND INTERESTS**

**FANNIE MAE  
CONNECTICUT AVENUE SECURITIES, SERIES 2019-HRP1**

Class	Original Principal Balance (\$)	Expected Approximate Initial Credit Support (%)	Class Coupon <sup>(1)</sup>	Expected Ratings (S&P/KBRA)	Expected WAL (yrs) <sup>(2)</sup>	Expected Principal Payment Window (mos) <sup>(2)</sup>	Interest Accrual Basis	Maturity Date <sup>(3)</sup>	Class Type
M-2A <sup>(4)(5)</sup>	\$278,896,000	0.72%	(6)	BB- (sf) / BB (sf)	1.00	1 – 25	Actual/360	November 2039	Mezzanine
M-2B <sup>(4)(5)</sup>	\$278,896,000	0.45%	(6)	B (sf) / B (sf)	3.41	25 – 59	Actual/360	November 2039	Mezzanine
M-2 <sup>(5)</sup>	\$557,792,000	0.45%	(6)	B (sf) / B (sf)	2.20	1 – 59	Actual/360	November 2039	RCR/ Mezzanine
B-1 <sup>(4)</sup>	\$405,667,000	0.05%	(6)	NR / NR	6.60	59 – 84	Actual/360	November 2039	Subordinate
<b>Total:</b>	<b>\$963,459,000**</b>								

\* Offered Securities.

\*\* Including only Offered Securities.

(1) Each Class of Offered Securities will be sold at a price of par.

(2) Weighted average lives and principal payment windows with respect to the Securities assume that no Credit Events or Modification Events occur, prepayments occur at the pricing speed of 10% CPR (calculated from the Closing Date), the Securities pay on the 25th day of each month beginning in December 2019 and the Early Redemption Option is exercised on the Payment Date in November 2026.

(3) The Class Principal Balance of any outstanding Securities will be paid in full on the earlier to occur of the Early Redemption Date, if any, and the Maturity Date.

(4) The Class M-2A Notes, Class M-2B Notes and Class B-1 Certificates will have corresponding Reference Tranches for the purpose of making calculations of payments required to be made by the Issuer and reductions and increases in the principal amounts of the Securities.

(5) The Holders of the Class M-2 Notes may exchange all or part of that Class for proportionate interests in the Class M-2A Notes and Class M-2B Notes, and vice versa. Additionally, the Holders of Class M-2A Notes and/or Class M-2B Notes may exchange all or part of those Classes for proportionate interests in the RCR Notes in the applicable combinations set forth on Schedule I hereto, and vice versa. Of the Exchangeable Notes and the RCR Notes, only the Class M-2 Notes are Offered Securities.

(6) See "Summary of Terms — Interest" herein.

## FORWARD LOOKING STATEMENTS

This Offering Memorandum contains forward looking statements within the meaning of Section 27A of the Securities Act. Specifically, forward looking statements, together with related qualifying language and assumptions, are found in the material (including the tables) under the headings "*Risk Factors*" and "*Prepayment and Yield Considerations*" and in the appendices. Forward looking statements are also found in other places throughout this Offering Memorandum, and may be identified by, among other things, accompanying language such as "expects," "intends," "anticipates," "estimates" or analogous expressions, or by qualifying language or assumptions. These statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results or performance to differ materially from that described in or implied by the forward looking statements. These risks, uncertainties and other factors include, among others, general economic and business conditions, competition, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, customer preference and various other matters, many of which are beyond Fannie Mae's control. These forward looking statements speak only as of the date of this Offering Memorandum. Fannie Mae expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements to reflect changes in Fannie Mae's expectations with regard to those statements or any change in events, conditions or circumstances on which any forward looking statement is based.

## FANNIE MAE

### General

Fannie Mae is a government-sponsored enterprise that was chartered by Congress in 1938 to support liquidity, stability and affordability in the secondary mortgage market, where existing mortgage-backed assets are purchased and sold. The Federal National Mortgage Association Charter Act (the "**Charter Act**") does not permit Fannie Mae to originate loans or lend money directly to consumers in the primary mortgage market. Fannie Mae's most significant activity is securitizing mortgage loans originated by lenders into Fannie Mae's mortgage-backed securities that Fannie Mae guarantees. Fannie Mae also purchases mortgage loans and mortgage-backed securities. Fannie Mae has been securitizing mortgage loans since 1981. Fannie Mae has been the largest issuer of mortgage-related securities since 1990.

Fannie Mae obtains funds to purchase mortgage loans and mortgage-backed assets by issuing a variety of debt securities in the domestic and international capital markets.

As discussed below, Fannie Mae is currently in conservatorship.

### Regulation and Conservatorship

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

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

The conservatorship has no specified termination date, and there continues to be uncertainty regarding the future of Fannie Mae, including how long Fannie Mae will continue to exist, the extent of Fannie Mae's role in the market, what form Fannie Mae will have, and what ownership interest in Fannie Mae, if any, will be held by its



current common and preferred stockholders after the conservatorship is terminated and whether Fannie Mae will continue to exist following conservatorship. For more information on the risks to Fannie Mae's business relating to the conservatorship and uncertainties regarding the future of Fannie Mae, please see, for example, "*Risk Factors — FHFA Could Terminate the Conservatorship by Placing Fannie Mae into Receivership, Which Could Adversely Affect Securityholders*" and "*— Risks Relating to Fannie Mae*".

In September 2008, Fannie Mae, through FHFA as its conservator, entered into two agreements with Treasury — the Senior Preferred Stock Purchase Agreement (as amended, the "**Senior Preferred Stock Purchase Agreement**") and the warrant. Pursuant to the Senior Preferred Stock Purchase Agreement, Fannie Mae issued and sold to Treasury 1,000,000 shares of senior preferred stock with an initial liquidation preference of \$1,000 per share. The warrant allows Treasury to purchase, for a nominal price, shares of common stock equal to 79.9% of the outstanding common stock of Fannie Mae on a fully diluted basis.

The senior preferred stock and the warrant were issued to Treasury as an initial commitment fee in consideration of the commitment from Treasury to provide funds to Fannie Mae under the terms and conditions set forth in the Senior Preferred Stock Purchase Agreement. The Senior Preferred Stock Purchase Agreement provides that, on a quarterly basis, Fannie Mae generally may draw funds up to the amount, if any, by which Fannie Mae's total liabilities exceed its total assets, as reflected on its consolidated balance sheet, prepared in accordance with generally accepted accounting principles, for the applicable fiscal quarter. Under the terms of the Senior Preferred Stock Purchase Agreement, if Fannie Mae does not have a positive net worth or if its net worth does not exceed the applicable capital reserve amount as of the end of a fiscal quarter, then no dividend amount will accrue or be payable for the applicable dividend period. If Fannie Mae does not declare and pay a dividend in the full amount provided for in the senior preferred stock for any future dividend period, the capital reserve amount will thereafter be zero. On September 27, 2019, Treasury and Fannie Mae (through FHFA acting on Fannie Mae's behalf in its capacity as conservator) entered into a letter agreement (the "September 2019 Letter Agreement") increasing the applicable capital reserve amount to \$25.0 billion, effective September 30, 2019. As a result of this change, no dividend amount is payable for the third quarter of 2019 since Fannie Mae's net worth of \$6.4 billion as of June 30, 2019 is less than the \$25.0 billion capital reserve amount.

In the event Fannie Mae has a comprehensive loss for any future quarter, Fannie Mae may also have a net worth deficit for that quarter. Although Fannie Mae expects to remain profitable on an annual basis for the foreseeable future, the expected volatility in Fannie Mae's financial results, which may be significant from quarter to quarter, could result in a net worth deficit in a future quarter.

For any quarter for which Fannie Mae has a net worth deficit, Fannie Mae will be required to draw funds from Treasury under the Senior Preferred Stock Purchase Agreement in order to avoid being placed into receivership. As of the date of this Offering Memorandum, the maximum amount of remaining funding under the Senior Preferred Stock Purchase Agreement is \$113.9 billion. If Fannie Mae were to draw additional funds from Treasury under the Senior Preferred Stock Purchase Agreement in a future period, the amount of remaining funding under the Senior Preferred Stock Purchase Agreement would be reduced by the amount of Fannie Mae's draw. Dividend payments Fannie Mae makes to Treasury do not restore or increase the amount of funding available to Fannie Mae under the Senior Preferred Stock Purchase Agreement.

The Senior Preferred Stock Purchase Agreement and the warrant contain covenants that significantly restrict Fannie Mae's business activities. These covenants, which are summarized in Fannie Mae's 2018 10-K under the heading "*Business—Conservatorship and Treasury Agreements*," include a prohibition on the issuance of equity securities (except in limited instances), a prohibition on the payment of dividends or other distributions on Fannie Mae's equity securities (other than the senior preferred stock or the warrant), a prohibition on Fannie Mae's issuance of subordinated debt securities, and limitations on the amount of debt securities Fannie Mae may have outstanding and the size of its mortgage asset portfolio.

In September 2019, Treasury released a proposal for administrative and legislative reforms to end the conservatorship of Fannie Mae and Freddie Mac, to effect recapitalizations of the two enterprises, to place additional limitations on their permitted activities, and to effect widespread reform of the U.S. mortgage finance system. The September 2019 Letter Agreement increasing Fannie Mae's capital reserve amount represents a significant step toward implementing the reforms outlined in Treasury's proposal. The September 2019 Letter

Agreement also provides that Fannie Mae and Treasury agree to negotiate and execute an additional amendment to the Senior Preferred Stock Purchase Agreement to further enhance taxpayer protections by adopting covenants broadly consistent with recommendations for administrative reform contained in Treasury's proposal. In addition, the implementation of policy objectives asserted by the Director of FHFA could result in significant changes affecting Fannie Mae's conservatorship. See "*Risk Factors — Investment Factors and Risks Related to the Securities — Additional Governmental Actions in the U.S. and Abroad Could Adversely Affect the Market Value of the Securities.*"

For additional information, see "Business—Conservatorship and Treasury Agreements—Treasury Agreements—Senior Preferred Stock Purchase Agreement and Related Issuance of Senior Preferred Stock and Common Stock Warrant—Senior Preferred Stock Purchase Agreement" in Fannie Mae's Annual Report on Form 10-K for the year ended December 31, 2018.

Fannie Mae continues to rely on support from Treasury to eliminate any net worth deficits Fannie Mae may experience in the future, which would otherwise trigger Fannie Mae's being placed into receivership. Based on consideration of all of the relevant conditions and events affecting Fannie Mae's operations, including its dependence on the U.S. Government, Fannie Mae continues to operate as a going concern and in accordance with FHFA's provision of authority. Fannie Mae remains liable for all of Fannie Mae's obligations, including its contractual payment obligations under the Credit Protection Agreement. The Senior Preferred Stock Purchase Agreement is intended to enhance Fannie Mae's ability to meet its obligations. While the Senior Preferred Stock Purchase Agreement provides holders of Fannie Mae's debt securities limited rights to bring proceedings against Treasury if Fannie Mae fails to fulfill its payment obligations, Securityholders will not have the benefit of these rights as the Securities will not be debt obligations of Fannie Mae.

### **Possibility of Future Receivership**

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

A receivership would terminate the conservatorship. Unlike a conservatorship, the purpose of which is to conserve Fannie Mae's assets and return Fannie Mae to a sound and solvent condition, the purpose of a receivership is to liquidate Fannie Mae's assets and resolve claims against Fannie Mae.

See "*Risk Factors — Special Risks Associated with the Credit Protection Agreement — FHFA Could Terminate the Conservatorship by Placing Fannie Mae into Receivership, Which Could Adversely Affect Securityholders*" in this Offering Memorandum.

## NOTICE TO EUROPEAN ECONOMIC AREA INVESTORS

THIS OFFERING MEMORANDUM IS NOT A PROSPECTUS FOR THE PURPOSES OF REGULATION (EU) 2017/1129 (AS AMENDED, THE "**PROSPECTUS REGULATION**"). THE SECURITIES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA ("**EEA**"). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (A) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, "**MIFID II**"); (B) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (AS AMENDED), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (C) NOT A QUALIFIED INVESTOR AS DEFINED IN THE PROSPECTUS REGULATION (AS DEFINED BELOW). CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (AS AMENDED, THE "**PRIIPS REGULATION**") FOR OFFERING OR SELLING THE SECURITIES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE SECURITIES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

THIS OFFERING MEMORANDUM HAS BEEN PREPARED ON THE BASIS THAT ANY OFFER OF SECURITIES IN THE EEA WILL BE MADE ONLY TO LEGAL ENTITIES WHICH ARE QUALIFIED INVESTORS UNDER THE PROSPECTUS REGULATION. ACCORDINGLY ANY PERSON MAKING OR INTENDING TO MAKE AN OFFER IN THE EEA OF SECURITIES MAY DO SO ONLY WITH RESPECT TO QUALIFIED INVESTORS. NONE OF THE ISSUER OR ANY OF THE INITIAL PURCHASERS HAS AUTHORIZED, NOR DOES ANY OF THEM AUTHORIZE, THE MAKING OF ANY OFFER OF SECURITIES IN THE EEA OTHER THAN TO QUALIFIED INVESTORS.

## EUROPEAN RISK RETENTION AND DUE DILIGENCE

IN CONNECTION WITH REGULATION (EU) 2017/2402 (THE "**SECURITIZATION REGULATION**"), REGULATORY AND IMPLEMENTING TECHNICAL STANDARDS APPLICABLE THERETO AND GUIDELINES AND OTHER MATERIALS PUBLISHED BY THE EUROPEAN BANKING AUTHORITY, THE EUROPEAN SECURITIES AND MARKETS AUTHORITY AND THE EUROPEAN COMMISSION IN RELATION THERETO (COLLECTIVELY, THE "**EUROPEAN SECURITIZATION RULES**"), FANNIE MAE WILL UNDERTAKE IN THE EUROPEAN RISK RETENTION LETTER THAT AMONG OTHER THINGS IT (I) WILL RETAIN A MATERIAL NET ECONOMIC INTEREST IN THE UNDERLYING EXPOSURE RELATED TO THIS SECURITIES ISSUANCE TRANSACTION OF NOT LESS THAN 5% AND (II) WILL NOT SUBJECT SUCH RETAINED INTEREST OR THE REFERENCE OBLIGATIONS TO ANY CREDIT RISK MITIGATION OR HEDGING OR SELL, TRANSFER OR OTHERWISE SURRENDER ALL OR PART OF SUCH RETAINED INTEREST, EXCEPT TO THE EXTENT PERMITTED IN ACCORDANCE WITH THE EUROPEAN SECURITIZATION RULES. EACH PROSPECTIVE INVESTOR IN THE SECURITIES IS REQUIRED TO INDEPENDENTLY ASSESS AND DETERMINE ANY APPLICATION OF THE EUROPEAN SECURITIZATION RULES TO IT AND THE SUFFICIENCY FOR THE PURPOSES OF ENABLING SUCH INVESTOR TO COMPLY WITH THE EUROPEAN SECURITIZATION RULES WHERE APPLICABLE OF THE INFORMATION DESCRIBED UNDER "*EUROPEAN SECURITIZATION RULES*" AND IN THIS OFFERING MEMORANDUM GENERALLY. SEE "*EUROPEAN SECURITIZATION RULES*" AND "*RISK FACTORS — INVESTMENT FACTORS AND RISKS RELATED TO THE SECURITIES — ADDITIONAL GOVERNMENTAL ACTIONS IN THE U.S. AND ABROAD COULD ADVERSELY AFFECT THE MARKET VALUE OF THE SECURITIES*".

## NOTICE TO UNITED KINGDOM INVESTORS

WITHIN THE UNITED KINGDOM, THE DISTRIBUTION OF THIS OFFERING MEMORANDUM IS DIRECTED ONLY AT PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND WHO EITHER (A) QUALIFY AS INVESTMENT PROFESSIONALS IN ACCORDANCE WITH ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

(FINANCIAL PROMOTION) ORDER 2005 (THE "FPO"), (B) ARE PERSONS FALLING WITHIN ARTICLE 49(2) OF THE FPO, OR (C) ARE PERSONS WHO MAY OTHERWISE LAWFULLY RECEIVE THIS OFFERING MEMORANDUM (TOGETHER, "**EXEMPT PERSONS**"). IT MAY NOT BE PASSED ON EXCEPT TO EXEMPT PERSONS OR OTHER PERSONS IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (AS AMENDED) DOES NOT APPLY TO THE ISSUER (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "**RELEVANT PERSONS**"). IN THE UNITED KINGDOM, THIS OFFERING MEMORANDUM MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. IN THE UNITED KINGDOM, ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING MEMORANDUM RELATES, INCLUDING THE SECURITIES, IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSONS OTHER THAN RELEVANT PERSONS SHOULD NOT ACT OR RELY ON THIS OFFERING MEMORANDUM.

POTENTIAL INVESTORS IN THE UNITED KINGDOM ARE ADVISED THAT ALL, OR MOST, OF THE PROTECTIONS AFFORDED BY THE UNITED KINGDOM REGULATORY SYSTEM WILL NOT APPLY TO AN INVESTMENT IN THE SECURITIES AND THAT COMPENSATION WILL NOT BE AVAILABLE UNDER THE UNITED KINGDOM FINANCIAL SERVICES COMPENSATION SCHEME.

### **SINGAPORE EXCHANGE**

SUBSEQUENT TO ISSUANCE OF THE SECURITIES, FANNIE MAE INTENDS TO APPLY TO THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "**SINGAPORE EXCHANGE**") FOR THE SECURITIES TO BE LISTED ON THE SINGAPORE EXCHANGE. FOLLOWING ANY SUCH APPLICATION, THERE CAN BE NO ASSURANCE THAT SUCH LISTING WILL BE GRANTED OR MAINTAINED. SUCH PERMISSION WILL BE GRANTED WHEN THE SECURITIES HAVE BEEN ADMITTED TO THE OFFICIAL LIST OF THE SINGAPORE EXCHANGE. THE SINGAPORE EXCHANGE ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE, OPINIONS EXPRESSED OR REPORTS CONTAINED HEREIN. ADMISSION TO THE OFFICIAL LIST OF THE SINGAPORE EXCHANGE IS NOT TO BE TAKEN AS AN INDICATION OF FANNIE MAE'S MERITS OR THE MERITS OF FANNIE MAE'S SUBSIDIARIES, ASSOCIATED COMPANIES OR THE SECURITIES.

FOR SO LONG AS THE SECURITIES ARE LISTED ON THE SINGAPORE EXCHANGE AND THE RULES OF THE SINGAPORE EXCHANGE SO REQUIRE, IN THE EVENT THAT THE BOOK-ENTRY SECURITIES ARE EXCHANGED FOR DEFINITIVE SECURITIES, FANNIE MAE WILL APPOINT AND MAINTAIN A PAYING AGENT IN SINGAPORE, WHERE THE DEFINITIVE SECURITIES MAY BE PRESENTED OR SURRENDERED FOR PAYMENT OR REDEMPTION. IN ADDITION, IN THE EVENT THAT THE BOOK-ENTRY SECURITIES ARE EXCHANGED FOR DEFINITIVE SECURITIES, AN ANNOUNCEMENT OF SUCH EXCHANGE WILL BE MADE BY OR ON BEHALF OF FANNIE MAE THROUGH THE SINGAPORE EXCHANGE AND SUCH ANNOUNCEMENT WILL INCLUDE ALL MATERIAL INFORMATION WHICH RESPECT TO THE DELIVERY OF THE DEFINITIVE SECURITIES, INCLUDING DETAILS OF THE PAYING AGENT IN SINGAPORE.

FOR SO LONG AS THE SECURITIES ARE LISTED ON THE SINGAPORE EXCHANGE AND THE RULES OF THE SINGAPORE EXCHANGE SO REQUIRE, THE SECURITIES WILL BE TRADED ON THE SINGAPORE EXCHANGE IN A MINIMUM BOARD LOT SIZE OF S\$200,000.

**SECTION 309B(1)(c) NOTIFICATION:** THE SECURITIES WILL BE (A) CAPITAL MARKETS PRODUCTS OTHER THAN PRESCRIBED CAPITAL MARKETS PRODUCTS (AS DEFINED IN THE SINGAPORE SECURITIES AND FUTURES (CAPITAL MARKETS PRODUCTS) REGULATIONS 2018) AND (B) SPECIFIED INVESTMENT PRODUCTS (AS DEFINED IN MAS NOTICE SFA 04-N12: NOTICE ON THE SALE OF INVESTMENT PRODUCTS AND MAS NOTICE FAA-N16: NOTICE ON RECOMMENDATIONS ON INVESTMENT PRODUCTS).

### **JAPAN**

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INSTRUMENTS AND EXCHANGE LAW OF JAPAN, AS AMENDED (THE "**FIEL**"), AND DISCLOSURE

UNDER THE FIEL HAS NOT BEEN AND WILL NOT BE MADE WITH RESPECT TO THE SECURITIES. ACCORDINGLY, EACH INITIAL PURCHASER HAS REPRESENTED AND AGREED THAT IT HAS NOT, DIRECTLY OR INDIRECTLY, OFFERED OR SOLD AND WILL NOT, DIRECTLY OR INDIRECTLY, OFFER OR SELL ANY SECURITIES IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN (WHICH TERM AS USED IN THIS OFFERING MEMORANDUM MEANS ANY PERSON RESIDENT IN JAPAN, INCLUDING ANY CORPORATION OR OTHER ENTITY ORGANIZED UNDER THE LAWS OF JAPAN) OR TO OTHERS FOR REOFFERING OR RE-SALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FIEL AND OTHER RELEVANT LAWS, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN. AS PART OF THIS OFFERING OF THE OFFERED SECURITIES, THE INITIAL PURCHASERS MAY OFFER THE OFFERED SECURITIES IN JAPAN TO UP TO 49 OFFEREEES IN ACCORDANCE WITH THE ABOVE PROVISIONS.

### **JAPANESE RETENTION REQUIREMENT**

THE JAPANESE FINANCIAL SERVICES AGENCY ("**JFSA**") PUBLISHED A RISK RETENTION RULE AS PART OF THE REGULATORY CAPITAL REGULATION OF CERTAIN CATEGORIES OF JAPANESE INVESTORS SEEKING TO INVEST IN SECURITIZATION TRANSACTIONS (THE "**JRR RULE**"). THE JRR RULE MANDATES AN "INDIRECT" COMPLIANCE REQUIREMENT, MEANING THAT CERTAIN CATEGORIES OF JAPANESE INVESTORS WILL BE REQUIRED TO APPLY HIGHER RISK WEIGHTING TO SECURITIZATION EXPOSURES THEY HOLD UNLESS THE RELEVANT ORIGINATOR COMMITS TO HOLD A RETENTION INTEREST IN THE SECURITIES ISSUED IN THE SECURITIZATION TRANSACTION EQUAL TO AT LEAST 5% OF THE EXPOSURE OF THE TOTAL UNDERLYING ASSETS IN THE SECURITIZATION TRANSACTION (THE "**JAPANESE RETENTION REQUIREMENT**"), OR SUCH INVESTORS DETERMINE THAT THE UNDERLYING ASSETS WERE NOT "INAPPROPRIATELY ORIGINATED." IN THE ABSENCE OF SUCH A DETERMINATION BY SUCH INVESTORS THAT SUCH UNDERLYING ASSETS WERE NOT "INAPPROPRIATELY ORIGINATED," THE JAPANESE RETENTION REQUIREMENT WOULD APPLY TO AN INVESTMENT BY SUCH INVESTORS IN SUCH SECURITIES.

NO PARTY TO THE TRANSACTION DESCRIBED IN THIS OFFERING MEMORANDUM HAS COMMITTED TO HOLD A RISK RETENTION INTEREST IN COMPLIANCE WITH THE JAPANESE RETENTION REQUIREMENT, AND WE MAKE NO REPRESENTATION AS TO WHETHER THE TRANSACTION DESCRIBED IN THIS OFFERING MEMORANDUM WOULD OTHERWISE COMPLY WITH THE JRR RULE.

## ADDITIONAL INFORMATION

Fannie Mae's common stock is registered with the SEC under the Securities Exchange Act of 1934 ("**Exchange Act**"). Fannie Mae files reports and other information with the SEC.

As described below, Fannie Mae incorporates certain documents by reference in this Offering Memorandum, which means that Fannie Mae is disclosing information to you by referring you to those documents rather than by providing you with separate copies. Fannie Mae incorporates by reference in this Offering Memorandum (1) its Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 14, 2019; (2) its Quarterly Report on Form 10-Q for the period ended on September 30, 2019, filed with the SEC on October 31, 2019; (3) all other reports Fannie Mae has filed with the SEC pursuant to Section 13(a) of the Exchange Act since the end of the year covered by that Form 10-K report, excluding any information Fannie Mae "furnishes" to the SEC on Form 8-K; and (4) all documents that Fannie Mae files with the SEC pursuant to Section 13(a), 13(c) or 14 of the Exchange Act after the date of this Offering Memorandum and prior to the termination of the offering of the Securities, excluding any information Fannie Mae "furnishes" to the SEC on Form 8-K. These documents are collectively referred to as the "**Incorporated Documents**" and are considered part of this Offering Memorandum. You should read this Offering Memorandum in conjunction with the Incorporated Documents. Information that Fannie Mae incorporates by reference will automatically update information in this Offering Memorandum. Therefore, you should rely only on the most current information provided or incorporated by reference in this Offering Memorandum. No documents incorporated by reference are part of this Offering Memorandum for purposes of the admission of the Securities to trading on the Global Exchange Market.

You may read and copy any document Fannie Mae files with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains a website at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding companies that file electronically with the SEC.

After the Closing Date, you can obtain, without charge, copies of this Offering Memorandum, the Incorporated Documents, the Credit Protection Agreement, the Indenture, the Trust Agreement and the European Risk Retention Letter from:

<p><b>Fannie Mae — Investor Inquiry</b> <b>1100 15th Street, NW</b> <b>Washington, DC 20005</b> <b>Telephone: 1-800-232-6643</b></p>
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Fannie Mae also makes these documents available on its internet website at this address:  
**[www.fanniemae.com](http://www.fanniemae.com)**\*

In addition, such documents will be made available on the internet website of the Indenture Trustee, located as of the date hereof at **[www.ctslink.com](http://www.ctslink.com)**.

Fannie Mae also makes available on its internet website certain pool- and loan-level information regarding each of the mortgage loans backing its MBS, and will make available comparable information regarding the mortgage loans included in the Reference Pool, based on information furnished to Fannie Mae by the loan sellers and servicers of the mortgage loans. Certain pool- or loan-level information provided in this Offering Memorandum, similarly, is based upon information reported and furnished to Fannie Mae by loan sellers and servicers of the mortgage loans. Fannie Mae generally does not independently verify information furnished to it by loan sellers and servicers

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\* Fannie Mae provides this and other internet addresses solely for the information of investors. Fannie Mae does not intend these internet addresses to be active links and Fannie Mae is not using references to these addresses to incorporate additional information into this Offering Memorandum, except as specifically stated in this Offering Memorandum.

An investor may access the Selling Guide (as defined in this Offering Memorandum) at <https://www.fanniemae.com/content/guide/selling/>.  
An investor may access the Servicing Guide (as defined in this Offering Memorandum) at <https://www.fanniemae.com/content/guide/servicing/index.html>.

regarding the mortgage loans and make no representations or warranties concerning the accuracy or completeness of that information. In addition, loan sellers sometimes provide information about certain mortgage loans that they sell to Fannie Mae in separate additional supplements ("**Additional Supplements**"). Fannie Mae has not verified the information in Additional Supplements and makes no representations or warranties concerning the accuracy or completeness of that information.

## TABLE OF CONTENTS

FANNIE MAE IS IN CONSERVATORSHIP; POTENTIAL RECEIVERSHIP .....	iii
IMPORTANT NOTICE REGARDING THE SECURITIES .....	iv
TABULAR DATA REGARDING THE OFFERED SECURITIES, THE EXCHANGEABLE NOTES AND CERTAIN CERTIFICATES AND INTERESTS .....	vi
FORWARD LOOKING STATEMENTS .....	vii
FANNIE MAE .....	vii
General .....	vii
Regulation and Conservatorship .....	vii
Possibility of Future Receivership .....	ix
NOTICE TO EUROPEAN ECONOMIC AREA INVESTORS .....	x
EUROPEAN RISK RETENTION AND DUE DILIGENCE .....	x
NOTICE TO UNITED KINGDOM INVESTORS .....	x
SINGAPORE EXCHANGE .....	xi
JAPAN .....	xi
JAPANESE RETENTION REQUIREMENT .....	xii
ADDITIONAL INFORMATION .....	xiii
TRANSACTION SUMMARY .....	1
Transaction Diagrams .....	3
SUMMARY OF TERMS .....	8
Certain Relationships and Affiliations .....	20
Interest .....	20
Principal .....	22
Reductions in Class Principal Balances or Class Notional Amounts of the Securities Due to Allocation of Tranche Write-down Amounts .....	22
Increases in Class Principal Balances or Class Notional Amounts of the Securities Due to Allocation of Tranche Write-up Amounts .....	22
Hypothetical Structure and Calculations with Respect to the Reference Tranches .....	23
Allocation of Modification Loss Amount .....	26
The Reference Pool .....	26
Prepayment and Yield Considerations .....	29
U.S. Federal Income Tax Consequences .....	30
Legal Investment .....	31
Investment Company Act Considerations .....	32
Volcker Rule Considerations .....	32
Commodity Pool Considerations .....	32
ERISA Considerations .....	32
Rating of the Securities .....	32
European Risk Retention .....	34
Use of Proceeds .....	34
RISK FACTORS .....	35
General .....	35
Special Risks Associated with the Credit Protection Agreement .....	36
The Securities are Subordinate to Certain Payments Payable to Fannie Mae .....	36
Payments from Fannie Mae are not Guaranteed by the United States or any Other Person .....	36
The Securities are Subject to Event of Default or Redemption in the Event of an Early Termination under the Credit Protection Agreement .....	36
Risks Relating to the Securities Being Linked to the Reference Obligations .....	37
The Securities Bear the Risk of Credit Events and Modification Events on the Reference Obligations .....	37
Delay in Liquidation May Reduce Liquidation Proceeds .....	38
The Timing of Credit Events and Modification Events (and the Severity of Losses Realized with Respect Thereto) May Affect Yields on the Securities .....	38



Loan Seller/Servicer Willingness to Repurchase Reference Obligations on a Timely Basis May Affect Yields on the Securities.....	39
Representations and Warranties of the Loan Sellers With Respect to the Reference Obligations are Limited and Repurchases or Other Remedies May Not Be Available Following Breaches .....	39
Fannie Mae's Limited Review of a Sample of a Small Percentage of the Reference Obligations May Not Reveal All Aspects That Could Lead to Credit Events and Modification Events.....	40
Fannie Mae's Quality Control and Quality Assurance Processes are Not Designed to Protect Securityholders .....	40
Fannie Mae's Review of Reference Obligations That Become Credit Event Reference Obligations May Not Result in Reversed Credit Event Reference Obligations .....	41
Discovery of Certain Data Corrections May Not Result in a Repurchase of the Related Reference Obligation .....	41
Limited Scope and Size of Review of the Mortgage Loans in the Reference Pool May Not Reveal Aspects of the Reference Obligations That Could Lead to Credit Events and Modification Events .....	42
Certain Loan Sellers May Originate Loans Under Variances to Fannie Mae's Selling Guide .....	43
Appraisals or Other Assessments May Not Accurately Reflect the Value or Condition of the Mortgaged Properties; Loan-to-Value Ratios May Be Calculated Based on Appraised Values or Other Assessments at Origination, Which May Not Be Accurate Reflections of Current Market Values .....	43
ELTV Ratios May Not Reflect the Actual Value of the Mortgaged Properties .....	44
Credit Scores May Not Accurately Predict the Likelihood of Default.....	44
Fannie Mae May Replace or Discontinue Use of the Credit Score Products Used in Its Disclosure.....	44
Residential Real Estate Values May Fluctuate and Adversely Affect the Securities .....	44
Reduced Lending Capacities and/or Increases in Mortgage Rates May Hinder Refinancing and Increase the Risk of Credit Events and Modification Events on the Reference Obligations .....	45
The Rate and Timing of Principal Payment Collections on the Reference Obligations Will Affect the Yields on the Securities.....	45
Fannie Mae Does Not Re-Underwrite the Mortgage Loans It Acquires from Its Loan Sellers, Which May Adversely Affect the Performance of the Reference Obligations.....	48
Mortgage Loans Originated under Fannie Mae's Refi Plus Program Have Limited Underwriting.....	48
The Performance of the Reference Obligations Could Be Dependent on the Servicers.....	48
Servicers May Not Follow the Requirements of Fannie Mae's Servicing Guide and Servicing Standards May Change Periodically .....	49
Statutory and Judicial Limitations on Foreclosure Procedures May Delay Recovery in Respect of the Mortgaged Properties and, in Some Instances, Limit the Amount That May Be Recovered by the Servicers, Resulting in Losses on the Reference Obligations That Might Be Allocated to the Securities.....	49
Stricter Enforcement of Foreclosure Rules and Documentation Requirements May Cause Delays and Increase the Risk of Loss .....	49
Insurance Related to the Mortgaged Properties May Not Be Sufficient to Compensate for Losses .....	50
Servicing Transfers May Result in Decreased or Delayed Collections and Credit Events .....	50
Each Servicer's Discretion Over the Servicing of the Related Reference Obligations May Impact the Amount and Timing of Funds Available to Make Payments on the Securities.....	50
The Performance of Loan Sellers and Servicers May Adversely Affect the Performance of the Reference Obligations.....	51
Determinations of Reversed Credit Event Reference Obligations and Make-Whole Proceeds Will Be Dependent in Part on Cooperation by the Loan Sellers and Servicers and on Fannie Mae's Quality Control Procedures.....	51
Solicitation May Result in Erosion in the Overall Credit Quality of the Reference Pool .....	52
Borrowers May Have, or May in the Future Incur, Additional Indebtedness Secured by Mortgaged Properties Securing the Reference Obligations.....	52
Mortgage Loans with Higher Loan-to-Value Ratios May Present a Greater Risk .....	52
Geographic Concentration May Increase Risk of Credit Events Due to Adverse Economic Conditions or Natural Disasters.....	53
The Rate of Credit Events and Modification Events on Mortgage Loans That Are Secured by Second Homes or Investment Properties May Be Higher Than the Rate on Other Mortgage Loans .....	53

Mortgage Loans Made to Certain Borrowers May Present a Greater Risk .....	53
Mortgage Loans Secured by Manufactured Homes May Present a Greater Risk .....	54
Special Assessments and Energy Efficiency and Homeowner Association Liens May Take Priority Over the Mortgage Liens .....	54
Impact of Potential Military Action and Terrorist Attacks.....	54
Mortgage Loan Historical Information Is Not Indicative of Future Performance of the Reference Pool .....	54
Governance, Regulation and General Economic Considerations .....	54
The Policies of the U.S. Administration and Related Impacts on the U.S. Economy May Affect the Market Value of the Securities.....	55
Future Turbulence in the Residential Mortgage Market or in the Financial Markets and Lack of Liquidity for Mortgage-Related Securities May Adversely Affect the Performance and Market Value of the Securities .....	55
The Dodd-Frank Act and Regulatory Changes in the Financial Services Industry May Negatively Impact Fannie Mae's Business and the Reference Pool .....	56
Violation of Various Federal, State and Local Laws May Result in Losses on the Reference Obligations.....	58
Risks Relating to Fannie Mae .....	59
A Receiver May Transfer or Sell Fannie Mae's Assets and Liabilities .....	59
FHFA Could Terminate the Conservatorship by Placing Fannie Mae into Receivership, Which Could Adversely Affect Securityholders .....	59
Fannie Mae's Changes in Business Practices May Negatively Impact the Securityholders.....	60
Risks Related to Eligible Investments .....	60
Securityholders Are Exposed to the Value of the Eligible Investments in the Cash Collateral Account.....	60
There May be Delays or Losses in the Redemption of Eligible Investments.....	60
Redeeming Units of an Eligible Investment During an Unfavorable Market Environment May Affect the Net Asset Value of Such Eligible Investment .....	61
Unfavorable Market Conditions May Cause Changes in an Investment's Yield.....	61
Investment Factors and Risks Related to the Securities.....	61
The Issuer May Not Be Able to Repay Your Securities in Full .....	61
Limited Source of Payments; No Recourse to Reference Obligations.....	61
Credit Support Available to Corresponding Classes of Reference Tranches Pursuant to Hypothetical Structure Is Limited and May Not Be Sufficient to Prevent Loss on Your Securities.....	61
Subordination of Corresponding Classes of Reference Tranches Increases Risk of Loss on the Securities.....	62
Significant Write-downs of the Securities That are Subsequently Subject to Write-ups Will Result in Lost Accrued Interest.....	63
LIBOR Levels Could Reduce the Yield on the Floating Rate Securities .....	63
Uncertainty as to the Determination of LIBOR and the Potential Phasing Out of LIBOR after 2021 May Adversely Affect the Value of the Floating Rate Securities.....	63
The Use of an Alternative Method or Index in Place of LIBOR for Determining Monthly Interest Rates May Adversely Affect the Value of Certain Securities.....	64
The Use of an Alternative Method or Index in Place of LIBOR for Determining Monthly Interest Rates May Result in Adverse Tax Consequences with Respect to Certain Securities.....	64
Changes in the Market Value of the Securities May Not Be Reflective of the Performance or Anticipated Performance of the Reference Obligations .....	64
There May be Limited Liquidity of the Securities, Which May Limit Your Ability to Sell the Securities.....	64
Legal Investment Considerations May Restrict Certain Investors .....	65
Risks Associated with the No-Action Letter .....	65
Additional Governmental Actions in the U.S. and Abroad Could Adversely Affect the Market Value of the Securities.....	66
The Restrictions on Transfer on the Securities May Limit Investors' Ability to Sell the Securities .....	68
The Securities May Be Redeemed Early.....	68
The Projected Recovery Amount and the Actual Subsequent Recoveries for the Securities Are Likely to Differ and May Significantly Affect the Amounts Received by the Securityholders .....	69

The Early Redemption Feature May Cause the Securities to Fluctuate in Value Based on Prevailing Interest Rates .....	69
Exchanges of Securities May Result in Investors Holding Lower Rated Securities .....	69
A Reduction, Withdrawal or Qualification of the Ratings on the Rated Notes, or the Issuance of an Unsolicited Rating on the Rated Notes, May Adversely Affect the Market Value of Those Securities and/or Limit an Investor's Ability to Resell Those Securities .....	69
The Ratings on the Rated Notes May Not Reflect All Risks .....	70
The Class B-1 Certificates Will Not Be Rated by any Engaged NRSRO on the Closing Date.....	70
The Ability to Exchange Exchangeable Notes and RCR Notes May Be Limited.....	70
Investors Have No Direct Right to Enforce Remedies.....	70
The Securityholders Have Limited Control over Modifications and Waivers to the Indenture, Securities Account Control Agreement, Credit Protection Agreement, Investment Agency Agreement and Trust Agreement .....	71
Legality of Investment .....	71
Rights of Security Owners May Be Limited by Book-Entry System.....	71
Tax Audit Procedures.....	72
Certain Risks Relating to Original Issue Discount.....	72
Changes in Tax Law; No Gross Up in Respect of the Securities .....	72
ERISA Considerations .....	72
The Interests of Fannie Mae, the Initial Purchasers and Others May Conflict With and Be Adverse to the Interests of the Securityholders .....	73
Fannie Mae's Actions with Respect to REO Dispositions, Mortgage Note Sales, Third-Party Sales, Short Sales and Disposition Timelines May Increase the Risk of Loss on the Securities.....	73
Interests of Fannie Mae May Not Be Aligned With the Interests of the Securityholders .....	73
Federal Housing Policy Objectives Adopted by Fannie Mae May Not Be Aligned With the Interests of the Securityholders .....	73
Potential Conflicts of Interest of the Initial Purchasers and their Affiliates .....	74
Potential Conflicts of Interest of the Indenture Trustee, the Exchange Administrator, Custodian and Investment Agent .....	75
There May Be Conflicts of Interest Between the Classes of Securities .....	75
Combination or "Layering" of Multiple Risk Factors May Significantly Increase the Risk of Loss on Your Securities .....	75
THE ISSUER.....	75
THE TRUSTOR AND ADMINISTRATOR.....	77
THE DELAWARE TRUSTEE.....	77
THE INDENTURE TRUSTEE, EXCHANGE ADMINISTRATOR, CUSTODIAN AND INVESTMENT AGENT .....	77
DESCRIPTION OF THE SECURITIES .....	78
General.....	78
Form, Registration and Transfer of the Securities .....	79
Payments.....	83
Maturity Date.....	84
Early Redemption Option .....	85
Early Redemption Date.....	85
Termination Date .....	85
Projected Recovery Amount.....	85
Interest .....	85
Principal.....	87
Reductions in Class Principal Balances or Class Notional Amounts of the Securities Due to Allocation of Tranche Write-down Amounts .....	88
Increases in Class Principal Balances or Class Notional Amounts of the Securities Due to Allocation of Tranche Write-up Amounts .....	88
Hypothetical Structure and Calculations with Respect to the Reference Tranches .....	88
Allocation of Senior Reduction Amount and Subordinate Reduction Amount.....	89
Allocation of Tranche Write-down Amounts.....	91
Allocation of Tranche Write-up Amounts.....	93

Allocation of Modification Loss Amount .....	95
RCR NOTES .....	96
THE AGREEMENTS.....	97
The Credit Protection Agreement .....	97
The Indenture.....	98
The Investment Agency Agreement .....	106
The Securities Account Control Agreement .....	107
The Administration Agreement .....	107
LOAN ACQUISITION PRACTICES AND SERVICING STANDARDS .....	107
Single-Family Business Overview.....	107
Refi Plus Program .....	107
Delegated Approach.....	108
Single-Family Credit Risk Management Approach .....	109
Loan Seller and Servicer Management and Oversight.....	109
Ongoing Loan Seller and Servicer Management.....	110
Additional Monitoring of Loan Sellers .....	110
Credit Standards.....	111
Loan Underwriting and Eligibility .....	111
Permitted Variances .....	111
Underwriting Process .....	112
Appraisal Standards and Controls .....	114
Mortgage Insurance .....	114
Loan Delivery Controls .....	115
Loan Data Delivery and Quality Assurance .....	115
Loan Documents and Custodial Process .....	115
Quality Control.....	116
Fannie Mae Quality Control Policy and Process.....	116
Loan Remediation Process .....	117
Loan Seller Quality Control Requirements .....	118
Ongoing Surveillance and Feedback .....	119
General.....	119
Loan Seller Training and Feedback.....	120
Loan Performance Monitoring .....	120
Servicing Standards .....	121
General.....	121
Servicer Eligibility .....	121
Servicer Compliance Oversight and Performance Management.....	121
Delinquent Loan Management.....	122
Loan Modifications .....	124
Foreclosure Alternatives .....	125
Non-Performing Loan Sales.....	125
Bankruptcy .....	125
Foreclosure.....	126
Delinquent Loan Statistics .....	126
REO Property Management and Valuation .....	126
Reference Pool Criteria and Process .....	127
Eligible Loans .....	127
Reference Pool Formation.....	127
Reference Pool Servicing and Risk Management .....	128
THE REFERENCE OBLIGATIONS .....	128
Results of Fannie Mae Quality Control .....	129
Limited Compliance Review Findings.....	130
Due Diligence Review .....	130
General.....	130
Compliance Reviews.....	131
Data Integrity Reviews.....	131

Limitations of the Diligence Provider's Review Process .....	132
HISTORICAL INFORMATION.....	133
PREPAYMENT AND YIELD CONSIDERATIONS.....	133
Credit Events and Modification Events .....	133
Prepayment Considerations and Risks.....	134
RCR Notes.....	135
Assumptions Relating to Weighted Average Life Tables, Declining Balances Tables, Credit Event Sensitivity Table, Cumulative Security Write-down Amount Tables and Yield Tables .....	136
Weighted Average Lives of the Securities.....	137
Declining Balances Tables.....	140
Yield Considerations with Respect to the Securities .....	144
Credit Event Sensitivity Tables.....	144
Cumulative Security Write-down Amount Tables.....	144
Yield Tables.....	146
USE OF PROCEEDS .....	151
CERTAIN LEGAL ASPECTS OF THE REFERENCE OBLIGATIONS.....	151
Security Instruments .....	151
Foreclosure .....	152
Rights of Redemption.....	154
Anti-Deficiency Legislation and Other Limitations on Lenders.....	155
Enforceability of Due-On-Sale Clauses.....	156
Subordinate Financing.....	156
Servicemembers Civil Relief Act .....	157
CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES.....	157
Treatment of the Issuer .....	158
Treatment of the Securities .....	158
U.S. Persons.....	159
Exchangeable Notes .....	159
Class B-1 Certificates.....	165
RCR Notes .....	166
Non-U.S. Persons.....	168
Notes .....	168
Class B-1 Certificates.....	170
Designation of an Alternative Method or Index in Place of LIBOR.....	171
Information Reporting and Backup Withholding .....	171
U.S. FATCA Withholding Tax.....	172
General Information.....	172
STATE, LOCAL AND FOREIGN TAX CONSEQUENCES .....	173
LEGAL INVESTMENT.....	173
EUROPEAN SECURITIZATION RULES.....	173
CERTAIN ERISA CONSIDERATIONS .....	176
General.....	176
Prohibited Transactions .....	177
General.....	177
Plan Asset Regulation .....	177
Prohibited Transaction Exemptions .....	178
Review by Plan Fiduciaries .....	178
DISTRIBUTION ARRANGEMENTS.....	179
Price Stabilization.....	180
Delivery and Settlement.....	180
Limited Liquidity.....	181
Selling Restrictions.....	181
RATINGS OF THE SECURITIES .....	183
LEGAL MATTERS .....	184
INDEX OF DEFINITIONS.....	185
SCHEDULE I.....	S-1

Appendix A The Reference Pool as of the Cut-off Date of September 30, 2019 .....	A-1
Appendix B Diligence Provider's Data Integrity Reviews Discrepancies .....	B-1
Appendix C Assumed Characteristics of the Reference Obligations (as of the Cut-off Date) .....	C-1
Appendix D Seller Restrictions .....	D-1
Appendix E No-Action Letter .....	D-1

## TRANSACTION SUMMARY

On the Closing Date, the Issuer expects to issue the Class M-2 Notes and the Class B-1 Certificates (the "**Offered Securities**"), which will represent non-recourse debt obligations of the Issuer. The Holders of Class M-2 Notes may exchange all or part of that Class for proportionate interests in the Class M-2A and Class M-2B, and vice versa. The Class M-2A and Class M-2B Notes are collectively referred to as the "**Exchangeable Notes**". Additionally, the Holders of Class M-2A Notes and/or Class M-2B Notes may exchange all or part of those Classes for proportionate interests in the Classes of "Related Combinable and Recombinable Notes" (the "**RCR Notes**") in the applicable combinations set forth on Schedule I, and vice versa. The Offered Securities and the other Exchangeable Notes and RCR Notes are collectively referred to as the "**Securities**". As further described below, the Securities will be subject to the credit and principal prepayment risk of the related portion of a certain pool (the "**Reference Pool**") of residential mortgage loans (the "**Reference Obligations**"), with an aggregate unpaid principal balance as of September 30, 2019 (the "**Cut-off Date**") of approximately \$106,754,721,932 (the "**Reference Pool Cut-off Date Balance**").

The Reference Obligations are evidenced by promissory notes or other similar evidences of indebtedness (each, a "**mortgage note**"), each of which is secured by a first mortgage, deed of trust or similar security instrument (each, a "**mortgage**" or "**mortgage loan**") on residential properties consisting of one- to four-unit properties, townhouses, individual condominium units, individual units in planned unit developments, individual co-operative units or manufactured homes (each, a "**mortgaged property**"). Each mortgage note and related mortgage loan is the obligation of one or more borrowers (collectively, a "**borrower**") and require the related borrower to make monthly payments of principal and interest. The Reference Obligations were acquired by Fannie Mae between April 1, 2009 and October 31, 2012 and currently securitized into Fannie Mae's Guaranteed Mortgage Pass-Through Certificates ("**MBS**") and meet the additional Eligibility Criteria described under "*Summary of Terms — The Reference Pool.*" The Securities will be subject to write-down of their Class Principal Balances based on the occurrence of Credit Events or Modification Events with respect to the Reference Obligations, as described in this Offering Memorandum. In addition, the interest entitlement of the Securities may be subject to reduction based on the occurrence of Modification Events with respect to the Reference Obligations, as described in this Offering Memorandum. See "*Description of the Securities — Hypothetical Structure and Calculations with Respect to the Reference Tranches.*" In addition, the amount of principal required to be paid by the Issuer on the Securities on each Payment Date will be based on the principal payment experience of the Reference Obligations.

This transaction is structured to transfer to investors economic exposure to the Reference Obligations and provide Fannie Mae reimbursement for specified losses it incurs with respect to Reference Obligations that experience losses relating to Credit Events and Modification Events.

On the Closing Date, the Issuer will enter into the Credit Protection Agreement with Fannie Mae. The Credit Protection Agreement will provide that, on each Remittance Date, (a) Fannie Mae will pay to the Issuer, by deposit into the applicable Trust Distribution Accounts or otherwise, in amounts payable in respect of the Notes and the Class B-1 Certificates, as applicable, (i) the Credit Premium Amount for such Remittance Date, plus (ii) the Credit Protection Reimbursement Amount, if any, for such Remittance Date, plus (iii) the Investment Liquidation Contribution, if any, for such Remittance Date; and (b) the Issuer will pay to Fannie Mae the Credit Protection Amount, if any, for such Remittance Date, in each case subject to the satisfaction of certain conditions as described in this Offering Memorandum.

Following the occurrence of certain trigger events, the Credit Protection Agreement may terminate on the CPA Early Termination Date and the Securities will be subject to an early redemption.

The Issuer will be obligated to make monthly payments of accrued interest and monthly payments of principal to the Securityholders.

The sources of payments on the Securities consist of investment earnings and liquidation proceeds of short-term, liquid investments (i.e., Eligible Investments) held in a securities account (the "**Cash Collateral Account**") and amounts received by the Issuer under the Credit Protection Agreement. See "*The Agreements — The Credit Protection Agreement*" and "*— The Indenture*" in this Offering Memorandum.

The Cash Collateral Account will be maintained by the Custodian. Cash held in the Cash Collateral Account will be invested only in Eligible Investments. The Investment Agent will promptly after the Closing Date invest proceeds from the sale of the Securities in Eligible Investments and will cause such Eligible Investments to be credited to the Cash Collateral Account. Pursuant to the Investment Agency Agreement, the Investment Agent will direct the Custodian to invest amounts held in the Cash Collateral Account in Eligible Investments, which investments will mature not later than the related Remittance Date and must qualify as "cash flow investments" within the meaning of Treasury Regulation section 1.860G-2(g)(1). All such Eligible Investments will be made in the name of the Indenture Trustee for the benefit of the Secured Parties.

Proceeds of the liquidation of Eligible Investments will be used to pay Credit Protection Amounts, if any, due to Fannie Mae and, to the extent available after payment of such Credit Protection Amounts, will be deposited in the applicable Trust Distribution Accounts for payment to the related Securityholders. In addition, Credit Premium Amounts, Credit Protection Reimbursement Amounts and Investment Liquidation Contributions, if any, will be deposited in the applicable Trust Distribution Accounts and will be available for payment to the related Securityholders, as described in this Offering Memorandum.

For the avoidance of doubt, the Securities are not secured or backed by the Reference Obligations and the actual cash flows from the Reference Obligations will not be paid or otherwise made available to the holders of the Securities (each, a "**Holder**" or "**Securityholder**" and, collectively, the "**Holders**" or "**Securityholders**"). Interest and principal will be paid on the Securities by the Issuer solely from assets of the Issuer after making any payments owed to Fannie Mae. However, because the principal balances of the Securities will be subject to the Credit Events, Modification Events and prepayment risks related to the Reference Obligations, each investor in the Securities should review and understand all the information in this Offering Memorandum and information otherwise made available to such investor as if it were investing in securities backed by such Reference Obligations. If Credit Events or Modification Events on the Reference Obligations cause losses to be allocated to a Class or Classes of Reference Tranches, the Class Principal Balance(s) of the related Class or Classes of Securities will be written down on the related Payment Date by a Tranche Write-down Amount equal to such allocated losses. On any such Payment Date, Fannie Mae will be entitled to receive Credit Protection Amounts equal to the aggregate amount of Tranche Write-down Amounts, which amounts will be unavailable for making future payments on the Securities. Fannie Mae will be obligated to pay the Issuer the Credit Protection Reimbursement Amounts equal to the aggregate Tranche Write-up Amounts, if any, allocated to increase the Class Principal Balances of the applicable outstanding Classes of Securities on the related Payment Date (without regard to any exchanges of Exchangeable Notes for any RCR Notes).

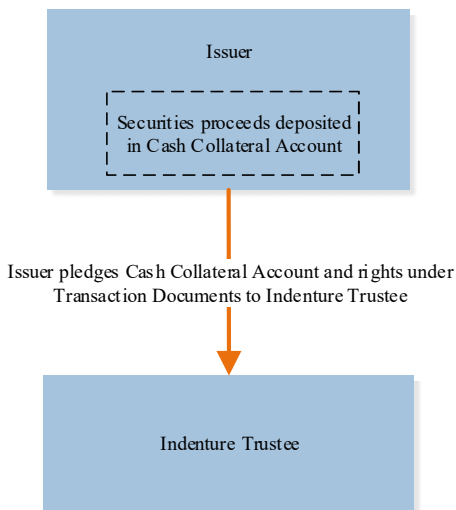
Solely for purposes of making the calculations for each Payment Date of (i) any principal write-downs (or write-ups) on the Securities as a result of Credit Events (or reversals thereof) or Modification Events on the Reference Obligations, (ii) any reduction or increase in interest amounts as a result of Modification Events on the Reference Obligations and (iii) principal payments required to be made on the Securities by the Issuer, a hypothetical structure of reference tranches (each, a "**Reference Tranche**") deemed to be backed by the Reference Obligations has been established as set forth in the table below. See "*Summary of Terms — Hypothetical Structure and Calculations with Respect to the Reference Tranches*" below.

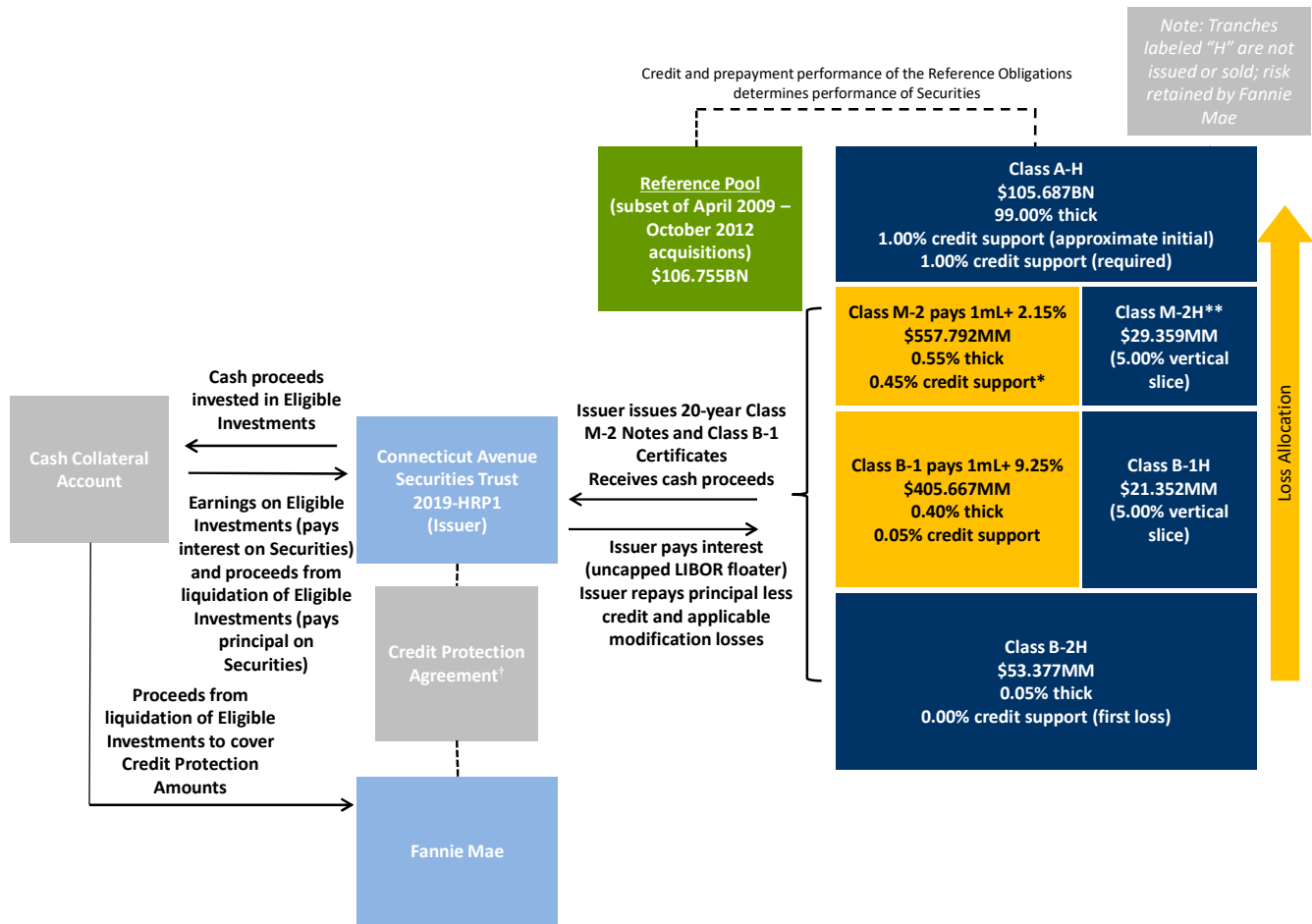


## Transaction Diagrams

For illustrative purposes, described below is a hypothetical structure consisting of the Reference Tranches. The principal payments by the Issuer to the holders of the Class M-2 Notes and Class B-1 Certificates will be based on the Class Notional Amounts of the Class M-2A, Class M-2B and Class B-1 Reference Tranches that are included in the hypothetical structure. Accordingly, principal payments on the Reference Obligations that are hypothetically allocated to the Class M-2A, Class M-2B and Class B-1 Reference Tranches will be paid to Holders of the Class M-2 Notes (with allocations between the Class M-2A and Class M-2B Reference Tranches to be made as described in this Offering Memorandum) and Class B-1 Certificates, respectively. Similarly, in the event the Class Notional Amounts of the Class M-2A, Class M-2B and Class B-1 Reference Tranches are written down or increased as described herein, the Class Principal Balances of the Class M-2 Notes (with allocations between the Class M-2A, and Class M-2B Reference Tranches to be made as described in this Offering Memorandum) and Class B-1 Certificates, respectively, will also be written down or increased, as applicable.

### *Closing Date Transactions*



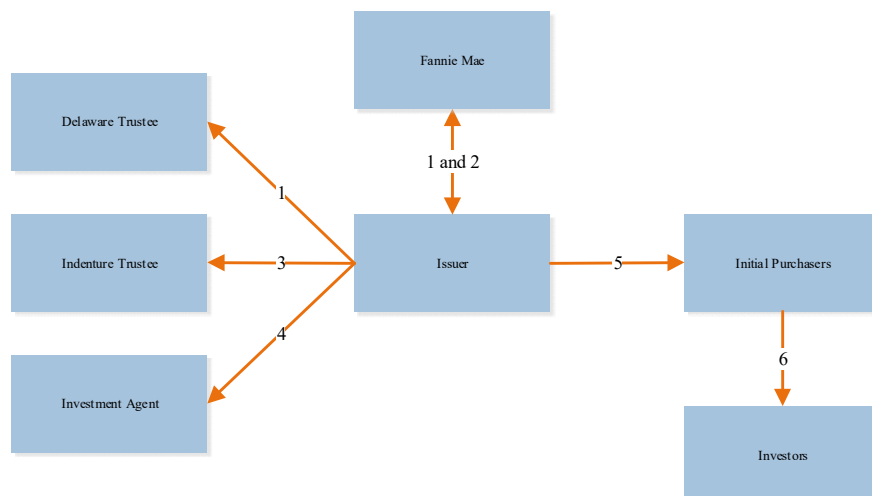


† Provides for (i) payment by Fannie Mae of Credit Premium Amounts and Credit Protection Reimbursement Amounts as well as Investment Liquidation Contributions, if any, to the Issuer and (ii) payment by the Issuer of Credit Protection Amounts, if any, to Fannie Mae.

Credit Premium Amounts are transferred to Holders in respect of interest on the Securities; Credit Protection Reimbursement Amounts and Investment Liquidation Contributions are transferred to Holders in respect of principal of the Securities.

\* Approximate initial credit support will be 0.72% for the Class M-2A Notes and 0.45% for the Class M-2B Notes.  
 \*\* Shown for illustrative purposes only. Represents the sum of the Class Notional Amounts of the Class M-BH and Class M-AH Reference Tranches. Losses are allocated to such Reference Tranches in that order.

Transaction Parties and Principal Transaction Documents



**1. TRUST AGREEMENT**

- Connecticut Avenue Securities Trust 2019-HRPI established as a Delaware statutory trust.
- U.S. Bank Trust National Association appointed as Delaware Trustee.
- Fannie Mae appointed as Administrator and agrees to pay expenses of the Issuer.

**4. INVESTMENT AGENCY AGREEMENT**

- Wells Fargo Bank, N.A. appointed as Investment Agent in respect of the Cash Collateral Account.

**2. CREDIT PROTECTION AGREEMENT**

- Fannie Mae pays Credit Premium Amounts, Credit Protection Reimbursement Amounts and Investment Liquidation Contributions, if any, to Issuer.
- Issuer pays Credit Protection Amounts, if any, to Fannie Mae.

**5. NOTE PURCHASE AGREEMENT**

- Issuer sells Securities to the Initial Purchasers.
- Initial Purchasers purchase Securities and offer Securities to investors.

**3. INDENTURE**

- Wells Fargo Bank, N.A. appointed as Indenture Trustee, Custodian and Exchange Administrator.
- Issuer issues Securities and pledges trust assets to Indenture Trustee to secure payment of Credit Protection Amounts and payments on the Securities.
- Provides cash flow, payment and allocation priorities.
- Provides for exchanges of RCR Notes and Exchangeable Notes.

Reference Tranches	Initial Class Notional Amount	Approximate Initial Subordination <sup>(1)</sup>
Class A-H	\$105,687,174,713	1.00%
Class M-2 and Class M-2H <sup>(2)</sup>	\$587,150,970 <sup>(2)</sup>	0.45% <sup>(3)</sup>
Class B-1 and Class B-1H <sup>(4)</sup>	\$427,018,888 <sup>(4)</sup>	0.05% <sup>(5)</sup>
Class B-2H	\$53,377,361	0.00% <sup>(6)</sup>

(1) Represents the approximate initial subordination and initial credit enhancement of such Reference Tranches, which is equal to the percentage of the Cut-off Date Balance represented by the aggregate initial Class Notional Amount of the Reference Tranches subordinate to the subject Reference Tranches.

(2) Shown for illustrative purposes only. The initial Class Notional Amount shown is the aggregate amount for the Class M-2 and Class M-2H Reference Tranches combined. The initial Class Notional Amount of the Class M-2 Reference Tranche is \$557,792,000 (which corresponds to the initial Class Principal Balance of the Class M-2 Notes and the sum of the initial Class Principal Balances of the Class M-2A and Class M-2B Notes) and the initial Class Notional Amount for the Class M-2H Reference Tranche is \$29,358,970 (which corresponds to the sum of the initial Class Notional Amounts of the Class M-AH, and Class M-BH Reference Tranches, which are each \$14,679,485). Pursuant to the hypothetical structure, the Class M-2A and Class M-AH Reference Tranches are *pari passu* with each other and the Class M-2B and Class M-BH Reference Tranches are *pari passu* with each other.

- (3) Represents the approximate initial subordination and credit enhancement available to the Class M-2 and Class M-2H Reference Tranches in the aggregate. The approximate initial subordination and credit enhancement available to the Class M-2A and Class M-AH Reference Tranches is 0.72% and the approximate initial subordination and credit enhancement available to the Class M-2B and Class M-BH Reference Tranches is 0.45%.
- (4) Pursuant to the hypothetical structure, the Class B-1 and Class B-1H Reference Tranches are *pari passu* with each other. The initial Class Notional Amount shown is the aggregate amount for the Class B-1 and Class B-1H Reference Tranches combined. The initial Class Notional Amount of the Class B-1 Reference Tranche is \$405,667,000 (which corresponds to the initial Class Principal Balance of the Class B-1 Certificates) and the initial Class Notional Amount for the Class B-1H Reference Tranche is \$21,351,888.
- (5) Represents the approximate initial subordination and credit enhancement available to the Class B-1 and Class B-1H Reference Tranches in the aggregate.
- (6) No subordination or credit enhancement is available to the Class B-2H Reference Tranche (other than any Overcollateralization Amount).

The Class M-2A Reference Tranche will correspond to the Class M-2A Notes, the Class M-2B Reference Tranche will correspond to the Class M-2B Notes and the Class B-1 Reference Tranche will correspond to the Class B-1 Certificates. With respect to any Payment Date, any reductions in the Class Notional Amount of the Class M-2A, Class M-2B or Class B-1 Reference Tranche, allocated pursuant to the hypothetical structure as described in this Offering Memorandum as a result of the occurrence of Credit Events or Modification Events on the Reference Obligations, will result in a corresponding reduction in the Class Principal Balance of the Class M-2 Notes (with allocations between the Class M-2A and Class M-2B Reference Tranches to be made as described in this Offering Memorandum) or Class B-1 Certificates, as applicable. Similarly, with respect to any Payment Date, the amount of any principal collections on the Reference Obligations that are allocated to reduce the Class Notional Amount of the Class M-2 or Class B-1 Reference Tranche pursuant to the hypothetical structure described in this Offering Memorandum will result in the Issuer being required to pay a corresponding amount of principal on such Payment Date to the Class M-2 Notes (with allocations between the Class M-2A and Class M-2B Reference Tranches to be made as described in this Offering Memorandum) or Class B-1 Certificates, as applicable, as a result of the relationship between the Class M-2 Notes or Class B-1 Certificates on the one hand and its corresponding Reference Tranche or Tranches on the other hand. Investors in the Securities should review and understand all the information related to the hypothetical structure and the Reference Tranches in this Offering Memorandum and otherwise made available to such investors as if they were investing in the Reference Tranche corresponding to their Class of Securities.

The effect of the Issuer entering into the Credit Protection Agreement with Fannie Mae and linking the Securities to the Reference Pool (and the corresponding Reference Tranches) pursuant to the Indenture under the hypothetical structure is that Fannie Mae transfers to the Holders a portion of the economic exposure that it would otherwise bear with respect to the Reference Pool. In particular, economic exposure is transferred to the extent that the Class Principal Balances of the Securities are subject to (i) being written down as a result of the occurrence of Credit Events or Modification Events on the Reference Obligations (with corresponding payments of Credit Protection Amounts to Fannie Mae in respect of such occurrences) and (ii) interest amount reductions as a result of Modification Events on the Reference Obligations, in each case as described in this Offering Memorandum. In effect, because the Issuer is not issuing any notes that correspond to the Class A-H, Class M-AH, Class M-BH, Class B-1H or Class B-2H Reference Tranches, Fannie Mae is retaining the economic exposure corresponding to the Reference Obligations represented by those Reference Tranches.

On the Closing Date, Fannie Mae intends to enter into the European Risk Retention Letter irrevocably restricting its ability to transfer or hedge more than a 95% pro rata share of the credit risk on any of (i) the Class A-H Reference Tranche, (ii) the Class M-2A and Class M-AH Reference Tranches (in the aggregate), (iii) the Class M-2B and Class M-BH Reference Tranches (in the aggregate) or (iv) the Class B-1 and Class B-1H Reference Tranches (in the aggregate). Additionally, Fannie Mae does not intend to and will not, through this transaction or any subsequent transactions, enter into any such agreements with respect to any of the credit risk on the Class B-2H Reference Tranche. Any transfers or hedges that are not so restricted may be effected by, among others, the issuance of a new series of Connecticut Avenue Securities notes in the future that references the Reference Pool related to the Securities of this transaction. See "*European Securitization Rules*" and "*Risk Factors — Investment Factors and Risks Related to the Securities — Additional Governmental Actions in the U.S. and Abroad Could Adversely Affect the Market Value of the Securities*".

#### *Combinable and Recombinable Notes (RCR Notes)*

Holders of Class M-2 Notes may exchange all or part of those Securities for proportionate interests in the related Exchangeable Notes, and vice versa. Additionally, Holders of Class M-2A and Class M-2B Notes may

further exchange all or part of those Securities for proportionate interests in the other related RCR Notes, and vice versa, at any time on or after the earlier of (i) the tenth Business Day following the Closing Date or (ii) the first Business Day following the first Payment Date (the "**Initial Exchange Date**"); *provided*, that no such exchange will occur on any Payment Date or Record Date. Certain Classes of related RCR Notes may further be exchanged for proportionate interests in other Classes of RCR Notes in the applicable combinations set forth on Schedule I, and vice versa. Exchanges may occur repeatedly. Schedule I attached hereto sets forth the available combinations (the "**Combinations**") and characteristics of the Exchangeable Notes and RCR Notes and the exchange procedures and fees. For the avoidance of doubt, an investor that would otherwise become a Holder of Class M-2 Notes on the Closing Date may specify, no later than 2:00 P.M. (New York City time) on the third Business Day prior to the Closing Date, any permissible combination of proportionate interests in related RCR Notes or Exchangeable Notes for receipt by such investor on the Closing Date, in which case any exchange procedures and fees otherwise applicable will be waived.

## SUMMARY OF TERMS

*The following summary does not purport to be complete and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Offering Memorandum and related documents referred to herein. See "Index of Definitions", which appears at the end of this Offering Memorandum.*

<b>Title of Series</b> .....	Connecticut Avenue Securities, Series 2019-HRP1.
<b>Offered Securities</b> .....	The Class M-2 Notes and Class B-1 Certificates.
<b>Issuer</b> .....	Connecticut Avenue Securities Trust 2019-HRP1, a Delaware statutory trust, is the " <b>Issuer</b> " of the Securities.
<b>Trustor and Administrator</b> .....	Fannie Mae, a government-sponsored enterprise chartered by Congress, will act as trustor (the " <b>Trustor</b> ") and as administrator (the " <b>Administrator</b> ") of the Issuer.
<b>Delaware Trustee</b> .....	U.S. Bank Trust National Association, not in its individual capacity but solely in its capacity as Delaware Trustee (the " <b>Delaware Trustee</b> ") pursuant to an amended and restated trust agreement (the " <b>Trust Agreement</b> ") entered into among the Delaware Trustee, Fannie Mae, as Trustor and Administrator, and Wells Fargo Bank, N.A. as certificate registrar and certificate paying agent.
<b>Indenture Trustee</b> .....	Wells Fargo Bank, N.A. (" <b>Wells Fargo Bank</b> ") will act as indenture trustee (the " <b>Indenture Trustee</b> ") pursuant to an indenture (the " <b>Indenture</b> ") entered into with the Issuer and the Administrator. See " <i>The Agreements — The Indenture</i> ".
<b>Exchange Administrator</b> .....	Wells Fargo Bank will act as the exchange administrator (the " <b>Exchange Administrator</b> ") for the RCR Notes and the Exchangeable Notes. The Exchange Administrator will, among other duties, administer all exchanges of RCR Notes for Exchangeable Notes and vice versa, which will include receiving notices of requests for such exchanges from Noteholders, accepting the Notes to be exchanged, and giving notice to the Indenture Trustee of all such exchanges.
<b>Custodian</b> .....	Wells Fargo Bank will act as custodian (the " <b>Custodian</b> "), pursuant to the Indenture, with respect to investments held in the Cash Collateral Account.
<b>Investment Agent</b> .....	Wells Fargo Bank or an affiliate thereof will act as investment agent (the " <b>Investment Agent</b> "), pursuant to the Investment Agency Agreement (the " <b>Investment Agency Agreement</b> "), by and among the Issuer, the Administrator, the Investment Agent and the Custodian, with respect to investments held in the Cash Collateral Account.

**Assets of the Issuer** .....

The assets of the Issuer will consist of the Cash Collateral Account (including the investments held therein), the Trust Distribution Accounts, and the right, title and interest of the Issuer in, to and under the Credit Protection Agreement, the Securities Account Control Agreement, the Investment Agency Agreement and the Administration Agreement, all of which will be pledged to the Indenture Trustee for the benefit of Fannie Mae, as protected party under the Credit Protection Agreement, and the Holders.

**Cash Collateral Account** .....

The "**Cash Collateral Account**" will be established on the Closing Date in the name of the Issuer and subject to the lien of the Indenture Trustee on behalf of the Secured Parties under the Indenture. The Custodian will invest (at the direction of the Investment Agent) amounts held in the Cash Collateral Account in Eligible Investments pursuant to the Investment Agency Agreement. The Investment Agent will direct the Custodian to liquidate Eligible Investments held in the Cash Collateral Account to pay Credit Protection Amounts, if any, due to Fannie Mae on any Remittance Date and, to the extent available after payment of such Credit Protection Amounts, deposit the proceeds in the applicable Trust Distribution Accounts for payment to the related Securityholders in respect of principal due on the related Securities on the related Payment Date. Investment earnings on Eligible Investments held in the Cash Collateral Account during the related Investment Accrual Period will be deposited in the applicable Trust Distribution Accounts for payment to the related Securityholders in respect of interest (with any investment earnings in excess of the LIBOR Interest Component for such Payment Date to be retained in the Cash Collateral Account and available for deposit to the applicable Trust Distribution Accounts for payment to the related Securityholders in respect of the LIBOR Interest Component on subsequent Payment Dates).

The rights of the Holders in the Cash Collateral Account will be subordinate to Fannie Mae's right to receive Credit Protection Amounts for so long as the Securities remain outstanding.

The "**Investment Accrual Period**" with respect to a Payment Date is the calendar month immediately preceding the month of such Payment Date.

**Eligible Investments** .....

"**Eligible Investments**" means each of the following investments, provided such investment is scheduled to mature on or before the immediately following Remittance Date, and all cash proceeds thereof: (a) obligations issued or fully guaranteed by the U.S. government; (b) repurchase obligations involving any security that is an obligation of, or fully guaranteed by, the U.S. government or any agency or instrumentality thereof, and entered into with a depository institution or

trust company (as principal) subject to supervision by U.S. federal or state banking or depository institution authorities, provided that the short-term deposits and/or long-term obligations or deposits of the depository institution or trust company are rated in the highest rating category by each NRSRO (as defined herein) providing a rating on such obligations or deposits; and (c) U.S. government money market funds that are designed to meet the dual objective of preservation of capital and timely liquidity; *provided, however*, that in the event an investment fails to qualify under (a), (b) or (c) above, the proceeds of the sale of such investment will be deemed to be liquidation proceeds of an Eligible Investment for all purposes of the Indenture provided such liquidation proceeds are promptly reinvested in Eligible Investments that qualify in accordance with one of the foregoing. With respect to money market funds, the maturity date will be determined under Rule 2a-7 under the Investment Company Act.

**Security Accrual Period .....**

For the Securities and each Payment Date, the period beginning on and including the prior Payment Date (or, in the case of the first Payment Date, the Closing Date) and ending on and including the day preceding such Payment Date.

The amount of interest that will accrue on a given Class of Securities (and will be deemed to accrue on the Class B-2H Reference Tranche for purposes of calculating allocations of any Modification Loss Amounts) during each Security Accrual Period is equal to:

- the Class Coupon for such Class of Securities (or Reference Tranche) for such Security Accrual Period (calculated using the Class Coupon formula as described herein), multiplied by
- the Class Principal Balance or Class Notional Amount of such Class of Securities (or Class Notional Amount of such Reference Tranche) immediately prior to such Payment Date, multiplied by
- the actual number of days in the related Security Accrual Period, divided by
- 360.



**Trust Distribution Accounts .....**

Two accounts to be established on the Closing Date in the name of the Indenture Trustee, one for the benefit of the Noteholders (the "**Note Distribution Account**") and the other for the benefit of the Class B-1 Certificateholders (the "**B-1 Distribution Account**").

The Note Distribution Account will include deposits in amounts due in respect of the Notes from time to time of (a) investment income earned on Eligible Investments held in the Cash Collateral Account (up to the amount of the LIBOR Interest Component due in respect of the Notes for a Payment Date), (b) proceeds from the liquidation of those Eligible Investments and (c) due and payable Credit Premium Amounts, Credit Protection Reimbursement Amounts and Investment Liquidation Contributions, if any.

The B-1 Distribution Account will include deposits in amounts payable in respect of the Class B-1 Certificates from time to time of (a) investment income earned on Eligible Investments held in the Cash Collateral Account (up to the amount of the LIBOR Interest Component due in respect of the Class B-1 Certificates for a Payment Date), (b) proceeds from the liquidation of those Eligible Investments and (c) due and payable Credit Premium Amounts, Credit Protection Reimbursement Amounts and Investment Liquidation Contributions, if any.

**Credit Protection Agreement.....**

Simultaneously with the issuance of the Securities, Fannie Mae and the Issuer will enter into a Credit Protection Agreement (the "**Credit Protection Agreement**"). The Credit Protection Agreement will be documented on the standard form of Multicurrency-Cross Border Master Agreement (1992) published by the International Swaps and Derivatives Association ("**ISDA**"), as supplemented by a related schedule, the confirmation thereto in the amount of the aggregate Class Notional Amount of the Class M-2B, Class M-BH, Class M-2A and Class M-AH Reference Tranches and the confirmation thereto in the amount of the aggregate Class Notional Amount of the Class B-1 and Class B-1H Reference Tranches. The 2014 ISDA Credit Derivatives Definitions will be incorporated into the Credit Protection Agreement by reference.

Under the Credit Protection Agreement, Fannie Mae will, on each Remittance Date, pay to the Issuer by deposit into the applicable Trust Distribution Accounts or otherwise, in amounts payable in respect of the Notes and the Class B-1 Certificates, as applicable, (i) the Credit Premium Amount for such Remittance Date, (ii) the Credit Protection Reimbursement Amount, if any, for such Remittance Date and (iii) the Investment Liquidation Contribution, if any, for such Remittance Date. In addition, on each Remittance Date, under the Credit Protection Agreement, the Issuer will pay to Fannie Mae

an amount equal to the Credit Protection Amount for such Remittance Date.

As a result of Fannie Mae and the Issuer entering into the Credit Protection Agreement, as well as the Indenture linking the Securities to the performance of the Reference Pool and corresponding Reference Tranches, Fannie Mae will transfer to Securityholders the economic exposure to specified losses that Fannie Mae would otherwise bear with respect to the Reference Pool. See "*Description of the Securities — Hypothetical Structure and Calculations with Respect to the Reference Tranches.*" See "*The Agreements — The Credit Protection Agreement.*"

**Credit Premium Amount** .....

The "**Credit Premium Amount**" for a Remittance Date is the sum of:

- the excess of (a) the aggregate Interest Payment Amount for the related Payment Date over (b) the LIBOR Interest Component for such Payment Date; plus
- an amount equal to the excess, if any, of (a) the LIBOR Interest Component for the related Payment Date, over (b) investment earnings on Eligible Investments in the Cash Collateral Account during the related Investment Accrual Period and any additional investment earnings from prior periods that have been retained in the Cash Collateral Account (such amount, the "**LIBOR Interest Component Contribution**").

The "**LIBOR Interest Component**" for a Payment Date is an amount equal to the product of (i) One-Month LIBOR for such Payment Date, (ii) the aggregate Class Principal Balance of the Securities immediately preceding such Payment Date and (iii) a fraction, the numerator of which is the actual number of days in the related Security Accrual Period and the denominator of which is 360.

Because there is no Investment Accrual Period applicable to the first Payment Date, it is expected that the Credit Premium Amount for the first Remittance Date will be equal to the aggregate Interest Payment Amount for the first Payment Date.

**Investment Liquidation Contribution**.....

The "**Investment Liquidation Contribution**" for any Remittance Date is an amount equal to the excess, if any, of (a) the principal amount (book value) of Eligible Investments liquidated in respect of such Remittance Date over (b) the liquidation proceeds of such Eligible Investments.

**Credit Protection Amount** .....

The "**Credit Protection Amount**" for a Remittance Date is the aggregate Tranche Write-down Amounts, if any, allocated to reduce the Class Principal Balance of each applicable outstanding Class of Securities on the related Payment Date (without regard to any exchanges of Exchangeable Notes for any RCR Notes).

Fannie Mae will be obligated to pay to the Issuer a "**Credit Protection Reimbursement Amount**" for any Remittance Date equal to the Tranche Write-up Amount, if any, allocated to increase the Class Principal Balance of each applicable outstanding Class of Securities for the related Payment Date (without regard to any exchanges of Exchangeable Notes for any RCR Notes).

The rights of the Holders will be subordinate to Fannie Mae's right to receive Credit Protection Amounts for so long as the Securities remain outstanding.

**Notes** .....

The Class M-2 Notes (together with the Class M-2A Notes, Class M-2B Notes and the additional "Related Combinable and Recombinable Notes" (the "**RCR Notes**") set forth on Schedule I hereto).

The holders of the Notes are collectively referred to as the "Noteholders" and each, a "Noteholder."

The Class M-2A and Class M-2B Notes are the "**Exchangeable Notes**" to which the RCR Notes relate.

**Securities** .....

The Notes and the Class B-1 Certificates.

The Securities will receive principal payments, if entitled to receive principal, and will be allocated reductions and increases in Class Principal Balance or Class Notional Amount, as applicable, in accordance with such allocations to the related Reference Tranches.

**Exchanges of RCR Securities** .....

Holders of Class M-2 Notes may exchange all or part of those Securities for proportionate interests in the related Exchangeable Notes, and vice versa. Additionally, Holders of Class M-2A and Class M-2B Notes may further exchange all or part of those Exchangeable Notes for proportionate interests in the related RCR Notes, and vice versa. Exchanges may occur repeatedly. Schedule I hereto sets forth the available combinations (the "**Combinations**") and characteristics of the RCR Notes and the exchange procedures and fees. RCR Notes that are held by Holders will receive interest payments that are allocable to the related Exchangeable Notes, calculated at the applicable class coupon rate, and all principal amounts that are payable by the Issuer on the related Exchangeable Notes will be allocated to and payable to the related RCR Notes entitled to principal. In addition, all Tranche Write-down Amounts that are allocable to Exchangeable Notes will be allocated to reduce the Class

Principal Balance or Class Notional Amount, as applicable, of the related RCR Notes (to the extent such RCR Notes have a Class Principal Balance or Class Notional Amount, as applicable, greater than zero). Further, all Tranche Write-up Amounts that are allocable to Exchangeable Notes will be allocated to increase the Class Principal Balance or Class Notional Amount, as applicable, of the related RCR Notes. If any Tranche Write-down Amounts are allocated to a Class or Classes of Exchangeable Notes on any Payment Date, the Issuer will owe Fannie Mae a Credit Protection Amount in respect of such Payment Date. To the extent that any Tranche Write-up Amounts are allocated to increase the Class Principal Balances or Class Notional Amounts of the related RCR Notes, Fannie Mae will owe the Issuer a Credit Protection Reimbursement Amount (without regard to any exchanges of Exchangeable Notes for RCR Notes), which will be paid to Noteholders as described herein.

**Classes**.....

Class A-H, Class M-2A, Class M-AH, Class M-2B, Class M-BH, Class B-1, Class B-1H, Class B-2H and the Classes of RCR Notes (including Class M-2) set forth on Schedule I hereto, as applicable (each, a "Class" and together, the "Classes").

**Class Principal Balance**.....

The "**Class Principal Balance**" of each Class of Securities as of any Payment Date is the maximum dollar amount of principal to which the Holders of the related Class of Securities are then entitled, with such amount being equal to the initial Class Principal Balance of the related Class of Securities, *minus* the aggregate amount of principal paid by the Issuer on the related Class of Securities on such Payment Date and all prior Payment Dates, *minus* the aggregate amount of Tranche Write-down Amounts allocated to reduce the Class Principal Balance of the related Class of Securities on such Payment Date and on all prior Payment Dates, and *plus* the aggregate amount of Tranche Write-up Amounts allocated to increase the Class Principal Balance of the related Class of Securities on such Payment Date and on all prior Payment Dates (in each case without regard to any exchanges of Exchangeable Notes for RCR Notes). The Class Principal Balance of each Class of Securities (other than RCR Notes) will at all times equal the Class Notional Amount of the Reference Tranche that corresponds to such Class of Securities. For the avoidance of doubt, no Tranche Write-up Amount or Tranche Write-down Amount will be applied twice on the same Payment Date. The aggregate Class Principal Balance of each outstanding Class of RCR Notes entitled to principal will be equal to the aggregate outstanding Class Principal Balance of the Exchangeable Notes that were exchanged for such RCR Notes.

In each case, principal amounts that are payable by the

<p><b>Class Notional Amount of Interest Only RCR Notes</b>.....</p>	<p>Issuer on the related Exchangeable Notes will be allocated to and payable on any outstanding RCR Notes that are entitled to principal.</p>
<p><b>Payment Date</b>.....</p>	<p>Certain of the RCR Notes set forth on <u>Schedule I</u> hereto are interest-only RCR Notes ("<b>Interest Only RCR Notes</b>") and are not entitled to receive payments of principal. Each of these Classes has a Class Notional Amount as of any Payment Date equal to a specified percentage of the outstanding Class Principal Balance of the related Class of Exchangeable Notes or RCR Notes, as the case may be.</p>
<p><b>Closing Date</b>.....</p>	<p>Payments on the Securities will be made by the Indenture Trustee on the twenty-fifth (25<sup>th</sup>) day of each month (or, if such day is not a Business Day, then on the next succeeding Business Day) beginning in December 2019 (each, a "<b>Payment Date</b>"). The "<b>Remittance Date</b>" is the Business Day immediately preceding each Payment Date.</p>
<p><b>Record Date</b>.....</p>	<p>On or about December 6, 2019 (the "<b>Closing Date</b>").</p>
<p><b>Maturity Date</b>.....</p>	<p>The Business Day immediately preceding a Payment Date, with respect to Book-Entry Securities, and the last Business Day of the month preceding a Payment Date, with respect to Definitive Securities (the "<b>Record Date</b>").</p>
<p><b>Early Redemption Option</b>.....</p>	<p>The Issuer will be obligated to retire the outstanding Classes of Securities by paying an amount equal to their Class Principal Balances, plus accrued and unpaid interest, on the Payment Date in November 2039 (the "<b>Maturity Date</b>").</p> <p>The Securities will be retired prior to the Maturity Date on the earlier to occur, if any, of (a) the Early Redemption Date or (b) the Payment Date on which the aggregate Class Principal Balance of all outstanding Securities is otherwise reduced to zero.</p> <p>If on such date a Class of RCR Notes is outstanding, all amounts payable on the Exchangeable Notes that were exchanged for such RCR Notes will be allocated to and payable on the applicable RCR Notes entitled to receive those amounts, as further described under "<i>Description of the Securities — Termination Dates.</i>"</p> <p>Fannie Mae, as holder of the Ownership Certificate, may direct the Issuer to redeem the Securities on any Payment Date on or after the earlier to occur of (i) the Payment Date on which the aggregate unpaid principal balance of the Reference Obligations is less than or equal to 10% of the Cut-off Date Balance and (ii) the Payment Date occurring in November 2026, by paying an amount equal to the outstanding Class Principal Balance of the Securities, plus accrued and unpaid interest and all unpaid fees, expenses and indemnities of the Indenture Trustee,</p>

Exchange Administrator, Custodian, Investment Agent and Delaware Trustee (the "**Early Redemption Option**"). If on the Early Redemption Date a Class of RCR Notes is outstanding, all principal and interest amounts that are payable by the Issuer on the Exchangeable Notes that were exchanged for such RCR Notes will be allocated to and payable on the applicable RCR Notes.

See "*Description of the Securities — Early Redemption Option*".

**CPA Early Termination Date** .....

The Credit Protection Agreement is subject to early termination on the CPA Early Termination Date.

The CPA Early Termination Date will be the Payment Date following the occurrence of a CPA Early Termination Event. The occurrence of the CPA Early Termination Date as a result of certain CPA Early Termination Events constitutes an Event of Default under the Indenture.

Additionally, Fannie Mae may in its sole discretion designate as the CPA Early Termination Date the Payment Date following the occurrence of a CPA Trigger Event. The occurrence of the CPA Early Termination Date as a result of a CPA Trigger Event will constitute an Early Redemption Date for the Securities.

**Termination Date** .....

The Securities will no longer be entitled to payments of principal or interest after the date (the "**Termination Date**") which is the earliest of:

- (1) the Maturity Date;
- (2) the Payment Date (the "**Early Redemption Date**") that is the earlier to occur of (i) the date on which the Securities are redeemed by the Issuer pursuant to the Early Redemption Option as described under "*Description of the Securities — Early Redemption Option*"; and (ii) the CPA Early Termination Date (if such date is a result of the occurrence of a CPA Trigger Event); and
- (3) the Payment Date on which the aggregate initial Class Principal Balances (without giving effect to any allocations of Tranche Write-down Amounts or Tranche Write-up Amounts on such Payment Date and all prior Payment Dates) and accrued and unpaid interest due on the Class M-2A Notes, Class M-2B Notes and Class B-1 Certificates, plus all unpaid fees, expenses and indemnities of the Indenture Trustee, Exchange Administrator, Custodian, Investment Agent and Delaware Trustee, have otherwise been paid in full.

<b>Projected Recovery Amount</b> .....	On the Termination Date, the Projected Recovery Amount will be included in the calculation of the Principal Recovery Amount. See " <i>Description of the Securities – Projected Recovery Amount.</i> "
<b>Legal Status</b> .....	The Securities will be issued by the Issuer and will be subordinated to Fannie Mae's rights to receive certain amounts under the Credit Protection Agreement, and Securityholders will have recourse solely to the assets of the Issuer. The Securities will be obligations of the Issuer only. The RCR Notes represent interests in the Class M-2A Notes, Class M-2B Notes and/or a combination thereof. <b>Neither the United States nor Fannie Mae guarantees the Securities or any interest or return of discount on the Securities. The Securities are not debts or obligations of the United States, Fannie Mae or any agency or instrumentality of the United States.</b>
<b>Listing</b> .....	Subsequent to issuance of the Securities, Fannie Mae intends to apply to the Singapore Exchange for the Securities to be listed for trading on the Singapore Exchange. Following any such application, there can be no assurance that any such listing will be granted or maintained. For so long as any Securities may be listed on the Singapore Exchange and the rules of the exchange so require, such Securities will be traded on the Singapore Exchange in a minimum board lot size of S\$200,000.
<b>Form of Securities</b> .....	The Securities will be issued on the Closing Date as book-entry Securities (the " <b>Book-Entry Securities</b> ") and will be held through the book-entry system of the DTC, and, as applicable, Euroclear and Clearstream. The Securities will be available in fully-registered form (" <b>Definitive Securities</b> ") only in the limited circumstances disclosed under " <i>Description of the Securities — Form, Registration and Transfer of the Securities</i> ".
<b>Securities Acquired by Fannie Mae</b> .....	Fannie Mae may, from time to time, purchase or otherwise acquire any of the Securities at any price or prices, in the open market or otherwise. Any such Securities may be sold by Fannie Mae from time to time in negotiated transactions at varying prices to be determined at the time of sale; <i>provided</i> , that the Securities will be sold only to "Qualified Institutional Buyers" in reliance on Rule 144A. These sales may be made to or through dealers.
<b>Hypothetical Structure and Reference Tranches</b> ...	Solely for purposes of making the calculations for each Payment Date of any principal write-downs (or write-ups) or reductions in the interest entitlements on the Securities as a result of Credit Events (or reversals thereof) or Modification Events on the Reference Obligations and principal payments required to be made on the Securities by the Issuer, a hypothetical structure of reference tranches (each, a " <b>Reference Tranche</b> ") deemed to be backed by the Reference Obligations have been

established as set forth in the table under "*Transaction Summary*" above. The Reference Tranches are the Class A-H, Class M-2A, Class M-AH, Class M-2B, Class M-BH, Class B-1, Class B-1H and Class B-2H Reference Tranches.

**Corresponding Classes of Reference Tranches .....**

With respect to the Class M-2A Notes, the Class M-2A Reference Tranche. With respect to the Class M-2B Notes, the Class M-2B Reference Tranche. With respect to the Class B-1 Certificates, the Class B-1 Reference Tranche.

**Corresponding Classes of Securities .....**

With respect to the Class M-2A Reference Tranche, the Class M-2A Notes. With respect to the Class M-2B Reference Tranche, the Class M-2B Notes. With respect to the Class B-1 Reference Tranche, the Class B-1 Certificates. The Class B-2H Reference Tranche will not have corresponding Securities.

**Senior Reference Tranche.....**

The Class A-H Reference Tranche (the "**Senior Reference Tranche**").

**Mezzanine Reference Tranches .....**

The Class M-2A, Class M-AH, Class M-2B and Class M-BH Reference Tranches (each, a "**Mezzanine Reference Tranche**" and collectively referred to as the "**Mezzanine Reference Tranches**").

**Subordinate Reference Tranches .....**

The Class B-1, Class B-1H and Class B-2H Reference Tranches (each, a "**Subordinate Reference Tranche**" and together referred to as the "**Subordinate Reference Tranches**").

**Reporting Period for Hypothetical Structure .....**

For any Payment Date and for purposes of making calculations with respect to the hypothetical structure and the Reference Tranches, the reporting period (each, a "**Reporting Period**") will be the second calendar month preceding the month of such Payment Date. For any Payment Date, the delinquency status of each Reference Obligation will be determined as of close of business on the last day of the related Reporting Period. For example, the Reporting Period for a December Payment Date is the preceding October, and determinations of the delinquency status of the Reference Obligations relative to the December Payment Date are made as of the preceding October 31.

**CUSIP Numbers .....**

The CUSIP Numbers for the Classes of Securities are as follows:

<b>Class</b>	<b>144A CUSIP</b>
M-2 Notes	20754PAC4
M-2A Notes	20754PAA8
M-2B Notes	20754PAB6
B-1 Certificates	20754PAD2
A-II Notes	20754PAF7



A-I2 Notes	20754PAH3
A-I3 Notes	20754PAK6
A-I4 Notes	20754PAM2
E-A1 Notes	20754PAE0
E-A2 Notes	20754PAG5
E-A3 Notes	20754PAJ9
E-A4 Notes	20754PAL4
B-I1 Notes	20754PAP5
B-I2 Notes	20754PAR1
B-I3 Notes	20754PAT7
B-I4 Notes	20754PAV2
E-B1 Notes	20754PAN0
E-B2 Notes	20754PAQ3
E-B3 Notes	20754PAS9
E-B4 Notes	20754PAU4

## Certain Relationships and Affiliations

Fannie Mae guarantees the MBS that are backed by the Reference Obligations, but Fannie Mae does not guarantee the Securities that will be issued by the Issuer. Fannie Mae's guaranty obligations with respect to the MBS are not collateralized. Fannie Mae also serves as Trustor and Administrator of the Issuer. These roles and Fannie Mae's relationships with the related loan sellers/servicers may give rise to conflicts of interest as further described in this Offering Memorandum under "*Risk Factors — The Interests of Fannie Mae, the Initial Purchasers and Others May Conflict With and Be Adverse to the Interests of the Securityholders — Interests of Fannie Mae May Not Be Aligned With the Interests of the Securityholders*". In addition, Wells Fargo Bank, N.A., which acts as the Indenture Trustee, Exchange Administrator, Investment Agent and Custodian may, in its separate capacities as originator, loan seller and servicer with respect to certain of the Reference Obligations, have interests that are adverse to Securityholders. Wells Fargo Bank, N.A. is the loan seller for approximately 20.60% of the Reference Obligations (by aggregate principal balance as of the Cut-off Date). Furthermore, the Initial Purchasers listed below are affiliated with the specified loan seller of certain Reference Obligations included in the Reference Pool. No other Initial Purchasers are affiliated with a loan seller of Reference Obligations representing 1% or more of the Reference Pool (by aggregate Cut-off Date Balance). The list of loan sellers below reflects information as of the respective origination dates of the related Reference Obligations.

<u>Initial Purchaser</u>	<u>Affiliated Seller</u>	<u>% of Reference Obligations From Affiliated Seller (by Aggregate Cut-off Date Balance)</u>
J.P. Morgan Securities LLC	JPMorgan Chase Bank, N.A.	23.80%
Wells Fargo Securities, LLC	Wells Fargo Bank, N.A.	20.60%
BofA Securities, Inc.	Bank of America, N.A.	16.38%
Citigroup Global Markets Inc.	CitiMortgage, Inc.	5.55%

See "*Risk Factors — The Interests of Fannie Mae, the Initial Purchasers and Others May Conflict With and Be Adverse to the Interests of the Securityholders — Potential Conflicts of Interest of the Indenture Trustee and Exchange Administrator*". Moreover, the activities of the Initial Purchasers and their respective affiliates may result in certain conflicts of interest. See "*Risk Factors — The Interests of Fannie Mae, the Initial Purchasers and Others May Conflict With and Be Adverse to the Interests of the Securityholders — Potential Conflicts of Interest of the Initial Purchasers and their Affiliates*".

## Interest

Each Class of Securities bears interest at the applicable per annum interest rate (each, a "**Class Coupon**") shown in the following table (subject to the minimum rate shown). The initial Class Coupons apply only to the initial Security Accrual Period. The Indenture Trustee will calculate the Class Coupons for the Securities (including the RCR Notes) for each subsequent Security Accrual Period on the related LIBOR Adjustment Date. One-Month LIBOR will be determined using the ICE Method as described under "*Description of the Securities — Interest*". See also "*Risk Factors — Investment Factors and Risks Related to the Securities — Uncertainty as to the Determination of LIBOR and the Potential Phasing Out of LIBOR after 2021 May Adversely Affect the Value of the Floating Rate Securities*" and "*The Use of an Alternative Method or Index in Place of LIBOR for Determining Monthly Interest Rates May Adversely Affect the Value of Certain Securities*".

<u>Class</u>	<u>Initial Class Coupon</u>	<u>Class Coupon Formula</u>	<u>Minimum Rate</u>
M-2 Notes <sup>(1)</sup> .....	3.85800%	One-Month LIBOR + 2.15%	0%
M-2A Notes <sup>(2)</sup> .....	3.85800%	One-Month LIBOR + 2.15%	0%
M-2B Notes <sup>(2)</sup> .....	3.85800%	One-Month LIBOR + 2.15%	0%
A-I1 Notes <sup>(1)</sup> .....	1.55000%	1.55% <sup>(3)</sup>	0%
A-I2 Notes <sup>(1)</sup> .....	1.15000%	1.15% <sup>(3)</sup>	0%
A-I3 Notes <sup>(1)</sup> .....	0.75000%	0.75% <sup>(3)</sup>	0%
A-I4 Notes <sup>(1)</sup> .....	0.35000%	0.35% <sup>(3)</sup>	0%
E-A1 Notes <sup>(1)</sup> .....	2.30800%	One-Month LIBOR + 0.60%	0%

<b>Class</b>	<b>Initial Class Coupon</b>	<b>Class Coupon Formula</b>	<b>Minimum Rate</b>
E-A2 Notes <sup>(1)</sup> .....	2.70800%	One-Month LIBOR + 1.00%	0%
E-A3 Notes <sup>(1)</sup> .....	3.10800%	One-Month LIBOR + 1.40%	0%
E-A4 Notes <sup>(1)</sup> .....	3.50800%	One-Month LIBOR + 1.80%	0%
B-I1 Notes <sup>(1)</sup> .....	1.55000%	1.55% <sup>(3)</sup>	0%
B-I2 Notes <sup>(1)</sup> .....	1.15000%	1.15% <sup>(3)</sup>	0%
B-I3 Notes <sup>(1)</sup> .....	0.75000%	0.75% <sup>(3)</sup>	0%
B-I4 Notes <sup>(1)</sup> .....	0.35000%	0.35% <sup>(3)</sup>	0%
E-B1 Notes <sup>(1)</sup> .....	2.30800%	One-Month LIBOR + 0.60%	0%
E-B2 Notes <sup>(1)</sup> .....	2.70800%	One-Month LIBOR + 1.00%	0%
E-B3 Notes <sup>(1)</sup> .....	3.10800%	One-Month LIBOR + 1.40%	0%
E-B4 Notes <sup>(1)</sup> .....	3.50800%	One-Month LIBOR + 1.80%	0%
B-1 Certificates.....	10.95800%	One-Month LIBOR + 9.25%	0%
B-2H Reference Tranche .....	41.70800%	One-Month LIBOR + 40.00% <sup>(4)</sup>	0%

- (1) RCR Notes for which Exchangeable Notes or other RCR Notes, as applicable, may be exchanged according to the Combinations set forth on Schedule I hereto.
- (2) Exchangeable Notes for which RCR Notes may be exchanged according to the Combinations set forth on Schedule I hereto.
- (3) The interest payment on each Class of Interest Only RCR Notes for a Payment Date will be as set forth on Schedule I hereto.
- (4) The Class B-2H Reference Tranche is deemed to bear interest at the Class Coupon shown solely for purposes of calculating allocations of any Modification Loss Amounts.

The "**Security Accrual Period**" with respect to each Payment Date is the period beginning on and including the prior Payment Date (or, in the case of the first Payment Date, the Closing Date) and ending on and including the day preceding such Payment Date.

The amount of interest that will accrue on a given Class of Securities (and will be deemed to accrue on the Class B-2H Reference Tranche for purposes of calculating allocations of any Modification Loss Amounts) during each Security Accrual Period is equal to:

- the Class Coupon for such Class of Securities (or Reference Tranche) for such Security Accrual Period (calculated using the Class Coupon formula as described above), multiplied by
- the Class Principal Balance or Class Notional Amount of such Class of Securities (or Class Notional Amount of such Reference Tranche) immediately prior to such Payment Date, multiplied by
- the actual number of days in the related Security Accrual Period, divided by
- 360.

The interest entitlement of the Securities may be subject to reduction or increase to the extent that the Reference Obligations experience Modification Events, as further described under "*Description of the Securities—Hypothetical Structure and Calculations with Respect to the Reference Tranches—Allocation of Modification Loss Amount.*"

As described in this Offering Memorandum, the Class Principal Balance of any outstanding Class of Securities will be reduced to the extent of any Tranche Write-down Amounts that are allocated to reduce the Class Notional Amount of the corresponding Class of Reference Tranche. Any such reduction in the Class Principal Balance of an outstanding Class of Securities will result in a corresponding reduction in the related amount of interest that will accrue on such Class of Securities during subsequent Security Accrual Periods.

See "*Description of the Securities — Interest*".

## **Principal**

On each Remittance Date, the Investment Agent will direct the Custodian to liquidate Eligible Investments in the Cash Collateral Account and deposit to the applicable Trust Distribution Accounts for payment to the related Securityholders amounts necessary to pay principal on the related Securities as required under the Indenture. Additionally, on each Remittance Date, Fannie Mae will deposit to the applicable Trust Distribution Accounts for payment to the related Securityholders any Investment Liquidation Contribution required under the Credit Protection Agreement for payment of principal on the related Securities.

Except as described below, on each Payment Date, the Indenture Trustee will pay principal to the Holders of each outstanding Class of Securities (other than the Interest Only RCR Notes) in an amount equal to the portion of the Senior Reduction Amount and/or the Subordinate Reduction Amount, as applicable, allocated to reduce the Class Notional Amount of the corresponding Reference Tranche on such Payment Date as described under "*Hypothetical Structure and Calculations with Respect to the Reference Tranches*" below.

On the earlier to occur of (x) the Early Redemption Date, if any, and (y) the Maturity Date, the Issuer will pay 100% of the then-outstanding Class Principal Balance to Holders of each Class of Securities, after allocations of any Tranche Write-down Amount and the Tranche Write-up Amount for such Payment Date (without regard to any exchanges of Exchangeable Notes for RCR Notes) and after payment of all unpaid fees, expenses and indemnities of the Indenture Trustee, Exchange Administrator, Custodian, Investment Agent and Delaware Trustee.

In each case, principal amounts that are payable by the Issuer on the related Exchangeable Notes will be allocated to and payable on any outstanding RCR Notes that are entitled to principal.

### **Reductions in Class Principal Balances or Class Notional Amounts of the Securities Due to Allocation of Tranche Write-down Amounts**

On each Payment Date, including the Termination Date, the Class Principal Balance or Class Notional Amount, as applicable, of each Class of Securities will be reduced, without any corresponding payment of principal, by the amount of the reduction, if any, in the Class Notional Amount of the corresponding Reference Tranche due to the allocation of the Tranche Write-down Amount to such Reference Tranche on such Payment Date pursuant to the terms of the hypothetical structure described under "*Description of the Securities — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Tranche Write-down Amounts*".

If on the Maturity Date a Class of RCR Notes is outstanding, all Tranche Write-down Amounts that are allocable to the Exchangeable Notes that were exchanged for such RCR Notes will be allocated to reduce the Class Principal Balances or Class Notional Amounts, as applicable, of the applicable RCR Notes (to the extent such RCR Notes have a Class Principal Balance or Class Notional Amount, as applicable, greater than zero).

If any Tranche Write-down Amounts are allocated to a Class or Classes of Reference Tranches corresponding to a Class or Classes of Securities on any Payment Date, the Issuer will owe Fannie Mae a Credit Protection Amount on the Payment Date on which the Tranche Write-down Amounts were allocated, equal to the aggregate amount of Tranche Write-down Amounts so allocated to reduce the Class Principal Balances of the Securities (without regard to any exchanges of Exchangeable Notes for RCR Notes). On each Remittance Date on which the Issuer is required to pay a Credit Protection Amount under the Credit Protection Agreement, the Indenture Trustee on behalf of the Issuer will apply liquidation proceeds of Eligible Investments for the payment of the Credit Protection Amount and thereafter will deposit remaining liquidation proceeds of Eligible Investments to the applicable Trust Distribution Accounts for payment of principal on the related Securities.

### **Increases in Class Principal Balances or Class Notional Amounts of the Securities Due to Allocation of Tranche Write-up Amounts**

On each Payment Date, including the Termination Date, the Class Principal Balance or Class Notional Amount, as applicable, of each Class of Securities will be increased by the amount of the increase, if any, in the Class Notional Amount of the corresponding Reference Tranche due to the allocation of Tranche Write-up Amounts to such Reference Tranche on such Payment Date pursuant to the terms of the hypothetical structure described under "*Description of the Securities — Hypothetical Structure and Calculations with Respect to the Reference Tranches*" —

*Allocation of Tranche Write-up Amounts*". For the avoidance of doubt, through the Termination Date, a Tranche Write-up Amount may be applied to any related Reference Tranche even if the Class Notional Amount of such Reference Tranche has previously been reduced to zero (until the cumulative Tranche Write-up Amount allocated to such Class is equal to the cumulative Tranche Write-down Amount previously allocated to such Class).

If on the Maturity Date a Class of RCR Notes is outstanding, all Tranche Write-up Amounts that are allocable to the Exchangeable Notes that were exchanged for such RCR Notes will be allocated to increase the Class Principal Balances or Class Notional Amounts, as applicable, of the applicable RCR Notes.

If any Tranche Write-up Amounts are allocated to a Class or Classes of Reference Tranches corresponding to a Class or Classes of Securities on any Payment Date, Fannie Mae will owe the Issuer a Credit Protection Reimbursement Amount on the Payment Date on which the Tranche Write-up Amounts were allocated, equal to the aggregate amount of Tranche Write-up Amounts so allocated to increase the Class Principal Balances of the Securities (without regard to any exchanges of Exchangeable Notes for RCR Notes). The Credit Protection Reimbursement Amount paid by Fannie Mae on a Payment Date under the Credit Protection Agreement, if any, will be deposited in the applicable Trust Distribution Accounts for payment to the related Securityholders.

### **Hypothetical Structure and Calculations with Respect to the Reference Tranches**

As described previously, solely for purposes of making the calculations for each Payment Date of (i) any principal write-downs (or write-ups) on the Securities as a result of Credit Events (or reversals thereof) or Modification Events on the Reference Obligations, (ii) any reduction or increase in interest amounts on the Securities as a result of Modification Events on the Reference Obligations and (iii) principal payments required to be made on the Securities, a hypothetical structure of Reference Tranches deemed to be backed by the Reference Obligations has been established as indicated in the table set forth under "*Transaction Summary*" above. Pursuant to the hypothetical structure:

- the Class A-H Reference Tranche is senior to all the other Reference Tranches and therefore does not provide any credit enhancement to the other Reference Tranches,
- the Class M-2A and Class M-AH Reference Tranches are *pari passu* with each other, are subordinate to the Class A-H Reference Tranche and are senior to the Class M-2B, Class M-BH, Class B-1, Class B-1H and Class B-2H Reference Tranches,
- the Class M-2B and Class M-BH Reference Tranches are *pari passu* with each other, are subordinate to the Class A-H, Class M-2A and Class M-AH Reference Tranches and are senior to the Class B-1, Class B-1H and Class B-2H Reference Tranches,
- the Class B-1 and Class B-1H Reference Tranches are *pari passu* with each other, are subordinate to the Class A-H, Class M-2A, Class M-AH, Class M-2B and Class M-BH Reference Tranches and are senior to the Class B-2H Reference Tranche, and
- the Class B-2H Reference Tranche is subordinate to all the other Reference Tranches and therefore does not benefit from any credit enhancement (other than any Overcollateralization Amount).

Each Reference Tranche will have an initial Class Notional Amount indicated in the table set forth under "*Transaction Summary*" above and the aggregate of the initial Class Notional Amounts of all the Reference Tranches will be approximately equal to the Cut-off Date Balance of the Reference Obligations.

#### *Class Notional Amount of Reference Tranches*

The "**Class Notional Amount**" of each Reference Tranche as of any Payment Date is a notional amount equal to the initial Class Notional Amount of such Reference Tranche,

- *minus* the aggregate amount of Senior Reduction Amounts and Subordinate Reduction Amounts allocated to such Reference Tranche on such Payment Date and all prior Payment Dates,

- *minus* the aggregate amount of Tranche Write-down Amounts allocated to reduce the Class Notional Amount of such Reference Tranche on such Payment Date and on all prior Payment Dates,
- *plus* the aggregate amount of Tranche Write-up Amounts allocated to increase the Class Notional Amount of such Reference Tranche on such Payment Date and on all prior Payment Dates and
- *plus*, in the case of the Class A-H Reference Tranche, any amount allocated to increase the Class Notional Amount of such Reference Tranche under the definition of "Unscheduled Principal."

For the avoidance of doubt, no Tranche Write-up Amount or Tranche Write-down Amount will be applied twice on the same Payment Date.

*Allocation of Senior Reduction Amount and Subordinate Reduction Amount*

On each Payment Date on or prior to the Termination Date, the Senior Reduction Amount will be allocated to reduce the Class Notional Amount of each Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero:

*first*, to the Class A-H Reference Tranche,

*second*, to the Class M-2A and Class M-AH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,

*third*, to the Class M-2B and Class M-BH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,

*fourth*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, and

*fifth*, to the Class B-2H Reference Tranche.

For the definition of Senior Reduction Amount, see "*Description of the Securities — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*".

On each Payment Date on or prior to the Termination Date, the Subordinate Reduction Amount will be allocated to reduce the Class Notional Amount of each Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero:

*first*, to the Class M-2A and Class M-AH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,

*second*, to the Class M-2B and Class M-BH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,

*third*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,

*fourth*, to the Class B-2H Reference Tranche, and

*fifth*, to the Class A-H Reference Tranche.

For the definition of Subordinate Reduction Amount, see "*Description of the Securities — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*".

Because the Securities correspond to the related Reference Tranches, any portion of the Senior Reduction Amount or Subordinate Reduction Amount allocated to the Reference Tranches will result in a corresponding

reduction in the Class Principal Balance of the related Securities. Any such reductions in the Class Principal Balance of a Class of Exchangeable Notes will result in a corresponding reduction in the Class Principal Balance or Class Notional Amount, as applicable, of the related Class or Classes of RCR Notes.

See "*Description of the Securities — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*".

#### *Allocation of Tranche Write-down Amounts*

On each Payment Date on or prior to the Termination Date, after allocation of the Senior Reduction Amount and Subordinate Reduction Amount, the Tranche Write-down Amount, if any, for such Payment Date will be allocated, *first*, to reduce any Overcollateralization Amount for such Payment Date, until such Overcollateralization Amount is reduced to zero and, *second*, to reduce the Class Notional Amount of each Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero:

*first*, to the Class B-2H Reference Tranche,

*second*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts,

*third*, to the Class M-2B and Class M-BH Reference Tranches, *pro rata*, based on their Class Notional Amounts,

*fourth*, to the Class M-2A and Class M-AH Reference Tranches, *pro rata*, based on their Class Notional Amounts, and

*fifth*, to the Class A-H Reference Tranche (up to the amount of any remaining unallocated Tranche Write-down Amounts *less* the amount attributable to clause (d) of the definition of "Principal Loss Amount").

Because the Securities correspond to the related Reference Tranches, any Tranche Write-down Amounts allocated to a Reference Tranche will result in a corresponding reduction in the Class Principal Balance of the related Class of Securities (without regard to any exchanges of Exchangeable Notes for RCR Notes for such Payment Date). If any RCR Notes are held by Holders, any Tranche Write-down Amount allocable to a Class of Exchangeable Notes will be allocated to reduce the Class Principal Balance or Class Notional Amount, as applicable, of the related Class or Classes of RCR Notes (to the extent such RCR Notes have a Class Principal Balance or Class Notional Amount, as applicable, greater than zero).

See "*Description of the Securities — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Tranche Write-down Amounts*".

#### *Allocation of Tranche Write-up Amounts*

On each Payment Date on or prior to the Termination Date, after allocation of the Senior Reduction Amount, the Subordinate Reduction Amount and any Tranche Write-down Amounts, the Tranche Write-up Amounts, if any, for such Payment Date will be allocated to increase the Class Notional Amount of each Reference Tranche in the following order of priority until the cumulative Tranche Write-up Amount allocated to each such Reference Tranche is equal to the cumulative Tranche Write-down Amount previously allocated to such Reference Tranche on or prior to such Payment Date:

*first*, to the Class A-H Reference Tranche,

*second*, to the Class M-2A and Class M-AH Reference Tranches, *pro rata*, based on their Class Notional Amounts,

*third*, to the Class M-2B and Class M-BH Reference Tranches, *pro rata*, based on their Class Notional Amounts,

*fourth*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts, and

*fifth*, to the Class B-2H Reference Tranche.

Because the Securities correspond to the related Reference Tranches, any Tranche Write-up Amounts allocated to a Reference Tranche will result in a corresponding increase in the Class Principal Balance of the related Class of Securities (without regard to any exchanges of Exchangeable Notes for RCR Notes for such Payment Date). If any RCR Notes are held by Holders, any Tranche Write-up Amount allocable to a Class of Exchangeable Notes will be allocated to increase the Class Principal Balance or Class Notional Amount, as applicable, of the related Class or Classes of RCR Notes.

See "*Description of the Securities — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Tranche Write-up Amounts*".

#### **Allocation of Modification Loss Amount**

On each Payment Date on or prior to the Termination Date, losses associated with Modification Events on Reference Obligations will be allocated in reduction of interest and/or principal, as described under "*Description of the Securities—Hypothetical Structure and Calculations with Respect to the Reference Tranches—Allocation of Modification Loss Amount*."

#### **The Reference Pool**

The Reference Pool will consist of the Reference Obligations, which are mortgage loans that meet the Eligibility Criteria.

The "**Eligibility Criteria**" to be satisfied with respect to each mortgage loan included as a Reference Obligation in the Reference Pool are as follows:

(a) is a fully amortizing, fixed rate, first-lien mortgage loan secured by a one- to four-unit property, town house, individual condominium unit, individual unit in planned unit development, individual cooperative unit or manufactured home;

(b) was acquired by Fannie Mae between April 1, 2009 and October 31, 2012 and is currently held in various Fannie Mae MBS trusts as of the Cut-off Date;

(c) is not 30 or more days delinquent as of the Cut-off Date;

(d) for loans with an estimated loan-to-value ("**ELTV**") ratio greater than or equal to 40%, has not been reported 30 days or more delinquent in the last three months, and has not been reported 30 days delinquent more than once in the last 12 months;

(e) was originated under Fannie Mae's Refi Plus<sup>TM</sup> program, which includes but is not limited to the Home Affordable Refinance Program ("**Refi Plus Program**");

(f) has an ELTV ratio less than or equal to 200%;

(g) is not subject to any form of risk sharing (other than limited seller or servicer indemnification or limited future loss protection settlements in certain cases);

(h) is a conventional loan (i.e. is not guaranteed by the Federal Housing Administration ("**FHA**") or the U.S. Department of Veterans Affairs ("**VA**"));

(i) is not covered by private mortgage insurance or pool insurance as of the Cut-off Date; and

(j) has not been modified since the loan was refinanced through the Refi Plus Program.



With respect to each Reference Obligation, ELTV is a ratio, expressed as a percentage, obtained by dividing (a) the unpaid principal balance of the Reference Obligation as of the Cut-off Date by (b) the estimated value of the related mortgaged property as of the Cut-off Date obtained either through Fannie Mae's Automated Property Valuation Model ("**AVM**") or, if no property value is available through AVM, the mark-to-market property value generated using Fannie Mae's Home Price Index ("**HPI**").

#### *Refi Plus Program*

All of the Reference Obligations were originated by lenders approved to sell loans to Fannie Mae in accordance with Fannie Mae's Refi Plus Program. The Refi Plus Program was launched in 2009. The program was introduced to enable borrowers whose loans were owned by Fannie Mae to efficiently refinance into improved loan terms such as a lower rate, a shorter term, or a more stable product.

FHFA introduced the Home Affordable Refinance Program ("**HARP**") in 2009. HARP was designed for the segment of borrowers during the financial crisis that demonstrated continued ability and willingness to make their mortgage payments but were unable to take advantage of the low prevailing market interest rates to refinance due to low or negative equity. HARP was offered by Fannie Mae as a subset of its broader Refi Plus Program and provided expanded refinance opportunities for eligible loans with loan-to-value ratios of greater than 80% and initially up to 105%. HARP eligibility expanded over time in order to support more borrowers and later in 2009, the loan-to-value ratio maximum was increased to 125%. In late 2011, HARP 2.0 was introduced, which removed the loan-to-value ratio maximum, relaxed performance criteria, provided additional flexibilities for loans with existing mortgage insurance, and allowed borrowers to more easily refinance with a different servicer. See "*Loan Acquisition Practices and Servicing Standards — Single-Family Business Overview — Refi Plus Program*" for more details on program eligibility. Fannie Mae's Refi Plus Program, along with FHFA's HARP, was retired in December 2018 (with deliveries allowed through September 2019).

#### *Characteristics of the Reference Obligations*

The Reference Obligations are expected to have the approximate characteristics set forth below as of September 30, 2019 (the "**Cut-off Date**"). Whenever reference is made in this Offering Memorandum to the characteristics of the Reference Obligations or to a percentage of the Reference Obligations, unless otherwise noted, that reference is based on the aggregate principal balance of the applicable Reference Obligations as of the Cut-off Date.

The figures below are approximate and may not correspond exactly to the related figures in Appendix A to this Offering Memorandum due to rounding differences. The weighted average characteristics shown below and in Appendix A to this Offering Memorandum do not take into account any Reference Obligation for which such data was unavailable.

**Selected Reference Obligation Data as of the Cut-off Date**

	<b>Range or Total</b>	<b>Average or Weighted Average</b>
Number of Reference Obligations .....	840,988	-
Aggregate Original Principal Balance .....	\$149,840,802,000	-
Original Principal Balance .....	\$7,000 to \$861,000	\$178,172
Cut-off Date Balance .....	\$106,754,721,932	-
Unpaid Principal Balance.....	\$1 to \$725,057	\$126,940
Gross Mortgage Rate .....	2.250% to 7.065%	4.426%
Remaining Term to Stated Maturity (months) .....	1 to 397 months	224 months
Original Term (months) .....	96 to 480 months	321 months
Loan Age (months) .....	82 to 126 months	97 months
Original Loan-to-Value Ratio .....	1.00% to 962.00%	82.20%
Original Combined Loan-to-Value Ratio.....	1.00% to 962.00%	86.73%
Estimated Loan-to-Value Ratio .....	0.00% to 200.00%	45.33%
Credit Score as of Origination Date.....	385 to 844	748
Current Credit Score .....	390 to 818	753
Latest Maturity Date .....	October 2052	-

**Top Five Geographic Concentration of Mortgage Loans By State**

CA .....	16.90%
NY .....	6.34%
FL .....	6.19%
IL .....	5.75%
NJ .....	4.95%

**Top Five Geographic Concentration of Mortgage Loans By Zip Code**

32162 .....	0.07%
10314 .....	0.06%
11234 .....	0.06%
91709 .....	0.06%
98012 .....	0.06%

The characteristics of the Reference Obligations will change from time to time to reflect subsequent scheduled payments, prepayments, Credit Events and Modification Events with respect to such Reference Obligations. In addition, the characteristics of the Reference Obligations may change after the issuance of the Securities to reflect the removal of Reference Obligations from the Reference Pool.

*Reference Pool Removals*

A Reference Obligation will be removed from the Reference Pool upon the occurrence of any of the following: (i) the Reference Obligation becomes a Credit Event Reference Obligation; (ii) the Reference Obligation is paid in full; (iii) the Reference Obligation is seized pursuant to an eminent domain proceeding with respect to the underlying mortgage loan; (iv) the related loan seller or servicer repurchases the Reference Obligation, enters into a full indemnification agreement with Fannie Mae with respect to the Reference Obligation or pays a fee in lieu of repurchase with respect to the Reference Obligation; (v) Fannie Mae elects to sell (A) a delinquent Reference Obligation that is less than 12 months delinquent at the time it is offered for sale or (B) a Reference Obligation that previously had been seriously delinquent and is current at the time it is offered for sale; (vi) Fannie Mae determines that as a result of a data correction the Reference Obligation does not meet the Eligibility Criteria specified in clause

(a) of the definition thereof; or (vii) the party responsible for the representations and warranties and/or servicing obligations or liabilities with respect to the Reference Obligation (A) has declared bankruptcy or has been put into receivership or (B) has otherwise been relieved of such obligations or liabilities by operation of law or by agreement, and an Eligibility Defect is identified that could otherwise have resulted in a repurchase. A Reference Obligation that undergoes a temporary or permanent modification will not be removed from the Reference Pool if it does not otherwise meet any of the criteria for a removal set forth in the prior sentence. For the avoidance of doubt, Fannie Mae will not request the repurchase of any Reference Obligation with minor technical violations, minor data corrections or minor missing documentation if Fannie Mae determines that the Reference Obligation otherwise satisfies Fannie Mae's eligibility and underwriting criteria.

The removal of any Reference Obligation from the Reference Pool as described above is referred to as a **"Reference Pool Removal"**.

A Reference Obligation that becomes subject to an Origination Rep and Warranty Settlement subsequent to the Cut-off Date may be removed from the Reference Pool by Fannie Mae at any time in its sole discretion, provided that the aggregate unpaid principal balance of the Reference Obligations so removed during any single Reporting Period does not result in a reduction of the Class Notional Amount of any Reference Tranche in excess of 1.00% of the Class Notional Amount thereof immediately prior to such reduction. The removal of any Reference Obligation from the Reference Pool as described above will be treated as a "Reference Pool Removal".

When a Reference Obligation becomes subject to a Reference Pool Removal (except in the case of a Reference Obligation that becomes a Credit Event Reference Obligation), the unpaid principal balance of such Reference Obligation will be allocated to the Reference Tranches as *Unscheduled Principal*.

See *"Description of the Securities — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount"* for a description of how Reference Pool Removals impact the Securities. See *"Loan Acquisition Practices and Servicing Standards — Quality Control"* for a description of how defects or deficiencies with respect to a Reference Obligation may be discovered through Fannie Mae's quality control process.

As changes to the Reference Pool occur, such changes may materially alter the Reference Obligation characteristics shown above as well as the weighted average lives and yields to maturity of the Securities.

Additional information on the Reference Pool appears under *"The Reference Obligations"* and Appendix A.

### **Prepayment and Yield Considerations**

The yield to maturity on each Class of Securities will be sensitive to, among other factors, the rate and timing of principal payments on the Reference Obligations (which will be affected by prepayments, removals of Reference Obligations, and Credit Events and Modification Events on the Reference Obligations). As a result, the yield on the Securities may fluctuate significantly:

- In general, yields on the Securities are sensitive to the rate and timing of Credit Events and Modification Events on the Reference Obligations (and the severity of losses with respect thereto), as (i) Credit Events and Modification Events may result in Tranche Write-down Amounts that are allocable to reduce the Class Principal Balances or Class Notional Amounts, as applicable, of the Securities and (ii) Modification Events on the Reference Obligation may reduce the interest due on the Securities, in each case as described under *"Description of the Securities—Hypothetical Structure and Calculations with Respect to the Reference Tranches."*
- If investors purchase Securities at a premium and principal payments on the Reference Obligations occur at a rate faster than such investors assumed, such investors' actual yield to maturity will be lower than anticipated and such investors may not recover their entire investment in the Securities.
- Conversely, if investors purchase Securities (other than Interest Only RCR Notes) at a discount, and principal payments on the Reference Obligations occur at a rate slower than such investors assumed, such investors' actual yield to maturity will be lower than anticipated.

The yield to maturity on the floating rate Securities will be sensitive to changes in the rate of One-Month LIBOR. In addition, the yield to maturity of the Securities will be increasingly sensitive to the level and timing of Credit Events and Modification Events on the Reference Obligations (and the severity of losses realized with respect thereto) because the aggregate amount of all Tranche Write-down Amounts with respect to the Classes are allocated *first*, to reduce any Overcollateralization Amount for such Payment Date, until the Overcollateralization Amount is reduced to zero and, *second*, to reduce the Class Notional Amount of each Class of Reference Tranches in the following order of priority, in each case, until the Class Notional Amount is reduced to zero:

*first*, to reduce to zero the Class B-2H Reference Tranche;

*second*, to reduce to zero the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts;

*third*, to reduce to zero the Class M-2B and Class M-BH Reference Tranches, *pro rata*, based on their Class Notional Amounts;

*fourth*, to reduce to zero the Class M-2A and Class M-AH Reference Tranches, *pro rata*, based on their Class Notional Amounts; and

*fifth*, to reduce to zero the Class Notional Amount of the Class A-H Reference Tranche (up to the amount of any remaining unallocated Tranche Write-down Amounts *less* the amount attributable to clause (d) of the definition of "Principal Loss Amount").

Any such Tranche Write-down Amounts will be allocated, in the case of each Class, after allocation of the Senior Reduction Amount and Subordinate Reduction Amount. Any such Tranche Write-down Amounts allocated to reduce the Class Notional Amount of a Reference Tranche will result in a corresponding reduction in the Class Principal Balance of the related Class of Securities, in each case, until the aggregate Tranche Write-down Amounts allocated to each such Reference Tranche reduces its Class Notional Amount to zero. As such:

- because the Class B-1 Reference Tranche is subordinate to the Class M-2A and Class M-2B Reference Tranches, the Class B-1 Certificates will be more sensitive than the Class M-2A and Class M-2B Notes to Tranche Write-down Amounts after the Class Notional Amount of the Class B-2H Reference Tranche is reduced to zero; and
- because the Class M-2B Reference Tranche is subordinate to the Class M-2A Reference Tranches, the Class M-2B Notes will be more sensitive than the Class M-2A Notes to Tranche Write-down Amounts after the Class Notional Amounts of the Class B-2H and Class B-1 Reference Tranches are reduced to zero.

Because the Reference Obligations may be prepaid by the borrowers without penalty at any time, among other factors, it is not possible to predict the exact rate at which investors in the Securities will receive payments of principal.

See "*Prepayment and Yield Considerations*".

#### **U.S. Federal Income Tax Consequences**

The Issuer expects to receive an opinion from Dechert LLP that, subject to the conditions, qualifications and assumptions set forth therein, for U.S. federal income tax purposes (i) the Exchangeable Notes sold on the Closing Date (including through a sale of RCR Notes) to a person unrelated to the Issuer will be characterized as indebtedness and (ii) the Issuer will not be classified as an association taxable as a corporation, a publicly traded partnership taxable as a corporation or a taxable mortgage pool. The Issuer and each Holder of an Exchangeable Note, by acceptance of an Exchangeable Note, will agree to treat the Exchangeable Notes as indebtedness of the Issuer for all tax purposes unless otherwise required by law. The RCR Notes represent beneficial ownership interests in the Exchangeable Notes for U.S. federal income tax purposes. The U.S. federal income tax treatment of the Class B-1 Certificates is not clear. The Issuer and each Holder of a Class B-1 Certificate, by acceptance of a Class B-1 Certificate, will agree to treat the Class B-1 Certificates in part as a limited recourse guarantee contract and in part as

an interest-bearing collateral arrangement for U.S. federal income tax purposes. Interest payments on any Class B-1 Certificates held by a non-U.S. person are expected to be subject to 30% U.S. withholding tax, unless reduced pursuant to an applicable tax treaty.

See "*Certain U.S. Federal Income Tax Consequences*" in this Offering Memorandum for additional information.

### **Legal Investment**

Investors may be subject to restrictions on investment in the Securities to the extent that their investment activities are subject to investment laws and regulations, regulatory capital requirements or review by regulatory authorities. Prospective investors should consult their legal, tax and accounting advisers for assistance in determining the suitability of and consequences to them of the purchase, ownership and sale of the Securities.

- Prospective investors should be aware that the Securities do not represent an interest in and are not secured by the Reference Pool or any Reference Obligation.
- The Securities will not constitute "mortgage related securities" for purposes of the Secondary Mortgage Market Enhancement Act of 1984, as amended ("**SMMEA**").

See "*Legal Investment*" in this Offering Memorandum for additional information.

## **Investment Company Act Considerations**

In reliance on Section 2(b) of the Investment Company Act, the Issuer has not registered and will not register with the SEC as an investment company under the Investment Company Act.

## **Volcker Rule Considerations**

The Issuer has been structured so as not to constitute a "covered fund" for purposes of the regulations adopted to implement Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, commonly known as the Volcker Rule. While the Issuer may fall within the definition of a "commodity pool" under the Commodity Exchange Act, Fannie Mae will not be registered with the CFTC as a commodity pool operator in reliance on CFTC No-Action Letter 14-111 issued by the CFTC Division of Swap Dealer and Intermediary Oversight to Fannie Mae, thereby preserving the ability of the Issuer to not constitute a "covered fund" for purposes of the Volcker Rule.

## **Commodity Pool Considerations**

Fannie Mae has not registered as a commodity pool operator with the CFTC in reliance on the No-Action Letter issued to Fannie Mae by the CFTC Division of Swap Dealer and Intermediary Oversight. Accordingly, Fannie Mae is not required to deliver a CFTC disclosure document to prospective investors; nor is it required to provide investors with certified annual reports. It is Fannie Mae's understanding that entities that invest in the Securities may, at the time of investment, treat the Securities as if they were issued by a pool the operator of which has not registered with the CFTC as a commodity pool operator in reliance on the exemption from registration provided by CFTC Rule 4.13(a)(3) under the Commodity Exchange Act and for purposes of any fund-of-funds analysis that such entities conduct. You should make your own determination, in consultation with your attorneys and other advisors, as to whether you should rely on the No-Action Letter provided to Fannie Mae for exemption from the commodity pool operator registration requirements under the Commodity Exchange Act and the regulations thereunder and you should make your own evaluation in consultation with your attorneys and other advisors as to whether your investment in the Securities changes your status (or the status of persons who may be considered your operators) under the Commodity Exchange Act and the regulations thereunder, as well as with respect to any related filing, disclosure or other requirements. A copy of the No-Action Letter is attached hereto as Appendix E. See "*Risk Factors—Investment Factors and Risks Related to the Securities — Risks Associated with the No-Action Letter*" in this Offering Memorandum.

## **ERISA Considerations**

Fiduciaries or other persons acting on behalf of or using the assets of (i) any employee benefit plan or other arrangement, including an individual retirement account (an "**IRA**"), subject to the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), Section 4975 of the Internal Revenue Code of 1986, as amended (the "**Code**"), or any foreign, U.S. federal, state or local law which is similar to Title I of ERISA or Section 4975 of the Code (each, a "**Similar Law**") or (ii) an entity which is deemed to hold the assets of such plan or arrangement (each, a "**Plan**"), should carefully review with their legal advisors whether the purchase, holding or disposition of a Security could give rise to a transaction prohibited or not otherwise permissible under ERISA, the Code or Similar Law.

Subject to the considerations and conditions described under "*Certain ERISA Considerations*" in this Offering Memorandum, it is expected that the Securities (other than the Class B-1 Certificates) may be acquired by Plans or persons acting on behalf of, using the assets of or deemed to hold the assets of a Plan. The Class B-1 Certificates may not be acquired by Plans or using assets of a Plan. See "*Certain ERISA Considerations*" in this Offering Memorandum.

## **Rating of the Securities**

Fannie Mae has engaged S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("**S&P**") and Kroll Bond Rating Agency, Inc. ("**KBRA**"), each a nationally recognized statistical rating organization ("**NRSRO**") as defined in Section 3(a)(62) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), to rate the Class M-2A Notes, Class M-2B Notes, Class M-2 Notes and the Classes of RCR Notes set forth on Schedule I hereto on the Closing Date. The Securities rated by either or both of these NRSROs are collectively

referred to as the "**Rated Notes**". On the Closing Date, the Rated Notes are expected to receive the ratings specified on the cover of this Offering Memorandum and on Schedule I hereto. S&P and KBRA each will monitor its rating using its normal surveillance procedures and may change or withdraw its assigned rating at any time. No transaction party will be responsible for monitoring any changes to the ratings on the Rated Notes.

The ratings address the likelihood of the timely receipt of payments of interest to which the Holders of the Rated Notes are entitled and the ultimate payment of principal by the Maturity Date. The ratings of the Rated Notes should be evaluated independently from similar ratings on other types of securities. The ratings are not a recommendation to buy, sell or hold the Rated Notes and may be subject to revision or withdrawal at any time by the engaged NRSROs.

In addition, these ratings do not address:

- the likelihood, timing or frequency of prepayments (both voluntary and involuntary) on the Reference Obligations and their impact on interest payments or the degree to which such prepayments might differ from those originally anticipated;
- the possibility that a Securityholder might suffer a lower than anticipated yield;
- the tax treatment of the Rated Notes or the effect of taxes on the payments received;
- the likelihood or willingness of the parties to the respective documents to meet their contractual obligations or the likelihood or willingness of any party or court to enforce, or hold enforceable, the documents in whole or in part;
- an assessment of the yield to maturity that investors may experience; or
- other non-credit risks, including, without limitation, market or liquidity risk.

The ratings take into consideration certain credit risks with respect to the Reference Obligations. However, as noted above, the ratings do not represent an assessment of the likelihood, timing or frequency of principal prepayments (both voluntary and involuntary) on the Reference Obligations, or the degree to which such prepayments might differ from those originally anticipated. In general, the ratings address credit risk and not prepayment risk.

Other NRSROs that Fannie Mae has not engaged to rate the Rated Notes may issue unsolicited credit ratings or commentaries on one or more Classes of the Securities. If any such unsolicited ratings or commentaries are issued, Fannie Mae cannot assure you that they will not be different from the ratings assigned by the engaged NRSROs and, if lower than the engaged NRSROs, whether such unsolicited ratings or commentaries will have an adverse impact on the liquidity, market value and regulatory characteristics of such Securities. Further, a determination by the SEC that either or both of the engaged NRSROs no longer qualifies as an NRSRO or is no longer qualified to rate the Rated Notes, could adversely impact the liquidity, market value and regulatory characteristics of the Rated Notes.

See "*Risk Factors—Investment Factors and Risks Related to the Securities—A Reduction, Withdrawal or Qualification of the Ratings on the Rated Notes, or the Issuance of an Unsolicited Rating on the Rated Notes, May Adversely Affect the Market Value of Those Securities and/or Limit an Investor's Ability to Resell Those Securities,*" "*The Ratings on the Rated Notes May Not Reflect All Risks*" and "*Rating of the Securities*" in this Offering Memorandum for more information regarding the ratings.

Fannie Mae has not engaged any NRSRO to rate the Class B-1 Certificates on the Closing Date and Fannie Mae has no obligation to do so in the future. The absence of ratings on the Class B-1 Certificates may adversely affect the ability of an investor to purchase, finance or retain, or may otherwise impact the liquidity, market value and regulatory characteristics of, these Securities. See "*Risk Factors—Investment Factors and Risks Related to the Securities—The Class B-1 Certificates Will Not Be Rated by any Engaged NRSRO on the Closing Date*" in this Offering Memorandum.

### **European Risk Retention**

In connection with the European Securitization Rules, Fannie Mae will retain a material net economic interest in the transaction constituted by this Securities issuance of not less than 5%. See "*European Securitization Rules*" and "*Risk Factors—Investment Factors and Risks Related to the Securities—Additional Governmental Actions in the U.S. and Abroad Could Adversely Affect the Market Value of the Securities*" in this Offering Memorandum. For the avoidance of doubt and notwithstanding the retention of the above-mentioned material net economic interest in the underlying exposure related to this Securities issuance transaction, Fannie Mae is not required to retain credit risk with respect to the Securities under U.S. securities laws and regulations, including Regulation RR under the Exchange Act.

### **Use of Proceeds**

The Issuer will deliver the gross proceeds of the offering of the Securities to the Custodian, which will deposit them in the Cash Collateral Account. From time to time, the Investment Agent will direct the Custodian to invest the proceeds in Eligible Investments pursuant to the terms of the Investment Agency Agreement, as further described herein under "*Risk Factors — Risks Related to Eligible Investments*" and "*The Agreements — The Indenture*."



## RISK FACTORS

### General

Listed below are some of the principal risk factors associated with an investment in the Securities. The risk factors relating to Fannie Mae include risks that may affect an investment in and the value of the Securities. You should review all of these risk factors before investing in the Securities. Because each investor has different investment needs and a different risk tolerance, each investor should consult its own financial or legal advisor to determine whether the Securities are a suitable investment. In particular, prospective investors in the Securities should be aware that:

- The risks and uncertainties described below are not the only ones relating to the Securities. Additional risks and uncertainties not presently known to Fannie Mae or that Fannie Mae currently deems to be immaterial may also impair an investment in the Securities. If any of the following risks actually occur, an investment in the Securities could be materially and adversely affected.
- The risks and uncertainties of the RCR Notes reflect the risks and uncertainties of the related Exchangeable Notes that may be exchanged for such RCR Notes, and vice versa. Accordingly, investors in the RCR Notes should consider the risks described herein of the related Exchangeable Notes as if they were investing directly in such Exchangeable Notes, and vice versa.
- This Offering Memorandum contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Memorandum.
- Prospective investors should investigate any legal investment restrictions that may apply to them.
- The Securities are not secured by the Reference Obligations, the mortgaged properties or the borrowers' payments under the Reference Obligations, and Securityholders should not look to the Reference Obligations as a source of payment on the Securities.
- The Securities will not constitute "mortgage related securities" for purposes of SMMEA, and the Securities may be regarded as high-risk, derivative, risk-linked or otherwise complex securities. The Securities should not be purchased by prospective investors who are prohibited from acquiring securities having the foregoing characteristics.
- The Securities are not suitable investments for all prospective investors. The Securities are complex financial instruments. Because the Securities are linked to the Reference Obligations and Reference Tranches established pursuant to the hypothetical structure described in this Offering Memorandum, prospective investors should not purchase any Security unless they or their financial advisors possess the necessary expertise, tools and metrics to analyze the potential risks of the Securities being offered and the information contained in this Offering Memorandum and the documents incorporated by reference.
- Prospective investors should not purchase any Securities unless they understand, and are able to bear, the prepayment, credit, liquidity, market and other risks associated with the Securities.
- Prospective investors should not construe the issuance of the Securities as an endorsement by the Issuer, the Indenture Trustee, Fannie Mae or any other person, with respect to the performance of the Reference Obligations or the Eligible Investments.
- The Securities, including any yield on the Securities, will not be insured or guaranteed by Fannie Mae, the United States or any governmental agency or instrumentality of the United States, or of any other person, and are not debts or obligations of any of the foregoing.
- The Securities will be obligations (or interests in obligations) of the Issuer only and will be payable without recourse to the Issuer except to the extent of the assets of the Issuer, which the Issuer will pledge on the Closing Date to the Indenture Trustee for the benefit of the Secured Parties.

- The Issuer's obligations to pay Credit Protection Amounts to Fannie Mae under the Credit Protection Agreement upon the occurrence of certain Credit Events or Modification Events that result in the allocation of Tranche Write-down Amounts will reduce amounts available for payment of principal on the Securities.
- Although investment earnings on Eligible Investments in the Cash Collateral Account will be deposited in the applicable Trust Distribution Accounts prior to each Payment Date, such amounts may be less than the amounts needed to pay the full amount of interest payable on the related Securities. If Fannie Mae does not make payments required under the Credit Protection Agreement, the Issuer may be unable to pay the full amount of interest payable on the Securities.
- If Fannie Mae fails to pay any Investment Liquidation Contribution, any Credit Protection Reimbursement Amount, or any amount required to be paid by it in respect of the Credit Premium Amount due on a Remittance Date, there may be insufficient funds available to pay principal or interest, as applicable, on the Securities for the related Payment Date.

Investors should exercise particular caution if their circumstances do not permit them to hold the Securities until maturity.

### **Special Risks Associated with the Credit Protection Agreement**

#### ***The Securities are Subordinate to Certain Payments Payable to Fannie Mae***

Under the Credit Protection Agreement, on each Payment Date, the Issuer may be required to pay Credit Protection Amounts to Fannie Mae equal to the aggregate of Tranche Write-down Amounts, if any, allocated to the Securities on such Payment Date (before giving effect to payments made on such Payment Date). If any Credit Protection Amounts are payable to Fannie Mae on a Payment Date, the Issuer will make such payment prior to payments to the related Securityholders from the applicable Trust Distribution Accounts. As a result, the amounts available to make payments of principal on the Securities will be reduced to the extent of any payments of Credit Protection Amounts to Fannie Mae.

#### ***Payments from Fannie Mae are not Guaranteed by the United States or any Other Person***

The Securities are not guaranteed by the United States or any agency or instrumentality of the United States. Moreover, unlike previous "credit risk transfer" notes issued by Fannie Mae, the Securities are not debt obligations of Fannie Mae.

As described in this Offering Memorandum, the occurrence of certain Credit Events or Modification Events on the Reference Obligations could result in write-downs of the Class Principal Balances of the Securities to the extent losses are realized on such Reference Obligations as a result of these events. In addition, the interest entitlement of the Securities may be subject to reduction due to Modification Events as further described in this Offering Memorandum. The Issuer is required to pay Fannie Mae Credit Protection Amounts in respect of Tranche Write-down Amounts and Fannie Mae is required to pay Credit Protection Reimbursement Amounts to the Issuer to the extent of any Tranche Write-up Amounts. Fannie Mae is also required to pay any Investment Liquidation Contributions to the Issuer. These payment obligations are unsecured contractual obligations of Fannie Mae. The failure of Fannie Mae to pay Credit Protection Reimbursement Amounts or Investment Liquidation Contributions to the Issuer on a Remittance Date could result in a shortfall of funds available to pay principal on the Securities on the related Payment Date.

Fannie Mae is obligated to pay Credit Premium Amounts under the Credit Protection Agreement. This is an unsecured contractual obligation of Fannie Mae. Securityholders bear the risk that Fannie Mae may fail to pay any such amounts due to the Issuer for a Remittance Date, which could result in a shortfall of funds available to pay interest on the Securities on the related Payment Date.

#### ***The Securities are Subject to Event of Default or Redemption in the Event of an Early Termination under the Credit Protection Agreement***

The Credit Protection Agreement is subject to early termination on the CPA Early Termination Date.

The CPA Early Termination Date will be the Payment Date following the occurrence of any of the following CPA Early Termination Events:

- the occurrence of the Maturity Date;
- the occurrence of an Early Redemption Date;
- acceleration of the maturity of the Securities under the Indenture;
- the occurrence of a Reporting Period in which there occurs the final payment or other liquidation of the last Reference Obligation remaining in the Reference Pool or the disposition of any REO in respect thereof;
- the occurrence of a Reporting Period in which there occurs the removal of the last Reference Obligation remaining in the Reference Pool or any REO in respect thereof;
- a final SEC determination that the Issuer must register as an investment company under the Investment Company Act; or
- a failure of Fannie Mae to make a required payment under the Credit Protection Agreement, which failure continues unremedied for 30 days following notice of such failure.

Any termination of the Credit Protection Agreement as a result of the occurrence of an event described in the last two bullets above will constitute an Event of Default under the Indenture.

Additionally, Fannie Mae may in its sole discretion designate as the CPA Early Termination Date the Payment Date following the occurrence of any of the following CPA Trigger Events:

- accounting, insurance or regulatory changes after the Closing Date that, in Fannie Mae's reasonable determination, have a material adverse effect on Fannie Mae;
- legal, regulatory or accounting requirements or guidelines that, in Fannie Mae's reasonable determination, materially affect the financial position, accounting treatment or intended benefit with respect to Fannie Mae;
- a requirement, in Fannie Mae's reasonable determination, after consultation with external counsel (which will be a nationally recognized and reputable law firm), that Fannie Mae or any other transaction party (other than an investor in the Securities) must register as a "commodity pool operator" under the Commodity Exchange Act solely because of its participation in the transaction;
- material impairment of Fannie Mae's rights under the Credit Protection Agreement due to the amendment or modification of any Transaction Document; or
- failure of the Issuer to make a required payment under the Credit Protection Agreement, which failure continues unremedied for 30 days following receipt of written notice of such failure.

Investors should consider that if the Credit Protection Agreement is terminated prior to the Maturity Date as a result of the occurrence of a CPA Trigger Event, the Securities will be paid in full under the Indenture. Such early redemption may occur earlier, and may occur significantly earlier, than the Maturity Date and investors will bear the reinvestment risk of any payment received from such early redemption.

## **Risks Relating to the Securities Being Linked to the Reference Obligations**

### ***The Securities Bear the Risk of Credit Events and Modification Events on the Reference Obligations***

Principal and interest on the Securities will be paid by the Issuer solely from assets of the Issuer and, in the case of principal, will be paid solely from amounts available after payments of Credit Protection Amounts to Fannie Mae, if any. The Securities are not backed by the Reference Obligations and payments on the Reference Obligations will not be available to make payments on the Securities, and Securityholders will have no rights to vote or exercise any other rights or remedies with respect to the Reference Obligations. However, each Class of Securities will have

credit exposure to the Reference Obligations, and the yield to maturity on the Securities will be directly related to the amount and timing of Credit Events and Modification Events on the Reference Obligations and the severity of losses realized with respect thereto, any prepayments by the borrowers of the Reference Obligations and any removals of Reference Obligations from the Reference Pool due to eminent domain proceedings involving the seizure of any such Reference Obligation.

A Credit Event or Modification Event may occur due to one or more of a wide variety of factors, including a decline in real estate values, and adverse changes in a borrower's financial condition and a borrower's employment. A decline in real estate values or economic conditions nationally or in the regions where the related mortgaged properties are concentrated may increase the risk of Credit Events and Modification Events on the Reference Obligations as well as the severity of losses realized with respect thereto. In addition, Reference Obligations secured by second homes and investment properties may have a higher risk of being subject to a Credit Event or Modification Event than those secured by primary residences. Furthermore, as loan-to-value ratios increase, certain borrowers may find themselves with limited or no equity in the related mortgaged properties, which may in turn lead to increased rates of delinquency. In such event, the rate at which Reference Obligations experience Modification Events or become Credit Event Reference Obligations may increase and investor losses may result.

Following a Credit Event or Modification Event with respect to a Reference Obligation, pursuant to the hypothetical structure, a Tranche Write-down Amount on the Securities may be applied to reduce the Class Notional Amount of the most subordinate Reference Tranche that still has a Class Notional Amount greater than zero. Because the Class M-2A Notes, Class M-2B Notes and Class B-1 Certificates correspond to the Class M-2A, Class M-2B and Class B-1 Reference Tranches, respectively, any Tranche Write-down Amounts allocated to the Class M-2A, Class M-2B or Class B-1 Reference Tranche will result in a corresponding decrease in the Class Principal Balance of the Class M-2A Notes, Class M-2B Notes or Class B-1 Certificates, as applicable (without regard to any exchanges of Exchangeable Notes for RCR Notes for such Payment Date). If any RCR Notes are held by Holders, any Tranche Write-down Amount that is allocable to the related Exchangeable Notes will be allocated to decrease the Class Principal Balance or Class Notional Amount, as applicable, of the related RCR Notes (to the extent such RCR Notes have a Class Principal Balance or Class Notional Amount, as applicable, greater than zero). Any such reductions in Class Principal Balance as described in this paragraph will result in a loss of all or a portion of the investor's investment in the related Securities. Additionally, allocations of Modification Loss Amounts following Modification Events may result in reductions in the Interest Payment Amounts on the Securities, as further described under "*Description of the Securities — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Modification Loss Amount.*" As such, a Class of Securities will be more sensitive than each more senior Class of Securities to Tranche Write-down Amounts after the Class Notional Amount of each more subordinate Reference Tranche is reduced to zero.

#### ***Delay in Liquidation May Reduce Liquidation Proceeds***

Substantial delays in payments of principal on the Securities could be encountered in connection with the liquidation of delinquent Reference Obligations. Delays in foreclosure proceedings may occur in certain states experiencing increased volumes of delinquent mortgage loans. Further, reimbursement of servicing advances (exclusive of any delinquency advances) made by the loan sellers or servicers and liquidation expenses such as legal fees, real estate taxes, servicing and maintenance and preservation expenses will reduce Net Liquidation Proceeds and could result in greater losses being allocated to the Securities.

#### ***The Timing of Credit Events and Modification Events (and the Severity of Losses Realized with Respect Thereto) May Affect Yields on the Securities***

The timing of the occurrence of Credit Events and Modification Events with respect to Reference Obligations, which may result in Tranche Write-down Amounts and reduced Interest Payment Amounts, may impact the return earned on the Securities. The timing of the occurrence of Credit Events and Modification Events with respect to Reference Obligations may significantly affect the actual yield on the Securities, even if the average rates of the Credit Event occurrences and Modification Event occurrences are consistent with your expectations. In general, the earlier the occurrence of Credit Events and Modification Events the greater the effect on your yield to maturity. The timing of Tranche Write-down Amounts and the allocation of Modification Loss Amounts could be affected by one or more of a wide variety of factors, including the creditworthiness of the related borrowers, the related borrowers' willingness and ability to continue to make payments, and the timing of market economic developments, as well as legislation, legal actions or programs that allow for the modification of mortgage loans or forbearance or for borrowers to obtain relief through bankruptcy or other avenues. Any Tranche Write-down Amounts allocated to the

Class M-2A, Class M-2B or Class B-1 Reference Tranche will result in a corresponding decrease in the Class Principal Balance of the Class M-2A Notes, Class M-2B Notes or Class B-1 Certificates, as applicable (without regard to any exchanges of Exchangeable Notes for RCR Notes for such Payment Date). If any RCR Notes are held by Holders, any Tranche Write-down Amount that is allocable to the related Exchangeable Notes will be allocated to decrease the Class Principal Balance or Class Notional Amount, as applicable, of the related RCR Notes (to the extent such RCR Notes have a Class Principal Balance or Class Notional Amount, as applicable, greater than zero). Any such allocations will cause an investment loss to the affected Securityholders as well as a reduction in the interest paid on those Securities as a result of the reduced Class Principal Balance or Class Notional Amount, as applicable. Therefore, the timing of Tranche Write-down Amounts, and not just the overall level of such Tranche Write-down Amounts, will impact the return on the Securities. Additionally, allocations of Modification Loss Amounts following Modification Events may result in reductions in the Interest Payment Amounts on the Securities, as further described under "*Description of the Securities — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Modification Loss Amount.*"

Further, to the extent that Credit Events occur and are later reversed resulting in the allocation of Tranche Write-up Amounts to write up the Class Notional Amounts of the Reference Tranches, during the period in which the Tranche Write-up Amounts had not yet occurred, the Minimum Credit Enhancement Test and the Delinquency Test may not be satisfied due to such Credit Events. As a result, any Unscheduled Principal that may otherwise have been allocated to the Class M-2A, Class M-2B, Class B-1 and/or Class B-2H Reference Tranches during such period will instead be allocated to the Class A-H Reference Tranche, thereby reducing the amount of principal that the Issuer is required to pay to the Securityholders during such period.

***Loan Seller/Servicer Willingness to Repurchase Reference Obligations on a Timely Basis May Affect Yields on the Securities***

Credit Events may ultimately be reversed and/or make-whole payments may be collected from loan sellers, resulting in Tranche Write-up Amounts that increase the Class Notional Amounts of the related Reference Tranches. The timing of reversals of Credit Events or collection of make-whole payments resulting in Tranche Write-up Amounts will also affect the yield on the Securities. A loan seller's or servicer's willingness, or the amount of time it may take, to repurchase a Reference Obligation, agree to a full indemnification of Fannie Mae with respect to a Reference Obligation, provide a make-whole payment with respect to a Reference Obligation or pay a fee in lieu of repurchase with respect to a Reference Obligation will impact the rate at which Tranche Write-up Amounts are allocated to increase the Class Notional Amounts of the related Reference Tranches. This process could result in delays in allocation, or ultimately result in no allocation, of Tranche Write-up Amounts. In addition, certain actions related to the pursuit of remedies will be subject to Fannie Mae's discretion and Fannie Mae may have interests that conflict with those of the Securityholders. Any delay or failure in the pursuit of such remedies with respect to any Reference Obligations could delay or eliminate potential Tranche Write-up Amounts. Finally, to the extent that Credit Events occur and are later reversed resulting in the allocation of Tranche Write-up Amounts to increase the Class Notional Amounts of the related Reference Tranches, during the period in which the Tranche Write-up Amounts had not yet been allocated, the Minimum Credit Enhancement Test may not be satisfied due to such Credit Events. As a result, any Unscheduled Principal that may otherwise have been allocated to the Class M-2A, Class M-2B, Class B-1 and/or Class B-2H Reference Tranches during such period will instead be allocated to the Class A-H Reference Tranche, as applicable, thereby reducing the amount of principal that would have been payable to the Securityholders during such period.

***Representations and Warranties of the Loan Sellers With Respect to the Reference Obligations are Limited and Repurchases or Other Remedies May Not Be Available Following Breaches***

Loan sellers delivering mortgage loans under the Refi Plus Program were required to make a limited number of representations and warranties with respect to the mortgage loans relating primarily to compliance with the requirements of the Refi Plus Program and applicable law generally. There were few, if any, representations or warranties with respect to property value, borrower credit characteristics or borrower-provided information. In addition, the required representations and warranties generally expired 12 months after delivery of the mortgage loans to Fannie Mae, with the exception of those representations and warranties related to compliance with applicable law. As a result, few, if any, of the Reference Obligations are subject to repurchase by loan sellers other than for breaches of representations and warranties related to compliance with applicable law. As a result, we anticipate that repurchases of Reference Obligations for breaches of representations and warranties will occur rarely and investors should not anticipate that such repurchases will serve to offset in any significant degree those losses that may be experienced in respect of the Reference Obligations.

***Fannie Mae's Limited Review of a Sample of a Small Percentage of the Reference Obligations May Not Reveal All Aspects That Could Lead to Credit Events and Modification Events***

On an ongoing basis, Fannie Mae performs certain limited post-purchase loan review procedures with respect to the eligibility of the loans Fannie Mae acquires. Out of all mortgage loans that met the criteria specified in clauses (a), (b), (e), (g) and (h) of the definition of Eligibility Criteria at the time they were acquired by Fannie Mae (between April 1, 2009 and October 31, 2012), Fannie Mae selected 21,704 loans for either a random or discretionary post-purchase loan review, or approximately 0.86% by loan count, including 6,470 mortgage loans included in the Reference Pool. As of October 21, 2019, the Fannie Mae quality control process revealed Loan File or Underwriting Errors and possible Eligibility Defects at a rate of approximately 6.86%. Of the 21,704 mortgage loans, none of the mortgage loans remain subject to Fannie Mae's post-purchase quality control process, though Fannie Mae may conduct additional QC reviews of Refi Plus Program loans in the future in its discretion. See "*The Reference Obligations — Results of Fannie Mae Quality Control*". Fannie Mae's reviews were not conducted specifically in connection with the Reference Pool; rather, the reviews were conducted based on a sample of all mortgage loans acquired by it through the Refi Plus Program. Fannie Mae's review procedures were limited to validating that the mortgage loans met Refi Plus Program requirements for delivery to Fannie Mae. Fannie Mae's procedures did not constitute a re-underwriting of the mortgage loans, were not designed or intended to discover every possible defect, and may not be consistent with the type and scope of review that any individual investor would deem appropriate. In addition, to the extent that Fannie Mae's limited review did reveal factors that could affect how the Reference Obligations may perform, Fannie Mae may have incorrectly assessed the potential significance of the defects that Fannie Mae identified or that Fannie Mae failed to identify. There can be no assurance that any review process Fannie Mae conducted would have uncovered relevant facts that could be indicative of how any reviewed Reference Obligations will perform. Investors should note that Fannie Mae undertook this limited loan file review with respect to only a small sample of the Reference Obligations and did not undertake any loan file review for the remaining Reference Obligations. The selection of the mortgage loans that Fannie Mae reviewed was made by Fannie Mae and not by any independent third party.

Furthermore, the scope of Fannie Mae's limited reviews does not include tests to validate whether or not the originators abided by each applicable federal, state and local law and regulation, such as consumer protection laws, in originating the loans, other than a limited subset of those laws where Fannie Mae may face legal liability for the originators' noncompliance. Fannie Mae relies on representations and warranties from the loan sellers that the Reference Obligations were originated in compliance with all applicable federal, state and local laws and regulations of any federal regulatory agencies that are responsible for enforcing laws that protect borrowers in this regard. Fannie Mae relies on agreements with the servicers that the Reference Obligations are being serviced in compliance with all applicable federal, state and local laws and regulations of any federal regulatory agencies that are responsible for enforcing laws that protect borrowers in this regard. If a Credit Event or Modification Event occurs with respect to a Reference Obligation and Fannie Mae performs a review of such Reference Obligation, Fannie Mae does not have procedures in place to review the Reference Obligation to determine whether a breach of representations and warranties may have occurred with respect to compliance with each applicable federal, state and local law and regulation. As a result, investors should note that to the extent a Credit Event or Modification Event with respect to a Reference Obligation occurs and the Reference Obligation does not comply with all applicable laws, Fannie Mae may not discover a breach related thereto.

***Fannie Mae's Quality Control and Quality Assurance Processes are Not Designed to Protect Securityholders***

Fannie Mae undertook a limited quality control review and quality assurance review of a small number of the mortgage loans acquired through the Refi Plus Program. These processes were intended to determine, among other things, the accuracy of certain of the representations and warranties made by the loan sellers in respect of the mortgage loans that are sold to Fannie Mae. While investors may benefit from the quality control and quality assurance processes to the extent that any Credit Event Reference Obligation becomes a Reversed Credit Event Reference Obligation, resulting in a Tranche Write-up Amount, Fannie Mae's quality control and quality assurance processes are not designed or intended to protect Securityholders. In addition, Fannie Mae has considerable discretion in determining whether to pursue remedies, and what type of remedy to pursue, relating to breaches of representations and warranties identified through the quality control and quality assurance processes and have no express obligation to do so. Furthermore, certain loan seller representations and warranties are subject to "sunset" upon satisfaction of specified performance and other conditions. See "*Loan Acquisition Practices and Servicing Standards — Quality Control — Fannie Mae Quality Control Policy and Process*" for a description of these features. Moreover, Fannie Mae may at any time change its quality control and quality assurance processes in a

manner that is detrimental to the Securityholders. See "*Loan Acquisition Practices and Servicing Standards — Quality Control*" in this Offering Memorandum.

***Fannie Mae's Review of Reference Obligations That Become Credit Event Reference Obligations May Not Result in Reversed Credit Event Reference Obligations***

If a Credit Event occurs with respect to a Reference Obligation and Fannie Mae determines through its quality control process that a breach of representations or warranties exists with respect to such Reference Obligation, Securities that previously had their Class Principal Balances reduced as a result of being allocated Tranche Write-down Amounts may be entitled to have their Class Principal Balances increased to the extent of any resulting Tranche Write-up Amounts that are allocated to the related Class of Securities as described under "*Description of the Securities — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Tranche Write-up Amounts*". However, as described under "*Loan Acquisition Practices and Servicing Standards — Quality Control*", Fannie Mae will not examine through its quality control process every Reference Obligation for which a Credit Event occurs and it is possible that Reference Obligations with Loan File or Underwriting Errors may go undetected despite being subjected to Fannie Mae's quality control process. In addition, Holders of the Securities will have no right to direct Fannie Mae to perform a review of any Reference Obligation that becomes subject to a Credit Event. See "*— Investors Have No Direct Right to Enforce Remedies*" below. Furthermore, Fannie Mae will have the sole discretion to determine (i) whether to undertake such review, (ii) upon undertaking such review, whether Fannie Mae deems any Loan File or Underwriting Errors to exist, and (iii) upon concluding that a Loan File or Underwriting Error exists, whether to require the loan seller or servicer to repurchase the related Reference Obligation, agree to a full or partial indemnification of Fannie Mae in respect of the Reference Obligation, or pay a fee in lieu of repurchase in respect of the Reference Obligation or other remedy. Fannie Mae notes that only repurchases, indemnifications in full or fee payments in lieu of repurchases will result in Reference Obligations becoming subject to Reference Pool Removals; partial indemnifications will not result in Reference Pool Removals.

It should be noted that Fannie Mae does not differentiate between the Reference Obligations and mortgage loans that are not in the Reference Pool in pursuing remedies and in determining which mortgage loans are reviewed pursuant to Fannie Mae's quality control process. In addition, even if Fannie Mae were to determine that an Eligibility Defect exists with respect to a Reference Obligation, Fannie Mae cannot assure you that Fannie Mae will require the related loan seller or servicer to repurchase the related Reference Obligation or agree to a full indemnification or pay a fee in lieu of repurchase in respect thereof. Moreover, to the extent Fannie Mae does require any such action, Fannie Mae cannot assure you that the related loan seller or servicer will ultimately repurchase such Reference Obligation, agree to a full or partial indemnification or pay a fee in lieu of repurchase. The failure of the related loan seller or servicer to so repurchase, agree to a full indemnification or pay a fee in lieu of repurchase may result in such Reference Obligation not being subject to a Reference Pool Removal. Furthermore, certain loan seller representations and warranties are subject to "sunset" upon satisfaction of specified performance and other conditions. See "*Loan Acquisition Practices and Servicing Standards — Quality Control — Fannie Mae Quality Control Policy and Process*" in this Offering Memorandum for a description of these features. Investors in the Securities are encouraged to make their own determination as to the extent to which they place reliance on Fannie Mae's limited loan review procedures.

Investors should note that with respect to any Reference Obligation that is removed from the Reference Pool as a result of becoming a Credit Event Reference Obligation and as to which Fannie Mae subsequently discovers that the applicable servicer breached its servicing obligations, the servicer may ultimately repurchase such Reference Obligation, agree to a full or partial indemnification or pay a fee in lieu of repurchase, among other possible remedies. Any such repurchase, full indemnification or fee payment in lieu of repurchase by the servicer will result in a Tranche Write-up Amount being allocated to the related Reference Tranches (and which may be allocated to the Securities). However, under no circumstances will compensatory fees, partial indemnification or other arrangements with the servicer result in a Tranche Write-up Amount.

***Discovery of Certain Data Corrections May Not Result in a Repurchase of the Related Reference Obligation***

Reference Obligations will be removed from the Reference Pool if a data correction occurs that causes a Reference Obligation to no longer meet certain specified criteria within the definition of Eligibility Criteria as further described in "*Summary of Terms — The Reference Pool — Characteristics of the Reference Obligations*". However, Fannie Mae will not request the repurchase of any Reference Obligation with a data correction if Fannie Mae determines that the Reference Obligation otherwise satisfies Fannie Mae's eligibility and underwriting criteria

based on the updated loan data. This is the case even if the data correction results in a more adverse risk profile for the Reference Obligation in question. In addition, Fannie Mae will not request the repurchase of any Reference Obligation with minor technical violations or minor missing documentation if Fannie Mae determines that the Reference Obligation otherwise satisfies Fannie Mae's eligibility and underwriting criteria. Any reduction in repurchases of Reference Obligations that have experienced Credit Events or Modification Events would reduce the occurrence of Tranche Write-up Amounts and, in turn, increase the risk of losses to Securityholders.

***Limited Scope and Size of Review of the Mortgage Loans in the Reference Pool May Not Reveal Aspects of the Reference Obligations That Could Lead to Credit Events and Modification Events***

In connection with the issuance from time to time of Connecticut Avenue Securities transactions of Refi Plus Program mortgage loans, Fannie Mae engaged a third party diligence provider to undertake certain limited loan review procedures with respect to various aspects of mortgage loans Fannie Mae acquired under the Refi Plus Program. A very limited number of mortgage loans (999 by loan count) were included in the diligence sample. The 999 loans in the diligence sample were selected from the broader population of 23,762 loans that were originated under the Refi Plus Program and were reviewed as part of Fannie Mae's random post-purchase quality control review process. Of those 999 loans, 212 are in the Reference Pool. The diligence provider undertook no additional loan review procedures for the remaining Reference Obligations. The 999 loans in the diligence sample were selected by the diligence provider on a random basis rather than on a targeted basis. As a result, the 999 loan random sample may be of more limited use than a targeted sample for identifying errors with respect to loans that may have a higher propensity for default. Had the 999 loan sample been selected on a targeted basis, the results may have been different and potentially may have had a higher error rate than the error rate found by Fannie Mae in its post-purchase quality control process. The review was performed on a random sample selected from the broader population of 23,762 loans referenced above. The Reference Obligations that were not included in the review may have characteristics that were not discovered, noted or analyzed as part of a diligence provider's review that could, nonetheless, result in those Reference Obligations experiencing Credit Events or Modification Events in the future. Investors are encouraged to make their own determination as to value of the due diligence undertaken by a diligence provider, the extent to which the characteristics of the Reference Pool can be extrapolated from the error and defect rate and the extent to which investors believe that errors and defects found during the various loan reviews described herein may indicate an increased likelihood of Credit Events or Modification Events and an increased likelihood of principal write-downs and/or interest reductions on the Securities.

In selecting the samples for review, Fannie Mae and the diligence providers were limited to loans that previously were reviewed by Fannie Mae as part of its random quality control process. In conducting these review procedures, Fannie Mae relied on information and resources available to it and on the third party diligence providers. These review procedures were intended to discover certain Loan File or Underwriting Errors and possible Eligibility Defects in the Reference Obligations reviewed. However, these procedures did not constitute a re-underwriting of the loans in the diligence sample, were not designed or intended to discover every possible discrepancy or defect, and were substantially more limited than the scope of diligence review undertaken on recent residential mortgage loan securitization transactions. In addition, the diligence providers conducted procedures designed by Fannie Mae and the diligence providers to sample Fannie Mae's data regarding characteristics of the Reference Obligations, which data was used to generate the numerical information about the Reference Pool included in this Offering Memorandum. In connection with such data review, the diligence providers identified certain discrepancies with respect to the data fields reviewed, as described under "*The Reference Obligations — Due Diligence Review — Data Integrity Reviews*". Further, because Fannie Mae did not update the mortgage loan data tape to reflect these discrepancies, the numerical disclosure in this Offering Memorandum does not reflect any correction of these discrepancies with respect to the Reference Obligations. There can be no assurance that any review process conducted uncovered relevant facts that could be determinative of how the reviewed Reference Obligations will perform.

The diligence providers' review included a limited review for compliance with a limited subset of those federal, state and local laws and regulations that specifically provide for assignee liability or affect the calculation of points and fees under the Federal Truth-in-Lending Act/Regulation Z (and other similar laws) and did not include any review for compliance with TILA-RESPA Know Before You Owe Integrated Disclosure Rule ("**TRID**") or RESPA. The results of the diligence review are described under "*The Reference Obligations — Due Diligence Review*".

Furthermore, to the extent that the limited review conducted by the diligence provider did reveal factors that could affect how the Reference Obligations will perform, the diligence providers may have incorrectly assessed the



potential severity of those factors. The process for identifying and determining the factors that could affect the future performance of the Reference Obligations is subject to judgment.

See "*The Reference Obligations — Due Diligence Review*".

#### ***Certain Loan Sellers May Originate Loans Under Variances to Fannie Mae's Selling Guide***

As described under "*Loan Acquisition Practices and Servicing Standards — Credit Standards*", certain of Fannie Mae's loan sellers have negotiated contracts with Fannie Mae that enable them to sell mortgage loans to Fannie Mae under permitted contract variances ("**Permitted Variances**") that vary from the terms of Fannie Mae's Selling Guide. Mortgage loans originated pursuant to Permitted Variances may experience a higher rate of Credit Events and Modification Events (and greater losses realized with respect thereto) than mortgage loans originated in accordance with the Selling Guide. In addition, because the Permitted Variances vary by loan seller, the performance of the Reference Obligations may not be uniform or consistent, which may adversely impact the Securities.

#### ***Appraisals or Other Assessments May Not Accurately Reflect the Value or Condition of the Mortgaged Properties; Loan-to-Value Ratios May Be Calculated Based on Appraised Values or Other Assessments at Origination, Which May Not Be Accurate Reflections of Current Market Values***

At the time of origination of the Reference Obligations, property values may have been obtained using valuation methods other than new appraisals. In most cases, Fannie Mae did not require a new appraisal so long as the property value stated by the loan seller was consistent with Fannie Mae's internal assessment of the property's value.

In general, an appraisal or other property valuation represents the analysis and opinion of the person performing the appraisal or other property valuation at the time the appraisal or other property valuation is prepared and is not a guaranty of, and may not be indicative of, present or future value. There can be no assurance that another person would not have arrived at a different valuation, even if such person used the same general approach to and same method of valuing the property, or that different valuations would not have been reached by any originator based on its internal review of such appraisal or such other property valuations.

The appraisals or other property valuations obtained in connection with the origination of the Reference Obligations sought to establish the amount a typically motivated buyer would pay a typically motivated seller at the time the appraisals or other property valuations were prepared. In determining the price a typically motivated buyer would be willing to pay, appraisers examine comparable sales in a specified locality and adjust the price upward or downward based on characteristics of the related property. An appraisal or other property valuation does not reflect the insurance replacement value of a particular home. The price a typically motivated buyer would be willing to pay is subject to the appraiser's analysis and opinion and could be significantly higher than the amount that would be obtained for a related mortgaged property under a distressed or liquidation sale. In addition, in certain real estate markets property values may have declined since the time the appraisals or other property valuations were obtained, and therefore the appraisals or other property valuations may not be an accurate reflection of the current market values of the related mortgaged properties. The Reference Obligations were refinanced through the Refi Plus Program in or after April 2009 and the appraisals or other property valuations were generally prepared at the times of origination. The current market values of the related mortgaged properties could be lower, and in some cases significantly lower, than the values indicated in the appraisals or other property valuations obtained at the origination of the Reference Obligations and included in the original loan-to-value ratios reflected in this Offering Memorandum.

Because appraisals or other property valuations may not accurately reflect the value or condition of the related mortgaged properties and because property values may have declined since the time appraisals or other property valuations were obtained, the original loan-to-value ratios and the original combined loan-to-value ratios that are disclosed in this Offering Memorandum may be lower, in some cases significantly lower, than the loan-to-value ratios that would be determined if current values of the related mortgaged properties were used to determine loan-to-value ratios. Investors are encouraged to make their own determination as to the degree of reliance they place on the original loan-to-value ratios and the original combined loan-to-value ratios that are disclosed in this Offering Memorandum.

### ***ELTV Ratios May Not Reflect the Actual Value of the Mortgaged Properties***

The weighted average ELTV ratios for the Reference Obligations were produced using the ELTV ratio of each Reference Obligation as of the Cut-off Date. As of the Cut-off Date, the weighted average ELTV ratio for the Reference Obligations was approximately 45.33%. Reference Obligations with high loan-to-value ratios leave the related borrower with little, no or negative equity in the related mortgaged property, which may result in increased delinquencies by borrowers. The ELTV ratios for the Reference Obligations were based on valuations of the related mortgaged properties obtained using AVM or HPI. Investors should note, however, that using a valuation of a mortgaged property from (i) a different automated valuation model, (ii) an appraisal based on a physical inspection of the property or (iii) an arm's length sale of the mortgaged property could result in a higher or lower value for the property than the results from AVM or HPI.

Volatility in the residential real estate market, availability of mortgage credit and the unemployment rate, as well as other negative trends, may have the effect of reducing the values of the mortgaged properties from the updated ELTV ratios described above. A reduction in the values of the mortgaged properties may reduce the likelihood that Liquidation Proceeds or other proceeds will be sufficient to pay off the related Reference Obligations fully.

### ***Credit Scores May Not Accurately Predict the Likelihood of Default***

The statistical and loan-level information presented in this Offering Memorandum includes data on borrower Credit Scores. "**Credit Scores**" are generated by models developed by third party credit reporting organizations that analyze data on consumers in order to establish patterns which are believed to be indicative of a borrower's probability of default. A Credit Score represents an opinion of the related credit reporting organization of a borrower's creditworthiness. The Credit Score is based on a borrower's historical credit data, including, among other things, payment history, delinquencies on accounts, levels of outstanding indebtedness, length of credit history, types of credit and bankruptcy experience. Credit Scores range from approximately 300 to approximately 850, with higher scores indicating an individual with a more favorable credit history compared to an individual with a lower score. A Credit Score purports only to be a measurement of the relative degree of risk a borrower represents to a lender, i.e., that a borrower with a higher score is statistically less likely to default in payment than a borrower with a lower score. In addition, it should be noted that Credit Scores were developed to indicate a level of default probability over a two-year period, which does not correspond to the life of most mortgage loans. Furthermore, Credit Scores were not developed specifically for use in connection with mortgage loans, but for consumer loans in general. Therefore, Credit Scores do not address particular mortgage loan characteristics that influence the probability of repayment by the borrower. Fannie Mae does not make any representation or warranty as to any borrower's current Credit Score or the actual performance of any Reference Obligation, or that a particular Credit Score should be relied upon as a basis for an expectation that a borrower will repay the related Reference Obligation according to its terms.

### ***Fannie Mae May Replace or Discontinue Use of the Credit Score Products Used in Its Disclosure***

Third party credit reporting organizations may alter the models, pricing and availability of their Credit Score products from time to time. As a result, Fannie Mae in its discretion may either replace or discontinue use of the Credit Score products that it currently uses to disclose certain mortgage loan borrower information. Fannie Mae's decision to use a replacement Credit Score product or to discontinue the use of Credit Scores in Payment Date Statements could impair the ability of investors to track and compare reported Credit Score data over time.

### ***Residential Real Estate Values May Fluctuate and Adversely Affect the Securities***

No assurance can be given that the mortgaged property values with respect to the Reference Obligations have remained or will remain at their original levels. If the residential real estate market should experience an overall decline in property values such that the outstanding balances of the Reference Obligations, together with any secondary financing on the mortgaged properties, exceed the values of the mortgaged properties, the rates of delinquencies, foreclosures and losses could be higher than expected. The Reference Obligations with higher loan-to-value ratios will be particularly affected by any decline in real estate values. Any decline in real estate values may be more severe for Reference Obligations secured by higher cost properties than those secured by lower cost properties. Any decrease in the value of Reference Obligations may increase realized losses with respect to those Reference Obligations, resulting in (i) allocations of Tranche Write-down Amounts to the Securities to the extent

Credit Events or Modification Events occur or (ii) reductions in the Interest Payment Amounts on the Securities to the extent Modification Events occur.

The United States experienced a severe recession within the past decade with widespread mortgage loan delinquencies and defaults, numerous foreclosure properties being placed on the market, and losses realized by owners of mortgage loans, including securitization trusts. Some of these problems still exist, including with respect to the level of foreclosure properties and undercollateralized mortgage loans. Although the U.S. economy has emerged from the recession, losses on mortgage loans may continue to rise, or may remain at high levels, if the U.S. economy experiences increases in unemployment rates, foreclosure levels, and inventories of unsold properties. Moreover, as noted above, there is widespread uncertainty with regard to the impact on the U.S. economy of recent political and legislative developments. Investors in the Securities should consider that the ratings of the Securities do not represent a guaranty of the values of the mortgaged properties securing the Reference Obligations and Securityholders may incur losses regardless of the ratings.

***Reduced Lending Capacities and/or Increases in Mortgage Rates May Hinder Refinancing and Increase the Risk of Credit Events and Modification Events on the Reference Obligations***

Since 2006, many originators and servicers of residential mortgage loans have experienced serious financial difficulties and some have gone out of business. These difficulties have resulted in part from declining markets for their mortgage loans as well as from claims for repurchases of mortgage loans previously sold under provisions that require repurchase in the event of early payment defaults or for breaches of representations and warranties regarding loan quality and characteristics. Many originators with large servicing portfolios have experienced rising costs as mortgage loan delinquencies have increased without a compensating increase in servicing compensation. Although mortgage rates have been at historical lows for several years and have fluctuated in recent months, mortgage rates may increase over time such that the Reference Obligations may have interest rates below current mortgage rates. These mortgage rate trends may be affected by shifts in Federal Reserve benchmark interest rate policy, which has recently featured rate cuts following a series of rate increases and remains subject to change in the future. Furthermore, the impact of the current U.S. Administration policies and recent legislation on the U.S. economy remains uncertain and interest rates may continue to increase over time. Further increases in interest rates, as well as reduced availability of affordable mortgage products, may result in slower prepayments on, and adverse performance of, the Reference Obligations. Such performance may differ from historical performance. Additionally, efforts to impose stricter mortgage qualifications for borrowers or reduce the presence of Fannie Mae or Freddie Mac could lead to fewer financing alternatives for borrowers. Moreover, refinancing options may be limited to borrowers of the Reference Obligations due to the higher loan-to-value ratios of the Reference Obligations.

The Consumer Financial Protection Bureau (the "CFPB") adopted rules requiring creditors to make a reasonable, good faith determination of a consumer's ability to repay any consumer credit transaction secured by a dwelling and establishes certain protection from liability under this requirement for qualified mortgages. These rules may result in a reduction in the availability of mortgage loans in the future that do not meet the criteria of a qualified mortgage as outlined in the final rule and may adversely affect the ability of borrowers to refinance the Reference Obligations. No assurances are given as to the effect of these rules on the value of your Securities.

These trends may reduce alternatives for borrowers seeking to refinance their mortgage loans. The reduced availability of refinancing options for borrowers may result in higher rates of delinquencies and other Credit Events and Modification Events on the Reference Obligations and corresponding principal write-downs on the Securities.

***The Rate and Timing of Principal Payment Collections on the Reference Obligations Will Affect the Yields on the Securities***

Assuming the Issuer meets its payment obligations described herein, the rate and timing of payments of principal and the yield to maturity on each Class of Securities will be directly related to the rate and timing of collections of principal payments on the Reference Obligations and the rate and timing of Credit Events and Modification Events. Borrowers are permitted to prepay their Reference Obligations, in whole or in part, at any time, without penalty.

The principal payment characteristics of the Securities have been designed so that the Securities amortize based on the collections of principal payments on the Reference Obligations. The Mezzanine and Subordinate Reference Tranches will not be allocated Unscheduled Principal on the Reference Obligations unless a target credit

enhancement percentage has been satisfied and maintained on the Senior Reference Tranche. Unlike securities in a senior/subordinate private label residential mortgage-backed securitization, the principal payments required to be paid by the Issuer on the Securities will be based in part on Scheduled Principal that is due and collected on the Reference Obligations, rather than on scheduled payments due on such Reference Obligations, as described under "*Description of the Securities — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*" in this Offering Memorandum. In other words, to the extent that there is a delinquent borrower who misses a payment (or makes only a partial scheduled payment) on a Reference Obligation, the Issuer will not make principal payments on the Securities based on the amount that was due on such Reference Obligation; instead, the Issuer will only make principal payments on the Securities based on Scheduled Principal and Unscheduled Principal actually collected on such Reference Obligation and any Recovery Principal, together with any Investment Liquidation Contributions payable by Fannie Mae under the Credit Protection Agreement. Any Unscheduled Principal may result in payments to an investor of amounts that would otherwise be distributed over the remaining term of the Reference Obligations. Additionally, the Securities will generally only receive principal based on Unscheduled Principal upon the satisfaction of the Minimum Credit Enhancement Test and Delinquency Test as described under "*Description of the Securities — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*" in this Offering Memorandum.

With respect to a Credit Event Reference Obligation that becomes a Reversed Credit Event Reference Obligation, all collections of principal on such Reversed Credit Event Reference Obligation will be treated as Unscheduled Principal. Investors should make their own determination as to the effect of these features on the Securities.

The rate and timing of principal payments (including prepayments) on mortgage loans is influenced by a variety of economic, geographic, social and other factors, but may depend greatly on the level of mortgage rates:

- If prevailing interest rates for similar mortgage loans fall below the interest rates on the Reference Obligations, the rate of principal prepayments would generally be expected to increase due to refinancings.
- Conversely, if prevailing interest rates for similar mortgage loans rise above the interest rates on the Reference Obligations, the rate of principal prepayments would generally be expected to decrease.

The rate and timing of principal payments on the Reference Obligations will also be affected by the following:

- the amortization schedules of the Reference Obligations,
- the rate and timing of partial prepayments and full prepayments by borrowers, due to refinancing, job transfers, changes in property value or other factors,
- liquidations of, or Modification Events resulting in the reduction of the principal balance of, Reference Obligations,
- the time it takes for defaulted Reference Obligations to be modified or liquidated,
- the availability of loan modifications for delinquent or defaulted Reference Obligations,
- the rate and timing of payment in full of Reference Obligations or other removals from the Reference Pool, and
- the rate and timing of removals of Reference Obligations from the related MBS.

Further, because refinancing options may be limited to borrowers of the Reference Obligations due to the higher loan-to-value ratios of the Reference Obligations, the likelihood of principal prepayments would be expected to be lower.

In addition, the occurrence of Credit Events and Reference Pool Removals could have the same effect on the Reference Pool as prepayments in full. As such, (i) the rate and timing of Credit Events (and any reversals thereof) and Modification Events, (ii) the severity of any losses with respect thereto and (iii) Reference Pool Removals may also affect the yield on the Securities.

Mortgage originators make general solicitations for refinancings. Any such solicited refinancings may result in a rate of principal prepayments that is higher than prospective investors might otherwise expect.

In addition, a number of municipalities in various States throughout the U.S. have expressed an interest in exploring the potential for seizing undercollateralized mortgage loans under the power of eminent domain. In certain instances, municipalities have made a determination to pursue this policy. In the event any such seizures were to occur with respect to Reference Obligations, the result would be the removal of each affected mortgage loan from the Reference Pool and a corresponding allocation of Unscheduled Principal to the Securities in an amount equal to the aggregate unpaid principal balance of the Reference Obligations so removed.

No representation is made as to the rate of principal payments, including principal prepayments, on the Reference Obligations or as to the yield to maturity of any Class of Securities. In addition, there can be no assurance that any of the Reference Obligations will or will not be prepaid prior to their maturity. An investor is urged to make an investment decision with respect to any Class of Securities based on the anticipated yield to maturity of that Class of Securities resulting from its purchase price and the investor's own determination as to anticipated Reference Obligation prepayment, Credit Event and Modification Event experience under a variety of scenarios. The extent to which the Securities are purchased at a discount or a premium and the degree to which the timing of payments on the Securities is sensitive to prepayments will determine the extent to which the yield to maturity of the Securities may vary from the anticipated yield.

If investors are purchasing Securities (other than Interest Only RCR Notes) at a discount, such prospective investors should consider the risk that if principal payments on the Reference Obligations occur at a rate slower than such prospective investors expected, such prospective investors' yield will be lower than expected. If prospective investors are purchasing Securities at a premium, such prospective investors should consider the risk that if principal payments on the Reference Obligations occur at a rate faster than such investors expected, such prospective investors' yield will be lower than expected and such investors may not even recover their investment in the Securities. Notwithstanding the price an investor paid for the Securities, if principal payments on the Reference Obligations are faster than expected, then, depending on then-prevailing economic conditions and interest rates, an investor may be unable to reinvest those funds at a yield that is equal to or greater than the yield on the Securities. By contrast, if principal payments on the Reference Obligations are slower than expected and the yield on the Securities is lower than comparable investments available when an investor expected to, but did not, receive principal, an investor will be at a disadvantage by not having as much principal available to reinvest at that time.

If prospective investors are investing in Interest Only RCR Notes, such prospective investors should consider the risk that if principal payments allocated to the related Class of Exchangeable Notes occur at a fast rate, such investors may not even recover their investments in such Interest Only RCR Notes. In the event that Holders of the Interest Only RCR Notes do not fully recover their investment as a result of (i) a high rate of Credit Events and Modification Events that result in losses being realized with respect thereto, or (ii) rapid principal prepayments on the Reference Obligations, all amounts "due" to such Holders will nevertheless have been paid, and such result is consistent with the ratings received on the Interest Only RCR Notes. For example, if the Reference Obligations were to prepay in the initial month following the Closing Date, Holders of the Interest Only RCR Notes would receive only a single month's interest and, therefore, would suffer a nearly complete loss of their investment. The Class Notional Amounts of the Interest Only RCR Notes on which interest is calculated will be reduced by the allocation under the hypothetical structure described in this Offering Memorandum of Tranche Write-down Amounts and prepayments, whether voluntary or involuntary, to the related Reference Tranches and Exchangeable Notes from which their respective Class Notional Amounts are derived. The ratings do not address the timing or magnitude of reductions of such Class Notional Amounts, but only the obligation to pay interest timely on the Class Notional Amounts as so reduced from time to time. Therefore, the ratings of the Interest Only RCR Notes should be evaluated independently from similar ratings on other types of securities.

The timing of changes in the rate of prepayments may significantly affect the actual yield to you, even if the average rate of principal prepayments is consistent with your expectations. In general, the earlier the payment of principal of the Reference Obligations, the greater the effect on the yields to maturity of the Securities. As a result, the effect on an investor's yield due to principal prepayments on the Reference Obligations occurring at a rate higher (or lower) than the rate anticipated during the period immediately following the issuance of the Securities may not be offset by a subsequent like reduction (or increase) in the rate of principal prepayments. See "*Summary of Terms — Prepayment and Yield Considerations*" and "*Prepayment and Yield Considerations*" in this Offering Memorandum.

For a more detailed discussion of these factors, see "*Prepayment and Yield Considerations*" and "*The Reference Obligations*" in this Offering Memorandum.

***Fannie Mae Does Not Re-Underwrite the Mortgage Loans It Acquires from Its Loan Sellers, Which May Adversely Affect the Performance of the Reference Obligations***

Fannie Mae does not originate any mortgage loans, including the Reference Obligations. As described under "*Loan Acquisition Practices and Servicing Standards*", Fannie Mae acquires mortgage loans, including the Reference Obligations, from its approved loan sellers pursuant to contracts with such loan sellers. Fannie Mae does not re-underwrite the mortgage loans that it acquires and it has not done so with respect to the Reference Obligations. Fannie Mae's quality control reviews encompass only a small percentage of mortgage loans or Reference Obligations that Fannie Mae has acquired, and its quality control reviews do not constitute a re-underwriting of the Reference Obligations Fannie Mae does review, as described under "*Loan Acquisition Practices and Servicing Standards – Quality Control*". Fannie Mae depends on its loan sellers' compliance with their contracts and relies on the loan sellers' representations and warranties to Fannie Mae that the mortgage loans being sold satisfy the underwriting standards and other requirements specified in the loan sellers' contracts. Fannie Mae generally does not independently verify compliance by loan sellers with respect to representations and warranties and, other than with respect to any Reference Obligations that Fannie Mae may have reviewed under its quality control process described in this Offering Memorandum, Fannie Mae has not done so with respect to the Reference Obligations. As a result, it is possible that if loan sellers have not complied with their obligations under their contracts with Fannie Mae that certain Reference Obligations may have defects or deficiencies that Fannie Mae is not aware of. Reference Obligations with substantial defects are likely to experience Credit Events and Modification Events (and losses realized with respect thereto) at a higher rate than Reference Obligations without such defects, which could result in (i) Tranche Write-down Amounts being allocated to reduce the Class Principal Balances or Class Notional Amounts, as applicable, of the Securities (to the extent Credit Events and Modification Events occur with respect to such Reference Obligations that result in realized losses) and (ii) interest reduction amounts on the Securities (to the extent Modification Events occur with respect to such Reference Obligations that result in reduced mortgage rates or principal forbearance) and, in turn, investment losses to the Securityholders.

Additionally, Fannie Mae does not independently verify all of the loan-level information and data reported or furnished to Fannie Mae by its loan sellers and servicers of the mortgage loans. Discrepancies in the loan-level information and data may come to Fannie Mae's attention from loan sellers, servicers, vendors it retains, third parties or through Fannie Mae's quality control processes.

***Mortgage Loans Originated under Fannie Mae's Refi Plus Program Have Limited Underwriting***

Fannie Mae's credit underwriting and eligibility standards establish requirements that loan sellers must follow in evaluating the capacity and willingness of borrowers to repay the loans Fannie Mae acquires and the adequacy of the pledged property as collateral. As further described under "*Loan Acquisition Practices and Servicing Standards – Single-Family Business Overview – Refi Plus Program*" in this Offering Memorandum, mortgage loans originated under the Refi Plus Program were granted exceptions to many of these underwriting and eligibility standards. Investors should be aware that since the Reference Obligations were originated with limited underwriting, the Reference Obligations may experience a higher rate of Credit Events and Modification Events (and greater losses realized with respect thereto). This may adversely affect the Securities including with respect to the rate and severity of Tranche Write-down Amounts that may be allocated in reduction of the Class Principal Balance or Class Notional Amounts thereof.

***The Performance of the Reference Obligations Could Be Dependent on the Servicers***

The performance by the servicers of the Reference Obligations could have an impact on the amount and timing of principal collections on the Reference Obligations and the rate and timing of the occurrence of Credit Events and Modification Events (and the severity of losses realized with respect thereto). As described under "*Loan Acquisition Practices and Servicing Standards – Servicing Standards*" in this Offering Memorandum, servicers are generally required to service the Reference Obligations in accordance with the terms of Fannie Mae's Servicing Guide. The servicers are servicing only for the benefit of Fannie Mae and have no duties or obligations to service for the benefit of investors in the Securities. Fannie Mae is the master servicer with respect to the Reference Obligations and generally supervise and monitor the performance of the servicers, although Fannie Mae has no such duty to supervise and monitor the servicers' performance for the benefit of the investors in the Securities. There can be no assurance that any supervision and monitoring of the servicers that Fannie Mae undertakes will be sufficient to

determine substantial compliance by the servicers of their contractual obligations owed to Fannie Mae. The Reference Obligations will be serviced by many different servicers, and the individual performance of servicers will vary. As a result, the performance of the Reference Obligations may similarly vary, which may adversely affect the Securities. For example, the servicing practices of each servicer could have an impact on the timing and amount of Unscheduled Principal allocated to any Reference Obligation, which as a result will have an impact on the timing of principal payments made by Fannie Mae on the Securities.

In addition, the servicing practices could affect the Net Liquidation Proceeds received by Fannie Mae and therefore result in an increase in Tranche Write-down Amounts allocated to the Reference Tranches (and the corresponding Securities). Investors should consider that in the case of any Reference Obligation that is removed from the Reference Pool upon becoming a Credit Event Reference Obligation, if Fannie Mae subsequently discovers that the applicable servicer breached any of its servicing obligations with respect to such Reference Obligation Fannie Mae may ultimately recover from the servicer indemnification or fee payment in lieu of repurchase in respect thereof or the servicer may repurchase the Reference Obligation from Fannie Mae. A Tranche Write-up Amount will be allocated to the Reference Tranches or the Securities only to the extent that Principal Recovery Amounts exceed Principal Loss Amounts.

Investors should note that if a servicer fails to service the Reference Obligations in accordance with Fannie Mae's standards, Fannie Mae has certain contractual remedies, including the ability to require such servicer to pay compensatory or other fees. Under no circumstances will investors receive the benefit of the payment to Fannie Mae of compensatory fees or similar fees nor will the payment of such fees to Fannie Mae result in a Principal Recovery Amount being allocated to the Securities.

***Servicers May Not Follow the Requirements of Fannie Mae's Servicing Guide and Servicing Standards May Change Periodically***

There is a risk that servicers will commit reporting errors or otherwise fail to follow the Servicing Guide, which may result in such Reference Obligations experiencing a higher rate of Credit Events than the Reference Obligations serviced in accordance with the Servicing Guide or, in certain limited instances, removal from the Reference Pool. Also, in the normal course of its business Fannie Mae may make periodic changes to the servicing provisions of the Servicing Guide. Any such future changes will become applicable to the servicing of the Reference Obligations at such future time. Fannie Mae is under no obligation to consider the impact these changes may have on the Reference Obligations or the Securities and there can be no assurance that any future changes will not have an adverse impact on the Reference Obligations and the Securities.

***Statutory and Judicial Limitations on Foreclosure Procedures May Delay Recovery in Respect of the Mortgaged Properties and, in Some Instances, Limit the Amount That May Be Recovered by the Servicers, Resulting in Losses on the Reference Obligations That Might Be Allocated to the Securities***

Foreclosure procedures may vary from state to state. Two primary methods of foreclosing a mortgage instrument are judicial foreclosure, involving court proceedings, and non-judicial foreclosure based on a power of sale granted in the mortgage instrument. A foreclosure action is subject to most of the delays and expenses of other lawsuits if defenses are raised or counterclaims are asserted. Delays may also result from difficulties in locating necessary defendants. Non-judicial foreclosures may be subject to delays resulting from state laws mandating the recording of notice of default and notice of sale and, in some states, notice to any party having an interest of record in the real property, including junior lienholders. Some states have adopted "anti-deficiency" statutes that limit the ability of a lender to collect the full amount owed on a loan if the property sells at foreclosure for less than the full amount owed. In addition, U.S. courts have traditionally imposed general equitable principles to limit the remedies available to lenders in foreclosure actions that are perceived by the court as harsh or unfair. The effect of these statutes and judicial principles may be to delay and/or reduce distributions in respect of the Securities. See "*Certain Legal Aspects of the Reference Obligations—Foreclosure.*"

***Stricter Enforcement of Foreclosure Rules and Documentation Requirements May Cause Delays and Increase the Risk of Loss***

In recent years, courts and administrative agencies have more strictly enforced existing rules regarding the conduct of foreclosures and, in some circumstances, have imposed new rules regarding foreclosures. Some courts have delayed or prohibited foreclosures based on perceived failures to comply with technical requirements. State legislatures have enacted new laws regarding foreclosure procedures. In some cases, law enforcement personnel

have refused to enforce foreclosure judgments. At least one county is reported to be refusing to allow foreclosure sales to be conducted on the courthouse steps. In addition, borrowers are bringing legal actions, or filing for bankruptcy, to attempt to block or delay foreclosures. As a result, the servicers of the Reference Obligations may be subject to delays in conducting foreclosures and the expense of foreclosures may increase, resulting in delays or reductions in payments on the Securities.

Borrowers have had increased success in challenging or delaying foreclosures based on technical grounds, including challenges based on alleged defects in mortgage loan documentation and challenges based on alleged defects in the documentation under which the mortgage loans were securitized. In a number of cases, such challenges have delayed or prevented foreclosures. It is possible that the number of successful challenges to foreclosures by borrowers will increase. The process of curing defective documents required to conduct a foreclosure will cause delays and increase costs, resulting in losses on the Securities. Further, the CFPB rules require, among other things, that servicers exhaust all feasible loss mitigation options before proceeding with foreclosures, which will have the effect of delaying foreclosures of Reference Obligations in certain instances.

#### ***Insurance Related to the Mortgaged Properties May Not Be Sufficient to Compensate for Losses***

Although the mortgaged properties may be covered by insurance policies, such as hazard insurance or flood insurance, no assurance can be made that the proceeds from such policies will be used to repay any amounts owed in respect of such Reference Obligations or will be used to make improvements to the mortgaged properties commensurate with the value of any of the damaged improvements. In addition, although an insurance policy may cover the "replacement cost" of the improvements on any mortgaged property, the proceeds of such insurance policy may be insufficient to cover the actual replacement cost of such improvements or the appraised value of the improvements. No assurance can be given that the applicable insurer will have sufficient financial resources to make any payment on any insurance policy or that any such insurer will not challenge a claim, resulting in a delay or reduction of the ultimate insurance proceeds, which in turn could have a material adverse effect on the performance of the Securities. In particular, hazard insurers may experience financial strain and be unable to make payments on related claims during any period in which significant numbers of mortgaged properties are damaged by natural or other disasters, and any resulting losses on the Securities will not be reduced or offset by payments from Fannie Mae or otherwise. Furthermore, to the extent any mortgaged property becomes an REO property, Fannie Mae does not provide for third-party hazard insurance on such properties. While it is generally Fannie Mae's practice to restore REO properties that experience casualties, Fannie Mae is not obligated to do so. In the event a mortgaged property related to a Reference Obligation becomes an REO property, uninsured hazards on such REO property could result in lower Net Liquidation Proceeds upon liquidation, potentially leading to a Credit Event Net Loss on the related Reference Obligation. This risk applies especially in cases where Fannie Mae elects not to restore properties that experienced casualties.

#### ***Servicing Transfers May Result in Decreased or Delayed Collections and Credit Events***

Fannie Mae has the right to terminate servicers with or without cause as described in the Servicing Guide. The removal of servicing from one servicer and transfer to another servicer involves some risk of disruption in collections due to data input errors, misapplied or misdirected payments, inadequate borrower notification, system incompatibilities and other reasons. As a result, in the event of any such transfer, the affected Reference Obligations may experience increased delinquencies and defaults, at least for a period of time, until all of the borrowers are informed of the transfer and the related servicing records and all the other relevant data has been obtained by the new servicer. There can be no assurance as to the extent or duration of any disruptions associated with the transfer of servicing or as to the resulting effects on the payments and yields on the Securities. To the extent Reference Obligations become delinquent as a result of any such servicing transfer, such delinquencies may result in Credit Events, which could result in Tranche Write-down Amounts being allocated to reduce the Class Principal Balances of the applicable Securities and, in turn, investment losses to the related Securityholders.

#### ***Each Servicer's Discretion Over the Servicing of the Related Reference Obligations May Impact the Amount and Timing of Funds Available to Make Payments on the Securities***

Each servicer is obligated to service the related Reference Obligations in accordance with applicable law and the Servicing Guide, as applicable. See "*Loan Acquisition Practices and Servicing Standards — Servicing Standards*" in this Offering Memorandum. Each servicer has some discretion in servicing the related Reference Obligations as it relates to the application of the Servicing Guide. Maximizing collections on the related Reference Obligations is not the servicer's only priority in connection with servicing the related Reference Obligations.



Consequently, the manner in which a servicer exercises its servicing discretion or changes its customary servicing procedures could have an impact on the amount and timing of principal collections on the related Reference Obligations, which may impact the amount and timing of principal payments to be made by the Issuer on the Securities.

***The Performance of Loan Sellers and Servicers May Adversely Affect the Performance of the Reference Obligations***

Any financial difficulties of loan sellers and servicers of residential mortgage loans may be exacerbated by higher delinquencies and defaults that reduce the value of mortgage loan portfolios, requiring loan sellers to sell their portfolios at greater discounts to par. In addition, the costs of servicing an increasingly delinquent mortgage loan portfolio may be rising without a corresponding increase in servicing compensation. In recent years, loan sellers and servicers of residential mortgage loans also have been the subject of governmental investigations and litigation, which potentially may impact the financial condition of those financial institutions. In addition, any regulatory oversight, proposed legislation and/or governmental intervention may have an adverse impact on loan sellers and servicers. These factors, among others, may have the overall effect of increasing costs and expenses of loan sellers and servicers while at the same time decreasing servicing cash flow and loan origination revenues. This in turn may have a negative impact on the ability of loan sellers and servicers to perform their obligations to Fannie Mae with respect to the Reference Obligations, which could affect the amount and timing of principal collections on the Reference Obligations and the rate and timing of the occurrence of Credit Events and Modification Events (as well as the severity of losses realized with respect thereto). For any loan seller or servicer that becomes subject to a bankruptcy proceeding, Fannie Mae may receive lump sum settlement proceeds from the bankruptcy estate to cover all liabilities and/or contingent liabilities of such loan seller or servicer to Fannie Mae (net of, if applicable, all liabilities and/or contingent liabilities of Fannie Mae to such loan seller or servicer), a portion of which may include proceeds that relate to underwriting and origination representation and warranty breaches or servicing breaches. Given the difficulty and impracticality to separately and accurately account for the proceeds that relate to underwriting and origination representation and warranty breaches, no portion of these settlement proceeds that Fannie Mae may receive will be included in the Rep and Warranty Settlement Coverage Amount, allocated to reduce the Class Notional Amount of the Reference Tranche or otherwise in a Tranche Write-up Amount.

***Determinations of Reversed Credit Event Reference Obligations and Make-Whole Proceeds Will Be Dependent in Part on Cooperation by the Loan Sellers and Servicers and on Fannie Mae's Quality Control Procedures***

If Fannie Mae were to discover a defect or deficiency with respect to any Reference Obligation during the course of its quality control reviews, Fannie Mae may require the loan seller or servicer to repurchase the related Reference Obligation, agree to a full or partial indemnification of Fannie Mae in respect of the Reference Obligation, provide a make-whole payment in respect of the Reference Obligation or pay a fee in lieu of repurchase in respect of the Reference Obligation, among other remedies, as described under "*Loan Acquisition Practices and Servicing Standards — Quality Control — Loan Remediation Process — Repurchases*" in this Offering Memorandum. However, such loan seller or servicer may not have the financial ability, or may decide not, to repurchase, indemnify, provide a make-whole payment or pay a fee in lieu of repurchase with respect to such Reference Obligation. Alternatively, such loan seller or servicer may appeal Fannie Mae's repurchase request, as described under "*Loan Acquisition Practices and Servicing Standards — Quality Control — Loan Remediation Process — Appeal Process for Repurchases and Other Remedies*". Any of these actions by a loan seller or servicer may delay or reduce the allocation of any Tranche Write-up Amount to increase the Class Principal Balances of the Securities.

Additionally, following a removal of servicing from one servicer and the transfer to another servicer, Fannie Mae in certain limited cases may permit the extinguishment of the original servicer's liability for breaches of representations and warranties with respect to the applicable Reference Obligations even if the new servicer is not assuming liability for such breaches. In such limited cases, following the transfer of servicing no party will have continued liability for the original representations and warranties and, as a result, any defect or deficiency that may exist with respect to the related Reference Obligations will fail to result in a Tranche Write-up Amount.

Moreover, certain loan seller representations and warranties are subject to "sunset" upon satisfaction of specified performance and other conditions. See "*Loan Acquisition Practices and Servicing Standards — Quality Control — Fannie Mae Quality Control Policy and Process*" for a description of these features.

Furthermore, if any loan seller or servicer becomes subject to a bankruptcy proceeding, is placed in receivership, or is terminated by Fannie Mae, Fannie Mae may cease to include mortgage loans sold or serviced by such loan seller or servicer in the population of mortgage loans that are selected to be reviewed under Fannie Mae's quality control process described under "*Loan Acquisition Practices and Servicing Standards — Quality Control*" if Fannie Mae determines that the likelihood of collecting on any potential remedies for such loans is low. As a result, any defects or deficiencies that may exist with respect to such Reference Obligations may go undetected, or may fail to result in a Tranche Write-up Amount.

#### ***Solicitation May Result in Erosion in the Overall Credit Quality of the Reference Pool***

While Fannie Mae prohibits its servicers from specifically soliciting their borrowers for refinancing or segregating mortgages in their own portfolio from those sold to Fannie Mae for different treatment in terms of refinance advertising, offers or practices (except for HARP refinancing where they are required only to treat Fannie Mae- and Freddie Mac-serviced loans the same), Fannie Mae's servicers and other mortgage lenders are not precluded from conducting broad based consumer advertising and solicitations of borrowers in general to refinance their mortgage loans. These refinancings may increase the rate of prepayment of the Reference Obligations. The refinancing of a portion of the Reference Obligations may lead to an erosion of the credit quality of the Reference Obligations remaining in the Reference Pool and a resulting increase in the rate of Credit Events and Modification Events (as well as increase the severity of losses with respect thereto). A Securityholder may receive less interest on the Securities as a result of prepayments on Reference Obligations and as a result may experience a lower yield on its investment.

#### ***Borrowers May Have, or May in the Future Incur, Additional Indebtedness Secured by Mortgaged Properties Securing the Reference Obligations***

As of the Cut-off Date, approximately 25.40% of the Reference Obligations by the Cut-off Date Balance are secured by mortgaged properties that also were subject to subordinate mortgage liens at the respective times of origination of those Reference Obligations and considered in the underwriting of such Reference Obligations. In addition, borrowers may generally obtain additional mortgage loans secured by their respective properties at any time and Fannie Mae is not generally entitled to receive notification when a borrower does so. Therefore, it is possible that borrowers have obtained additional post-origination subordinate mortgages. If such a post-origination subordinate mortgage is obtained with respect to a Reference Obligation, this additional indebtedness could increase the risk that the value of the related mortgaged property is less than the total indebtedness secured by such mortgaged property and could increase the risk of Credit Events on such Reference Obligation. The existence of subordinate mortgage liens may adversely affect default rates because the related borrowers must make two or more monthly payments and also because such subordinate mortgages will result in an increased combined loan-to-value ratio of the mortgage loans. A default on a subordinate mortgage loan could cause the related mortgaged property to be foreclosed upon at a time when the first mortgage loan remains current as to scheduled payments. If this should occur with respect to Reference Obligations, it may affect prepayment rates on the Reference Obligations and could result in increased Credit Events with respect to the Reference Obligations, which could adversely affect the Securityholders. Further, with respect to mortgage loans that have subordinate lien mortgages encumbering the same mortgaged property, the risk of Credit Events may be increased relative to mortgage loans that do not have subordinate financing since borrowers who have subordinate lien mortgages have less equity in the mortgaged property. Fannie Mae has not independently verified the existence of any subordinate liens on any mortgaged properties securing the Reference Obligations, and any information provided in this Offering Memorandum as to subordinate liens on any mortgaged properties securing the Reference Obligations is based solely on the representation made by the related loan sellers in connection with Fannie Mae's acquisition of the related Reference Obligations.

#### ***Mortgage Loans with Higher Loan-to-Value Ratios May Present a Greater Risk***

All of the Reference Obligations were originated under the Refi Plus Program. Prior to program changes introduced in 2012, the Refi Plus Program allowed for loan-to-value ratios up to 105%, which was later increased to 125%. After certain changes were implemented in 2012, there was no maximum loan-to-value ratio. Mortgage loans with higher loan-to-value ratios may present a greater risk of borrower default relative to other mortgage loans to the extent the borrowers with higher loan-to-value ratios have limited or no equity in the related mortgaged properties. This risk is expected to increase in a declining economic environment when property values are decreasing and borrowers may experience reduced incentives to continue making their required monthly payments. Investors should consider the risk that the Reference Obligations may experience higher rates of Credit Events due to their higher

loan-to-value ratios and, as a result, an increased rate and severity of Tranche Write-down Amounts that may be allocated in reduction of the Class Principal Balance or Class Notional Amounts of the Securities.

***Geographic Concentration May Increase Risk of Credit Events Due to Adverse Economic Conditions or Natural Disasters***

As of the Cut-off Date, approximately 16.90% of the Reference Obligations by the Cut-off Date Balance are secured by mortgaged properties located in California. If the regional economy or housing market weakens in California or any other state or region having a significant concentration of mortgaged properties underlying the Reference Obligations, the Reference Obligations may experience higher rates of Credit Events, resulting in losses on the Securities. In recent years, natural disasters have resulted in catastrophic damage to extensive areas of the Southeastern United States, Puerto Rico, the U.S. Virgin Islands and parts of California. In some cases, the full extent of the damage resulting from the foregoing events, including fire loss, severe flooding, mudslides, high winds and environmental contamination, remains uncertain. Thousands of people have been displaced and interruptions in the affected regional economies have been significant. Although the long-term effects are in some cases unclear, these events, and any other similar events that may occur in the future, could lead to a general economic downturn in the affected regions, including job losses and declines in real estate values. Accordingly, the rate of defaults on mortgage loans in the affected areas, including certain of the Reference Obligations, may increase and could result in higher rates of Credit Events or Modification Events.

Any deterioration in housing prices in a state or region due to adverse economic conditions, natural disasters or other factors, any deterioration of the economic conditions or natural disasters in a state or region that adversely affects the ability of borrowers to make payments on the Reference Obligations and any deterioration in Fannie Mae's financial position may reduce its ability to make any payments required under the Credit Protection Agreement, which could result in losses on the Securities and adversely affect the yields on the Securities.

See [Appendix A](#) to this Offering Memorandum for further information regarding the geographic concentration of the Reference Obligations.

***The Rate of Credit Events and Modification Events on Mortgage Loans That Are Secured by Second Homes or Investment Properties May Be Higher Than the Rate on Other Mortgage Loans***

As of the Cut-off Date, approximately 12.63% of the Reference Obligations by the Cut-off Date Balance are secured by properties acquired as second homes or investment properties. Mortgage loans secured by properties acquired as second homes or investments may present a greater risk that the borrower will stop making monthly payments if the borrower's financial condition deteriorates. Properties acquired as second homes or investments may have a higher frequency of Credit Events and Modification Events than properties that are owner-occupied. In a default, a borrower who does not reside in the mortgaged property may be more likely to abandon the related mortgaged property. This risk may be especially pronounced for borrowers with mortgage loans on more than two properties. In addition, income expected to be generated from an investment property may have been considered for underwriting purposes in addition to the income of the borrower from other sources. Should this income not materialize, it is possible the borrower would not have sufficient resources to make payments on the mortgage loan.

The percentage of the Reference Obligations described in the preceding paragraph does not include any mortgage loans secured by second homes or investment properties for which the related borrower identified the purpose of the loan as owner-occupied. Any such mortgage loan may perform similarly (and demonstrate similar risks) to mortgage loans described in the preceding paragraph. Fannie Mae has not independently verified the occupancy status of any home, and any information provided in this Offering Memorandum as to owner occupancy is based solely on the representation made by the related borrower in connection with the origination of the related Reference Obligation.

***Mortgage Loans Made to Certain Borrowers May Present a Greater Risk***

Credit Events and Modification Events on certain Reference Obligations may be higher as a result of the related borrowers' circumstances. Borrowers of certain Reference Obligations may have less steady or predictable income than others, which may increase the risk of these borrowers not making timely payments. These home buyers may present a greater risk of default as a result of their circumstances. Investors should consider that a higher number of borrowers and loans described above may result in increased Credit Events and Modification Events (as well as increased severity of realized losses with respect thereto).

### ***Mortgage Loans Secured by Manufactured Homes May Present a Greater Risk***

Approximately 0.21% of the Reference Obligations by the Cut-off Date Balance are secured by manufactured homes. Reference Obligations secured by manufactured homes may present a greater risk that the borrower will default on the Reference Obligation as compared to mortgage loans secured by non-manufactured homes. Consequently, investors should consider that a higher number of Reference Obligations secured by manufactured homes may result in increased Credit Events and Modification Events (as well as increased severity of realized losses with respect thereto).

### ***Special Assessments and Energy Efficiency and Homeowner Association Liens May Take Priority Over the Mortgage Liens***

Mortgaged properties securing the Reference Obligations may be subject to the lien of special property taxes, special assessments and/or liens that secure payment of periodic dues to homeowner associations. In addition, mortgaged properties may be subject to mechanic's liens arising subsequent to the dates of origination of the related Reference Obligations. The foregoing liens may be superior to the liens securing the Reference Obligations, irrespective of the date of the mortgage loan.

In some instances, individual borrowers may elect to enter into contracts with governmental agencies for Property Assessed Clean Energy (PACE) or similar assessments that are intended to secure the payment of energy and water efficiency and distributed energy generation improvements that are permanently affixed to their properties, possibly without notice to or the consent of the mortgage lender. These assessments may also have lien priority over the mortgages securing the Reference Obligations. No assurance can be given that any mortgaged property so assessed will increase in value to the extent of the assessment lien. Additional indebtedness secured by the assessment lien would reduce the amount of the value of the mortgaged property available to satisfy the affected Reference Obligation if certain Credit Events were to occur and could therefore reduce the Net Liquidation Proceeds received with respect to such Reference Obligation (and ultimately increase the losses allocated to the Securities).

In numerous states, unpaid dues owed to a homeowner association may result in a lien on the related mortgaged property that has priority over the lien of a mortgage. If the holder of such a homeowner association lien forecloses on the related mortgaged property, the lien of the mortgage may be extinguished, resulting in losses on the related mortgage loan.

### ***Impact of Potential Military Action and Terrorist Attacks***

The effects that any military action by U.S. forces in other regions and potential terrorist attacks within or outside the United States may have on the performance of the Reference Obligations cannot be determined at this time. Prospective investors should consider the possible effects on delinquency, default and prepayment experience of the Reference Obligations. Federal agencies and non-government lenders have and may continue to defer, reduce or forgive payments and delay foreclosure proceedings in respect of mortgage loans to mortgagors affected in some way by recent and possible future events.

The Servicemembers Civil Relief Act, similar state military relief laws and Fannie Mae's policies relating to servicemembers may require payment reduction or foreclosure forbearance to some borrowers and their dependents. Moreover, federal and state agencies have deferred, reduced or forgiven and may continue to defer, reduce or forgive payments and delay foreclosure proceedings for mortgage loans to borrower affected in some way by possible future military action, deployment or terrorist attacks whether or not they or their dependents are servicemembers.

### ***Mortgage Loan Historical Information Is Not Indicative of Future Performance of the Reference Pool***

The information with respect to the Reference Obligations and Fannie Mae's mortgage loans generally in this Offering Memorandum or otherwise made available to investors is historical in nature and should not be relied upon as indicative of the future performance of the Reference Obligations. In the past, historical information was not indicative of future performance due to various factors, including changes in lending standards, availability of affordable mortgage products, the general state of the economy and housing prices.

### **Governance, Regulation and General Economic Considerations**

### ***The Policies of the U.S. Administration and Related Impacts on the U.S. Economy May Affect the Market Value of the Securities***

In September 2019, Treasury released a proposal for administrative and legislative reforms to end the conservatorship of Fannie Mae and Freddie Mac and to effect widespread reform of the U.S. mortgage finance system through both administrative action and legislative initiatives. The September 2019 Letter Agreement increasing Fannie Mae's capital reserve amount represents a significant step toward implementing the reforms outlined in Treasury's proposal. The September 2019 Letter Agreement also provides that Fannie Mae and Treasury agree to negotiate and execute an additional amendment to the Senior Preferred Stock Purchase Agreement to further enhance taxpayer protections by adopting covenants broadly consistent with recommendations for administrative reform contained in Treasury's proposal. In addition, the implementation of policy objectives asserted by the Director of FHFA could result in significant changes affecting Fannie Mae's conservatorship. Furthermore, legislative initiatives for U.S. mortgage finance reform have been and may continue to be proposed from time to time by members of Congress. For example, in February 2019, Senate Banking, Housing and Urban Affairs Committee Chairman Michael Crapo (R-ID) released an outline for potentially significant U.S. mortgage finance reform legislation. Most recently, FHFA Director Mark Calabria expressed his view regarding the urgent need for housing reform and an early end to conservatorship for Fannie Mae and Freddie Mac. These reform efforts could have significant effects on housing demand, real estate values and prevailing mortgage rates for residential properties. Uncertainty as to which reforms will ultimately be implemented and ongoing questions with regard to the U.S. Administration policies and legislative efforts in Congress could reduce future business investment and consumption patterns, which in turn could adversely affect the borrowers. In addition, on December 22, 2017, the Tax Cuts and Jobs Act was enacted, providing for significant reductions in corporate and individual tax rates as well as additional changes including a reduction of the home mortgage interest deduction and a limitation of the deduction for state and local taxes. Such changes could lead to increases or decreases in housing inventories based on fluctuations in residential real estate values as well as fluctuations in residential mortgage rates, which could have a significant impact on affordability. Such changes could also result in prepayments on the Reference Obligations at rates that differ materially from the rates assumed in the prepayment model used herein or result in increased Credit Events and Modification Events with respect to the Reference Obligations, adversely affecting the yields on the Securities. Finally, the United States, China and other countries have recently imposed or in some instances threatened the imposition of tariffs, quotas, trade barriers and other restrictions on imports into their respective countries. Although the United States and China are currently negotiating an agreement that would prevent the imposition of some tariffs, the scope of these and other restrictions remains unclear, and it is possible they will serve to depress economic activity generally in the United States and abroad, adversely affecting borrowers and contributing to general market volatility.

### ***Future Turbulence in the Residential Mortgage Market or in the Financial Markets and Lack of Liquidity for Mortgage-Related Securities May Adversely Affect the Performance and Market Value of the Securities***

Although the single-family housing market in general has shown continued improvement since 2015 relative to the preceding decade, future turbulence in the residential mortgage market or financial markets and a lack of liquidity for mortgage-related securities may adversely affect the performance and market value of the Securities. In addition to political events, continued concerns about the availability and cost of credit in the U.S. mortgage market generally, continued weakness in some regional U.S. real estate markets, downgrades in the long-term debt ratings of the United States and various Eurozone Nations, as well as the systemic impact of inflation or deflation, energy costs and geopolitical issues have contributed to market volatility and diminished expectations for the U.S. economy. Additional factors contributing to the general uncertainty in the prospects for U.S. economic growth include imposition of trade restrictions affecting the United States, China and other countries, uncertainty in certain segments of the employment market, government debt levels, prospective Federal Reserve policy shifts, continued withdrawal of government interventions in the financial markets, changing consumer spending patterns, and changing expectations for inflation and deflation. Income growth and unemployment levels affect borrowers' ability to repay mortgage loans, and there is a risk that future economic activity could be weaker than anticipated. See "*The Dodd-Frank Act and Regulatory Changes in the Financial Services Industry May Negatively Impact Fannie Mae's Business and the Reference Pool*" below when considering the impact of regulation on Securityholders.

In June 2016, the United Kingdom voted in favor of leaving the European Union, and in March 2017, Article 50 of the Lisbon Treaty was invoked, commencing a two-year period of negotiations between the United Kingdom and the European Council for the United Kingdom's withdrawal from the European Union, which period was subsequently extended by the European Council members in agreement with the United Kingdom. Although the United Kingdom and the European Council reached an agreement in October 2019 for the terms of the United

Kingdom's withdrawal from the European Union, the United Kingdom since has requested an extension through the end of January 2020 due to the U.K. Parliament's decision to defer voting on the agreement. The extension request may be granted prior to the Closing Date. Fannie Mae is unable to predict what impact the United Kingdom's withdrawal from the European Union may have on the Securities, including the market value or the liquidity thereof in the secondary market, or the parties to the Transaction Documents.

Additionally, Fannie Mae is unable to predict the policies that may be adopted by the Federal Reserve. In particular, it is possible that the Federal Reserve may resume interest rate increases and that any such increases may occur at a faster rate than expected. To the extent that interest rates increase as a result of the Federal Reserve actions or otherwise, the availability of refinancing alternatives for the Reference Obligations may be reduced.

Furthermore, a declining economic environment may affect the borrowers' timely payment of principal and interest on the Reference Obligations and, accordingly, may increase the occurrence of delinquencies, Credit Events and Modification Events with respect to the Reference Obligations and adversely affect the amount of Liquidation Proceeds realized in connection with certain Credit Events. In addition, the time periods to resolve defaulted mortgage loans may be lengthy, and those periods may be further extended due to borrower bankruptcies, related litigation and any federal and state legislative, regulatory or administrative actions or investigations.

Moreover, the secondary market for mortgage-related securities has experienced limited liquidity in recent years. These conditions could further deteriorate in the future, adversely affecting the market value of mortgage-related securities, especially those that are more sensitive to prepayment or credit risk, and could adversely affect a Securityholder's ability to sell the Securities or the market values of the Securities.

These factors and general market conditions, together with the limited credit enhancement available to the Securityholders (as described in this Offering Memorandum) could adversely affect the performance and market value of the Securities and result in a full or partial loss of your initial principal investment. See "*Prepayment and Yield Considerations — Yield Considerations with Respect to the Securities*". Finally, there can be no assurance that governmental intervention or any other remedial actions would effectively alleviate these conditions should they arise in the future.

#### ***The Dodd-Frank Act and Regulatory Changes in the Financial Services Industry May Negatively Impact Fannie Mae's Business and the Reference Pool***

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**"), including implementing regulations, establishes standards related to regulatory oversight of systemically important financial companies, derivatives transactions, asset-backed securitization, mortgage underwriting and consumer financial protection. This legislation is affecting and will, in the future, directly and indirectly affect many aspects of Fannie Mae's business and could have a material adverse effect on the Reference Obligations and on Fannie Mae's business, results of operations, financial condition, liquidity and net worth. The Dodd-Frank Act and related regulatory changes could require Fannie Mae to change certain business practices, cause Fannie Mae to incur significant additional costs, limit the products Fannie Mae offers, require Fannie Mae to increase its regulatory capital or otherwise adversely affect Fannie Mae's business. Additionally, implementation of this legislation will result in increased supervision and more comprehensive regulation of Fannie Mae's customers and counterparties in the financial services industry, which may have a significant impact on the business practices of Fannie Mae's customers and counterparties, as well as on Fannie Mae's counterparty credit risk. It is possible that any such changes will adversely affect the servicing of the Reference Obligations.

Aspects of the Dodd-Frank Act and related regulatory changes that may affect Fannie Mae include minimum standards for residential mortgage loans, which could subject Fannie Mae to increased legal risk for some loans Fannie Mae acquires; and the development of credit risk retention regulations applicable to residential mortgage loan securitizations, which could impact the types and volume of loans sold to Fannie Mae. Under the "ability to repay" rule of the CFPB, there is uncertainty as to whether the rule may increase Fannie Mae's legal risk for loans Fannie Mae acquires. Fannie Mae could also be designated as a systemically important nonbank financial company subject to supervision and regulation by the Federal Reserve. If this were to occur, the Federal Reserve would have the authority to examine Fannie Mae and could impose stricter prudential standards on Fannie Mae, including risk-based capital requirements, leverage limits, liquidity requirements, credit concentration limits, resolution plan and credit exposure reporting requirements, overall risk management requirements, contingent capital requirements, enhanced public disclosures and short-term debt limits.

For example, the CFPB rules relating to mortgage servicing prohibit a servicer from commencing a foreclosure until a mortgage loan is more than 120 days delinquent. The rules also require servicers to provide certain notices and follow specific procedures relating to loss mitigation and foreclosure alternatives. The CFPB rules also revise and amend provisions regarding force-placed insurance notices, policies and procedures, early intervention and loss mitigation requirements under Regulation X's servicing provisions, prompt crediting and periodic statement requirements under Regulation Z's servicing provisions, and compliance under certain servicing requirements when a person is a potential or confirmed successor in interest, is a debtor in bankruptcy, or sends a cease communication request under the Fair Debt Collection Practices Act. In addition, the State of California in 2012 enacted the Homeowner's Bill of Rights, which requires similar changes in delinquent loan servicing and foreclosure procedures.

Furthermore, the CFPB promulgated TRID to reconcile and improve overlapping disclosure obligations under TILA and RESPA relating to residential mortgage loans. A number of violations of TRID have been reported in the marketplace since it became effective. There are interpretive uncertainties under TRID, both as to the liability associated with some of the violations, and whether and how some of the violations may be cured. Although TRID provides for a mechanism to cure certain non-numerical "clerical" errors in the closing disclosure, uncertainties remain as to liability for violating other requirements in the closing disclosure and in the loan estimate, including some minor, or technical violations that may not be covered by TRID's cure mechanism. The Director of the CFPB released a letter that provides informal guidance with respect to some of these uncertainties; however, the CFPB Director's Letter is not binding on the CFPB, any other regulator or the courts and does not necessarily reflect how courts and regulators, including the CFPB, may view liability for TRID violations in the future. On July 7, 2017 and again on April 26, 2018, the CFPB finalized amendments to its "Know Before You Owe" mortgage disclosure rule that are intended to formalize guidance, set forth corrections and provide greater clarity and certainty with regard to the rule; however, the CFPB has noted that the amendments do not and cannot address all concerns previously raised to the CFPB in connection with the rule. No assurance can be given that any future rulemaking or guidance by the CFPB will clarify the ambiguities of TRID or that future CFPB rulemaking with respect to TRID's cure provisions, if any, will be consistent with the CFPB Director's Letter.

These laws and regulatory changes could significantly expand mortgage costs and liabilities leading to negative effects on the Reference Pool. The Reference Pool could also be affected by legislative or regulatory changes that permit or require principal reductions or forgiveness, including through the bankruptcy process, which could also affect how Fannie Mae determines principal prepayments. As an example, if Fannie Mae is permitted or required to effect principal reductions with respect to certain delinquent Reference Obligations, any such forgiven principal with respect to a Payment Date will result in an increased amount of Unscheduled Principal, which will lead to an increased amount of principal being paid on the Securities for such Payment Date. These laws and regulations are sometimes adopted with little advance warning and Fannie Mae and its loan sellers and servicers may have limited ability to participate in the legislative or regulatory process.

Because the U.S. Administration has signaled its intention to revise or remove certain implementing regulations under the Dodd-Frank Act that are already in place, it is difficult to assess fully the impact of this legislation on Fannie Mae's business and industry at this time, and Fannie Mae cannot predict what similar changes to statutes or regulations will occur in the future.

In addition to the Dodd-Frank Act and the possible reform of Fannie Mae and Freddie Mac discussed in this Offering Memorandum, Fannie Mae's business operations and those of its loan sellers and servicers may be adversely affected by other legislative and regulatory actions at the federal, state and local levels, including legislation or regulatory action affecting the loss mitigation, preforeclosure and foreclosure processes. Various states and local jurisdictions have implemented mediation programs designed to bring servicers and borrowers together to negotiate workout options. These actions could delay the final resolution of seriously delinquent mortgage loans and lead to increased Credit Events and Credit Event Net Losses. Fannie Mae and its servicers could also be affected by any legislative or regulatory changes that would expand the responsibilities and liability of servicers and assignees for maintaining vacant properties prior to foreclosure.

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

Moreover, Basel III's revisions to international capital requirements also may have a significant impact on Fannie Mae. Depending on how they are implemented by regulators, the Basel III rules could be the basis for a revised framework for government-sponsored enterprise capital standards that could increase Fannie Mae's capital requirements.

Overall, the foregoing legislative and regulatory developments could affect Fannie Mae in substantial and unforeseeable ways and could have a material adverse effect on the Reference Pool as well as Fannie Mae's business, results of operations, financial condition, liquidity and net worth.

### ***Violation of Various Federal, State and Local Laws May Result in Losses on the Reference Obligations***

Applicable state and local laws generally regulate interest rates and other charges, require specific disclosure and require licensing of the originator. In addition, other state and local laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, servicing and collection of the Reference Obligations.

The Reference Obligations are also subject to federal laws, including:

- the Federal Truth-in-Lending Act ("**TILA**") and Regulation Z promulgated thereunder, which require specific disclosures to the Mortgagors regarding the terms of the Reference Obligations;
- the Homeownership and Equity Protection Act ("**HOEPA**"), as amended by the Dodd-Frank Act, and state, county and municipal "high cost" laws and ordinances enacted to combat predatory or abusive lending;
- the Equal Credit Opportunity Act and Regulation B promulgated thereunder, which prohibit discrimination on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act, in the extension of credit;
- the Fair Credit Reporting Act, which regulates the use and reporting of information related to the borrower's credit experience; and
- the Real Estate Settlement and Procedures Act ("**RESPA**"), as amended, and Regulation X promulgated thereunder, which impose requirements pertaining to disclosure of certain terms of mortgage loans prior to origination and during the servicing life of the loan.

Depending on the provisions of the applicable law and the specific facts and circumstances involved, violations of these federal or state laws, policies and principles may limit the ability to collect all or part of the principal of or interest on the Reference Obligations, may result in a defense to foreclosure or an "unwinding" or rescission of the Reference Obligations and may entitle the borrower to a refund of amounts previously paid. These effects may in turn reduce the Liquidation Proceeds received with respect to a Reference Obligation and thus increase the Tranche Write-down Amount allocated to the Reference Tranches and the corresponding principal write-downs on the Securities. See "*Certain Legal Aspects of the Reference Obligations*" below.

Neither Fannie Mae nor the diligence provider conducted a post-purchase loan file review for any of the mortgage loans included in Fannie Mae's post-purchase quality control review or the diligence provider's review for technical compliance with TRID or certain other TILA provisions; however, consistent with current practices, Fannie Mae and the diligence provider evaluated, with respect to applicable mortgage loans, whether the correct disclosure forms were used in connection with the loan origination unless such mortgage loans were secured by investment properties as described herein under "*The Reference Obligations — Results of Fannie Mae Quality Control*" and "*The Reference Obligations — Due Diligence Review*". As a result, it is possible that certain Reference Obligations that have TILA violations may have underwriting defects of which Fannie Mae is not aware. Damages or costs resulting from a TILA violation could reduce the Liquidation Proceeds received with respect to a Credit Event Reference Obligation, which may in turn increase the Tranche Write-down Amount allocated to the Reference Tranches and the corresponding principal write-downs on the Securities. In the event Fannie Mae were to discover a TILA violation with respect to a Reference Obligation and deliver a request to the related seller or servicer to repurchase such Reference Obligation, such Reference Obligation may result in a Reference Pool Removal. Reference Pool Removals could have the same effect on the Reference Pool as prepayments in full. However, under Fannie Mae's current policies, Fannie Mae does not intend to deliver a request to the related seller or servicer to



repurchase a Reference Obligation that is discovered to have a technical TILA violation unless (a) the form required under TILA is not used or (b) a particular practice would impair enforcement of the mortgage loan or would result in assignee liability and a court of law, regulator, or other authoritative body has determined that such practice violates TILA. See "*The Timing of Credit Events and Modification Events (and the Severity of Losses Realized with Respect Thereto) May Affect Yields on the Securities*" and "*Fannie Mae's Review of Reference Obligations That Become Credit Event Reference Obligations May Not Result in Reversed Credit Event Reference Obligations*".

### **Risks Relating to Fannie Mae**

In addition to the risks relating to Fannie Mae elsewhere in these Risk Factors, investors should carefully consider the risk factors set forth in Fannie Mae's Annual Report on Form 10-K for the year ended December 31, 2018, which is incorporated in this Offering Memorandum by reference, including the risk that Fannie Mae may be required to draw additional funds under the Senior Preferred Stock Purchase Agreement as described under "*Fannie Mae — Regulation and Conservatorship*".

#### ***A Receiver May Transfer or Sell Fannie Mae's Assets and Liabilities***

On September 6, 2008, FHFA was appointed Fannie Mae's conservator by the FHFA director. See "*Fannie Mae — Regulation and Conservatorship*" in this Offering Memorandum. If FHFA were to be appointed as receiver for Fannie Mae, the receiver would have the right to transfer or sell any asset or liability of Fannie Mae, without any approval, assignment or consent. If the receiver were to transfer Fannie Mae's obligations under the Credit Protection Agreement to another party, Securityholders would be exposed to the credit risk of that party.

#### ***FHFA Could Terminate the Conservatorship by Placing Fannie Mae into Receivership, Which Could Adversely Affect Securityholders***

Under HERA, FHFA must place Fannie Mae into receivership if the director of FHFA makes a determination in writing that Fannie Mae's assets are, and for a period of 60 days have been, less than Fannie Mae's obligations, or if Fannie Mae is not, and for a period of 60 days has not been, generally paying Fannie Mae's debts as they become due. FHFA has notified Fannie Mae that the measurement period for any mandatory receivership determination with respect to Fannie Mae's assets and obligations would commence no earlier than the SEC public filing deadline for its quarterly or annual financial statements and would continue for sixty calendar days after that date.

The director of FHFA may also place Fannie Mae into receivership at his or her discretion for certain other reasons, including conditions that FHFA has already asserted existed at the time the director of FHFA placed Fannie Mae into conservatorship. A receivership would terminate the current conservatorship. If FHFA were to become Fannie Mae's receiver, it could exercise certain powers that could adversely affect the Holders of the Securities.

As receiver, FHFA could repudiate any contract entered into by Fannie Mae prior to its appointment as receiver if FHFA determines, in its sole discretion, that performance of the contract is burdensome and that repudiation of the contract promotes the orderly administration of Fannie Mae's affairs. In the event of any receivership by FHFA, the Issuer may be treated as a general unsecured creditor of Fannie Mae with respect to any unpaid Credit Premium Amounts, Credit Protection Reimbursement Amounts or Investment Liquidation Contributions that accrued prior to the commencement of the receivership. A receivership of Fannie Mae is not an event of default under the Indenture.

During a receivership, certain rights of the Issuer under the Credit Protection Agreement (or the Indenture Trustee, on behalf of Securityholders, as a result of the pledge of these agreements under the Indenture) may not be enforceable against FHFA, or enforcement of such rights may be delayed.

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

The Cash Collateral Account and the Eligible Investments held therein are legally isolated from any receivership estate of Fannie Mae because Fannie Mae will never have had any interest in the Security proceeds used to purchase the Eligible Investments in the Cash Collateral Account. The legal isolation of the Cash Collateral Account and the Eligible Investments could nonetheless be challenged if FHFA asks a court to substantively consolidate the Issuer with Fannie Mae and to pool all of their respective assets for distributions to creditors. HERA does not expressly authorize FHFA, as receiver, to substantively consolidate affiliates into Fannie Mae, and the

disregard of an entity's separate existence is not generally favored. However, if substantive consolidation were nonetheless to occur, there could be delays or reductions in payments to Securityholders and in the enforcement of rights to payments from the Cash Collateral Account, or other losses with respect to the Securities.

If the Cash Collateral Account or the Eligible Investments held therein were subject to administration in Fannie Mae's receivership estate, the lien under the Indenture should be respected. However, if FHFA as receiver were to establish a successor to Fannie Mae that acquired Fannie Mae's assets and obligations, the lien of the Indenture may be subject to a priming lien in favor of any such successor if the successor is unable to obtain unsecured or subordinate secured credit or issue unsecured or subordinate secured debt and the successor provides Securityholders with adequate protection in the form of periodic cash payments, additional or replacement liens or other similar relief, which could delay or reduce payments to Securityholders.

There may be delays in payments on the Securities while the court considers any of these issues. There may be other possible effects of a receivership of Fannie Mae that could result in delays or reductions in payments on the Securities, or other losses with respect to the Securities. Regardless of any specific adverse determinations in a receivership of Fannie Mae, the existence of a receivership of Fannie Mae could have an adverse effect on the liquidity or value of the Securities.

#### ***Fannie Mae's Changes in Business Practices May Negatively Impact the Securityholders***

Fannie Mae has a set of policies and procedures that it follows in the normal course of its mortgage loan purchase and servicing business, which are generally described in this Offering Memorandum. Certain of these practices are subject to change over time, as a result of changes in the economic environment and as a result of regulatory changes and changes in requirements of Fannie Mae's regulators, including implementation of the "Single Security Initiative", among other reasons. Fannie Mae may at any time change its servicing requirements, quality control policies and quality assurance policies, policies governing the pursuit of remedies for breaches of selling representations and warranties, policies governing borrower prepayment options, and other policies and procedures as Fannie Mae deems appropriate in light of Fannie Mae's then-current business needs, regardless of the resulting impact on the Securityholders. These changes may in some cases affect the Reference Obligations; in other cases, these changes may have no direct effect on the Reference Obligations. See "*Loan Acquisition Practices and Servicing Standards — Single-Family Business Overview*" in this Offering Memorandum. In undertaking any changes to Fannie Mae's practices or its policies and procedures, Fannie Mae may exercise complete discretion without regard to the impact of any such changes on the Securityholders. Moreover, Fannie Mae may undertake changes that negatively impact the Securityholders in pursuing other interests, including, but not limited to, minimizing losses for the taxpayers and Fannie Mae's shareholders and complying with requirements put forth by Fannie Mae's regulators, among others.

#### **Risks Related to Eligible Investments**

##### ***Securityholders Are Exposed to the Value of the Eligible Investments in the Cash Collateral Account***

The Issuer's source of funds for repayment of the outstanding Class Principal Balances of the Securities generally will be limited to the proceeds of the liquidation of the Eligible Investments in the Cash Collateral Account and any Credit Protection Reimbursement Amounts Fannie Mae is required to make under the Credit Protection Agreement. A decrease in market value of the Eligible Investments could result in the failure of Securityholders to receive the full amount of principal payable on a Payment Date in the event that Fannie Mae does not pay any Investment Liquidation Contribution for such date.

The Issuer's source of funds for payment of interest on the Securities will be investment earnings on the Eligible Investments in the Cash Collateral Account and any Credit Premium Amounts Fannie Mae is required to make under the Credit Protection Agreement. A decrease in the investment earnings on the Eligible Investments could result in the failure of Securityholders to receive the full amount of accrued interest payable on a Payment Date in the event that Fannie Mae does not pay any Credit Premium Amount for such date.

##### ***There May be Delays or Losses in the Redemption of Eligible Investments***

In the event of market disruptions, systems operational failures or other circumstances beyond the control of the Investment Agent and the Custodian, Eligible Investments may be subject to delayed redemptions or in some cases may result in investment losses. Any such delays or losses could result in delays or losses in payment on the

Securities in the event Fannie Mae is unable to pay the Investment Liquidation Contribution as required under the Credit Protection Agreement.

***Redeeming Units of an Eligible Investment During an Unfavorable Market Environment May Affect the Net Asset Value of Such Eligible Investment***

Any Eligible Investment could experience a decrease in net asset value and/or a negative yield, particularly in times of overall market turmoil or declining prices for the Eligible Investments sold, or when the markets are illiquid. When markets are illiquid, the Investment Agent may be unable to sell illiquid Eligible Investments at the desired time or price. Illiquidity can be caused by, among other things, a drop in overall market trading volume, an inability to find a ready buyer, or legal restrictions on the resale of the Eligible Investments. Certain Eligible Investments that were liquid when purchased may later become illiquid, particularly in times of overall economic distress. In selling Eligible Investments prior to maturity, any such Eligible Investment may realize a price higher or lower than that paid to acquire such Eligible Investment, depending upon whether interest rates have decreased or increased since their acquisition. In addition, the Investment Agent may experience delays in its ability to liquidate the Eligible Investments due to an unfavorable market environment or other factors or, upon such liquidation, the amounts realized from the liquidation of the Eligible Investments may be less than the outstanding principal amount thereof. These conditions could materially and adversely affect the Issuer's ability to pay (i) interest payable on the Securities, should Fannie Mae fail to make required payments in respect of Credit Premium Amounts under the Credit Protection Agreement and (ii) the principal then due and payable on the Securities, should Fannie Mae fail to pay the Investment Liquidation Contribution under the Credit Protection Agreement.

***Unfavorable Market Conditions May Cause Changes in an Investment's Yield***

Although the market value, yield and liquidity of the Eligible Investments are generally less sensitive to changes in market interest rates than are funds that invest in longer-term investments, changes in short-term interest rates may cause changes to the market value, yield and liquidity of the Eligible Investments. During periods of rising interest rates, an Eligible Investment's yield (and its market value) will tend to be lower than prevailing market rates. In addition, a low-interest rate environment may prevent an Eligible Investment from providing a positive yield or maintaining a stable net asset value, and may cause an Eligible Investment to provide a negative yield. Market disruptions also may impair the liquidity of any Eligible Investments. If the market value, yield and/or liquidity of an Eligible Investment is impaired, the Issuer's ability to pay the outstanding principal amount of and/or interest on the Securities could be materially and adversely affected, should Fannie Mae fail to pay the Investment Liquidation Contribution as required by the Credit Protection Agreement.

**Investment Factors and Risks Related to the Securities**

***The Issuer May Not Be Able to Repay Your Securities in Full***

The Securities do not represent obligations of any person or entity other than the Issuer and do not represent a claim against any assets other than the assets of the Issuer. The Securities are not debt obligations of Fannie Mae. Moreover, no governmental agency or instrumentality will guarantee or insure payment on the Securities. If the Issuer is unable to make payments on the Securities, no other assets will be available to you for payment of the deficiency, and you will bear the resulting loss.

***Limited Source of Payments; No Recourse to Reference Obligations***

The Securities are not insured by any financial guaranty insurance policy. The Securities do not represent an interest in the Reference Obligations nor an obligation of Fannie Mae, the Indenture Trustee, the Initial Purchasers or any of their respective affiliates. The Securities will be non-recourse obligations of the Issuer only.

***Credit Support Available to Corresponding Classes of Reference Tranches Pursuant to Hypothetical Structure Is Limited and May Not Be Sufficient to Prevent Loss on Your Securities***

Although subordination provided by the Reference Tranches is intended to reduce the risk of exposure of Credit Events and Modification Events for more senior Classes of Securities, the amount of such subordination will be limited and may decline under certain circumstances described in this Offering Memorandum. Further, the Class B-2H Reference Tranche is subordinate to all the other Reference Tranches and therefore does not benefit from any credit enhancement (other than any Overcollateralization Amount).

Regardless of any subordination provided pursuant to the hypothetical structure, if Fannie Mae were to experience significant financial difficulties, or if FHFA were to place Fannie Mae in receivership and its obligations under the Credit Protection Agreement were repudiated as described above in "*Risks Relating to Fannie Mae — FHFA Could Terminate the Conservatorship by Placing Fannie Mae into Receivership, Which Could Adversely Affect Securityholders*," the Holders of Securities may suffer losses as a result of the various contingencies described in this "Risk Factors" section and elsewhere in this Offering Memorandum. The Securities, including interest thereon, are not guaranteed by Fannie Mae or the United States and do not constitute debts or obligations of Fannie Mae, the United States or any agency or instrumentality of the United States.

***Subordination of Corresponding Classes of Reference Tranches Increases Risk of Loss on the Securities***

The Tranche Write-down Amounts for any Payment Date will be allocated, *first*, to reduce any Overcollateralization Amount for such Payment Date, until such Overcollateralization Amount is reduced to zero. Thereafter, all additional Tranche Write-down Amounts will be allocated:

*first*, to the Class B-2H Reference Tranche,

*second*, to the Class B-1 and Class B-1H Reference Tranches, *pari passu* based on their Class Notional Amounts after allocation of the Senior Reduction Amount and Subordinate Reduction Amount,

*third*, to the Class M-2B and Class M-BH Reference Tranches, *pari passu* based on their Class Notional Amounts after allocation of the Senior Reduction Amount and Subordinate Reduction Amount,

*fourth*, to the Class M-2A and Class M-AH Reference Tranches, *pari passu* based on their Class Notional Amounts after allocation of the Senior Reduction Amount and Subordinate Reduction Amount, and

*fifth*, to the Class A-H Reference Tranche (up to the amount of any remaining unallocated Tranche Write-down Amounts *less* the amount attributable to clause (d) of the definition of "Principal Loss Amount"),

in each case until the Class Notional Amount of each such Class is reduced to zero. Any Tranche Write-down Amounts allocated to the Class M-2A, Class M-2B or Class B-1 Reference Tranche will result in a corresponding decrease in the Class Principal Balance of the Class M-2A Notes, Class M-2B Notes or Class B-1 Certificates, as applicable (without regard to any exchanges of Exchangeable Notes for RCR Notes for such Payment Date). If any RCR Notes are held by Holders, any Tranche Write-down Amount that is allocable to the related Exchangeable Notes will be allocated to decrease the Class Principal Balance or Class Notional Amount, as applicable, of the RCR Notes (to the extent such RCR Notes have a Class Principal Balance or Class Notional Amount, as applicable, greater than zero). Any such allocations will result, in turn, in investment losses to the related Securityholders.

Similarly, Modification Loss Amounts may be allocated to the Class M-2A, Class M-2B or Class B-1 Reference Tranche as described under "*Description of the Securities—Hypothetical Structure and Calculations with Respect to the Reference Tranches—Allocation of Modification Loss Amount*" and will result in a corresponding reduction of the Interest Payment Amount of the Class M-2A Notes, Class M-2B Notes or Class B-1 Certificates, as applicable. If any RCR Notes are held by Holders, any Modification Loss Amount that is allocable to the related Exchangeable Notes will be allocated to decrease the Class Principal Balance or Class Notional Amount, as applicable, of the RCR Notes. As such a Class of Securities will be more sensitive than each more senior Class of Securities to Tranche Write-down Amounts after the Class Notional Amount of each more subordinate Reference Tranche is reduced to zero.

If a purchaser of a Class of Securities calculates its anticipated yield based on an assumed rate of Credit Events and Modification Events with respect to the Reference Obligations that is lower than the rate actually incurred on such Reference Obligations, its actual yield to maturity may be lower than that so calculated and could be negative such that such purchaser may never receive all of his initial investment. Moreover, under the Credit Protection Agreement, payments of Credit Protection Amounts to Fannie Mae will reduce the amounts available for payment to Securityholders. The timing of Credit Events and Modification Events on the related Reference Obligations and the severity of losses realized with respect thereto will also affect a purchaser's actual yield to maturity, even if the average rate is consistent with the purchaser's expectations. In general, the earlier the Securities suffer a reduction in Class Principal Balance due to the application of Tranche Write-down Amounts or a reduction in Interest Payment Amounts due to the allocation of Modification Loss Amounts, the greater the effect on the purchaser's yield to maturity. See "*Prepayment and Yield Considerations*" in this Offering Memorandum.

For a more detailed description of the subordination feature with respect to the hypothetical structure and the Reference Tranches, see "*Description of the Securities — Hypothetical Structure and Calculations with Respect to the Reference Tranches*" in this Offering Memorandum.

***Significant Write-downs of the Securities That are Subsequently Subject to Write-ups Will Result in Lost Accrued Interest***

Any Tranche Write-down Amounts allocated to the Class M-2A, Class M-2B or Class B-1 Reference Tranche will result in a corresponding decrease in the Class Principal Balance of the Class M-2A Notes, Class M-2B Notes or Class B-1 Certificates, as applicable (without regard to any exchanges of Exchangeable Notes for RCR Notes for such Payment Date). If any RCR Notes are held by Holders, any Tranche Write-down Amount that is allocable to the related Exchangeable Notes will be allocated to decrease the Class Principal Balance or Class Notional Amount, as applicable, of the RCR Notes (to the extent such RCR Notes have a Class Principal Balance or Class Notional Amount, as applicable, greater than zero).

Any subsequent increase in the Class Principal Balance or Class Notional Amount, as applicable, of a Class of Securities as a result of the reversal of Credit Events involving Reference Obligations will not entitle a Holder of such Class of Securities to any interest that would otherwise have been due during any periods of reduction of the Class Principal Balance or Class Notional Amount, as applicable, of such Class. Securityholders could suffer significant loss of accrued interest to the extent of any extended period between a reduction and subsequent increase of the Class Principal Balance or Class Notional Amount, as applicable, of the Securities. Credit Events may ultimately be reversed, resulting in Tranche Write-up Amounts that write up the Class Notional Amounts of the related Reference Tranches.

***LIBOR Levels Could Reduce the Yield on the Floating Rate Securities***

Lower than anticipated levels of One-Month LIBOR could result in actual yields on the floating rate Securities that are lower than anticipated. One-Month LIBOR is not likely to remain constant at any level. The timing of a change in the level of One-Month LIBOR may affect the actual yield received, even if the average level is consistent with an investor's expectation. In general, the earlier a change in the level of One-Month LIBOR, the greater the effect on yield. As a result, the effect on the yield received due to a One-Month LIBOR that is lower (or higher) than the rate anticipated during earlier periods is not likely to be offset by a later equivalent increase (or reduction). Moreover, changes may not correlate with changes in interest rates generally or with changes in other indices. The yield could be either adversely or positively affected if changes in One-Month LIBOR do not reflect changes in interest rates generally.

***Uncertainty as to the Determination of LIBOR and the Potential Phasing Out of LIBOR after 2021 May Adversely Affect the Value of the Floating Rate Securities.***

Regulators and law enforcement agencies in the United Kingdom and elsewhere are conducting civil and criminal investigations into whether bank members of the British Bankers' Association (the "**BBA**") that contribute to the calculation of daily LIBOR may have been misreporting or otherwise manipulating LIBOR. A number of BBA member banks have entered into settlements with regulators and law enforcement agencies with respect to the alleged manipulation of LIBOR. On July 27, 2017, the U.K. Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021.

In addition, in early 2018, the ICE Benchmark Administration (the "**IBA**"), stated its intention to continue to administer and quote LIBOR after 2021, possibly employing an alternative methodology. Therefore, no assurance can be given that LIBOR on any date accurately represents the London interbank rate or the rate applicable to actual loans in U.S. dollars for the relevant period between leading European banks, or that the underlying methodology for LIBOR will not change.

Efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee (the "**ARRC**") of the Federal Reserve Board and the Federal Reserve Bank of New York. Fannie Mae is a member of the ARRC and is participating in several of its working groups. At present, Fannie Mae is unable to predict the effect of any alternative reference rates that may be established or any other reforms to LIBOR that may be adopted in the United Kingdom, in the U.S. or elsewhere. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect the trading market for LIBOR-based securities, including the floating rate Securities. Moreover, any future reform, replacement or disappearance of LIBOR may adversely affect the value of and return on the floating rate Securities.

***The Use of an Alternative Method or Index in Place of LIBOR for Determining Monthly Interest Rates May Adversely Affect the Value of Certain Securities.***

As described under "*Description of the Securities — Interest*," Fannie Mae, as holder of the Ownership Certificate, may in its discretion designate an alternative method or, if appropriate, an alternative index for the determination of monthly interest rates on the floating rate Securities if, among other things, Fannie Mae determines that continued reliance on the customary method for determining LIBOR is no longer viable. Fannie Mae can provide no assurance that any such alternative method or index will yield the same or similar economic results over the lives of the related Securities. In addition, although Fannie Mae's designation of any alternative method or index will take into account various factors, including then-prevailing industry practices, there can be no assurance that broadly adopted industry practices will develop, and it is uncertain what effect any divergent industry practices will have on the value of and return on the floating rate Securities.

***The Use of an Alternative Method or Index in Place of LIBOR for Determining Monthly Interest Rates May Result in Adverse Tax Consequences with Respect to Certain Securities.***

The tax consequences of the designation of an alternative method or index in place of LIBOR for determining monthly interest rates are unclear. It is possible that if Fannie Mae elects to designate an alternative method or index, such designation could be treated as a modification of a debt instrument that constitutes a "significant modification" under Treasury Regulations section 1.1001-3 ("**Significant Modification**"), which may result in a deemed taxable exchange of the related Securities and the realization of gain or loss. The Internal Revenue Service (the "**IRS**") has issued favorable guidance that may reduce the likelihood of a Significant Modification, but no assurance can be provided that designation of an alternative method of index will not result in such tax consequences. See "*Certain U.S. Federal Income Tax Consequences — Designation of an Alternative Method or Index in Place of LIBOR*".

***Changes in the Market Value of the Securities May Not Be Reflective of the Performance or Anticipated Performance of the Reference Obligations***

The market value of the Securities may be volatile. These market values can change rapidly and significantly and changes can result from a variety of factors. However, a decrease in market value may not necessarily be the result of deterioration in the performance or anticipated performance of the Reference Obligations. For example, changes in interest rates, perceived risk, supply and demand for similar or other investment products, accounting standards, capital requirements that apply to regulated financial institutions and other factors that are not directly related to the Reference Obligations can adversely and materially affect the market value of the Securities.

***There May be Limited Liquidity of the Securities, Which May Limit Your Ability to Sell the Securities***

The Securities constitute an issuance of Connecticut Avenue Securities with a structure that allocates actual losses to the Securities. Additionally, certain payments payable by the Issuer to Fannie Mae will reduce amounts available for payments of principal of the Securities. Furthermore, in contrast to prior Connecticut Avenue Securities issuances, the Securities will be issued pursuant to a new transaction structure in which the Securities do not represent direct obligations of Fannie Mae. The Securities will not be required to be listed on any national securities exchange or traded on any automated quotation systems of any registered securities association. The Initial Purchasers will have no obligation to make a market in the Securities. As a result, there can be no assurance as to the liquidity of the market that may develop for the Securities, or if it does develop, that it will continue. It is possible that investors who desire to sell their Securities in the secondary market may find no or few potential purchasers and experience lower resale prices than expected. Investors who desire to obtain financing for their Securities similarly may have difficulty obtaining any credit or credit with satisfactory interest rates which may result in lower leveraged yields and lower secondary market prices upon the sale of the Securities.

Fannie Mae makes no representation as to the proper characterization of the Securities for legal investment, regulatory, financial reporting or other purposes, as to the ability of particular investors to purchase the Securities under applicable legal investment or other restrictions or as to the consequences of an investment in the Securities for such purposes or under such restrictions. The liquidity of trading markets for the Securities may also be adversely affected by general declines or disruptions in the credit markets. Such market declines or disruptions could adversely affect the liquidity of and market for the Securities independent of the credit performance of the Reference Pool or its prospects. Fannie Mae has no obligation to continue to sponsor transactions structured to issue securities similar to the Securities or with similar terms. FHFA may require Fannie Mae to discontinue sponsoring transactions structured to issue such securities or require that alternative risk sharing transactions be effected,

thereby affecting the development of the market for the Securities. Further, even though Fannie Mae is required to work together with Freddie Mac in implementing risk sharing transactions, the terms and structures of these transactions may be different.

### ***Legal Investment Considerations May Restrict Certain Investors***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Fannie Mae makes no representation as to the proper characterization of the Securities for legal investment, regulatory, financial reporting or other purposes, as to the ability of particular investors to purchase the Securities under applicable legal investment or other restrictions or as to the consequences of an investment in the Securities for such purposes or under such restrictions.

Investors should consult their legal advisors to determine whether and to what extent the Securities are legal investments for them, the Securities can be used as collateral for various types of borrowing, and other restrictions apply to their purchase or pledge of the Securities. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Securities under any applicable risk-based capital or similar rules. If an investor is subject to the jurisdiction of agencies of a governmental agency of the United States or any jurisdiction outside the United States with similar authority (e.g., central banks), it should review and consider that regulator's rules, guidelines, regulations and policy statements prior to purchasing or pledging the Securities.

Additionally, regulatory or legislative provisions applicable to certain investors may have the effect of limiting or restricting their ability to hold or acquire securities such as the Securities, which in turn may adversely affect the ability of Securityholders who are not subject to those provisions to resell their Securities in the secondary market. For example, the Issuer has been structured so as not to constitute a "covered fund" for purposes of the Volcker Rule. The Issuer has not been registered and will not be registered with the SEC as an investment company pursuant to the Investment Company Act, in reliance on Section 2(b) thereof. As described above in "*Risk Factors — Special Risks Associated with the Credit Protection Agreement — The Securities are Subject to Event of Default or Redemption in the Event of an Early Termination under the Credit Protection Agreement*," a final determination by the SEC that the Issuer must register as an investment company under the Investment Company Act will constitute a CPA Early Termination Event and thus an Event of Default under the Indenture.

### ***Risks Associated with the No-Action Letter***

CFTC Rule 4.13(a)(3) is intended to provide an exemption from registration for CPOs that maintain their pools' investments in commodity interests below a de minimis threshold. The pool's participants must be "qualified eligible persons," as defined in CFTC Rule 4.7, "accredited investors," as defined in Rule 501 under the Securities Act or "knowledgeable employees," as defined in Rule 3c-5 under the Investment Company Act. In addition, interests in the pool must be sold to qualifying investors pursuant to an exemption from registration under the Securities Act, and offered and sold without marketing to the public in the United States. In addition, under CFTC Rule 4.13(a)(3), the pool must limit transactions in commodity interests to the trading thresholds set forth in CFTC Rule 4.13(a)(3). As applied to the Issuer in accordance with the No-Action Letter, this means that the notional value of the Credit Protection Agreement may not exceed the liquidation value of the Issuer's assets. The Credit Protection Agreement has been structured so that the notional value will not exceed the liquidation value of the Eligible Investments.

As a result of relying on the No-Action Letter, Fannie Mae would not be required to deliver a CFTC-mandated disclosure document or a certified annual report to investors, or otherwise comply with the requirements applicable to CFTC-registered CPOs and CTAs. Further, this offering memorandum has not been reviewed or approved by the CFTC and it is not anticipated that such review or approval will occur.

Collective investment vehicles that invest in the Securities may be considered to be commodity pools under the Commodity Exchange Act and CFTC rules thereunder and, if so, may be required to have a registered CPO or an exemption or exclusion from CPO registration that may require regulatory filings, disclosures and other actions. This is because the Issuer is a commodity pool and, as a result of having an investment in the Securities, a collective investment vehicle may be considered to have made an indirect investment in the Credit Protection Agreement, which is a commodity interest. Unlike under the Investment Company Act, where a key issue is whether the entity itself is required to register with the SEC as an investment company, commodity pools do not register with the CFTC. Instead, if an entity is a commodity pool, it is the operator of that commodity pool that will need to either register or rely on exemption from registration. Certain investment funds or collective investment vehicles are also

excluded from the definition of "commodity pool," even where the nature of their investments would otherwise bring them within the scope of the rules. Other than in the case of these excluded investment vehicles, the CFTC may, in certain circumstances, consider a collective investment vehicle to be a fund-of-funds under the Commodity Exchange Act and CFTC rules thereunder by virtue of its investment in the Securities because it can be characterized by the CFTC as an investor fund that has made an indirect investment in a commodity interest by investing in an investee fund, which is the Issuer. Entities that invest in the Securities may, at the time of investment, be able to treat the Securities as if they were issued by a pool whose operator has not registered as a CPO in reliance on CFTC Rule 4.13(a)(3) for purposes of any fund-of-funds analysis that such entities conduct. Entities that invest in the Securities should make their own determination, in consultation with their attorneys and advisors, regarding CFTC registration issues applicable to such entities, including, (i) whether they may be considered to be commodity pools as a result of having an investment in the Securities, (ii) any applicable registration requirements or any exemption or exclusion with respect thereto, (iii) whether their investment in the Securities changes their status or the status of persons who may be considered their operators for purposes of the Commodity Exchange Act and the CFTC's Rules thereunder and (iv) any related filing, disclosure and other requirements under the Commodity Exchange Act and CFTC's Rules thereunder. This discussion does not purport to deal with all aspects of the Commodity Exchange Act or the CFTC's Rules thereunder that may be relevant to investors in light of particular circumstances.

The Issuer's reliance on the No-Action Letter is subject to legislative or regulatory change. If the No-Action Letter is rescinded, modified, or Fannie Mae reasonably determines, after consultation with external counsel (which will be a nationally recognized and reputable law firm), that Fannie Mae or any other transaction party (other than an investor in the Securities) must register as a commodity pool operator under the Commodity Exchange Act and the regulations promulgated thereunder solely because of its participation in the transaction, this will result in Fannie Mae having the right to cause an early termination of the Credit Protection Agreement. Should Fannie Mae elect to terminate the Credit Protection Agreement early due to its determination that Fannie Mae needs to register as a CPO under the Commodity Exchange Act, this would result in redemption of the Securities prior to the Maturity Date. Alternatively, in the unlikely event that Fannie Mae determines that the Issuer is unable to meet the conditions of the No-Action Letter, Fannie Mae may choose to register as a CPO rather than effect an early termination of the Credit Protection Agreement. Upon such a determination that Fannie Mae or such other transaction party must register as a "commodity pool operator" if Fannie Mae does not elect to designate a CPA Early Termination Event in respect of any resulting CPA Trigger Event, the Indenture Trustee will be directed under the Indenture to take reasonable steps to assist Fannie Mae or such other transaction party in satisfying any requirements that arise from such a determination and to notify the Securityholders of such steps. Entities that invest in the Securities should consult their attorneys and advisors regarding the potential impact on their status or the status of persons who may be considered their operators for purposes of the Commodity Exchange Act and the CFTC's rules thereunder (including any applicable registration requirements or any exemption or exclusion with respect thereto) in the unlikely event that Fannie Mae decides to register with the CFTC as a CPO and/or a CTA with respect to the Issuer because Fannie Mae determines that the Issuer is unable to meet the conditions of the No-Action Letter and Fannie Mae does not elect to designate a CPA Early Termination Date. In addition, in the unlikely event that Fannie Mae determines that the Issuer is unable to meet the conditions of the No-Action Letter, and Fannie Mae chooses to register as a CPO rather than effect an early termination of the Credit Protection Agreement, it is possible that the Issuer might be considered a "covered fund" at that time.

### ***Additional Governmental Actions in the U.S. and Abroad Could Adversely Affect the Market Value of the Securities***

In February 2019, Senate Banking, Housing and Urban Affairs Committee Chairman Michael Crapo (R-ID) released an outline for U.S. mortgage finance reform legislation that, if enacted, would lead to significant changes in the business and structure of Fannie Mae and Freddie Mac. Other members of Congress have in the past proposed U.S. mortgage finance reform legislation providing for similarly significant changes. Fannie Mae cannot predict what reform legislation, if any, will be enacted.

In April 2016, at the direction of its regulator and conservator FHFA, Fannie Mae announced a program that permits principal forgiveness as a loss mitigation alternative for a limited number of loans that were 90 days or more delinquent and has an unpaid principal balance in excess of the value of the related mortgaged property as of March 2016. None of the Reference Obligations are eligible for inclusion in this program. While there is no indication that this program will be extended or replicated, if any similar program of principal reduction were to be employed in the future that affected the Reference Obligations, any principal that was forgiven with respect to a Reference Obligation would be treated as Unscheduled Principal on the related Payment Date. In the event that a Reference



Obligation that is subject to principal forgiveness subsequently becomes a Credit Event Reference Obligation, the amount of the principal forgiveness that was previously treated as Unscheduled Principal would be allocated as a principal loss and may result in a Tranche Write-down Amount on the Securities, as described under "*Description of the Securities — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Tranche Write-down Amounts.*" Similar programs providing for principal reduction may be employed in the future that affect the Reference Obligations with little or no advance warning to Fannie Mae or its sellers or servicers, and Fannie Mae and its sellers and servicers may have limited ability to participate in the related decision process.

FHFA may in the future direct Fannie Mae to undertake other activities, including implementing other programs or making changes to existing programs. Additionally, any changes in leadership at FHFA may increase the likelihood that FHFA's goals for Fannie Mae's conservatorship and resulting policy directives may change. These directives and goals may not necessarily align with the interests of Securityholders and Fannie Mae cannot predict their impact on Fannie Mae and the Securities. See also "*The Interests of Fannie Mae, the Initial Purchasers and Others May Conflict With and Be Adverse to the Interests of the Securityholders — Federal Housing Policy Objectives Adopted by Fannie Mae May Not Be Aligned With the Interests of the Securityholders.*"

In 2017, the U.S. Congress introduced several bills related to flood insurance. Some of the proposed legislation could limit Fannie Mae's ability to determine appropriate private flood insurance policies. Fannie Mae cannot predict whether any such legislation will be enacted or what effect any such legislation would have on Fannie Mae and the Securities. See "*Risk Factors — Risks Relating to Fannie Mae.*"

In August 2014, the SEC adopted substantial revisions to Regulation AB under the Securities Act and other rules regarding the offering process, disclosure and reporting for "asset-backed securities," as that term is defined in the Exchange Act. In addition, pursuant to the Dodd-Frank Act, in October 2014, the SEC and other regulators adopted risk retention rules that require, among other things, that a sponsor of asset-backed securities, its affiliate or certain other eligible parties retain at least 5% of the credit risk underlying a non-exempt securitization, and in general prohibit the transfer or hedging of, and restrict the pledge of, the retained credit risk. The risk retention rules took effect for non-exempt residential mortgage-backed securities transactions issued on or after December 24, 2015 and on or after December 24, 2016 for all other non-exempt securitizations. Fannie Mae cannot predict what effect these new rules will have on the marketability of asset-backed securities. These rules should not be applicable to the Securities because the Securities are not asset-backed securities as defined in the Exchange Act. However, if the Securities are viewed in the financial markets as having traits in common with asset-backed securities, the Securities may be less marketable than asset-backed securities that are offered in compliance with these rules. Furthermore, if it is determined that the Securities are asset-backed securities as defined in the Exchange Act, the issuance and offering of the Securities will result in violations of certain rules and regulations applicable to asset-backed securities, including Regulation RR and Rules 15Ga-1 and 15Ga-2 under the Exchange Act. It is unclear what effect any such violation may have on transaction parties.

Investors should independently assess and determine whether they are subject to the "EU Due Diligence Requirements" of Article 5 of Regulation (EU) 2017/2402 (the "**EU Securitization Regulation**"), which apply to 'institutional investors' as defined therein ("**EU Institutional Investors**"). Investors should also independently assess the application of regulatory and implementing technical standards applicable to the EU Securitization Regulation and guidelines and other materials published by the European Banking Authority, the European Securities and Markets Authority and the European Commission in relation thereto (together with the EU Securitization Regulation, the "**European Securitization Rules**").

Amongst other things, the EU Due Diligence Requirements restrict an EU Institutional Investor from investing in a securitization unless the EU Institutional Investor has verified that: (a) the originator or original lender of the underlying exposures of the securitization grants all the credits giving rise to the underlying exposures on the basis of sound and well-defined criteria and clearly established processes for approving, amending, renewing and financing those credits and has effective systems in place to apply those criteria and processes to ensure that credit-granting is based on a thorough assessment of the obligor's creditworthiness; (b) the originator, sponsor or original lender of the securitization (i) retains on an ongoing basis a material net economic interest which, in any event, will not be less than 5%, determined in accordance with Article 6 of the EU Securitization Regulation, and (ii) discloses the risk retention to EU Institutional Investors; and (c) the originator, sponsor or securitization special purpose entity ("**SSPE**") has, where applicable, made available the information required by Article 7 of the EU Securitization Regulation in accordance with the frequency and modalities provided for in Article 7 of the EU Securitization Regulation and requires that the EU Institutional Investor carries out initial and ongoing due-diligence and monitoring procedures with respect to the securitization, its securitization position and the underlying exposures.

Various regulatory technical standards and implementing technical standards which will supplement the EU Securitization Regulation have not been published in a finalized form or adopted and the requirements of the European Securitization Rules (including aspects of the EU Due Diligence Requirements and what is or will be required to demonstrate compliance to national regulators) remain unclear. Without limitation to the foregoing, no assurance can be given that the EU Due Diligence Requirements, or the interpretation or application thereof, will not change, and, if any such change is effected, whether such change would affect the regulatory position of current or future investors in the Securities. In particular, Fannie Mae has no obligation to change the quantum or nature of its holding of the Retained Interest due to any future changes in the European Securitization Rules or in the interpretation thereof.

Article 7 of the EU Securitization Regulation requires the originator, sponsor and SSPE of a securitization to make certain prescribed information relating to the securitization available to investors, competent authorities and, upon request, to potential investors. Such prescribed information includes quarterly asset level reporting and quarterly investor reporting using a specified form of reporting template. The EU Securitization Regulation does not explicitly specify the jurisdictional scope of application of Article 7. Although Fannie Mae and the Issuer are non-EU entities, Fannie Mae has elected to provide EU Institutional Investors with certain informational resources to support such investors' compliance with the European Securitization Rules.

Failure on the part of an EU Institutional Investor to comply with one or more of the EU Due Diligence Requirements may result in various sanctions or penalties including, in the case of those investors subject to regulatory capital requirements, the imposition of a punitive capital charge on the Securities acquired by the relevant investor.

The imposition of the EU Due Diligence Requirements on investors may have an adverse impact on the value and liquidity of the Securities themselves.

See "*European Securitization Rules*" in this Offering Memorandum.

Investors should also independently assess and determine whether they are directly or indirectly subject to market risk capital rules jointly promulgated by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System and the FDIC that became effective on January 1, 2013. Any prospective investor that is subject to these rules should independently assess and determine its ability to comply with the regulatory capital treatment and reporting requirements that may be required with respect to the purchase of a Security and what impact any such regulatory capital treatment and reporting requirements may have on the liquidity or market value of the Securities.

All of these events could have a material adverse impact on the Securityholders.

#### ***The Restrictions on Transfer on the Securities May Limit Investors' Ability to Sell the Securities***

Subject to limited exceptions in connection with the initial sale of the Securities, the Securities may be sold only to Qualified Institutional Buyers. Each prospective investor will be required to represent that it is an eligible transferee pursuant to the transfer restrictions in the Indenture. See "*Distribution Arrangements — Selling Restrictions*" in this Offering Memorandum for additional information regarding the applicable restrictions on transfer.

The Securities are also subject to restrictions to avoid certain fiduciary concerns and the potential application of the prohibited transaction rules under ERISA and Section 4975 of the Code, or, in the case of any governmental plan, church plan or foreign plan, a violation of Similar Law. The Securities (other than the Class B-1 Certificates) may be acquired by a Plan or persons or entities acting on behalf of, using the assets of or deemed to hold the assets of, a Plan, only if certain conditions are satisfied. The Class B-1 Certificates may not be acquired by a Plan or using the assets of a Plan. See "*Certain ERISA Considerations*" in this Offering Memorandum.

#### ***The Securities May Be Redeemed Early***

The Securities may be redeemed in their entirety if the Issuer exercises its right of early redemption as described under "*Description of the Securities — Early Redemption Option*" or if a CPA Trigger Event occurs. Any such redemption may result in the receipt of principal of the Securities prior to the date anticipated by investors and may reduce prospective investors' yield or cause prospective investors to incur losses on investments in such Securities.

***The Projected Recovery Amount and the Actual Subsequent Recoveries for the Securities Are Likely to Differ and May Significantly Affect the Amounts Received by the Securityholders***

The Projected Recovery Amount for the Securities will be calculated by Fannie Mae in its sole discretion on the Termination Date based on assumptions derived from subsequent recoveries on Reference Obligations that became Credit Event Reference Obligations during the 30-month period immediately preceding such Termination Date. However, it is possible that actual subsequent recoveries will differ from those assumed, and those differences may be significant. Holders of the affected Securities will not benefit from any increased subsequent recoveries that may otherwise become available. The actual subsequent recoveries, if any, will be affected by various factors in effect during the period subsequent to the Termination Date, including regulatory changes and general economic and housing market conditions, among other factors, which may decrease or increase the actual net recoveries on such mortgage loans.

***The Early Redemption Feature May Cause the Securities to Fluctuate in Value Based on Prevailing Interest Rates***

The early redemption feature of the Securities is likely to limit their market value. During periods when Fannie Mae, as holder of the Ownership Certificate, may cause the Indenture Trustee to redeem the Securities, the market value generally will not rise substantially above the price at which the Securities may be redeemed. This also may be true prior to any redemption period.

If Fannie Mae causes the Indenture Trustee to redeem the Securities or if the Securities are otherwise subject to an early redemption, an investor in the Securities may be unable to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Securities being redeemed. The reinvestment may be at a significantly lower rate. Investors should consider reinvestment risk in light of other investments available at that time.

***Exchanges of Securities May Result in Investors Holding Lower Rated Securities***

Before making an exchange involving Exchangeable Notes and RCR Notes, investors should consider carefully the ratings consequences of the contemplated exchange. A rating may have relevance beyond the NRSRO's assessment of the credit quality of a security; the rating of a security can determine the treatment of such security for certain regulatory purposes. Investors should consult with their advisors before exchanging their Securities as described above.

***A Reduction, Withdrawal or Qualification of the Ratings on the Rated Notes, or the Issuance of an Unsolicited Rating on the Rated Notes, May Adversely Affect the Market Value of Those Securities and/or Limit an Investor's Ability to Resell Those Securities***

Fannie Mae has engaged two NRSROs and will pay them each a fee to assign ratings on the Rated Notes. Fannie Mae notes that a NRSRO may have a conflict of interest where, as is the industry standard and the case with the ratings of the Rated Notes, the sponsor or the issuer pays the fees charged by each engaged NRSRO for its ratings services. Fannie Mae has not engaged any other NRSRO to assign a rating on the Rated Notes and are not aware that any other NRSRO has assigned ratings on the Rated Notes. However, under effective SEC rules, information provided by or on behalf of Fannie Mae to either engaged NRSRO for the purpose of assigning or monitoring the ratings on the Rated Notes is required to be made available to all NRSROs in order to make it possible for non-engaged NRSROs to assign unsolicited ratings on the Rated Notes. An unsolicited rating could be assigned at any time, including prior to the Closing Date, and none of Fannie Mae, the Initial Purchasers or any affiliates of the Initial Purchasers will have any obligation to inform you of any unsolicited rating assigned after the date of this Offering Memorandum. NRSROs, including the engaged NRSROs, have different methodologies, criteria, models and requirements. If any non-engaged NRSRO assigns an unsolicited rating or issues commentary on the Rated Notes, there can be no assurance that such rating will not be lower than the ratings provided by the engaged NRSROs or that such commentary will not imply a lower rating, which may adversely affect the market value of the Rated Notes, as applicable, and/or limit an investor's ability to resell such Securities. In addition, if Fannie Mae, as Administrator, fails to make available to the non-engaged NRSROs any information provided to any engaged NRSRO for the purpose of assigning or monitoring the ratings on the Rated Notes, an engaged NRSRO could withdraw its rating on the Rated Notes, which may adversely affect the market value of such Securities and/or limit an investor's ability to resell such Securities. Potential investors in the Rated Notes are urged to make their own evaluation of such Securities, including the credit enhancement on such Securities, and not to rely solely on the

ratings on such Securities. In particular, a reduction in the credit rating of the U.S. government due to a governmental shutdown, a failure to raise the national debt limit or for any other reason, may adversely affect Fannie Mae's credit rating and may have an adverse impact on the ratings of the Rated Notes.

***The Ratings on the Rated Notes May Not Reflect All Risks***

The ratings on the Rated Notes may not reflect the potential impact of all risks related to the structure of, or the market for, such Securities, or the additional factors discussed herein and other factors that may affect the value of such Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by a NRSRO. Investors should be aware that legislative, regulatory or other events involving Fannie Mae could negatively impact the ratings of the Rated Notes.

***The Class B-1 Certificates Will Not Be Rated by any Engaged NRSRO on the Closing Date***

Fannie Mae has not engaged any NRSRO to rate the Class B-1 Certificates on the Closing Date and Fannie Mae has no obligation to do so in the future. The lack of a rating reduces the potential liquidity of these Securities and thus may affect the market value of such Securities. In addition, the lack of a rating will reduce the potential for, or increase the cost of, financing the purchase and/or holding of such Securities. Investors subject to capital requirements may be required to hold more capital against the Class B-1 Certificates than would have been the case had such Class of Securities been rated. An unsolicited rating could be assigned to these Securities at any time, including prior to the Closing Date, and none of Fannie Mae, the Initial Purchasers or any affiliates of the Initial Purchasers will have any obligation to inform you of any such unsolicited rating. In addition, if in the future Fannie Mae were to issue notes similar to these Securities or other securities under an alternative risk sharing arrangement, Fannie Mae may seek to have such securities rated by one or more NRSROs. As a result, the marketability of these Securities, as applicable, may be impaired because they are not so rated.

***The Ability to Exchange Exchangeable Notes and RCR Notes May Be Limited***

An investor must own the specific Classes in the specific proportions to enter into an exchange involving Exchangeable Notes and RCR Notes. If you do not own the specific Classes, you may not be able to obtain them because:

- the owner of a Class that you need for an exchange may refuse or be unable to sell that Class to you at a reasonable price or at any price; and
- principal payments over time will decrease the amounts available for exchange.

***Investors Have No Direct Right to Enforce Remedies***

The Securityholders have only limited rights under the Indenture to direct the Indenture Trustee to take action on their behalf under the Indenture or in respect of certain amendments of other Transaction Documents, it being understood that Securityholders will not have any rights to enforce directly against Fannie Mae, and Securityholders will generally not have rights to cause an early redemption of the Securities absent an "Event of Default" under the Indenture.

In no event will the Securityholders have the right to direct Fannie Mae to investigate or review whether or not a defect or deficiency exists with respect to any Reference Obligation. In addition, Fannie Mae will have the sole discretion to determine whether to undertake such investigation or review, upon taking such investigation or review, whether Fannie Mae deems any findings to be material, and upon concluding that a finding is material whether to require the related loan seller or servicer to repurchase the Reference Obligation, to enter into a repurchase settlement in respect of the Reference Obligation, and if so, for how much, or whether to waive the loan seller's or servicer's requirement to repurchase the Reference Obligation.

Except as described under "*The Agreement – The Indenture – Rights upon Event of Default*," an "Event of Default" under the Indenture will not automatically trigger an acceleration of the Securities. In order for the applicable Securities to be accelerated upon an "Event of Default" under the Indenture, the Applicable Securityholders must vote to enforce remedies to make such Securities immediately due and payable in accordance with the terms and provisions of the Indenture. To the extent that such vote does not occur, you will have no remedies upon an Event of Default. Securityholders may not be successful in obtaining the required percentage of

votes required because it may be difficult to locate other investors to facilitate achieving the required voting thresholds.

Holders of RCR Notes will be entitled to exercise all the voting or direction rights that are otherwise allocated to the related Exchangeable Notes; *provided, however*, that Holders of any outstanding RCR Notes (other than the Interest Only RCR Notes) will be entitled to exercise their pro rata shares of 99% of the voting or direction rights that are otherwise allocated to the related Exchangeable Notes, and Holders of any outstanding Interest Only RCR Notes will be entitled to exercise their pro rata shares of 1% of the voting or direction rights that are otherwise allocated to the related Exchangeable Notes; *provided, further*, that any Securities held by Fannie Mae will be disregarded for such purposes (unless at such time all outstanding Classes of the applicable Securities are held by Fannie Mae).

One or more purchasers of Securities may purchase substantial portions of one or more Classes of Securities. If any Securityholder or group of Securityholders holds more than 50% of the aggregate voting interests of the Securities and disagrees with any proposed action, suit or proceeding requiring consent of more than 50% of the aggregate voting interests of the applicable Securities, that Securityholder or group of Securityholders may block the proposed action, suit or proceeding. In some circumstances, the holders of a specified percentage of the Securities will be entitled to direct, consent to or approve certain actions. In these cases, this direction, consent or approval will be sufficient to bind all holders of the applicable Securities, regardless of whether you agree with such direction, consent or approval.

Any Securities held by Fannie Mae will be disregarded for the voting purposes described in this section (unless at such time all outstanding Classes of Securities are held by Fannie Mae).

For a more detailed discussion of Events of Default and Securityholder rights, see "*The Agreements — The Indenture — Events of Default*", "*The Agreements — The Indenture — Rights Upon Event of Default*" and "*The Agreements — The Indenture — Amendment*" in this Offering Memorandum.

***The Securityholders Have Limited Control over Modifications and Waivers to the Indenture, Securities Account Control Agreement, Credit Protection Agreement, Investment Agency Agreement and Trust Agreement***

Certain modifications or waivers to the Indenture, Securities Account Control Agreement, Credit Protection Agreement, Investment Agency Agreement, Administration Agreement and Trust Agreement may require the consent of Holders representing only a certain percentage interest of the Securities and certain modifications or waivers to such agreements may not require the consent of any Securityholders. As a result, certain modifications or waivers to the Indenture, Securities Account Control Agreement, Credit Protection Agreement, Investment Agency Agreement, Administration Agreement and Trust Agreement may be effected without your consent. See "*The Agreements — The Indenture — Supplemental Indentures*" and "*The Agreements — The Credit Protection Agreement — Amendments*" in this Offering Memorandum.

***Legality of Investment***

Each prospective investor in the Securities is responsible for determining for itself whether it has the legal power, authority and right to purchase such Securities. None of Fannie Mae, the Indenture Trustee, the Delaware Trustee, any Initial Purchaser or any of Fannie Mae's or their respective affiliates expresses any view as to any prospective investor's legal power, authority or right to purchase the Securities. Prospective investors are urged to consult their own legal, tax and accounting advisors as to such matters. See "*Legal Investment*" in this Offering Memorandum for additional information.

***Rights of Security Owners May Be Limited by Book-Entry System***

The Securities will be issued as Book-Entry Securities (the "**Book-Entry Securities**") and will be held through the book-entry system of the DTC, and, as applicable, Euroclear and Clearstream. Transactions in the Book-Entry Securities generally can be effected only through DTC and Participants (including Euroclear and Clearstream or their respective nominees or depositories). As a result:

- investors' ability to pledge the Securities to entities that do not participate in the DTC, Euroclear or Clearstream system, or to otherwise act with respect to the Securities, may be limited due to the lack of a physical certificate for such Securities;

- under a book-entry format, an investor may experience delays in the receipt of payments, because payments will be made by the Indenture Trustee to DTC, Euroclear or Clearstream and not directly to an investor;
- investors' access to information regarding the Securities may be limited because transmittal of notices and other communications by DTC to its participating organizations and directly or indirectly through those participating organizations to investors will be governed by arrangements among them, subject to applicable law; and
- you may experience delays in your receipt of payments on Book-Entry Securities in the event of misapplication of payments by DTC, DTC participants or indirect DTC participants or bankruptcy or insolvency of those entities, and your recourse will be limited to your remedies against those entities.

For a more detailed discussion of the Book-Entry Securities, see "*Description of The Securities — Form, Registration and Transfer of the Securities*" in this Offering Memorandum.

### ***Tax Audit Procedures***

Under the applicable rules regarding tax audits, a partnership appoints one person to act as its sole representative in connection with IRS audits and related procedures. The representative's actions, including the representative's agreeing to adjustments to taxable income, will bind partners. Under these rules, a partnership having multiple partners in a taxable year, unless such partnership elects otherwise, will be required to pay taxes arising from IRS audit adjustments rather than its partners. The Administrator, as representative, will have the authority to utilize, and will be directed to utilize, any exceptions available under the new provisions (including changes) and Treasury regulations so that, in the event the Issuer is classified as a partnership, the Class B-1 Certificateholders (and the Noteholders, in the case the Notes are recharacterized as equity), to the fullest extent possible, rather than the Issuer itself, will be liable for any taxes arising from audit adjustments to the Issuer's taxable income. The new rules are complex and may be clarified and possibly revised. It is unclear how any such elections may affect the procedural rules available to challenge any audit adjustment that would otherwise be available in the absence of any such elections.

### ***Certain Risks Relating to Original Issue Discount***

The Exchangeable Notes and the RCR Notes may be issued with original issue discount for U.S. federal income tax purposes. Holders of the Notes will be required to include in income all interest and original issue discount in accordance with the accrual method of accounting, regardless of the holder's usual method of accounting. For certain holders using the accrual method of accounting, original issue discount may be includible at the time it would be included for financial accounting purposes if earlier than when the holder would otherwise take the original issue discount into income. See "*Certain U.S. Federal Income Tax Consequences*" in this Offering Memorandum.

### ***Changes in Tax Law; No Gross Up in Respect of the Securities***

It is not expected that any U.S. withholding tax would be imposed on the payment of interest or principal to a Securityholder that provides the appropriate forms and documentation to the withholding agent (including the information required under the Foreign Account Tax Compliance Act ("**FATCA**")) including with respect to any portion of a Security treated as a notional principal contract. However, there can be no assurance that, as a result of any change in any applicable law, treaty, rule or regulation, or interpretation of any applicable law, treaty, rule or regulation, the payments on the Securities will not in the future become subject to U.S. withholding taxes. To the extent that any U.S. withholding tax is imposed, neither the Issuer nor any other party will have an obligation to make any "gross-up" payments to Securityholders in respect of such taxes.

### ***ERISA Considerations***

Each person purchasing the Securities (or a beneficial interest therein) will make or will be deemed to make certain representations and warranties regarding the prohibited transaction rules of ERISA, Section 4975 of the Code and the applicable provisions of Similar Law. Fiduciaries and other persons contemplating investing "plan assets" of Plans in Securities should consider the fiduciary investment standards and prohibited transaction rules of ERISA, Section 4975 of the Code, Similar Law, and the applicable provisions of any other applicable laws before

authorizing an investment of the plan assets of any Plan in such Securities. See "*Certain ERISA Considerations*" in this Offering Memorandum.

### **The Interests of Fannie Mae, the Initial Purchasers and Others May Conflict With and Be Adverse to the Interests of the Securityholders**

#### ***Fannie Mae's Actions with Respect to REO Dispositions, Mortgage Note Sales, Third-Party Sales, Short Sales and Disposition Timelines May Increase the Risk of Loss on the Securities***

Fannie Mae has considerable discretion, influence and authority with respect to the ultimate disposition of Reference Obligations, as further described in "*Loan Acquisition Practices and Servicing Standards — Servicing Standards — Delinquent Loan Management*." In addition, pursuant to the Credit Protection Agreement, Fannie Mae will be entitled to receive Credit Protection Amounts from the Issuer. In the exercise of its discretion with respect to defaulted Reference Obligations, Fannie Mae will have the ability to accept or reject prices and bids on REO properties, third-party sales, short sales and mortgage note sales. In the event Fannie Mae rejects an offer, such rejection could result in additional delay affecting the ultimate disposition of a mortgaged property. Any periods between an offer that is rejected and the ultimate disposition of the mortgaged property may result in additional expenses (including but not limited to delinquent accrued interest, legal fees, real estate taxes and maintenance and preservation expenses) that ultimately increase the actual loss realized on a mortgaged property. Subsequent offers that are ultimately accepted by Fannie Mae could be lower than previous offers presented to Fannie Mae. Any such additional expenses or reduced offers will reduce the Liquidation Proceeds used to calculate the Credit Event Net Loss and result in greater losses being allocated to the Securities.

#### ***Interests of Fannie Mae May Not Be Aligned With the Interests of the Securityholders***

In conducting its business, including the acquisition, financing and securitization of mortgage loans, Fannie Mae maintains ongoing relationships with its loan sellers. As a result, while Fannie Mae may have contractual rights to enforce obligations that Fannie Mae's loan sellers may have, Fannie Mae may elect not to do so or Fannie Mae may elect to do so in a way that serves its own interests (including, but not limited to, working with its regulators toward housing policy objectives, maintaining strong ongoing relationships with its loan sellers and maximizing the interests of taxpayers and its shareholders) without taking into account the interests of the Securityholders. In certain instances, Fannie Mae may, or its regulators may, have outstanding disputes or litigation with its loan sellers or servicers. Fannie Mae cannot assure you that the existence of any prior, current or future disputes or litigation will not impact the manner in which Fannie Mae acts in the future.

Fannie Mae's interests, as owner or guarantor of the Reference Obligations or MBS backed by the Reference Obligations, as the party directing its quality control process for reviewing mortgage loans or as master servicer, may be adverse to the interests of the Securityholders. The effect of the Securities being linked to the Reference Obligations and the corresponding Classes of Reference Tranches established pursuant to the hypothetical structure is that Fannie Mae is passing through to Securityholders the economic exposure that it bears with respect to the Reference Obligations to the extent that the Class Principal Balances of the Securities are subject to being written down as described in this Offering Memorandum.

Fannie Mae, in any of its capacities with respect to the Securities or the Reference Obligations, are not obligated to consider the interests of the Securityholders in taking or refraining from taking any action. Such action may include revising provisions of the Servicing Guide to provide for alternative modification programs or to provide less or more stringent servicing requirements. See "*Risks Relating to the Securities Being Linked to the Reference Obligations — Servicers May Not Follow the Requirements of Fannie Mae's Servicing Guide and Servicing Standards May Change Periodically*" above. In implementing new provisions in the Servicing Guide, Fannie Mae does not differentiate between Reference Obligations and mortgage loans that are not in the Reference Pool. In addition, in connection with its role as Trustor and Administrator of the Issuer and holder of the Ownership Certificate, Fannie Mae will be acting solely for its own benefit and not as agent or fiduciary on behalf of investors in the Securities. Also, there is no independent third party engaged with respect to the Securities to monitor and supervise its activities as Trustor of the Issuer and holder of the Ownership Certificate.

#### ***Federal Housing Policy Objectives Adopted by Fannie Mae May Not Be Aligned With the Interests of the Securityholders***

The housing policies reflected in FHFA's most recent conservatorship scorecard incentivize Fannie Mae to pursue business objectives that may conflict with the interests of the Securityholders. Under the scorecard, Fannie

Mae is to reduce the number of severely aged delinquent loans (referred to in this Offering Memorandum as "**non-performing loans**") in its portfolio. Sales of non-performing loans are subject to policy-related considerations established by FHFA, including requirements applicable to entities bidding on those loans. These requirements may reduce the market for, and ultimate recoveries on, the affected non-performing loans. See "*Loan Acquisition Practices and Servicing Standards — Servicing Standards — Delinquent Loan Management—Non-Performing Loan Sales*" for a discussion of FHFA announcements regarding enhanced requirements for the sale of non-performing loans by Fannie Mae and Freddie Mac. In certain geographical areas, Fannie Mae's performance under the conservatorship scorecard is further influenced by the "**Neighborhood Stabilization Initiative**," a program developed by FHFA, Fannie Mae and Freddie Mac to assist borrowers who are delinquent on their mortgage payments, support neighborhood recovery and reduce REO inventory. The Neighborhood Stabilization Initiative is currently in effect in 18 metropolitan areas throughout the U.S. and is subject to further expansion. As a result of these policies and other policies that may be announced in the future, an increase in Modification Events may occur with respect to the Reference Obligations, which in turn may result in interest payment reductions and possible principal losses being allocated to the Securities. In addition, the effect of such policies on any dispositions of non-performing loans that are Reference Obligations may lead to reduced Net Liquidation Proceeds and greater losses being allocated to the Securities.

#### ***Potential Conflicts of Interest of the Initial Purchasers and their Affiliates***

The activities of the Initial Purchasers and their respective affiliates may result in certain conflicts of interest. The Initial Purchasers and their affiliates may retain, or own in the future, Classes of Securities, and any voting rights of those Classes could be exercised by them in a manner that could adversely impact the Securities. The Initial Purchasers and their affiliates may invest or take long or short positions in securities or instruments, including the Securities, that may be different from your position as an investor in the Securities. If that were to occur, such Initial Purchaser's or its affiliate's interests may not be aligned with your interests in Securities you acquire.

The Initial Purchasers and their respective affiliates include broker-dealers whose business includes executing securities and derivative transactions on their own behalf as principals and on behalf of clients. Accordingly, the Initial Purchasers and their respective affiliates and clients acting through them from time to time buy, sell or hold securities or other instruments, which may include one or more Classes of the Securities, and do so without consideration of the fact that the Initial Purchasers acted as Initial Purchasers for the Securities. Such transactions may result in the Initial Purchasers and their respective affiliates and/or their clients having long or short positions in such instruments. Any such short positions will increase in value if the related securities or other instruments decrease in value. Further, the Initial Purchasers and their respective affiliates may (on their own behalf as principals or for their clients) enter into credit derivative or other derivative transactions with other parties pursuant to which they sell or buy credit protection with respect to one or more of the Securities. The positions of the Initial Purchasers and their respective affiliates or their clients in such derivative transactions may increase in value if the Securities default or decrease in value. In conducting such activities, none of the Initial Purchasers or their respective affiliates will have any obligation to take into account the interests of the Holders of the Securities or any possible effect that such activities could have on them. The Initial Purchasers and their respective affiliates and clients acting through them may execute such transactions, modify or terminate such derivative positions and otherwise act with respect to such transactions, and may exercise or enforce, or refrain from exercising or enforcing, any or all of their rights and powers in connection therewith, without regard to whether any such action might have an adverse effect on the Securities or the Holders of the Securities. Additionally, none of the Initial Purchasers and their respective affiliates will have any obligation to disclose any of these securities or derivatives transactions to you in your capacity as a Holder of a Security.

To the extent the Initial Purchasers or one of their respective affiliates makes a market in the Securities (which they are under no obligation to do), they would expect to receive income from the spreads between their bid and offer prices for the Securities. In connection with any such activity, they will have no obligation to take, refrain from taking or cease taking any action with respect to these transactions and activities based on the potential effect on an investor in the Securities. The prices at which the Initial Purchasers or one of their respective affiliates may be willing to purchase the Securities, if they make a market for the Securities, will depend on market conditions and other relevant factors and may be significantly lower than the issue prices for the Securities and significantly lower than the prices at which they may be willing to sell the Securities.

Furthermore, the Initial Purchasers expect that a completed offering will enhance their ability to assist clients and counterparties in transactions related to the Securities and in similar transactions (including assisting clients in additional purchases and sales of the Securities and hedging transactions). The Initial Purchasers expect to derive



fees and other revenues from these transactions. In addition, participating in a successful offering and providing related services to clients may enhance the Initial Purchasers' relationships with various parties, facilitate additional business development and enable them to obtain additional business and to generate additional revenue.

The Initial Purchasers and their respective affiliates will have no obligation to monitor the performance of the Securities or Fannie Mae's actions, the loan sellers or servicers, the Indenture Trustee, the Delaware Trustee or any other transaction party and will have no authority to advise any such party or to direct their actions.

Furthermore, the Initial Purchasers listed below are affiliated with the specified loan seller of certain Reference Obligations included in the Reference Pool. No other Initial Purchasers are affiliated with a loan seller of Reference Obligations representing 1% or more of the Reference Pool (by aggregate Cut-off Date Balance). The list of loan sellers below reflects information as of the respective origination dates of the related Reference Obligations.

<u>Initial Purchaser</u>	<u>Affiliated Seller</u>	<u>% of Reference Obligations From Affiliated Seller (by Aggregate Cut-off Date Balance)</u>
J.P. Morgan Securities LLC	JPMorgan Chase Bank, N.A.	23.80%
Wells Fargo Securities, LLC	Wells Fargo Bank, N.A.	20.60%
BofA Securities, Inc.	Bank of America, N.A.	16.38%
Citigroup Global Markets Inc.	CitiMortgage, Inc.	5.55%

***Potential Conflicts of Interest of the Indenture Trustee, the Exchange Administrator, Custodian and Investment Agent***

Wells Fargo Bank, in addition to acting as Indenture Trustee, Exchange Administrator, Custodian and Investment Agent, is the loan seller with respect to approximately 20.60% of the Reference Obligations (by aggregate principal balance as of the Cut-off Date) and, in such capacity, its interests with respect to the Reference Obligations may be adverse to the interests of the Securityholders. In its roles as originator, loan seller and/or servicer, Wells Fargo Bank is not obligated to consider the interests of the Securityholders in taking or refraining from taking any action. Wells Fargo Bank also expects to continue to act as an originator, loan seller and servicer for mortgage loans that are not included in the Reference Pool.

***There May Be Conflicts of Interest Between the Classes of Securities***

There may be conflicts of interest between the Classes of Securities due to differing payment priorities and terms. Investors in the Securities should consider that certain decisions may not be in the best interests of each Class of Securities and that any conflict of interest among different Securityholders may not be resolved in favor of investors in the Securities. For example, Securityholders may exercise their voting rights so as to maximize their own interests, resulting in certain actions and decisions that may not be in the best interests of different Securityholders.

**Combination or "Layering" of Multiple Risk Factors May Significantly Increase the Risk of Loss on Your Securities**

Although the various risks discussed in this Offering Memorandum are generally described separately, prospective investors in the Securities should consider the potential effects on the Securities of the interplay of multiple risk factors. Where more than one significant risk factor is present, the risk of loss on your Securities may be significantly increased. In considering the potential effects of layered risks, you should carefully review the descriptions of the Reference Obligations and the Securities. See "*The Reference Obligations*" and "*Description of the Securities*" in this Offering Memorandum.

**THE ISSUER**

The Issuer is a Delaware statutory trust, the beneficial ownership of which will be held by Fannie Mae, as Trustor. The Issuer was formed on November 18, 2019 pursuant to a trust agreement dated such date, between the Trustor and the Delaware Trustee as amended and restated by the Amended and Restated Trust Agreement dated as of the Closing Date (together, the "**Trust Agreement**"), by and among Fannie Mae, as Trustor and Administrator,

U.S. Bank Trust National Association, as Delaware Trustee and Wells Fargo Bank, N.A., as certificate paying agent and certificate registrar. The Issuer does not have a board of directors, officers or employees.

The purpose of the Issuer is to engage in the following activities:

- (a) to issue the Securities pursuant to the Indenture and to sell the Securities to the Initial Purchasers;
- (b) to issue the Ownership Certificate pursuant to the Trust Agreement and deliver it to the Trustor;
- (c) to enter into, execute, deliver and perform the Transaction Documents to which it is a party and the other agreements, instruments, documents, certificates and writings referred to therein or contemplated thereby or delivered in connection therewith to which the Issuer is or is to be a party, and to consummate the transactions contemplated thereby;
- (d) to acquire the assets of the Issuer, to assign, grant, transfer, pledge, mortgage and convey the assets of the Issuer (subject to the exclusions therefrom described in the Indenture) to the Indenture Trustee pursuant to the Indenture and to hold, manage and distribute to the holder of the Ownership Certificate pursuant to the terms of the Trust Agreement any portion of the Collateral released from the lien of, and remitted to the Issuer pursuant to, the Indenture;
- (e) to engage in those activities, including entering into, executing, delivering and performing its obligations under agreements, certificates and other writings that are necessary, suitable or convenient to accomplish the foregoing or are incidental thereto or connected therewith, including entering into agreements with financial advisors and other professionals with respect to matters involving the Issuer; and
- (f) subject to compliance with the Transaction Documents, to engage in such other activities as may be required in connection with conservation of the assets of the Issuer and the making of distributions to the holder of the Ownership Certificate.

The Issuer will not engage in any activity other than in connection with those specified above, other than as required or authorized by the terms of the Trust Agreement or the other Transaction Documents to which it is a party. The Issuer may not consolidate with, merge into, or transfer or convey all or substantially all of its assets to any other corporation, partnership, trust or other person or entity, except in accordance with the Trust Agreement. The Trust Agreement contains provisions for the indemnification of the Delaware Trustee by Fannie Mae, as Administrator, including without limitation any indemnities owed to the Delaware Trustee for any breach of the prohibition in the Trust Agreement against the Issuer taking any action that would, or could reasonably be expected to, cause the Delaware Trustee to be required to register as a commodity pool operator under the Commodity Exchange Act, or as a result of the assets of the Trust being subject to regulation under the Commodity Exchange Act.

The Indenture, the Trust Agreement, the Securities Purchase Agreement, the Credit Protection Agreement, the Investment Agency Agreement, the Securities Account Control Agreement, the Administration Agreement, the Securities and the Ownership Certificate, together with each other document or instrument executed in connection therewith, are referred to in this Offering Memorandum as the "**Transaction Documents.**")

Fannie Mae, as holder of the certificate evidencing beneficial ownership of the Issuer (the "**Ownership Certificate**"), will generally be empowered to direct the Delaware Trustee in the management of the Issuer, but only to the extent consistent with the limited purpose of the Issuer and in accordance with the terms of the Trust Agreement and the other Transaction Documents to which the Issuer is a party. Fannie Mae will initially be the holder of the Ownership Certificate.

The assets of the Issuer will be limited to those described below, and the Issuer will grant to the Indenture Trustee on the Closing Date, for the benefit of Fannie Mae and the Securityholders (together, the "**Secured Parties**"), as their respective interests may appear, all of the Issuer's right, title and interest in, whether now owned or existing, or hereafter acquired or arising, (a) the Trust Distribution Accounts, (b) the Cash Collateral Account, (c) all Eligible Investments (including, without limitation, any interest of the Issuer in the Cash Collateral Account and any amounts from time to time on deposit therein) purchased with funds on deposit in the Cash Collateral Account and all income from the investment of funds therein, (d) the Credit Protection Agreement and all amounts payable to the Issuer thereunder or with respect thereto, (e) the Securities Account Control Agreement and the Investment

Agency Agreement, (f) all accounts, general intangibles, chattel paper, instruments, documents, goods, money, investment property, deposit accounts, letters of credit and letter-of-credit rights, consisting of, arising from, or relating to, any of the foregoing, and (g) all proceeds, accessions, profits, income, benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses (collectively, the "**Collateral**"). Such grant will be made to secure (a) the payment of all amounts payable to Fannie Mae by the Issuer under the Credit Protection Agreement in respect of Credit Protection Amounts and (b) the payment of all amounts payable by the Issuer in respect of the Securities under the Indenture, provided that such grant for the benefit of the Holders of the Securities is subordinate to the grant for the benefit of Fannie Mae.

The Issuer will dissolve and be wound up under the Trust Agreement upon the payment of the Issuer's debts and obligations, including (i) payment of all amounts due on the Securities and all other amounts payable by the Issuer under the Indenture, (ii) the payment of all amounts payable by the Issuer under the Credit Protection Agreement and (iii) the payment or discharge of all other amounts owed by the Issuer under the Transaction Documents. Other than pursuant to the foregoing, neither the Trustor nor the holder of the Ownership Certificate will be entitled to revoke or terminate the Issuer.

### THE TRUSTOR AND ADMINISTRATOR

Fannie Mae will act as Trustor and Administrator of the Issuer. See "*Fannie Mae*" and "*LOAN ACQUISITION PRACTICES AND SERVICING STANDARDS*" in this Offering Memorandum for more information regarding the Trustor and Administrator and "*THE AGREEMENTS — The Indenture*" and "*— The Administration Agreement*" in this Offering Memorandum for more information regarding the duties of the Administrator.

### THE DELAWARE TRUSTEE

U.S. Bank Trust National Association ("**USBTNA**") will act as Delaware trustee (the "**Delaware Trustee**") under the Trust Agreement. USBTNA is a national banking association and a wholly-owned subsidiary of U.S. Bank National Association ("**U.S. Bank**"), the fifth largest commercial bank in the United States. U.S. Bancorp, with total assets exceeding \$488 billion as of September 30, 2019, is the parent company of U.S. Bank. As of September 30, 2019, U.S. Bancorp served approximately 18 million customers and operated over 2,900 branch offices in 25 states. A network of specialized U.S. Bancorp offices across the nation provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses, and institutions.

USBTNA has provided owner trustee services since the year 2000. As of September 30, 2019, USBTNA was acting as Delaware trustee with respect to over 700 issuances of securities. This portfolio includes mortgage-backed and asset-backed securities. USBTNA has acted as owner trustee of residential mortgage-backed securities since 2000. As of September 30, 2019, USBTNA was acting as owner trustee on 103 issuances of residential mortgage-backed securities.

### THE INDENTURE TRUSTEE, EXCHANGE ADMINISTRATOR, CUSTODIAN AND INVESTMENT AGENT

Wells Fargo Bank, N.A. ("**Wells Fargo Bank**") will act as indenture trustee (in such capacity, the "**Indenture Trustee**"), as exchange administrator (in such capacity, "**Exchange Administrator**") and as custodian (in such capacity, the "**Custodian**"), in each case under the Indenture, and as Investment Agent (in such capacity, the "**Investment Agent**") under the Investment Agency Agreement.

Wells Fargo Bank is a national banking association and a wholly-owned subsidiary of Wells Fargo & Company. A diversified financial services company, Wells Fargo & Company is a U.S. bank holding company with approximately \$1.9 trillion in assets and approximately 263,000 employees as of June 30, 2019 which provides banking, insurance, trust, mortgage and consumer finance services throughout the United States and internationally. Wells Fargo Bank provides retail and commercial banking services and corporate trust, custody, securities lending, securities transfer, cash management, investment management and other financial and fiduciary services. The Issuer may maintain banking and other commercial relationships with Wells Fargo Bank and its affiliates. Wells Fargo Bank maintains principal corporate trust offices located at 9062 Old Annapolis Road, Columbia, Maryland 21045-1951 (among other locations), and its office for certificate transfer services is located at Corporate Trust Operations, MAC N9300-070, 600 South Fourth Street, 7th Floor, Minneapolis, Minnesota 55479.

For three RMBS transactions, Wells Fargo Bank disclosed transaction-level noncompliance on its 2018 Annual Statement of Compliance furnished pursuant to Item 1123 of Regulation AB for such transactions related to its RMBS bond administration function. Such noncompliance related to either the accuracy of payment calculations or the timing of payments. In each case, the noncompliance has been remedied.

Wells Fargo Bank serves or may have served within the past two years as loan file custodian for various mortgage loans owned by Fannie Mae or an affiliate of Fannie Mae and anticipates that one or more of those mortgage loans may be included in the Reference Pool. The terms of any custodial agreement under which those services are provided by Wells Fargo Bank are customary for the mortgage-backed securitization industry and provide for the delivery, receipt, review and safekeeping of mortgage loan files.

Wells Fargo Bank serves or may have served within the past two years as warehouse master servicer for various mortgage loans owned by the Issuer or an affiliate of the Issuer and, to the extent this is the case, one or more of those mortgage loans may be included in the Reference Pool. The terms of the warehouse master servicing agreement under which any such services are provided by Wells Fargo Bank are customary for the mortgage-backed securitization industry.

Wells Fargo Bank has provided corporate trust services since 1934. Wells Fargo Bank acts as a trustee for a variety of transactions and asset types, including corporate and municipal bonds, mortgage-backed and asset-backed securities and collateralized debt obligations. As of June 30, 2019, Wells Fargo Bank was acting as trustee on approximately 3,017 series of residential mortgage-backed securities with an aggregate principal balance of approximately \$309,927,000,000.

Under the terms of the Indenture, the Indenture Trustee is responsible for securities administration, which includes pool performance calculations, payment calculations and the preparation of monthly payment reports, and the Exchange Administrator is responsible for certain administrative functions with respect to exchanging Exchangeable Notes for RCR Notes and vice versa. Wells Fargo Bank has been engaged in the business of securities administration since June 30, 1995. As of June 30, 2019, Wells Fargo Bank was acting as securities administrator with respect to more than \$548,465,000,000 of outstanding residential mortgage transactions.

Since June 18, 2014, a group of institutional investors have filed civil complaints in the Supreme Court of the State of New York, New York County, and later the U.S. District Court for the Southern District of New York (the "**District Court**") against Wells Fargo Bank in its capacity as trustee for certain residential mortgage backed securities ("**RMBS**") trusts. The complaints against Wells Fargo Bank alleged that the trustee caused losses to investors and asserted causes of action based upon, among other things, the trustee's alleged failure to: (i) notify and enforce repurchase obligations of mortgage loan sellers for purported breaches of representations and warranties, (ii) notify investors of alleged events of default and (iii) abide by appropriate standards of care following alleged events of default. Relief sought included money damages in an unspecified amount, reimbursement of expenses, and equitable relief. Wells Fargo Bank has reached an agreement, in which it denies any wrongdoing, to resolve these claims on a classwide basis for the 271 RMBS trusts currently at issue. On May 6, 2019, the court entered an order approving the settlement agreement. Separate lawsuits against Wells Fargo Bank making similar allegations filed by certain other institutional investors concerning 57 RMBS trusts in New York federal and state court are not covered by the agreement. With respect to the foregoing litigations, Wells Fargo Bank believes plaintiffs' claims are without merit and intends to contest the claims vigorously, but there can be no assurances as to the outcome of the litigations or the possible impact of the litigations on Wells Fargo Bank or the RMBS trusts.

## DESCRIPTION OF THE SECURITIES

### General

On the Closing Date, the Issuer expects to issue the Class M-2A Notes, Class M-2B Notes, Class B-1 Certificates and RCR Notes (including the M-2 Notes), and the Issuer expects to offer the Class M-2 Notes and Class B-1 Certificates (the "**Offered Securities**"). The Exchangeable Notes and RCR Notes will be exchangeable for the related RCR Notes and Exchangeable Notes, respectively and in the Combinations described on Schedule I hereto. All the Securities will be issued pursuant to the Indenture. Under the Indenture, Wells Fargo Bank will act as Indenture Trustee, paying agent, note registrar, transfer agent, authenticating agent, exchange administrator and custodian. See "*The Agreements — The Indenture*" in this Offering Memorandum.

The Securities are non-recourse debt obligations of the Issuer. The Securities are not obligations of, and are not guaranteed by, Fannie Mae, the United States or any agency or instrumentality thereof.

The Securities are structured to be subject to the performance of the Reference Obligations in the Reference Pool. This transaction is structured to afford investors pass-through economic exposure to the Reference Obligations and provide Fannie Mae reimbursement for specified losses it incurs with respect to Reference Obligations that experience losses relating to Credit Events and Modification Events. The Securities will be subject to write-down of their Class Principal Balances based on the occurrence of Credit Events and Modification Events with respect to the Reference Obligations and the actual losses experienced with respect thereto. In addition, the Interest Payment Amounts of the Securities will be subject to reduction to the extent that the Reference Obligations experience losses as a result of Modification Events. See "*Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Tranche Write-down Amounts*" and "*Allocation of Modification Loss Amount*". Pursuant to the Credit Protection Agreement, the Issuer is obligated to pay Credit Protection Amounts to Fannie Mae upon the occurrence of Credit Events and Modification Events that result in such write-downs. This payment obligation will reduce amounts available for principal payments to Securityholders on a related Payment Date. Also pursuant to the Credit Protection Agreement, Fannie Mae is obligated to pay (i) Credit Premium Amounts to the Issuer for payment by the Indenture Trustee in respect of interest on the Securities on the related Payment Date and (ii) Credit Protection Reimbursement Amounts and Investment Liquidation Contributions, if any, to the Issuer for payment by the Indenture Trustee in respect of principal on the Securities on the related Payment Date.

The principal payment characteristics of the Securities have been designed so that the Securities amortize based on the collections of principal payments on the Reference Obligations. The Securities generally will not be entitled to principal payments based on Unscheduled Principal collections received on the Reference Obligations unless the Minimum Credit Enhancement Test and the Delinquency Test are satisfied for the related Payment Date. Unlike securities in a senior/subordinate private label residential mortgage-backed securitization, the principal payments required to be paid by the Issuer on the Securities will be based in part on Scheduled Principal that is due and collected on the Reference Obligations, rather than on scheduled payments due on such Reference Obligations, as described under "*Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*" in this Offering Memorandum. In other words, to the extent that there is a delinquent borrower who misses a payment (or makes only a partial scheduled payment) on a Reference Obligation, the Issuer will not make principal payments on the Securities based on the amount that was due on such Reference Obligation; instead, the Issuer will only make principal payments on the Securities based on Scheduled Principal and Unscheduled Principal actually collected on such Reference Obligation and any Recovery Principal, together with any Investment Liquidation Contributions payable by Fannie Mae under the Credit Protection Agreement. Investors should make their own determination as to the effect of these features on the Securities.

For the avoidance of doubt, the Securities are not secured or backed by the Reference Obligations and under no circumstances will the actual cash flow from the Reference Obligations be paid to or otherwise be made available to the Holders of the Securities. The Issuer will make monthly payments of accrued interest to the Holders of the Securities (subject to reduction as a result of the allocation of Modification Loss Amounts). The amount of principal payments required to be paid by the Issuer on the Securities entitled to principal each month will be based on the amount of principal collected in respect of the Reference Obligations as further described in this Offering Memorandum. If a Class of RCR Notes is outstanding, all amounts payable by Fannie Mae on Exchangeable Notes that were exchanged for such RCR Notes will be allocated to and payable on such RCR Notes.

### **Form, Registration and Transfer of the Securities**

The Securities will be represented by Book-Entry Securities and will be available in fully-registered form (such form, the "**Definitive Securities**") only in limited circumstances described below.

The table below sets forth the original Security form, the minimum denomination and the incremental denomination of the Securities. The Securities are not intended to be and should not be directly or indirectly held or beneficially owned in amounts lower than such minimum denominations. A single Security of each Class may be issued in an amount different (but not less) than the minimum denomination described below.

## Form and Denominations of Securities

<u>Class</u>	<u>Original Form</u>	<u>Minimum Denomination</u>	<u>Incremental Denomination</u>
Class M-2 Notes <sup>(1)</sup> .....	Book-Entry	\$10,000	\$1
Class M-2A Notes <sup>(1)</sup> .....	Book-Entry	\$10,000	\$1
Class M-2B Notes <sup>(1)</sup> .....	Book-Entry	\$10,000	\$1
Class B-1 Certificates .....	Book-Entry	\$4,100,000	\$1

<sup>(1)</sup> The Classes of Securities set forth on Schedule I hereto have the same forms, minimum denominations and incremental denominations.

The Indenture Trustee will initially serve as paying agent, note registrar and transfer agent for purposes of making calculations and payments with respect to the Securities and providing for registration, transfers and exchanges of the Securities (except for exchanges of Exchangeable Notes for RCR Notes and vice versa). In addition, the Indenture Trustee will perform certain reporting and other administrative functions. The Exchange Administrator will also perform certain reporting and administrative functions with respect to the RCR Notes, including informing the Indenture Trustee of exchanges of Exchangeable Notes for RCR Notes, and vice versa, so that the Indenture Trustee can make payments on RCR Notes that have been issued in exchange for Exchangeable Notes and vice versa.

*Book-Entry Securities.* Persons acquiring beneficial ownership interests in the Book-Entry Securities ("**Security Owners**") will hold such Securities through The Depository Trust Company ("**DTC**") in the United States and Clearstream or Euroclear outside the United States, if they are participants of such systems (the "**Participants**"), or indirectly through organizations which are participants in such systems (the "**Indirect Participants**"). Each Class of Book-Entry Securities initially will be represented by one or more physical certificates registered in the name of Cede & Co., the nominee of DTC. Investors may hold such beneficial interest in the Book-Entry Securities in minimum denominations of \$10,000 and incremental denominations of \$1 in excess thereof; except with respect to the Class B-1 Certificates, which Investors may be issued in minimum denominations of \$4,100,000 and incremental denominations of \$1 in excess thereof. Except as described below, no Security Owner will be entitled to receive a Definitive Security. Unless and until Definitive Securities are issued, it is anticipated that the only Securityholder of the Book-Entry Securities will be Cede & Co., as nominee of DTC. Security Owners will not be Securityholders as that term is used in the Indenture. Security Owners are only permitted to exercise their rights indirectly through Participants, Indirect Participants, Clearstream, Euroclear and DTC.

The Indenture Trustee or another designated institution will act as the custodian for Book-Entry Securities on DTC and as the "**Common Depository**" for Book-Entry Securities which clear and settle through Euroclear and Clearstream. Upon notification by the Exchange Administrator, the Indenture Trustee will indicate to DTC any exchanges of Exchangeable Notes for RCR Notes and vice versa.

A Security Owner's ownership of a Book-Entry Security will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (each, a "**Financial Intermediary**") that maintains the Security Owner's account for such purpose. In turn, the Financial Intermediary's ownership of such Book-Entry Security will be recorded on the records of DTC (or of a participating firm that acts as agent for the Financial Intermediary, whose interest will in turn be recorded on the records of DTC, if the Security Owner's Financial Intermediary is not a Participant but rather an Indirect Participant), and on the records of Clearstream or Euroclear, and their respective Participants or Indirect Participants, as applicable.

Security Owners will receive all payments of principal and interest on the Book-Entry Securities from the Indenture Trustee through DTC (and Clearstream or Euroclear, as applicable) and Participants. While the Book-Entry Securities are outstanding (except under the circumstances described below), under the rules, regulations and procedures creating and affecting DTC and its operations (the "**Rules**"), DTC is required to make book-entry transfers among Participants on whose behalf it acts with respect to the Book-Entry Securities and is required to receive and transmit payments of principal of, and interest on, the Book-Entry Securities. Participants and Indirect Participants with whom Security Owners have accounts with respect to Book-Entry Securities are similarly required to make book-entry transfers and receive and transmit such payments on behalf of their respective Security Owners. Accordingly, although Security Owners will not possess certificates representing their respective interests in the Book-Entry Securities, the Rules provide a mechanism by which Security Owners will receive payments and will be able to transfer their interest. It is expected that payments by Participants and Indirect Participants to Security

Owners will be governed by such standing instructions and customary practices. However, payments of principal and interest in respect of such Book-Entry Securities will be the responsibility of the applicable Participants and Indirect Participants and will not be the responsibility of DTC (or Clearstream or Euroclear, as applicable), the Issuer or the Indenture Trustee once paid or transmitted by them.

As indicated above, Security Owners will not receive or be entitled to receive certificates representing their respective interests in the Book-Entry Securities, except under the limited circumstances described below. Unless and until Definitive Securities are issued, Securityholders who are not Participants may transfer ownership of Book-Entry Securities only through Participants and Indirect Participants by instructing such Participants and Indirect Participants to transfer Book-Entry Securities, by book-entry transfer, through DTC (or Clearstream or Euroclear, as applicable), for the account of the purchasers of such Book-Entry Securities, which account is maintained with their respective Participants and Indirect Participants. Under the Rules and in accordance with DTC's normal procedures, transfers of ownership of Book-Entry Securities will be executed through DTC and the accounts of the respective Participants at DTC will be debited and credited. Similarly, the Participants and Indirect Participants will make debits or credits, as the case may be, on their records on behalf of the selling and purchasing Security Owners.

The laws of some states require that certain persons take physical delivery of securities in definitive certificated form. Consequently, this may limit a Security Owner's ability to transfer its interests in a Book-Entry Security to such persons. Because DTC can only act on behalf of its Participants, the ability of an owner of a beneficial interest in a Book-Entry Security to pledge such interest to persons or entities that are not DTC Participants, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for such interest. In addition, issuance of the Book-Entry Securities in book-entry form may reduce the liquidity of such Securities in the secondary market because certain prospective investors may be unwilling to purchase Securities for which they cannot obtain a physical certificate.

Because of time zone differences, credits of securities received in Clearstream or Euroclear as a result of a transaction with a Participant will be made during subsequent securities settlement processing and dated as of the next business day for Clearstream and Euroclear following the DTC settlement date. Such credits or any transactions in such securities settled during such processing will be reported to the relevant Euroclear or Clearstream Participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream Participant or Euroclear Participant to a DTC Participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the next business day for Clearstream and Euroclear following settlement in DTC.

Subject to compliance with the transfer restrictions applicable to the Book-Entry Securities set forth above, transfers between Participants will occur in accordance with the Rules. Transfers between Clearstream Participants and Euroclear Participants will occur in accordance with their respective rules and operating procedures.

DTC, which is a New York-chartered limited purpose trust company, performs services for its Participants, some of which (or their representatives) own DTC. In accordance with its normal procedures, DTC is expected to record the positions held by each DTC Participant in the Book-Entry Securities, whether held for its own account or as a nominee for another person. In general, beneficial ownership of Book-Entry Securities will be subject to the Rules, as in effect from time to time. Security Owners will not receive written confirmation from DTC of their purchase, but each Security Owner is expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the DTC Participant through which the Security Owner entered into the transaction.

Clearstream Banking société anonyme, 42 Avenue JF Kennedy, L-1855, Luxembourg ("**Clearstream**"), is a subsidiary of Clearstream International ("**Clearstream International**"), a Luxembourg limited liability company formed in January 2000 through the merger of Cedel International and Deutsche Boerse Clearing, a subsidiary of Deutsche Boerse AG. In July 2002, Deutsche Boerse AG acquired Cedel International and its 50% ownership of Clearstream International. Clearstream is registered as a bank in Luxembourg, and as such is subject to supervision by the Luxembourg Financial Sector Supervisory Commission, which supervises Luxembourg banks.

Clearstream holds securities for its customers ("**Clearstream Participants**") and facilitates the clearance and settlement of securities transactions by electronic book-entry transfers between their accounts. Clearstream provides various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream also deals with domestic securities markets in several countries

through established depository and custodial relationships. Clearstream has established an electronic bridge with Euroclear Banks S.A./N.V. as the Euroclear Operator in Brussels to facilitate settlement of trades between systems.

Clearstream International's customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Clearstream International's U.S. customers are limited to securities brokers and dealers and banks. Currently, Clearstream International offers settlement and custody services to more than two thousand five hundred (2,500) customers world-wide, covering three hundred thousand (300,000) domestic and internationally traded bonds and equities. Clearstream offers one of the most comprehensive international securities services available, settling more than two hundred fifty thousand (250,000) transactions daily. Indirect access to Clearstream is available to other institutions which clear through or maintain custodial relationship with an account holder of Clearstream.

The Euroclear System ("**Euroclear**") was created in 1968 to hold securities for its participants ("**Euroclear Participants**") and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Transactions may be settled in a variety of currencies, including U.S. dollars. Euroclear includes various other securities, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described above. Euroclear is operated by Euroclear Bank S.A./N.V. (the "**Euroclear Operator**"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with Euroclear Operator. Euroclear plc establishes policy for Euroclear on behalf of Euroclear Participants. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law (collectively, the "**Terms and Conditions**"). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants, and has no record of or relationship with persons holding through Euroclear Participants.

Payments on the Book-Entry Securities will be made on each Payment Date by the Indenture Trustee to Cede & Co., as nominee of DTC. DTC will be responsible for crediting the amount of such payments to the accounts of the applicable DTC Participants in accordance with DTC's normal procedures. Each DTC Participant will be responsible for disbursing such payments to the Security Owners of the Book-Entry Securities that it represents and to each Financial Intermediary for which it acts as agent. Each such Financial Intermediary will be responsible for disbursing funds to the Security Owners of the Book-Entry Securities that it represents.

Under a book-entry format, Security Owners may experience some delay in their receipt of payments, since such payments will be forwarded by the Indenture Trustee to Cede & Co. Payments with respect to Securities held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream Participants or Euroclear Participants in accordance with the relevant system's rules and procedures, to the extent received by the Common Depository. Such payments will be subject to tax reporting in accordance with relevant U.S. tax laws and regulations. See "*Certain U.S. Federal Income Tax Consequences — Information Reporting and Backup Withholding*" in this Offering Memorandum.

DTC has advised the Indenture Trustee, unless and until Definitive Securities are issued or modified, DTC will take any action the holders of the Book-Entry Securities are permitted to take under the Indenture only at the direction of one or more Financial Intermediaries to whose DTC accounts the Book-Entry Securities are credited, to the extent that such actions are taken on behalf of Financial Intermediaries whose holdings include such Book-Entry Securities. Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by a Securityholder under the Indenture on behalf of a Clearstream Participant or Euroclear Participant only in accordance with its relevant rules and procedures and subject to the ability of the Common Depository to effect such actions on its behalf through DTC. DTC may take actions, at the direction of the related Participants, with respect to some Book-Entry Securities which conflict with actions taken with respect to other Book-Entry Securities.



Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of Book-Entry Securities among DTC Participants, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued or modified at any time. Neither Fannie Mae nor the Indenture Trustee will have any responsibility for the performance by any system or their respective direct or Indirect Participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Neither the Issuer nor the Indenture Trustee will have any responsibility for any aspect of the records relating to or payments made on account of beneficial ownership interests of the Book-Entry Securities held by Cede & Co., as nominee for DTC, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. In the event of the insolvency of DTC, a Participant or an Indirect Participant of DTC in whose name Book-Entry Securities are registered, the ability of the Security Owners of such Book-Entry Securities to obtain timely payment and, if the limits of applicable insurance coverage by the Securities Investor Protection Corporation are exceeded or if such coverage is otherwise unavailable, ultimate payment, of amounts distributable with respect to such Book-Entry Securities may be impaired.

*Definitive Securities.* Definitive Securities will be issued to Security Owners of the Book-Entry Securities, or their nominees, rather than to DTC, only if (a) DTC or Fannie Mae, as holder of the Ownership Certificate, advises the Indenture Trustee in writing that DTC is no longer willing, qualified or able to discharge properly its responsibilities as nominee and depository with respect to the Book-Entry Securities and the Issuer is unable to locate a qualified successor, (b) after the occurrence of an Event of Default under the Indenture, Security Owners having voting rights aggregating not less than a majority of all voting rights evidenced by the Book-Entry Securities advise the Indenture Trustee and DTC through the Financial Intermediaries and the DTC Participants in writing that the continuation of a book-entry system through DTC (or a successor thereto) is no longer in the best interests of such Security Owners or (c) in the case of a particular Book-Entry Security, if all of the systems through which it is cleared or settled are closed for business for a continuous period of 14 calendar days (other than by reason of holidays, statutory or otherwise) or are permanently closed for business or have announced an intention to permanently cease business and in any such situations Fannie Mae is unable to locate a single successor within 90 calendar days of such closure. Upon the occurrence of any of the events described in the immediately preceding sentence, the Indenture Trustee will be required to notify all applicable Security Owners of the occurrence of such event and the availability of Definitive Securities. Upon surrender by DTC of the global security or securities representing such Book-Entry Securities and instructions for re-registration, the Issuer will issue Definitive Securities and thereafter the Indenture Trustee will recognize the owners of such Definitive Securities as Securityholders under the Indenture. Such Definitive Securities may also bear additional legends that Fannie Mae deems advisable. None of the Securities will ever be issuable in bearer form.

Any portion of an interest in such a Book-Entry Security transferred or exchanged will be executed, authenticated and delivered only in the required minimum denomination as set forth herein. A Definitive Security delivered in exchange for an interest in such a Book-Entry Security will bear the applicable legend set forth in the applicable exhibits to the Indenture and will be subject to the transfer restrictions referred to in such applicable legends and any additional transfer restrictions as may from time to time be adopted by Fannie Mae and the Indenture Trustee.

The holders of the Definitive Securities will be able to transfer or exchange the Definitive Securities by surrendering them at the office of the Indenture Trustee (or the Exchange Administrator, for exchanges of Exchangeable Notes for RCR Notes and vice versa) together with the form of transfer endorsed thereon duly completed and executed, and otherwise in accordance with the provisions of the Indenture, and in exchange therefor one or more new Definitive Securities will be issued having an aggregate Class Principal Balance equal to the remaining Class Principal Balance of the Definitive Securities transferred or exchanged.

The Indenture Trustee will keep in a note register the records of the ownership, exchange and transfer of Definitive Securities. No service charge will be imposed for any registration of transfer or exchange of a Definitive Security, but the Indenture Trustee may require payment of a sum sufficient to cover any tax or other governmental charge imposed in connection therewith.

## **Payments**

On the Closing Date, the Indenture Trustee will establish and maintain two accounts, one for the benefit of the Noteholders (the "**Note Distribution Account**") and the other for the benefit of the Class B-1 Certificateholders (the

"**B-1 Distribution Account**"), into which certain deposits will be made for the purpose of making payments to the related Securityholders. The Note Distribution Account will include deposits in amounts due in respect of the Notes from time to time of (a) investment income earned on Eligible Investments held in the Cash Collateral Account (up to the amount of the LIBOR Interest Component due in respect of the Notes for a Payment Date), (b) proceeds from the liquidation of Eligible Investments and (c) the Credit Premium Amounts and Investment Liquidation Contributions, if any, received from Fannie Mae. The B-1 Distribution Account will include deposits in amounts due in respect of the B-1 Certificates from time to time of (a) investment income earned on Eligible Investments held in the Cash Collateral Account (up to the amount of the LIBOR Interest Component due in respect of the B-1 Certificates for a Payment Date), (b) proceeds from the liquidation of Eligible Investments and (c) the Credit Premium Amounts and Investment Liquidation Contributions, if any, received from Fannie Mae.

Payments on the Securities will be made by the Indenture Trustee, as paying agent, on the twenty-fifth (25th) day of each month (or, if such day is not a Business Day, then on the next succeeding Business Day), beginning in December 2019 (each, a "**Payment Date**"), to the persons in whose names such Securities are registered as of the close of business on the immediately preceding Business Day in the case of Book-Entry Securities and as of the close of business on the last day of the preceding month of such Payment Date in the case of Definitive Securities (the "**Record Date**"). The Exchange Administrator will notify the Indenture Trustee with respect to any exchanges of Exchangeable Notes for RCR Notes and vice versa at the time of such exchange, and the Indenture Trustee will make all subsequent payments in accordance with this notice, unless notified of a subsequent exchange by the Exchange Administrator.

A "**Business Day**" means a day other than:

- A Saturday or Sunday.
- A day on which the corporate trust offices of the Indenture Trustee (currently located at 9062 Old Annapolis Road, Columbia, Maryland 21045), the offices of DTC, the Federal Reserve Bank of New York or banking institutions in the City of New York are authorized or obligated by law or executive order to be closed.

Payments on each Payment Date will be made by wire transfer in immediately available funds to each Securityholder's account at a bank or other depository institution having appropriate wire transfer facilities. Cede & Co. will be the registered holder of the Securities. However, the final payment on any Security will be made in like manner only upon presentation and surrender of such Security at the offices of the Corporate Trust Services division of the Indenture Trustee located at Corporate Trust Operations, MAC N9300-070, 600 South Fourth Street, 7th Floor, Minneapolis, Minnesota 55479, or as otherwise indicated on the relevant notice thereof. Payments will be made to Security Owners through the facilities of DTC, as described above under "*— Form, Registration and Transfer of the Securities*".

Payments on the Securities are to be made by the Indenture Trustee without deduction or withholding of taxes, except as otherwise required by law. The Securities will not provide for any gross-up payments in the case that payments on the Securities become subject to any deduction or withholding on account of taxes.

## **Maturity Date**

The Issuer will be obligated to retire the outstanding Classes of Securities by paying an amount equal to their Class Principal Balances, plus accrued and unpaid interest, on the Payment Date in November 2039 (the "**Maturity Date**").

The Securities will be retired prior to the Maturity Date on the earlier to occur, if any, of (a) the Early Redemption Date or (b) the Payment Date on which the aggregate Class Principal Balance of all outstanding Securities is otherwise reduced to zero.

If on such date a Class of RCR Notes is outstanding, all amounts payable on the Exchangeable Notes that were exchanged for such RCR Notes will be allocated to and payable on the applicable RCR Notes entitled to receive those amounts.

## Early Redemption Option

Fannie Mae, as holder of the Ownership Certificate, may direct the Indenture Trustee to redeem the Class M-2A Notes, Class M-2B Notes and Class B-1 Certificates on any Payment Date on or after the earlier to occur of (a) the Payment Date in November 2026 and (b) the Payment Date on which the aggregate unpaid principal balance of the Reference Obligations is less than or equal to 10% of the Cut-off Date Balance, in each case by paying an amount equal to the outstanding Class Principal Balance, after allocation of any Tranche Write-down Amount or Tranche Write-up Amount for such Payment Date, of each of the Class M-2A Notes, Class M-2B Notes and Class B-1 Certificates, plus accrued and unpaid interest on such Securities and all unpaid fees, expenses and indemnities of the Indenture Trustee, Exchange Administrator, Custodian, Investment Agent and Delaware Trustee (the "**Early Redemption Option**").

If on the Early Redemption Date a Class of RCR Notes is outstanding, all principal and interest amounts that are payable by Fannie Mae on the Exchangeable Notes that were exchanged for such RCR Notes will be allocated to and payable on the applicable RCR Notes.

## Early Redemption Date

The Securities will be retired prior to the Maturity Date on the date that is the earlier to occur of (i) the date on which the Securities are redeemed by the Issuer pursuant to the Early Redemption Option as described above and (ii) the CPA Early Termination Date (if such date is a result of the occurrence of a CPA Trigger Event) (the "**Early Redemption Date**").

## Termination Date

The Securities will no longer be entitled to payments of principal or interest after the date (the "**Termination Date**") which is the earliest of:

- the Maturity Date;
- the Early Redemption Date; and
- the Payment Date on which the aggregate initial Class Principal Balance (without giving effect to any allocations of Tranche Write-down Amounts or Tranche Write-up Amounts related to the Classes on such Payment Date and all prior Payment Dates) and accrued and unpaid interest due on the Class M-2A Notes, Class M-2B Notes and Class B-1 Certificates, plus unpaid related fees, expenses and indemnities of the Indenture Trustee, Exchange Administrator, Custodian, Investment Agent and Delaware Trustee, have otherwise been paid in full.

## Projected Recovery Amount

On the Termination Date, the Projected Recovery Amount will be included in the calculation of the Principal Recovery Amount.

"**Projected Recovery Amount**" means, for the Securities and as of the Termination Date, the aggregate amount of subsequent recoveries, net of expenses and credits, projected to be received, calculated based on a formula to be derived by Fannie Mae from the actual net recovery experience during the 30-month period immediately preceding the Termination Date, plus any additional amount determined by Fannie Mae in its sole discretion to be appropriate for purposes of the foregoing projection in light of then-current market conditions. Information regarding the formula and results of the related calculations will be provided to Holders through Payment Date Statements in advance of the Termination Date, if any. In the absence of manifest error, Fannie Mae's determination of the Projected Recovery Amount will be final.

## Interest

The Class Coupon and Security Accrual Period for each Class of Securities for each Payment Date is as described in the "*Summary of Terms — Interest*".

The Indenture Trustee calculates the Class Coupons for each floating rate Security for each Security Accrual Period (after the first Security Accrual Period) on the second LIBOR Business Day before the Security Accrual

Period begins (a "**LIBOR Adjustment Date**"). "**LIBOR Business Day**" is a day on which banks are open for dealing in foreign currency and exchange in London, New York City and Washington, D.C. The Indenture Trustee determines "**One-Month LIBOR**" by using the "**Interest Settlement Rate**" for U.S. dollar deposits with a maturity of one month set by ICE as of 11:00 a.m. (London time) on the LIBOR Adjustment Date (the "**ICE Method**").

The Interest Settlement Rate is currently made available on the Reuters Screen LIBOR01 Page. That page, or any other page that may replace the Reuters Screen LIBOR01 Page or any other service ICE nominates as the information vendor to display the Interest Settlement Rate for deposits in U.S. dollars, is a "**Designated Page**". ICE's Interest Settlement Rates currently are rounded to six decimal places (and rounded up to five decimal places where the sixth digit is five or greater).

If ICE's Interest Settlement Rate does not appear on the Designated Page as of 11:00 a.m. (London time) on a LIBOR Adjustment Date, or if the Designated Page is not then available, Fannie Mae will provide the Indenture Trustee with the most recently published Interest Settlement Rate to determine One-Month LIBOR for such date. If Fannie Mae, as holder of the Ownership Certificate, determines that the methods for establishing LIBOR are no longer viable or that prevailing industry practices with respect to benchmark rates have transitioned, or are very likely to transition, away from the use of LIBOR, Fannie Mae may in its discretion designate an alternative method or, if appropriate, an alternative index for the determination of monthly interest rates on the floating rate Securities. In making any such designation, Fannie Mae will take into account general comparability and other factors, including then-prevailing industry practices. Further, Fannie Mae may also determine the business day convention, the definition of business day, the reference rate date and the determination date to be used and any other methodology for calculating the alternative method or index, and Fannie Mae may apply an adjustment factor to any designated alternative index as it deems appropriate to better achieve comparability to the current index and otherwise in keeping with industry-accepted practices (in each case, with notice of such alternative method or alternative index, as applicable, to the Indenture Trustee at least five (5) Business Days prior to the initial Payment Date with respect to which such change is effective). However, in such case, Fannie Mae can provide no assurance that the alternative index will yield the same or similar economic results over the lives of the Securities. See "*Risk Factors — Investment Factors and Risks Related to the Securities — LIBOR Levels Could Reduce the Yield on the Floating Rate Securities*", "*—Uncertainty as to the Determination of LIBOR and the Potential Phasing Out of LIBOR after 2021 May Adversely Affect the Value of the Floating Rate Securities*" and "*—The Use of an Alternative Method or Index in Place of LIBOR for Determining Monthly Interest Rates May Adversely Affect the Value of Certain Securities*". Unless and until Fannie Mae, as holder of the Ownership Certificate, designates an alternative method or index for the determination of monthly interest rates on the floating rate Securities, One-Month LIBOR will continue to be determined in accordance with the preceding two paragraphs.

None of the Delaware Trustee, the Indenture Trustee, the Exchange Administrator, the Custodian or the Investment Agent will have any liability or obligation with respect to (i) determining that the methods for establishing One-Month LIBOR are no longer viable or that prevailing industry practices with respect to benchmark rates have transitioned, or are very likely to transition, away from the use of One-Month LIBOR or (ii) designating an alternative method or, if appropriate, an alternative index for the determination of monthly interest rates on the floating rate Securities, including providing, obtaining or calculating any index, alternative, rate, benchmark or adjustment factors, even if Fannie Mae, as holder of the Ownership Certificate, does not take these actions.

On each Payment Date, each Class of Securities, to the extent outstanding, will be entitled to receive interest accrued during the related Security Accrual Period at the applicable Class Coupon on the related Class Principal Balance as of the first (1<sup>st</sup>) day of that Security Accrual Period, less any Modification Loss Amount for that Payment Date allocated to reduce the Interest Payment Amount for that Class of Securities as described under "*Hypothetical Structure and Calculations with Respect to the Reference Tranches—Allocation of Modification Loss Amount*" below.

Accrued interest to be paid on any Payment Date will be calculated for each Class of Securities on the basis of the Class Principal Balance or Class Notional Amount, as applicable, of the related Class immediately prior to such Payment Date. Interest will be calculated and payable on the basis of the actual number of days in the related Security Accrual Period and a 360-day year.

The determination by the Indenture Trustee of the Class Coupon on the Securities and the determination of any payment on any Security (or any interim calculation in the determination of any such interest rate, index or payment) will, absent manifest error, be final and binding on the Securityholders of the relevant Securities.

With respect to each outstanding Class of Securities and any Payment Date, Holders thereof will be entitled to receive the Interest Accrual Amount for that Class of Securities, *less* any Modification Loss Amount for that Payment Date allocated to reduce the Interest Payment Amount for that Class of Securities as described under "*Allocation of Modification Loss Amount*" below (such amount, the "**Interest Payment Amount**"). In each case, interest amounts that are payable by the Issuer on the related Exchangeable Notes will be allocated to and payable on any outstanding RCR Notes. The "**Interest Accrual Amount**" with respect to each outstanding Class of Securities (and, for purposes of calculating allocations of any Modification Loss Amounts, the Class B-2H Reference Tranche) and any Payment Date is an amount equal to the accrued interest at the Class Coupon on the Class Principal Balance (or Class Notional Amount, as applicable) of each Class of Securities (or, for purposes of calculating allocations of any Modification Loss Amounts, the Class B-2H Reference Tranche) immediately prior to such Payment Date.

On each Remittance Date, Fannie Mae is required to deposit to the applicable Trust Distribution Accounts for payment to the related Securityholders an amount equal to (a) the amount by which (i) the aggregate Interest Payment Amount for the related Payment Date exceeds (ii) the LIBOR Interest Component plus (b) the LIBOR Interest Component Contribution (together, the "**Credit Premium Amount**"), pursuant to the Credit Protection Agreement. On each Payment Date, the Indenture Trustee will withdraw such amounts from the applicable Trust Distribution Accounts and pay such amounts to the related Securityholders in respect of interest on the related Securities for such Payment Date.

The "**LIBOR Interest Component**" means, for a Payment Date, an amount equal to the product of (i) One-Month LIBOR for the related Payment Date, (ii) the aggregate Class Principal Balance of the Classes of Securities outstanding immediately prior to such Payment Date and (iii) a fraction, the numerator of which is the actual number of days in the related Security Accrual Period and the denominator of which is 360.

The "**LIBOR Interest Component Contribution**" for any Remittance Date is the excess, if any, of (a) the LIBOR Interest Component for the related Payment Date over (b) the sum of (i) investment earnings on Eligible Investments in the Cash Collateral Account during the related Investment Accrual Period and (ii) any additional investment earnings on Eligible Investments from prior periods that have been retained in the Cash Collateral Account.

## **Principal**

On each Remittance Date, the Investment Agent will direct the Custodian to liquidate Eligible Investments in the Cash Collateral Account to the extent necessary for the Issuer to pay any Credit Protection Amounts to Fannie Mae and to pay principal on the Securities as required under the Indenture, and deposit the amount payable as principal, together with the investment earnings accrued on the Eligible Investments during the related Investment Accrual Period up to the amount of the LIBOR Interest Component, to the applicable Trust Distribution Accounts for payment to the related Securityholders. Additionally, on each Remittance Date, Fannie Mae is required to deposit to the applicable Trust Distribution Accounts for payment to the related Securityholders the Investment Liquidation Contribution and Credit Protection Reimbursement, if any, pursuant to the Credit Protection Agreement. Except as described below, on each Payment Date, the Indenture Trustee will withdraw from the applicable Trust Distribution Accounts and pay as principal to the related Holders of each outstanding Class of Securities (without regard to any exchanges of Exchangeable Notes for RCR Notes) an amount equal to the portion of the Senior Reduction Amount and/or Subordinate Reduction Amount, as applicable, allocated to reduce the Class Notional Amount of the corresponding Reference Tranche on such Payment Date as described under "*Hypothetical Structure and Calculations with Respect to the Reference Tranches*" below.

The "**Investment Liquidation Contribution**" for any Remittance Date is an amount equal to the excess, if any, of (a) the principal amount (book value) of Eligible Investments liquidated in respect of such Remittance Date over (b) the liquidation proceeds of such Eligible Investments.

On the earlier to occur of (x) the Early Redemption Date, if any, and (y) the Maturity Date, the Indenture Trustee will pay, from amounts in respect of the liquidation of Eligible Investments in the Cash Collateral Account and transferred to applicable Trust Distribution Accounts, 100% of the outstanding Class Principal Balance to the related Holders of each Class of Securities, after allocations of any Tranche Write-down Amount and the Tranche Write-up Amount for such Payment Date (without regard to any exchanges of Exchangeable Notes for RCR Notes) and after payment of all unpaid fees, expenses and indemnities of the Indenture Trustee, Exchange Administrator, Custodian, Investment Agent and Delaware Trustee.

In each case, principal amounts that are payable on the Exchangeable Notes will be allocated to and payable on any outstanding RCR Notes that are entitled to principal.

In addition, on the Termination Date, the Projected Recovery Amount will be included in the calculation of the Principal Recovery Amount.

#### **Reductions in Class Principal Balances or Class Notional Amounts of the Securities Due to Allocation of Tranche Write-down Amounts**

On each Payment Date, including the Maturity Date, the Class Principal Balance or Class Notional Amount, as applicable, of each Class of Securities will be reduced, without any corresponding payment of principal, by the amount of the reduction, if any, in the Class Notional Amount of the corresponding Reference Tranche due to the allocation of the Tranche Write-down Amount to such Reference Tranche on such Payment Date pursuant to the terms of the hypothetical structure described under "*Hypothetical Structure and Calculations with Respect to the Reference Tranches*" below. On each Remittance Date, under the Credit Protection Agreement, the Issuer will be obligated to pay to Fannie Mae the aggregate of Tranche Write-down Amounts, if any, allocated to reduce the Class Principal Balance of each applicable outstanding Class of Securities on the related Payment Date (without regard to any exchanges of Exchangeable Notes for any RCR Notes) (the "**Credit Protection Amount**").

#### **Increases in Class Principal Balances or Class Notional Amounts of the Securities Due to Allocation of Tranche Write-up Amounts**

On each Payment Date, including the Maturity Date, the Class Principal Balance or Class Notional Amount, as applicable, of each Class of Securities will be increased by the amount of the increase, if any, in the Class Notional Amount of the corresponding Reference Tranche due to the allocation of the Tranche Write-up Amount to such Reference Tranche on such Payment Date pursuant to the terms of the hypothetical structure described under "*Hypothetical Structure and Calculations with Respect to the Reference Tranches*" below. For the avoidance of doubt, through the Maturity Date, a Tranche Write-up Amount may be applied to any related Reference Tranche whose Class Notional Amount has previously been reduced to zero (until the cumulative Tranche Write-up Amount allocated to such Reference Tranche is equal to the cumulative Tranche Write-down Amount previously allocated to such Reference Tranche). On each Remittance Date, under the Credit Protection Agreement, Fannie Mae will be obligated to pay to the Issuer the aggregate of Tranche Write-up Amounts, if any, allocated to increase the Class Principal Balances of the applicable outstanding Classes of Securities on such Payment Date (without regard to any exchanges of Exchangeable Notes for any RCR Notes) (the "**Credit Protection Reimbursement Amount**"), with such amounts to be distributed as principal to Securityholders on the related Payment Date.

#### **Hypothetical Structure and Calculations with Respect to the Reference Tranches**

Solely for purposes of making the calculations for each Payment Date of (i) principal write-downs (or write-ups) on the Securities as a result of Credit Events (or reversals thereof) or Modification Events on the Reference Obligations, (ii) any reduction or increase in interest amounts on the Securities as a result of Modification Events on the Reference Obligations and (iii) principal payments required to be made on the Securities, a hypothetical structure of Reference Tranches deemed to be backed by the Reference Obligations has been established as indicated in the table set forth under "*Transaction Summary*" above. Pursuant to the hypothetical structure:

- the Class A-H Reference Tranche is senior to all the other Reference Tranches and therefore does not provide any credit enhancement to the other Reference Tranches,
- the Class M-2A and Class M-AH Reference Tranches are *pari passu* with each other, are subordinate to the Class A-H Reference Tranche and are senior to the Class M-2B, Class M-BH, Class B-1, Class B-1H and Class B-2H Reference Tranches,
- the Class M-2B and Class M-BH Reference Tranches are *pari passu* with each other, are subordinate to the Class A-H, Class M-2A and Class M-AH Reference Tranches and are senior to the Class B-1, Class B-1H and Class B-2H Reference Tranches,
- the Class B-1 and Class B-1H Reference Tranches are *pari passu* with each other and are subordinate to the Class A-H, Class M-2A, Class M-AH, Class M-2B and Class M-BH Reference Tranches and are senior to the Class B-2H Reference Tranche, and

- the Class B-2H Reference Tranche is subordinate to all the other Reference Tranches and therefore does not benefit from any credit enhancement (other than any Overcollateralization Amount).

Each Reference Tranche will have the initial Class Notional Amount indicated in the table set forth under "Transaction Summary" and the aggregate of the initial Class Notional Amounts of all the Reference Tranches will equal the Cut-off Date Balance.

***Allocation of Senior Reduction Amount and Subordinate Reduction Amount***

On each Payment Date on or prior to the Termination Date, the Senior Reduction Amount will be allocated to reduce the Class Notional Amount of each Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero:

*first*, to the Class A-H Reference Tranche,

*second*, to the Class M-2A and Class M-AH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,

*third*, to the Class M-2B and Class M-BH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,

*fourth*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, and

*fifth*, to the Class B-2H Reference Tranche.

On each Payment Date on or prior to the Termination Date, the Subordinate Reduction Amount will be allocated to reduce the Class Notional Amount of each Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero:

*first*, to the Class M-2A and Class M-AH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,

*second*, to the Class M-2B and Class M-BH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,

*third*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,

*fourth*, to the Class B-2H Reference Tranche, and

*fifth*, to the Class A-H Reference Tranche.

Because the Securities correspond to the related Reference Tranches, any portion of the Senior Reduction Amount or Subordinate Reduction Amount allocated to a Reference Tranche will result in a corresponding reduction in the Class Principal Balance of the related Class of Securities. Any such reductions in the Class Principal Balance of a Class of Exchangeable Notes will result in a corresponding reduction in the Class Principal Balance or Class Notional Amount, as applicable, of the related Class or Classes of RCR Notes.

***Related Definitions***

The "**Senior Reduction Amount**" with respect to any Payment Date is either:

- (A) if either the Minimum Credit Enhancement Test or the Delinquency Test is not satisfied, the sum of:
  - (i) the Senior Percentage of the Scheduled Principal for such Payment Date;
  - (ii) 100% of the Unscheduled Principal for such Payment Date; and
  - (iii) 100% of the Recovery Principal for such Payment Date; or

(B) if the Minimum Credit Enhancement Test and the Delinquency Test are both satisfied, the sum of:

- (i) the Senior Percentage of the Scheduled Principal for such Payment Date;
- (ii) the Senior Percentage of the Unscheduled Principal for such Payment Date; and
- (iii) 100% of the Recovery Principal for such Payment Date.

The "**Subordinate Reduction Amount**" with respect to any Payment Date is the sum of the Scheduled Principal, Unscheduled Principal and Recovery Principal for such Payment Date, less the Senior Reduction Amount.

The "**Senior Percentage**" with respect to any Payment Date and the Securities, is the percentage equivalent of a fraction, the numerator of which is the Class Notional Amount of the Class A-H Reference Tranche immediately prior to such Payment Date and the denominator of which is the aggregate unpaid principal balance of the Reference Obligations at the end of the previous Reporting Period.

The "**Subordinate Percentage**" with respect to any Payment Date and the Securities is the percentage equal to 100% *minus* the Senior Percentage for such Payment Date. On the Closing Date, the approximate initial Subordinate Percentage will be 1.00%.

"**Scheduled Principal**" with respect to any Payment Date is the sum of all monthly scheduled payments of principal due (whether with respect to the related Reporting Period or any prior Reporting Period) on the Reference Obligations and reported to Fannie Mae and collected by the related servicer during the related Reporting Period.

"**Unscheduled Principal**" with respect to any Payment Date is:

- (a) all partial principal prepayments on the Reference Obligations collected during the related Reporting Period, *plus*
- (b) the aggregate unpaid principal balance of all Reference Obligations that became subject to Reference Pool Removals during the related Reporting Period other than (i) Credit Event Reference Obligations and (ii) the portions of any prepayments in full that consist of scheduled principal collections, *plus*
- (c) decreases in the unpaid principal balance of all Reference Obligations as the result of loan modifications or data corrections, *plus*
- (d) all scheduled principal collections, if any, for any Reference Obligations that have been removed from the related MBS, *minus*
- (e) increases in the unpaid principal balance of all Reference Obligations as the result of loan modifications, reinstatements due to error or data corrections.

In the event the amount in clause (e) above exceeds the sum of the amounts in clauses (a) through (d) above, the Unscheduled Principal for the applicable Payment Date will be zero, and the Class Notional Amount for the Class A-H Reference Tranche will be increased by the amount of such excess. In the event that the Class Notional Amount for the Class A-H Reference Tranche is so increased as described in the prior sentence, this would have the effect of increasing the Senior Percentage correspondingly reducing the Subordinate Percentage, which would have a negative impact on the Securities in respect of the calculations of the Senior Reduction Amount and the Subordinate Reduction Amount, as described above. In April 2016, at the direction of its regulator and conservator FHFA, Fannie Mae announced a program that permits principal forgiveness as a loss mitigation alternative for a limited number of loans that were 90 days or more delinquent and has an unpaid principal balance in excess of the value of the related mortgaged property as of March 2016. No Reference Obligations are eligible for inclusion in this program. While there is no indication that this program will be extended or replicated, if any similar program of principal reduction were to be employed in the future that affected the Reference Obligations, any principal that was forgiven with respect to a Reference Obligation would decrease the unpaid principal balance of such Reference Obligation pursuant to clause (c) above.

"**Recovery Principal**" with respect to any Payment Date is the *sum* of:



(i) the excess, if any, of the Credit Event Amount for such Payment Date, *over* the Tranche Write-down Amount for such Payment Date; *plus*

(ii) the Tranche Write-up Amount for such Payment Date.

The "**Delinquency Test**" for any Payment Date is a test that will be satisfied if:

(a) the sum of the Distressed Principal Balance for the current Payment Date and each of the preceding five Payment Dates, divided by six, is less than

(b) 80% of the excess of (i) the product of (x) the Subordinate Percentage and (y) the aggregate UPB of the Reference Obligations as of the preceding Payment Date over (ii) the Principal Loss Amount for the current Payment Date.

The "**Distressed Principal Balance**" for any Payment Date is the aggregate UPB of the Reference Obligations that are 90 days or more delinquent or are otherwise in foreclosure, bankruptcy or REO status as of that Payment Date.

The "**Minimum Credit Enhancement Test**" with respect to any Payment Date is a test that will be satisfied if the Subordinate Percentage (solely for purposes of such test, rounded to the sixth decimal place) is greater than or equal to 1.000000%.

The "**UPB**" of a Reference Obligation is its unpaid principal balance as of any date of determination.

#### ***Allocation of Tranche Write-down Amounts***

On each Payment Date on or prior to the Termination Date, after allocation of the Senior Reduction Amount and Subordinate Reduction Amount, the Tranche Write-down Amounts, if any, for such Payment Date will be allocated, *first*, to reduce any Overcollateralization Amount for such Payment Date, until such Overcollateralization Amount is reduced to zero and, *second*, to reduce the Class Notional Amount of each Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero:

*first*, to the Class B-2H Reference Tranche,

*second*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts,

*third*, to the Class M-2B and Class M-BH Reference Tranches, *pro rata*, based on their Class Notional Amounts,

*fourth*, to the Class M-2A and Class M-AH Reference Tranches, *pro rata*, based on their Class Notional Amounts, and

*fifth*, to the Class A-H Reference Tranche (up to the amount of any remaining unallocated Tranche Write-down Amounts *less* the amount attributable to clause (d) of the definition of "Principal Loss Amount").

Because the Securities correspond to the related Reference Tranches, any Tranche Write-down Amounts allocated to a Reference Tranche will result in a corresponding reduction in the Class Principal Balance of the related Class of Securities (without regard to any exchanges of Exchangeable Notes for RCR Notes for such Payment Date). If any RCR Notes are held by Holders, any Tranche Write-down Amount allocable to a Class of Exchangeable Notes will be allocated to reduce the Class Principal Balance or Class Notional Amount, as applicable, of the related Class or Classes of RCR Notes (to the extent such RCR Notes have a Class Principal Balance or Class Notional Amount, as applicable, greater than zero).

#### ***Related Definitions***

A "**Credit Event**" with respect to any Payment Date on or before the Termination Date and any Reference Obligation is the first to occur of any of the following events during the related Reporting Period, as reported by the servicer to Fannie Mae, if applicable: (i) a short sale is settled, (ii) the related mortgaged property is sold to a third party during the foreclosure process, (iii) an REO disposition occurs, (iv) a mortgage note sale is executed with respect to a loan that is 12 or more months delinquent when offered for sale or (v) the related mortgage note is

charged off. With respect to any Credit Event Reference Obligation, there can only be one occurrence of a Credit Event; *provided*, that one additional separate Credit Event can occur with respect to each instance of such Credit Event Reference Obligation becoming a Reversed Credit Event Reference Obligation.

The "**Credit Event Amount**" with respect to any Payment Date is the aggregate amount of the Credit Event UPBs of all Credit Event Reference Obligations for the related Reporting Period.

The "**Credit Event Net Gain**" with respect to any Credit Event Reference Obligation is an amount equal to the *excess*, if any, of:

- (a) the Net Liquidation Proceeds *over*
- (b) the *sum* of:
  - (i) the Credit Event UPB;
  - (ii) the total amount of prior principal forgiveness modifications, if any, on the related Credit Event Reference Obligation; and
  - (iii) delinquent accrued interest thereon, calculated at the related Current Accrual Rate from the related last paid interest date through the date such Reference Obligation has been reported as a Credit Event Reference Obligation.

The "**Credit Event Net Loss**" with respect to any Credit Event Reference Obligation is an amount equal to the *excess*, if any, of:

- (a) the *sum* of:
  - (i) the Credit Event UPB;
  - (ii) the total amount of prior principal forgiveness modifications, if any, on the related Credit Event Reference Obligation; and
  - (iii) delinquent accrued interest thereon, calculated at the related Current Accrual Rate from the related last paid interest date through the date such Reference Obligation has been reported as a Credit Event Reference Obligation, *over*
- (b) the related Net Liquidation Proceeds.

A "**Credit Event Reference Obligation**" with respect to any Payment Date is any Reference Obligation with respect to which a Credit Event has occurred.

The "**Credit Event UPB**" with respect to any Credit Event Reference Obligation is the unpaid principal balance thereof as of the end of the Reporting Period related to the Payment Date that it became a Credit Event Reference Obligation.

The "**Current Accrual Rate**" with respect to any Payment Date and Reference Obligation is the current mortgage rate (as adjusted for any Modification Event), less the greater of (x) the related servicing fee rate and (y) 35 basis points.

The "**Liquidation Proceeds**" with respect to a Credit Event Reference Obligation represent all cash amounts (including sales proceeds, net of selling expenses) received in connection with the liquidation of the Credit Event Reference Obligation.

A "**Modification Event**" with respect to any Reference Obligation is a forbearance or certain mortgage rate modifications relating to such Reference Obligation, it being understood that in the absence of a forbearance or certain mortgage rate modifications, a term extension on a Reference Obligation will not constitute a Modification Event. In addition, a mortgage rate modification that results in an increased mortgage rate with respect to any Reference Obligation (after giving effect to all scheduled mortgage rate modifications thereon) will not constitute a "Modification Event." For example, in the case of a mortgage rate modification that provides for a mortgage rate reduction from 4% to 2% followed by a future step-up in the mortgage rate from 2% to 5%, the modification will

not be treated as a "Modification Event." By contrast, in the case of a mortgage rate modification that provides for a mortgage rate reduction from 4% to 2% followed by a future step-up in the mortgage rate from 2% back to 4%, the modification will be treated as a "Modification Event."

The "**Modification Loss Amount**" with respect to each Payment Date and any Reference Obligation that has experienced a Modification Event is the excess, if any, of:

- (a) one-twelfth of the Original Accrual Rate multiplied by the UPB of such Reference Obligation, over
- (b) one-twelfth of the Current Accrual Rate multiplied by the interest bearing UPB of such Reference Obligation.

The "**Net Liquidation Proceeds**" with respect to any Credit Event Reference Obligation are the sum of the related Liquidation Proceeds and any proceeds received from the related servicer in connection with such Credit Event Reference Obligation, less related expenses and credits, including but not limited to taxes and insurance, legal costs, maintenance and preservation costs, in each case during the period including the month in which such Reference Obligation became a Credit Event Reference Obligation together with the immediately following three-month period.

The "**Original Accrual Rate**" with respect to any Reference Obligation is the mortgage rate as of the Cut-off Date less the greater of (x) the related servicing fee and (y) 35 basis points.

The "**Reversed Credit Event Amount**" with respect to any Payment Date is the aggregate amount of the Credit Event UPB of all Reversed Credit Event Reference Obligations for the related Reporting Period.

A "**Reversed Credit Event Reference Obligation**" with respect to each Payment Date is a Reference Obligation formerly in the Reference Pool that became a Credit Event Reference Obligation in a prior Reporting Period and with respect to which (i) the related loan seller or servicer repurchases the Reference Obligation, enters into a full indemnification agreement with Fannie Mae or provides a fee in lieu of repurchase for the Reference Obligation, (ii) the party responsible for the representations and warranties with respect to the Reference Obligation was granted relief by Fannie Mae from liability for potential breaches of specified Eligibility Defects at the time Fannie Mae acquired the Reference Obligation and an Eligibility Defect is identified that could otherwise have resulted in a repurchase but for the aforementioned relief, provided that the Eligibility Defect is identified on or before the 36th month following the date of Fannie Mae's acquisition of the Reference Obligation, (iii) the party responsible for the representations and warranties and/or servicing obligations or liabilities with respect to the Reference Obligation (A) has declared bankruptcy or has been put into receivership or (B) has otherwise been relieved of such obligations or liabilities by operation of law or by agreement, and an Eligibility Defect is identified that could otherwise have resulted in a repurchase or (iv) Fannie Mae determines that as a result of a data correction, the Reference Obligation does not meet certain Eligibility Criteria.

The "**Tranche Write-down Amount**" with respect to any Payment Date is the excess, if any, of the Principal Loss Amount for such Payment Date over the Principal Recovery Amount for such Payment Date.

With respect to any Payment Date, the Class Notional Amount for the Class A-H Reference Tranche will be increased by the excess, if any, of the Tranche Write-down Amount for such Payment Date over the Credit Event Amount for such Payment Date.

#### ***Allocation of Tranche Write-up Amounts***

On each Payment Date on or prior to the Termination Date, after allocation of the Senior Reduction Amount, the Subordinate Reduction Amount and any Tranche Write-down Amounts, the Tranche Write-up Amounts, if any, for such Payment Date will be allocated to increase the Class Notional Amount of each Reference Tranche in the following order of priority until the cumulative Tranche Write-up Amount allocated to each such Reference Tranche is equal to the cumulative Tranche Write-down Amount previously allocated to such Reference Tranche on or prior to such Payment Date:

*first*, to the Class A-H Reference Tranche,

*second*, to the Class M-2A and Class M-AH Reference Tranches, *pro rata*, based on their Class Notional Amounts,

*third*, to the Class M-2B and Class M-BH Reference Tranches, *pro rata*, based on their Class Notional Amounts,

*fourth*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, and

*fifth*, to the Class B-2H Reference Tranche.

Because the Securities correspond to the related Reference Tranches, any Tranche Write-up Amounts allocated to a Reference Tranche will result in a corresponding increase in the Class Principal Balance of the related Class of Securities, as applicable (without regard to any exchanges of Exchangeable Notes for RCR Notes for such Payment Date). If any RCR Notes are held by Holders, any Tranche Write-up Amount allocable to the a Class of Exchangeable Notes will be allocated to increase the Class Principal Balance or Class Notional Amount, as applicable, of the related Class or Classes of RCR Notes.

#### *Write-up Excess*

To the extent that the Tranche Write-up Amount on any Payment Date exceeds the Tranche Write-up Amount allocated on such Payment Date, the excess (the "**Write-up Excess**") will be available as overcollateralization to offset any Tranche Write-down Amounts on future Payment Dates prior to the allocation of such Tranche Write-down Amounts to reduce the Class Notional Amounts of the Reference Tranches. On each Payment Date, the "**Overcollateralization Amount**" equals (a) the aggregate amount of Write-up Excesses for such Payment Date and all prior Payment Dates, minus (b) the aggregate amount of Write-up Excess amounts used to offset Tranche Write-down Amounts on all prior Payment Dates.

#### *Related Definitions*

The "**Tranche Write-up Amount**" with respect to any Payment Date is the excess, if any, of the Principal Recovery Amount for such Payment Date over the Principal Loss Amount for such Payment Date.

The "**Principal Loss Amount**" with respect to any Payment Date is the sum of:

(a) the aggregate amount of Credit Event Net Losses for all Credit Event Reference Obligations for the related Reporting Period;

(b) the aggregate amount of court-approved principal reductions ("cramdowns") on the Reference Obligations in the related Reporting Period;

(c) subsequent losses on any Reference Obligation that became a Credit Event Reference Obligation on a prior Payment Date and with respect to which Net Liquidation Proceeds have already been determined; and

(d) amounts included in the *second, fourth, eighth, ninth, tenth* and *twelfth* priorities under "*Allocation of Modification Loss Amount*" below.

The "**Principal Recovery Amount**" with respect to any Payment Date is the sum of:

(a) the aggregate amount of Credit Event Net Losses for all Reversed Credit Event Reference Obligations for the related Reporting Period;

(b) subsequent recoveries on any Reference Obligation that became a Credit Event Reference Obligation on a prior Payment Date and with respect to which Net Liquidation Proceeds have already been determined;

(c) the aggregate amount of the Credit Event Net Gains of all Credit Event Reference Obligations for the related Reporting Period;

(d) the aggregate amount of Rep and Warranty Settlement Amounts for the Reporting Period for such Payment Date and Credit Event Reference Obligations; and

(e) the Projected Recovery Amount on the Termination Date.

The "**Rep and Warranty Settlement Coverage Amount**" with respect to each Payment Date and (1) any Reference Obligation that was included in an Origination Rep and Warranty Settlement and that became a Credit Event Reference Obligation in the related Reporting Period and (2) any Reference Obligation that became a Credit Event Reference Obligation during a previous Reporting Period and that was first included in an Origination Rep and Warranty Settlement during the related Reporting Period, is the sum of the Rep and Warranty Settlement Amounts for all Reference Obligations.

The "**Rep and Warranty Settlement Amount**" for each Reference Obligation that is part of an Origination Rep and Warranty Settlement (including any Reference Obligation that may previously have been removed from the Reference Pool due to a Credit Event), is the portion of the settlement amount determined to be attributable to such Reference Obligation. The determination will be made by Fannie Mae at or about the time of the settlement. After completion of an Origination Rep and Warranty Settlement that includes any Reference Obligations, Fannie Mae will engage an independent third party to conduct an annual review to validate that the Rep and Warranty Settlement Amount corresponding to each Reference Obligation matches Fannie Mae's records for such settlement.

"**Origination Rep and Warranty Settlement**" means any settlement relating to claims arising from breaches of origination/selling representations and warranties that Fannie Mae enters into with a loan seller or servicer in lieu of requiring such loan seller or servicer to repurchase a specified pool of mortgage loans that includes one or more Reference Obligations, whereby Fannie Mae has received the agreed-upon settlement proceeds from such loan seller or servicer.

For the avoidance of doubt, any settlement that Fannie Mae may enter into with a servicer in connection with a breach by such servicer of its servicing obligations to Fannie Mae with respect to Reference Obligations will not be included in any Origination Rep and Warranty Settlement. Moreover, a Reference Obligation subject to an Origination Rep and Warranty Settlement that is not a Credit Event Reference Obligation may be subsequently repurchased by the related loan seller or servicer due to certain breaches of representations and warranties, such as a breach of a representation or warranty relating to fraud or property title. Any amounts collected by Fannie Mae due to such subsequent repurchases will be allocated to the Reference Tranches as *Unscheduled Principal*.

#### ***Allocation of Modification Loss Amount***

On each Payment Date on or prior to the Termination Date, the following will be computed prior to the allocation of the Modification Loss Amount:

- the "**Preliminary Principal Loss Amount**," which is equal to the Principal Loss Amount computed without giving effect to clause (d) of the definition of Principal Loss Amount;
- the "**Preliminary Tranche Write-down Amount**," which is equal to the Tranche Write-down Amount computed using the Preliminary Principal Loss Amount instead of the Principal Loss Amount;
- the "**Preliminary Tranche Write-up Amount**," which is equal to the Tranche Write-up Amount computed using the Preliminary Principal Loss Amount instead of the Principal Loss Amount; and
- the "**Preliminary Class Notional Amount**," which is equal to the Class Notional Amount of a Reference Tranche immediately prior to such Payment Date after the application of the Preliminary Tranche Write-down Amount in accordance with the priorities set forth in the Allocation of Tranche Write-down Amount and after the application of the Preliminary Tranche Write-up Amount in accordance with the priorities set forth in the Allocation of Tranche Write-up Amount.

On each Payment Date on or prior to the Termination Date, the Modification Loss Amount, if any, for such Payment Date will be allocated in the following order of priority:

*first*, to the Class B-2H Reference Tranche, until the amount allocated to the Class B-2H Reference Tranche is equal to the Class B-2H Reference Tranche Interest Accrual Amount;

*second*, to the Class B-2H Reference Tranche, until the aggregate amount allocated to the Class B-2H Reference Tranche is equal to the Preliminary Class Notional Amount of the Class B-2H Reference Tranche for such Payment Date;

*third*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, until the amount allocated to the Class B-1 Reference Tranche is equal to the Class B-1 Certificates Interest Accrual Amount;

*fourth*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Preliminary Class Notional Amounts for such Payment Date, until the aggregate amount allocated to the Class B-1 and Class B-1H Reference Tranches is equal to the aggregate of the Preliminary Class Notional Amounts of the Class B-1 and Class B-1H Reference Tranches for such Payment Date;

*fifth*, to the Class M-2B and Class M-BH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, until the amount allocated to the Class M-2B Reference Tranche is equal to the Class M-2B Notes Interest Accrual Amount;

*sixth*, to the Class M-2A and Class M-AH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, until the amount allocated to the Class M-2A Reference Tranche is equal to the Class M-2A Notes Interest Accrual Amount;

*seventh*, to the Class M-2B and Class M-BH Reference Tranches, *pro rata*, based on their Preliminary Class Notional Amounts for such Payment Date, until the aggregate amount allocated to the Class M-2B and Class M-BH Reference Tranches is equal to the aggregate of the Preliminary Class Notional Amounts of the Class M-2B and Class M-BH Reference Tranches for such Payment Date; and

*eighth*, to the Class M-2A and Class M-AH Reference Tranches, *pro rata*, based on their Preliminary Class Notional Amounts for such Payment Date, until the aggregate amount allocated to the Class M-2A and Class M-AH Reference Tranches is equal to the aggregate of the Preliminary Class Notional Amounts of the Class M-2A and Class M-AH Reference Tranches for such Payment Date.

Any amounts allocated to the Class M-2A, Class M-2B or Class B-1 Reference Tranches in the *sixth*, *fifth* or *third* priority above will result in a corresponding reduction of the Interest Payment Amount of the Class M-2A Notes, Class M-2B Notes or Class B-1 Certificates, as applicable (without regard to any exchanges of Exchangeable Notes for RCR Notes for such Payment Date). The Class B-2H Reference Tranche is assigned a class coupon solely for purposes of calculations in connection with the allocation of Modification Loss Amounts to the Mezzanine and Subordinate Reference Tranches, and any amounts allocated to the Class B-2H Reference Tranche in the *first* priority above will not result in a corresponding reduction of the Interest Payment Amount of any Class of Securities.

Any amounts allocated to the Class B-2H, Class B-1, Class M-2B or Class M-2A Reference Tranches in the *second*, *fourth*, *seventh* or *eighth* priority above will be included in the calculation of the Principal Loss Amount.

If any RCR Notes are held by Holders, any Modification Loss Amount that is allocable in the *fifth* or *sixth* priorities above on any Payment Date to the Exchangeable Notes will be allocated to reduce the Interest Payment Amount of the applicable RCR Notes in accordance with the exchange proportions applicable to the related Combination.

## RCR NOTES

Exchangeable Notes may be exchanged, in whole or in part, for the related RCR Notes and vice versa at any time on or after the Initial Exchange Date. Schedule I hereto describes the characteristics of the Exchangeable Notes and RCR Notes and the available Combinations of those Securities, as well as the applicable exchange procedures and fees. For the avoidance of doubt, an investor that would otherwise become a Holder of Class M-2 Notes on the Closing Date may specify, no later than 2:00 P.M. (New York City time) on the third Business Day prior to the Closing Date, any permissible combination of proportionate interests in other related RCR Notes or Exchangeable Notes for receipt by such investor on the Closing Date, in which case any exchange procedures and fees otherwise applicable will be waived. The specific Classes of Exchangeable Notes and RCR Notes that are outstanding at any given time, and the outstanding Class Principal Balances or Class Notional Amounts of those Classes, will depend on payments on or write-ups or write-downs of those Classes and any exchanges that have occurred. Exchanges of Exchangeable Notes for RCR Notes, and vice versa, may occur repeatedly. RCR Notes receive interest payments from their related Exchangeable Notes at their applicable Class Coupons. If on the Maturity Date or any Payment Date a Class of RCR Notes that is entitled to principal is outstanding, all principal amounts that are payable by

Fannie Mae on Exchangeable Notes that were exchanged for such RCR Notes will be allocated to, and payable on, such RCR Notes.

Holders of RCR Notes will be entitled to exercise all the voting or direction rights that are otherwise allocated to the related Exchangeable Notes; *provided, however*, that Holders of any outstanding RCR Notes (other than Interest Only RCR Notes) will be entitled to exercise their pro rata shares of 99% of the voting or direction rights that are otherwise allocated to the related Exchangeable Notes and Holders of any outstanding Interest Only RCR Notes will be entitled to exercise their pro rata shares of 1% of the voting or direction rights that are otherwise allocated to the related Exchangeable Notes; *provided, further*, that any Securities held by Fannie Mae will be disregarded for such purposes (unless at such time all outstanding Classes of Securities are held by Fannie Mae).

## THE AGREEMENTS

The following summaries of certain provisions of the Transaction Documents do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the Transaction Documents.

### The Credit Protection Agreement

*General.* Pursuant to the Credit Protection Agreement, on each Remittance Date, Fannie Mae will pay to the Issuer, by deposit into the applicable Trust Distribution Accounts or otherwise, in amounts payable in respect of the Notes and the Class B-1 Certificates, as applicable, (a) the Credit Premium Amount for such Remittance Date, (b) the Credit Protection Reimbursement Amount, if any, for such Remittance Date and (c) the Investment Liquidation Contribution, if any, for such Remittance Date. In addition, on each Payment Date, the Issuer will pay to Fannie Mae, by deposit into an account specified by Fannie Mae under the Credit Protection Agreement, an amount equal to the Credit Protection Amount for such Remittance Date. Any Credit Protection Amount payable by the Issuer to Fannie Mae on a Remittance Date will reduce amounts available to make any payments of principal to the Securities on such Payment Date.

*Payment Obligations.* The payment obligation of the Issuer to pay Credit Protection Amounts under the Credit Protection Agreement is limited to amounts on deposit in the Cash Collateral Account. In the event that Fannie Mae fails to make a payment required under the Credit Protection Agreement when due and fails to cure any such nonpayment for a period of 30 days after receipt of written notice, such failure will constitute an Event of Default under Indenture. See "*The Indenture — Events of Default*" below.

*Conditions Precedent.* The respective obligations of Fannie Mae and the Issuer to pay any amount due under the Credit Protection Agreement will be subject to the following conditions precedent (other than in connection with any payments on the CPA Early Termination Date): (a) the monthly reference pool file for the related Payment Date has been delivered to the Indenture Trustee in accordance with the terms of the Indenture; (b) the CPA Early Termination Date has not occurred as of any prior Payment Date; and (c) Fannie Mae and the Issuer each has received a payment notification pursuant to the terms of the Credit Protection Agreement.

*Amendment.* The Credit Protection Agreement may be amended only by written instrument executed by the Issuer and Fannie Mae. No such amendment will be effective unless the Issuer and the Indenture Trustee receive an opinion of counsel to the effect that such amendment will not, in the opinion of such counsel, adversely affect in any material respect the interests of the Holders at the time of such amendment.

*Termination.* The Credit Protection Agreement will terminate on the CPA Early Termination Date (defined below).

Each of the following is a "**CPA Trigger Event**" under the Credit Protection Agreement:

- (a) accounting, insurance or regulatory changes after the Closing Date that, in Fannie Mae's reasonable determination, have a material adverse effect on Fannie Mae;
- (b) legal, regulatory or accounting requirements or guidelines that, in Fannie Mae's reasonable determination, materially affect the financial position, accounting treatment or intended benefit with respect to Fannie Mae;
- (c) a requirement, in Fannie Mae's reasonable determination after consultation with external counsel (which will be a nationally recognized and reputable law firm), that Fannie Mae or any other

transaction party (other than an investor in the Securities) must register as a "commodity pool operator" under the Commodity Exchange Act solely because of its participation in the transaction;

(d) material impairment of Fannie Mae's rights under the Credit Protection Agreement due to the amendment or modification of any Transaction Document; or

(e) failure of the Issuer to make a required payment under the Credit Protection Agreement, which failure continues unremedied for 30 days following notice of such failure.

Each of the following is a "**CPA Early Termination Event**" under the Credit Protection Agreement:

(a) the occurrence of the Maturity Date;

(b) the occurrence of an Early Redemption Date;

(c) acceleration of the maturity of all of the Securities under the Indenture;

(d) the occurrence of a Reporting Period in which there occurs the final payment or other liquidation of the last Reference Obligation remaining in the Reference Pool or the disposition of any REO in respect thereof;

(e) the occurrence of a Reporting Period in which there occurs the removal of the last Reference Obligation remaining in the Reference Pool or any REO in respect thereof;

(f) a final SEC determination that the Issuer must register as an investment company under the Investment Company Act; or

(g) a failure of Fannie Mae to make a required payment under the Credit Protection Agreement, which failure continues unremedied for 30 days following notice of such failure.

Upon the occurrence of a CPA Trigger Event, Fannie Mae may, in its sole discretion, designate the Payment Date following such occurrence as the early termination date for the Credit Protection Agreement by notice to the Issuer and the Indenture Trustee. Upon the occurrence of a CPA Early Termination Event, the Payment Date following such occurrence will be the early termination date for the Credit Protection Agreement. Any such early termination date as a result of a CPA Trigger Event or a CPA Early Termination Event is referred to as the "**CPA Early Termination Date**." The occurrence of a CPA Early Termination Date as a result of a CPA Trigger Event will constitute an Early Redemption Date for the Securities. The occurrence of the CPA Early Termination Date due to the occurrence of an event described in clauses (f) or (g) of the definition of "CPA Early Termination Event" will constitute an Event of Default under the Indenture.

The Indenture provides that if a CPA Early Termination Date is designated as a result of a CPA Trigger Event, the Securities will be redeemed on such CPA Early Termination Date. Holders of Securities purchased at a premium or Holders of Securities that are entitled to payments of interest only may not recover their investments in any such Securities if a CPA Early Termination Date occurs. See "*Description of the Securities — Maturity Date*" and "*— Early Redemption Option*."

The final payment obligations under the Credit Protection Agreement will be due on the day prior to the CPA Early Termination Date. The performance of the Reference Pool during the period commencing at the end of the final Reporting Period and continuing until the CPA Early Termination Date will be disregarded under the Credit Protection Agreement for purposes of calculating such final payment obligations.

## **The Indenture**

*General.* The Securities will be issued pursuant to the Indenture, to be dated the Closing Date (the "**Indenture**"), among the Issuer, Wells Fargo Bank, N.A., as Indenture Trustee, Exchange Administrator and Custodian, and Fannie Mae, as Administrator. Pursuant to the Indenture, the Issuer will grant to the Indenture Trustee for the benefit of the Secured Parties, as their respective interests may appear, all of the Issuer's right, title and interest in, whether now owned or existing, or hereafter acquired or arising, the Collateral. On the Closing Date, the Issuer will pledge the Collateral under the Indenture, as described above. The Custodian will act as securities



intermediary for the Cash Collateral Account and the Eligible Investments in the Cash Collateral Account, as described below under "*The Securities Account Control Agreement*."

Pursuant to the Indenture, the Holders of each Class of Securities and the Issuer will agree, for the benefit of Fannie Mae, that the rights of each Class of Securities and the Issuer's rights in and to the Collateral will be subordinate and junior to the rights of Fannie Mae with respect to payments to be made to Fannie Mae to the extent and in the manner described in this Offering Memorandum. Fannie Mae and the Securityholders are express and intended third-party beneficiaries of the Indenture.

Under the Indenture, the Indenture Trustee will be engaged by the Issuer to perform certain reporting, calculation, payment and other administrative functions with respect to the Securities as described below and the Exchange Administrator will be engaged by the Issuer to perform certain administrative functions with respect to exchanging Exchangeable Notes for RCR Notes and vice versa.

The Indenture Trustee will have no liability with respect to any act or failure to act by the Issuer under the Credit Protection Agreement (provided that this sentence will not limit or relieve the Indenture Trustee from any responsibility it may have under the Indenture upon the occurrence of and during the continuance of any "Event of Default" under the Indenture). Moreover, the assignment made of the Collateral is executed as collateral security under the Indenture, and the execution and delivery of the Collateral to the Indenture Trustee for the benefit of Secured Parties will not in any way impair or diminish the obligations of the Issuer under the Credit Protection Agreement, nor will any of the obligations of the Issuer contained therein be imposed on the Indenture Trustee or on the Secured Parties.

Upon the occurrence of any Event of Default, and in addition to any other rights available under the Indenture or any other instruments included in the Collateral held for the benefit and security of the Securityholders or otherwise available at law or in equity, the Indenture Trustee will have all rights and remedies of a secured party on default under the laws of the State of New York and other applicable law to enforce the assignments and security interests contained in the Indenture. Also see "*Rights Upon Event of Default*" below.

*Duties of Indenture Trustee.* The Indenture Trustee will, among other duties set forth in the Indenture, (i) authenticate and deliver the Securities, (ii) serve as registrar for purposes of registering the Securities and in connection with transfers and exchanges of the Securities, (iii) calculate the principal and interest payments due on the Securities on each Payment Date (including the determination of One-Month LIBOR and the Class Coupons), (iv) pay or cause to be paid, on behalf of the Issuer, the amounts due in respect of the Securities and (v) prepare each Payment Date Statement. Further, the Indenture Trustee will hold the Securities as custodian for DTC (for both U.S. and offshore depositories) pursuant to its agreement with DTC.

*Trust Distribution Accounts.* In accordance with the Indenture, the Indenture Trustee will be required to establish and maintain the Trust Distribution Accounts, as described in "*Description of the Securities — Payments*" in this Offering Memorandum.

On each Remittance Date, the Indenture Trustee will transfer from the Cash Collateral Account amounts in respect of principal and interest payments due on the Securities for the related Payment Date, and Fannie Mae will make payment of any amounts required to be paid in respect of the Credit Premium Amounts, Credit Protection Reimbursement Amounts and Investment Liquidation Contributions, as applicable, for such Remittance Date. The Indenture Trustee will retain such amounts on deposit to the applicable Trust Distribution Accounts, for the benefit of the Holders of the related Securities, until the related Payment Date.

On each Remittance Date, the Indenture Trustee will withdraw from the Cash Collateral Account and distribute to Fannie Mae the Credit Protection Amount as described in "*The Credit Protection Agreement*" and will thereafter pay the Securityholders in accordance with the provisions set forth under "*Description of the Securities — Payments*" in this Offering Memorandum.

*Cash Collateral Account.* The Indenture will require that the Custodian cause to be established, at such time as may be necessary for the Custodian to comply with and carry out the terms of the Indenture, the "**Cash Collateral Account**" in the name of the Issuer and subject to the lien of the Indenture Trustee on behalf of the Secured Parties under the Indenture. On the Closing Date, the Issuer will deliver, or cause to be delivered, the proceeds from the issuance of the Securities to the Custodian in accordance with the Securities Account Control Agreement. If required, the Custodian will establish sub-accounts of the Cash Collateral Account into which the Custodian will deposit or credit the various types of Collateral. Cash held in the Cash Collateral Account will be invested only in

Eligible Investments. The Investment Agent will immediately invest such proceeds in Eligible Investments and will cause such Eligible Investments to be credited by the Custodian to the Cash Collateral Account. The Collateral in the Cash Collateral Account and any rights or proceeds derived therefrom are subject to the liens and other security interests in favor of the Indenture Trustee on behalf of the Securityholders as set forth in the Indenture, and the rights of the Issuer in respect of the Collateral are also subject to such liens and such other security interests as set forth in the Indenture.

**"Eligible Investments"** means each of the following investments, provided such investment is scheduled to mature on or before the immediately following Remittance Date, and all cash proceeds thereof: (a) obligations issued or fully guaranteed by the U.S. government; (b) repurchase obligations involving any security that is an obligation of, or fully guaranteed by, the U.S. government or any agency or instrumentality thereof, and entered into with a depository institution or trust company (as principal) subject to supervision by U.S. federal or state banking or depository institution authorities, provided that the short-term deposits and/or long-term obligations or deposits of the depository institution or trust company are rated in the highest rating category by each NRSRO (as defined herein) providing a rating on such obligations or deposits; and (c) U.S. government money market funds that are designed to meet the dual objective of preservation of capital and timely liquidity; *provided, however*, that in the event an investment fails to qualify under (a), (b) or (c) above, the proceeds of the sale of such investment will be deemed to be liquidation proceeds of an Eligible Investment for all purposes of the Indenture provided such liquidation proceeds are promptly reinvested in Eligible Investments that qualify in accordance with one of the foregoing. With respect to money market funds, the maturity date will be determined under Rule 2a-7 under the Investment Company Act.

The Investment Agent will direct the Custodian to invest funds in the Cash Collateral Account in Eligible Investments in accordance with the definition of Eligible Investments and the terms of the Investment Agency Agreement for the period from each Remittance Date to the related Payment Date, which investments will mature not later than the related Payment Date and must qualify as "cash flow investments" within the meaning of Treasury Regulation section 1.860G-2(g)(1). All such Eligible Investments will be made in the name of the Indenture Trustee for the benefit of the Secured Parties.

Investment earnings on Eligible Investment for the related Investment Accrual Period will be deposited in the applicable Trust Distribution Accounts for payment to the related Securityholders, up to the amount of the LIBOR Interest Component due in respect of the related Securities for the related Payment Date (with any investment earnings in excess of the LIBOR Interest Component for such Payment Date to be retained in the Cash Collateral Account and available for deposit to the applicable Trust Distribution Accounts for payment to the related Securityholders in respect of the LIBOR Interest Component on subsequent Payment Dates).

Upon receipt of the Payment Date Statement from the Indenture Trustee setting forth the amount of payments due on the applicable Payment Date, the Investment Agent will direct the Custodian to liquidate Eligible Investments in the Cash Collateral Account to the extent necessary for the Issuer to pay any Credit Protection Amounts to Fannie Mae and to pay principal on the Securities as required under the Indenture, and deposit the amount payable as principal, together with the investment earnings accrued on the Eligible Investments during the related Investment Accrual Period up to the amount of the LIBOR Interest Component, in the applicable Trust Distribution Accounts for payment to the related Securityholders on the Business Day prior to the Payment Date.

Upon instruction from the Indenture Trustee to liquidate Collateral in connection with an acceleration and early redemption of the Securities, the Investment Agent will arrange with the Indenture Trustee for the sale of the Collateral and the deposit of the proceeds with the interest earned on the Collateral into the applicable Trust Distribution Accounts for payment to the related Securityholders on the Business Day prior to the Early Redemption Date.

Pursuant to the Indenture, the Custodian will make available to the Indenture Trustee and Fannie Mae (a) a monthly Cash Collateral Account statement within two (2) days after the end of a Reporting Period and (b) a final Cash Collateral Account statement within two (2) days after the Custodian has transferred all of the Collateral from the Cash Collateral Account to the applicable Trust Distribution Accounts. Such statements will reflect transactions with respect to the Collateral during each Reporting Period and the balance and type of holdings in the Cash Collateral Account as of the end of the related Reporting Period.

*Payment Date Statement.* The Indenture Trustee will prepare a report each month (each such report, a "**Payment Date Statement**") setting forth certain information relating to the Reference Pool, the Securities, the Reference Tranches and the hypothetical structure described in this Offering Memorandum, including:

- (i) the Class Principal Balance of each Class of Securities and the percentage of the initial Class Principal Balance of each Class of Securities on the first (1<sup>st</sup>) day of the immediately preceding Security Accrual Period, the amount of principal payments to be made on the Securities of each Class on such Payment Date and the Class Principal Balance of each Class of Securities and the percentage of the initial Class Principal Balance of each Class of Securities after giving effect to any payments of principal to be made on such Payment Date and the allocation of any Tranche Write-down Amounts and Tranche Write-up Amounts to such Class of Securities on such Payment Date;
- (ii) One-Month LIBOR for the Security Accrual Period preceding the related Payment Date;
- (iii) the Interest Payment Amount for each outstanding Class of Securities for the related Payment Date;
- (iv) the amount of principal required to be paid for each outstanding Class of Securities for the related Payment Date and the Senior Reduction Amount, the Subordinate Reduction Amount, the Senior Percentage and the Subordinate Percentage for the related Payment Date;
- (v) the aggregate Tranche Write-down Amounts, Tranche Write-up Amounts and Modification Loss Amounts previously allocated to each Class of Securities and each Reference Tranche pursuant to the hypothetical structure and the Tranche Write-down Amounts, Tranche Write-up Amounts and Modification Loss Amounts to be allocated to each Class of Securities on the related Payment Date;
- (vi) the cumulative number (to date) and unpaid principal balance of the Reference Obligations that have become Credit Event Reference Obligations or with respect to which Modification Events have occurred, the number and unpaid principal balance of the Reference Obligations that have become Credit Event Reference Obligations or with respect to which Modification Events have occurred during the related Reporting Period;
- (vii) the number and aggregate principal amounts of Reference Obligations (A) delinquent (1) 30 to 59 days, (2) 60 to 89 days, (3) 90 to 119 days, (4) 120 to 149 days, (5) 150 to 179 days and (6) 180 or more days, as of the close of business on the last day of the second (2<sup>nd</sup>) calendar month preceding such Payment Date, in the aggregate with respect to the Reference Obligations, (B) that became Credit Event Reference Obligations (and identification under which clause of the definition of "Credit Event" it became Credit Event Reference Obligation), (C) that were removed from the Reference Pool as a result of a defect or breach of a representation and warranty, and (D) which have been paid in full;
- (viii) the percentage of the Reference Obligations outstanding (equal to the unpaid principal balance of the Reference Obligations divided by the Cut-off Date Balance) as of the current Reporting Period;
- (ix) the Reversed Credit Event Amount, both cumulative and for the current Reporting Period;
- (x) the amount of Scheduled Principal and Unscheduled Principal, both cumulative and for the current Reporting Period;
- (xi) the Recovery Principal for the current Reporting Period;
- (xii) the Rep and Warranty Settlement Coverage Amount and the related Rep and Warranty Settlement Amount for each Origination Rep and Warranty Settlement for the current Reporting Period;
- (xiii) the amount of the Credit Premium Amount payable by Fannie Mae for such Payment Date;

- (xiv) the amount of the Credit Protection Reimbursement Amount payable by Fannie Mae for such Payment Date, if any;
- (xv) the amount of the Investment Liquidation Contribution payable by Fannie Mae for such Payment Date, if any;
- (xvi) the amount of the Credit Protection Amount payable by the Issuer for such Payment Date, if any;
- (xvii) the occurrence of a CPA Early Termination Event;
- (xviii) the market value of any Eligible Investments in the Cash Collateral Account (other than those Eligible Investments that were reinvested) both before and after giving effect to payments of principal to Securityholders on such Payment Date as well as liquidation proceeds of any redemptions of Eligible Investments (other than those Eligible Investments in which investment income was reinvested) in respect of such Payment Date;
- (xix) investment income collected during the prior calendar month in the Cash Collateral Account; provided that with respect to the final Payment Date, such earnings will be measured based on the prior calendar month and the then-current calendar month;
- (xx) any principal gains or principal losses on Eligible Investments in the Cash Collateral Account realized during the prior calendar month; provided that with respect to the final Payment Date, such earnings will be measured based on the prior calendar month and the then-current calendar month;
- (xxi) notification from Fannie Mae of its ongoing compliance with the terms of the European Risk Retention Letter; and
- (xxii) notification from Fannie Mae that it has determined that Fannie Mae or any other transaction party (other than an investor in the Securities) must register as a "commodity pool operator" solely because of its participation in the transaction or that the Issuer is a "commodity pool" under the Commodity Exchange Act, together with Fannie Mae's proposed course of action with respect to such determination.

The Indenture Trustee will make the Payment Date Statement (and, at its option, any additional files containing the same information in an alternative format) available each month to Securityholders and any other party that provides appropriate certification in the form acceptable to the Indenture Trustee (which may be submitted electronically via the Indenture Trustee's Internet site) and to any designee of Fannie Mae's via the Indenture Trustee's Internet site. The Indenture Trustee's Internet site will initially be located at [www.ctslink.com](http://www.ctslink.com). Assistance in using the Internet site can be obtained by calling the Indenture Trustee's customer service desk at (866) 846-4526. Parties that are unable to use the above distribution options are entitled to have a paper copy mailed to them via first class mail by calling the customer service desk and indicating such. The Indenture Trustee will have the right to change the way the Indenture Trustee's Payment Date Statement is distributed in order to make such distribution more convenient or more accessible to the above parties. The Indenture Trustee is required to provide timely and adequate notification to all above parties regarding any such changes. The Indenture Trustee will not be liable for the dissemination of information in accordance with the Indenture.

The Indenture Trustee will also be entitled to rely on but will not be responsible for the content or accuracy of any information provided by third parties for purposes of preparing the Payment Date Statement and may affix thereto any disclaimer it deems appropriate in its reasonable discretion (without suggesting liability on the part of any other party hereto).

*Various Matters Regarding the Indenture Trustee.* The Indenture contains provisions for the indemnification of the Indenture Trustee, Exchange Administrator and Custodian by Fannie Mae, as Administrator, for any claim, loss, liability, damage, cost or expense incurred (except any such claim, loss, liability, damage, cost or expense caused by the negligence or willful misconduct or bad faith of any such indemnified party, in each case, as determined by a court of competent jurisdiction pursuant to final order or verdict not subject to appeal), including without limitation any legal fees and expenses and court costs and any extraordinary or unanticipated expense, incurred or expended in connection with (i) investigating, preparing for, defending itself or themselves against or prosecuting for itself or themselves any legal proceeding, whether pending or threatened, related to the Indenture or the Securities (including

without limitation the initial offering, any secondary trading and any transfer and exchange of the Securities), (ii) pursuing enforcement (including without limitation by means of any action, claim, or suit brought by the Indenture Trustee, Exchange Administrator and Custodian for such purpose) of any indemnification or other obligation of the Administrator (with the indemnification afforded under this clause (ii) to include, without limitation, any legal fees, costs and expenses incurred by the Indenture Trustee, Exchange Administrator and Custodian in connection therewith) and (iii) the performance of any and all of its or their duties or responsibilities and the exercise or lack of exercise of any and all of its or their powers, rights or privileges thereunder, including without limitation (A) complying with any new or updated law or regulation directly related to the performance by it of its obligations under the Indenture (with such costs to be allocated on a reasonable basis among all affected transactions) and (B) addressing any bankruptcy-related matters arising in connection with the transaction. The Indenture also contains provisions for the indemnification by the Indenture Trustee of the Administrator from certain failures or negligent performance under the Indenture with respect to certain tax matters.

The Indenture Trustee may resign by giving the Issuer at least 60 days' written notice to such effect. The Indenture Trustee may be removed at any time by Act of the Majority Holders, delivered to the Indenture Trustee and to the Issuer. No resignation or removal of the Indenture Trustee and no appointment of a successor Indenture Trustee will become effective until the acceptance of appointment by a successor indenture trustee.

**"Majority Holders"** means Holders of at least a majority of the aggregate Class Principal Balance of the outstanding Classes of Securities (without giving effect to exchanges of Exchangeable Notes for RCR Notes); provided, however, that any Securities held by Fannie Mae will be disregarded for such purposes (unless at such time all outstanding Classes of Securities are held by Fannie Mae).

The Indenture will generally provide that none of the Indenture Trustee, the Exchange Administrator and the Custodian will be liable with respect to any action it takes or omits to take in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture, or for errors in judgment made in good faith. In addition, the Indenture will provide that if an "Event of Default" under the Indenture occurs and is continuing, the Indenture Trustee at the direction of the Applicable Securityholders will proceed to protect and enforce its rights and the rights of the related Securityholders, or to enforce any other proper remedy or legal or equitable right vested in the Indenture Trustee by the Indenture or by law, each in accordance with the provisions of the Indenture; *provided, however*, that no such proceedings may be instituted with respect to the Eligible Investments or any proceeds thereof unless the Indenture Trustee ceases to have a valid and enforceable security interest in the Collateral, or such security interest proves not to have been valid or enforceable when granted or purported to have been granted; and *provided, further*, that the Indenture Trustee will have no duty or obligation to take such action unless the Applicable Securityholders offer indemnification satisfactory to the Indenture Trustee.

**"Applicable Securityholders"** means the Majority Noteholders or the Majority Securityholders, as applicable.

**"Majority Noteholders"** means Holders of at least a majority of the aggregate Class Principal Balance of the outstanding Classes of Notes (without giving effect to exchanges of Exchangeable Notes for RCR Notes); provided, however, that any Notes held by Fannie Mae will be disregarded for such purposes (unless at such time all outstanding Classes of Notes are held by Fannie Mae).

**"Majority Securityholders"** means the Majority Noteholders and the Majority B-1 Holders.

**"Majority B-1 Holders"** means Holders of at least a majority of the Class Principal Balance of the outstanding Class B-1 Certificates; provided, however, that any Class B-1 Certificates held by Fannie Mae will be disregarded for such purposes (unless at such time all outstanding Class B-1 Certificates are held by Fannie Mae).

Any person into which the Indenture Trustee may be merged or consolidated, or any person resulting from any merger or consolidation to which the Indenture Trustee is a party, or any person succeeding to the business of the Indenture Trustee will be the successor of the Indenture Trustee under the Indenture without further action on its part.

*Exchange Administration.* Under the Indenture, the Exchange Administrator will be engaged by the Issuer to perform certain administrative functions with respect to exchanging Exchangeable Notes for RCR Notes and vice versa. The Exchange Administrator will, among other duties set forth in the Indenture, administer all exchanges of Exchangeable Notes for RCR Notes and vice versa, which will include receiving notices of requests for such exchanges from Securityholders, accepting the Securities to be exchanged, and giving notice to the Indenture Trustee of all such exchanges. The Exchange Administrator will notify the Indenture Trustee with respect to any

exchanges of Exchangeable Notes for RCR Notes (and vice versa) at the time of such exchange, and the Indenture Trustee will make all subsequent payments in accordance with such notice, unless notified of a subsequent exchange by the Exchange Administrator.

*Events of Default.* An "**Event of Default**" under the Indenture means, with respect to the Securities will consist of any one of the following cases:

- (i) any failure by the Issuer to pay to Holders of the Securities any required interest or principal payment that continues unremedied for 30 days;
- (ii) any failure by the Issuer to pay the then-outstanding Class Principal Balance of any Security on its Maturity Date, to the extent payable under the Indenture;
- (iii) any failure by the Issuer to perform in any material respect any other obligation under the Indenture, which failure continues unremedied for 60 days after the receipt of notice of such failure by the Indenture Trustee from the Holders of at least 25% of the aggregate Class Principal Balance of the outstanding Classes of Securities ( without giving effect to exchanges of Exchangeable Notes for RCR Notes);
- (iv) a court having jurisdiction in the premises will enter a decree or order for relief in respect of Issuer in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appoint a receiver, liquidator, assignee, custodian, or sequestrator (or other similar official) of the Issuer or for all or substantially all of its property, or order the winding up or liquidation of its affairs, and such decree or order will remain unstayed and in effect for a period of 60 consecutive days;
- (v) the Issuer will commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or will consent to the entry of an order for relief in an involuntary case under any such law, or will consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, or sequestrator (or other similar official) of the Issuer or any substantial part of its property, or will make any general assignment for the benefit of creditors, or will fail generally to pay its debts as they become due;
- (vi) Indenture Trustee ceases to have a valid and enforceable first-priority security interest in the Collateral, or such security interest proves not to have been valid or enforceable when granted or purported to have been granted;
- (vii) it becomes unlawful for the Issuer to perform or comply with any of its material obligations under the Securities, the Indenture or any related document to which it is a party; or
- (viii) the occurrence of the CPA Early Termination Date as a result of (A) a final SEC determination that the Issuer must register as an investment company under the Investment Company Act or (B) a failure of Fannie Mae to make a required payment under the Credit Protection Agreement, which failure continues unremedied for 30 days following notice of such failure.

Holders of RCR Notes will be entitled to exercise all the voting or direction rights that are otherwise allocated to the related Exchangeable Notes, subject to the limitations set forth in the Indenture.

*Rights upon Event of Default.* If an Event of Default set forth in clauses (i) through (iii) of the definition thereof will have occurred and be continuing, and the Indenture Trustee (at the direction of the Applicable Securityholders) or the Applicable Securityholders have declared the related Securities due and payable and such declaration and the consequences of such "Event of Default" and acceleration have not been rescinded and annulled, or if an Event of Default set forth in clauses (iv) through (ix) of the definition thereof will have occurred, the Issuer agrees that the Indenture Trustee will, upon direction of the Applicable Securityholders, to the extent permitted by applicable law, exercise one or more of the following rights, privileges and remedies:

- (i) institute proceedings for the collection of all amounts then payable on the related Securities or otherwise payable under the Indenture, whether by declaration or otherwise, enforce any judgment obtained, and collect from the Collateral any monies adjudged due;

- (ii) exercise any remedies of a secured party under the New York Uniform Commercial Code (as amended, the "UCC") and take any other appropriate action to protect and enforce the rights and remedies of the related Securityholders under the Indenture; and
- (iii) exercise any other rights and remedies that may be available at law or in equity.

In addition, if an Event of Default occurs and is occurring under the Indenture, and the applicable Securities have been declared due and payable and such declaration and the consequences of such Event of Default and acceleration have not been rescinded or annulled, the Applicable Securityholders may direct the Indenture Trustee to (i) liquidate Collateral (other than Collateral which is held in the form of cash) held in the Cash Collateral Account into cash in the amount necessary to make payment of all amounts then payable on the related Securities, (ii) if entitled to do so under the Credit Protection Agreement, give notice of a CPA Early Termination Event under the Credit Protection Agreement to Fannie Mae with respect to the related Securities (if the Credit Protection Agreement relating to such Securities has not yet terminated), (iii) demand payment from Fannie Mae of any amounts due on the related Securities under the Credit Protection Agreement and (iv) distribute from the applicable Trust Distribution Accounts to the related Securityholders funds in the amounts and priorities as described in the Indenture.

*Limitation on Suits.* No Securityholder will have any right to institute any proceedings, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless: (a) such Securityholder has previously given written notice to the Indenture Trustee of a continuing "Event of Default" under the Indenture; (b) except as otherwise provided in the Indenture, the Applicable Securityholders will have made written request of the Indenture Trustee to institute proceedings in respect of such "Event of Default" in its own name as Indenture Trustee hereunder and such Holders have offered to the Indenture Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; (c) the Indenture Trustee for 30 days after its receipt of such notice, request and offer of indemnity set forth in clause (b) above has failed to institute any such proceeding; and (d) no direction inconsistent with such written request has been given to the Indenture Trustee during such 30-day period by the Applicable Securityholders. No Securityholders will have any right in any manner whatsoever by virtue of, or by availing itself of, any provision of the Indenture to affect, disturb or prejudice the rights of any other Securityholders or to obtain or to seek to obtain priority or preference over any other Securityholders or to enforce any right under the Indenture, except as and in the manner provided in the Indenture.

*No Petition.* No Securityholder will be permitted to commence any action, suit or proceeding under the Bankruptcy Code against the Issuer until the date that is one year and two days after the first date that all the Securities will have been paid in full.

*Satisfaction and Discharge.* The Indenture will cease to be of further effect with respect to the Securities whenever the following conditions will have been satisfied with respect to the Securities:

- (i) delivery of the Securities to the Indenture Trustee (other than (A) Securities that have been destroyed, lost, stolen or mutilated and surrendered to the Indenture Trustee, and that have been replaced or paid as required by the Indenture or in accordance with the Trust Agreement, and (B) Securities for whose payment money has theretofore been deposited in trust and thereafter repaid to the Issuer) for cancellation as provided in the Indenture; or
- (ii) all Securities outstanding have become due and payable, and the Issuer has deposited or caused to be deposited with the Indenture Trustee, in trust for such purpose, an amount in immediately available funds sufficient to pay and discharge the entire outstanding Class Principal Balance of such Securities, together with accrued interest to the date on which such amounts are paid;
- (iii) the Issuer has paid or caused to be paid all other sums payable under the Indenture by the Issuer with respect to the Securities or otherwise;
- (iv) to the extent of funds on deposit in the Cash Collateral Account, the Issuer has paid or caused to be paid all sums payable under the Indenture by the Issuer to Fannie Mae; and
- (v) the Issuer has delivered to the Indenture Trustee an opinion of counsel stating that all conditions precedent herein provided for the satisfaction and discharge of the Indenture with respect to the Securities have been complied with.

Upon satisfaction of these conditions, the Indenture and the lien, rights and interests created thereby will cease to be of further effect with respect to the Securities, and the Indenture Trustee and each co-indenture trustee and separate indenture trustee, if any, then acting as such under the Indenture will, at the expense of the Issuer, authorize, execute, and deliver all such instruments and documents as may be necessary to acknowledge the satisfaction and discharge of the Indenture and will pay, or will assign or transfer and deliver, to the Issuer, all cash, securities and other property held by it as part of the Collateral remaining after satisfaction of the conditions set forth in clauses (i) or (ii) above, as applicable.

*Supplemental Indentures.* Without the consent of any Securityholders, the Issuer and the Indenture Trustee, at any time and from time to time, may enter into one or more supplemental indentures (i) to cure any ambiguity, to correct or supplement any defective provision or to make any other provision with respect to matters or questions arising under the Indenture or the terms of any Security that are not inconsistent with any other provision of the Indenture or the Security if the amendment does not materially and adversely affect any Holder; (ii) to conform the terms of the Indenture to the terms of this Offering Memorandum; (iii) to add to the covenants of the Issuer for the benefit of the Holders or surrender any right or power conferred upon the Issuer; (iv) to conform the terms of an issue of Securities or cure any ambiguity or discrepancy resulting from any changes in the book-entry rules or any regulation or document that are applicable to book-entry securities of the Issuer; or (v) in any other manner that the Administrator may determine and that will not, in the opinion of the Administrator, adversely affect in any material respect the interests of Holders or Beneficial Owners at the time of such modification, amendment or supplement.

In addition, with the written consent of the Majority Noteholders or the Majority B-1 Holders, as applicable, excluding any such Securities owned by the Trustor, and with the written consent of the Indenture Trustee (which consent will not be unreasonably withheld, conditioned or delayed) the Administrator may, from time to time and at any time, modify, amend or supplement the terms of the Notes or the B-1 Certificates, respectively, for the purpose of adding any provisions to or changing in any manner or eliminating any provisions of the Notes or the B-1 Certificates, as applicable, or modifying in any manner the rights of the Noteholders or the Holders of the B-1 Certificates, as applicable; *provided, however*, that no such modification, amendment or supplement may, without the written consent or affirmative vote of each Holder of an affected Security: (A) change the Maturity Date or any monthly Payment Date of a Security; (B) materially modify the redemption or repayment provisions, if any, relating to the redemption or repayment price of, or any redemption or repayment date or period for, a Security; (C) reduce the Class Principal Balance or Class Notional Amount of any Class of Securities (other than as provided for in the Indenture), delay the principal payment of (other than as provided for in the Indenture), or materially modify the rate of interest or the calculation of the rate of interest on, a Security; or (D) reduce the percentage of Holders whose consent or affirmative vote is necessary to modify, amend or supplement the terms of the Securities.

The Indenture Trustee and the Delaware Trustee will be entitled to receive an opinion of counsel that each supplemental indenture is authorized or permitted under the Indenture and that all conditions precedent to such supplemental indenture have been met.

No consent of an NRSRO will be required in connection with the execution of any supplemental indenture and there is no requirement that Fannie Mae receives confirmation from each engaged NRSRO that the ratings on the applicable Securities will not be downgraded or withdrawn subsequent thereto. However, Fannie Mae is required to give prior written notice to each NRSRO of any supplemental indenture and promptly after the execution of any such supplemental indenture, the Indenture Trustee will mail to each NRSRO a copy of the executed supplemental indenture.

In addition, for so long as the Credit Protection Agreement remains outstanding, no supplemental indenture will amend or modify any provision under the Indenture in any manner without the prior written consent of Fannie Mae, which consent may not be unreasonably withheld or delayed. All costs incurred by Fannie Mae in connection with any supplemental indenture and the foregoing consent rights will be borne solely by Fannie Mae.

*Governing Law.* The Indenture and all questions relating to its validity, interpretation, performance and enforcement, will be governed by and construed, interpreted and enforced in accordance with the Laws of the State of New York, notwithstanding any New York or other choice of law rules to the contrary.

### **The Investment Agency Agreement**

On the Closing Date, the Issuer will enter into the Investment Agency Agreement with the Investment Agent and the Administrator. Pursuant to the Investment Agency Agreement, the Issuer will appoint the Investment Agent



for purposes of investing the Collateral comprised of cash and Eligible Investments in the Cash Collateral Account. The Investment Agency Agreement will set forth investment guidelines and will specify the Eligible Investments. The Administrator will pay the Investment Agent any applicable amounts for its services under the Investment Agency Agreement.

### **The Securities Account Control Agreement**

On the Closing Date, the Issuer will enter into the Securities Account Control Agreement with the Custodian and the Indenture Trustee. Pursuant to the Securities Account Control Agreement, the Issuer will appoint the Custodian as the custodian to hold all Eligible Investments in the Cash Collateral Account.

Pursuant to the Securities Account Control Agreement, the Cash Collateral Account will be a "securities account" (within the meaning of Section 8-501(a) of the UCC and Article 1(1)(b) of the Hague Convention on the Law Applicable to Certain Rights in Respect of Securities Held with an Intermediary (the "**Hague Securities Convention**")) in respect of which the Custodian is a "securities intermediary" (within the meaning of Section 8-102(a)(14) of the UCC) and an "intermediary" (within the meaning of Article 1(1)(c) of the Hague Securities Convention), and the Issuer is the "entitlement holder" (within the meaning of Section 8-102(a)(7) of the UCC) and the "account holder" (within the meaning of Article 1(1)(d) of the Hague Securities Convention), (ii) each item of property (whether cash, a security, an instrument or any other property) credited to the Cash Collateral Account will be treated as a "financial asset" (within the meaning of Section 8-102(a)(9) of the UCC).

The Collateral and any rights or proceeds derived therefrom will be subject to the liens and other security interests in favor of the Indenture Trustee on behalf of the Secured Parties as set forth in the Indenture.

### **The Administration Agreement**

On the Closing Date, the Issuer will enter into the Administration Agreement with the Administrator, Indenture Trustee, Exchange Administrator, Custodian and Investment Agent. Pursuant to the Administration Agreement, the Issuer will appoint the Administrator and the Administrator will agree to pay the fees and expenses of the Indenture Trustee, Exchange Administrator, Custodian, Investment Agent and Delaware Trustee and to indemnify those parties in accordance with the applicable indemnification provisions set forth in the applicable Transaction Documents.

## **LOAN ACQUISITION PRACTICES AND SERVICING STANDARDS**

### **Single-Family Business Overview**

Fannie Mae provides a stable source of liquidity to the mortgage market and supports the availability and affordability of housing in the United States. Fannie Mae operates in the secondary mortgage market, primarily working with lenders. Fannie Mae does not originate loans or lend money directly to consumers in the primary mortgage market. Instead, Fannie Mae securitizes mortgage loans originated by lenders into Fannie Mae mortgage-backed securities that Fannie Mae guarantees (which Fannie Mae refers to as Fannie Mae MBS); purchases mortgage loans and mortgage-related securities, primarily for securitization and sale at a later date; manages mortgage credit risk; and engages in other activities that support the supply of affordable housing.

Fannie Mae facilitates the flow of global capital into the U.S. mortgage market by assuming and managing credit risk. Accordingly, effective credit risk management is a key component of Fannie Mae's overall operations. Fannie Mae's single-family business has built a comprehensive approach to credit risk management with end-to-end processes. Fannie Mae's single-family credit risk management strategy includes acquisition and servicing policies, underwriting and servicing standards, portfolio diversification and monitoring, problem loan and real estate owned ("**REO**") management, and the transfer of credit risk through credit enhancements including risk transfer transactions.

#### ***Refi Plus Program***

All of the Reference Obligations were originated in accordance with Fannie Mae's Refi Plus Program, which was designed to expand refinancing opportunities for existing Fannie Mae borrowers who may otherwise have been unable to refinance their mortgage loans due to a decline in home values. Through the Refi Plus Program, Fannie Mae also acquired mortgage loans under HARP. Changes possible through the Refi Plus Program included lower interest rates, shorter loan terms or changing from an adjustable-rate to a fixed-rate mortgage.

Because the new HARP and Refi Plus Program mortgage loans generally resulted in lower monthly payments, they were seen as reducing Fannie Mae's financial exposure to defaults, so underwriting flexibilities were granted that were not available to other refinance loans. As used below, "Refi Plus loan" means any mortgage loan originated under the Refi Plus Program, unless the context otherwise indicates.

The Refi Plus Program was originally designed in 2009, effective for loans delivered on or after April 1, 2009. In 2012, significant changes to the program were made. The 2012 changes were effective for mortgage loans with application dates on and after December 1, 2011.

To be eligible for the Refi Plus Program, a mortgage loan being refinanced must have been owned or guaranteed by Fannie Mae, and been originated on or before May 31, 2009. The Refi Plus Program required a borrower benefit relative to the existing mortgage in the form of a decrease in monthly principal and interest, a shortened amortization period, a change from an adjustable-rate to a fixed-rate, or other more stable loan product. In addition, the new loan could not (1) be an adjustable-rate mortgage loan if the initial fixed period was less than five years, (2) have an interest-only feature, which permitted the payment of interest without a payment of principal, (3) be a balloon mortgage loan or (4) have the potential for negative amortization. Prior to the 2012 changes, the borrower had to be current on his/her original mortgage loan with no more than one 30 or more day delinquencies in the 12 months preceding the refinance through the Refi Plus Program or if the mortgage loan was seasoned for less than 12 months, since the mortgage note date; however, if the borrower's mortgage payment on the Refi Plus loan increased relative to the loan being refinanced, then no 30 or more day delinquencies were permitted in the 12 months preceding the refinance, or since the mortgage note date, whichever period was longer. After the 2012 changes, the borrower had to be current on his/her original mortgage loan with no 30 or more day delinquencies in the most recent six months and no more than one 30 or more day delinquency in the most recent 12 months, or if the mortgage loan was seasoned for less than 12 months, since the mortgage note date. If the LTV ratio of the original mortgage loan at its origination was greater than 80% and mortgage insurance was still in force on the existing loan, then the lender was required to maintain mortgage insurance on the refinanced mortgage loan. Lenders could obtain either the level of coverage in force on the pre-refinanced mortgage loan or the then current standard coverage when the loan was refinanced. If the LTV ratio of the original mortgage loan was less than 80% or the original mortgage insurance policy had been terminated, then no mortgage insurance coverage was required. Prior to the 2012 changes, the Refi Plus Program allowed the LTV ratio of fixed-rate mortgage loans to be up to 105%, which was later increased to 125%. After the 2012 changes, there was no maximum LTV ratio for fixed-rate mortgage loans. Different underwriting and representation and warranty standards existed, both before and after the 2012 changes, depending on whether the new loan was underwritten using Desktop Underwriter® or manually (which could only be performed by the seller/servicer of the loan being refinanced).

The Refi Plus Program and HARP ended on December 31, 2018.

### ***Delegated Approach***

Fannie Mae relies on loan sellers to comply with its underwriting and eligibility guidelines, as well as its policies and procedures related to selling single-family mortgage loans to it. Fannie Mae relies on loan servicers to comply with Fannie Mae policies for servicing the single-family loans in its single-family guaranty book. Loan sellers and servicers are required to make representations and warranties to Fannie Mae as to certain facts and circumstances concerning the loan sellers themselves and the mortgage loans they are selling and/or servicing. Representations and warranties required by Fannie Mae are described in the Mortgage Selling and Servicing Contract, the Fannie Mae Single-Family Selling Guide (as amended, the "**Selling Guide**"), the Fannie Mae Single-Family Servicing Guide (as amended, the "**Servicing Guide**"), collectively, with other agreements with the seller and servicer, the "**Lender Contract**". Mortgage loans delivered under the Refi Plus Program were subject to a more limited set of seller representations and warranties relative to loans typically delivered to Fannie Mae. Generally, loan sellers delivering mortgage loans under the Refi Plus Program were required to represent that the loans conformed to requirements of the Refi Plus Program and complied with applicable law and were not required to provide representations or warranties as to property value or borrower credit characteristics. The required representations and warranties generally expired 12 months after delivery of the mortgage loans to Fannie Mae, with the exception of those representations and warranties related to compliance with applicable law. As a result, few, if any, of the Reference Obligations are subject to repurchase by loan sellers other than for breaches of representations and warranties related to compliance with applicable law. See "*Quality Control*" below for a further description on the representations and warranties made with respect to the Refi Plus loans.

Fannie Mae's ongoing communications with loan sellers and servicers are designed to be timely and transparent in order to keep loan sellers and servicers and the market informed of up-to-date policy and requirements changes. Fannie Mae communicates updates to the Selling Guide and Servicing Guide and other requirements through lender letters and announcements, other documents posted on <http://www.fanniemae.com>. Fannie Mae may also provide information that loan sellers and servicers need through mailed letters and notices.

### ***Single-Family Credit Risk Management Approach***

Fannie Mae employs a comprehensive and dynamic risk management approach to manage its single-family business and the credit risk profile of its book of business. The key components of Fannie Mae's risk management processes are:

- **Loan Seller and Servicer Management and Oversight:** standards, reviews, limits, monitoring and training;
- **Credit Standards:** underwriting, eligibility, property and appraisal requirements, guidelines, policies and procedures covering origination through closing;
- **Loan Delivery Controls:** data and document controls and validations;
- **Quality Control:** random and discretionary reviews, loan seller quality control and enforcement;
- **Ongoing Surveillance and Feedback:** in-depth reviews of loan seller and loan quality;
- **Servicing Standards:** collections, delinquencies and modifications; and
- **REO Property Management and Valuation.**

Fannie Mae evaluates the performance of loan sellers, servicers and the related loans themselves against Fannie Mae's requirements in a continuous manner and uses detailed information from its evaluations to update its policies, guidelines, procedures, reviews and enforcement actions, including remediation activities if warranted. Fannie Mae evaluates loan seller deliveries and the performance of the loans Fannie Mae acquires on an ongoing basis and uses these evaluations to target Fannie Mae's reviews. Fannie Mae conducts ongoing reviews of its loan sellers to validate that they have the ability to comply with Fannie Mae's standards and requirements. Fannie Mae conducts additional reviews of loan sellers based on business model changes and other factors. Fannie Mae establishes and enforces robust underwriting and eligibility standards to ensure sustainable homeownership. Fannie Mae may from time to time supplement, alter, waive or rescind any of the requirements of the Selling and Servicing Guides or the Lender Contract.

## **Loan Seller and Servicer Management and Oversight**

### ***Initial Loan Seller and Servicer Requirements and Approvals***

Loan sellers and servicers must be approved to do business with Fannie Mae. Fannie Mae determines a loan seller and servicer's qualifications by reviewing the loan seller and servicer's financial condition, organization, staffing, selling and servicing experience, and other relevant factors. Prior to approving a loan seller or servicer, Fannie Mae performs a pre-contract assessment that helps Fannie Mae to determine the quality of a loan seller or servicer's processes and effectiveness of controls. Pre-contract assessments may encompass both an offsite review and onsite review to assess readiness to do business with Fannie Mae. Fannie Mae's review process involves collaboration across all key business areas responsible for managing risk to assure the soundness of the loans Fannie Mae acquires from a loan seller. Approval or rejection of a loan seller's or servicer's application is based on Fannie Mae's business judgment, taking into account the totality of the relevant circumstances. To be considered for approval to sell residential first-lien mortgage loans to Fannie Mae, or to service them, at a minimum a loan seller or servicer generally must:

- have as its principal business purpose the origination, selling and/or servicing of residential mortgage loans for a minimum of 24 months;
- have demonstrated the ability to originate, sell and/or service the types of mortgage loans for which approval is being requested;

- have adequate facilities and staff experienced in originating, selling and/or servicing the types of mortgage loans for which approval is being requested;
- be duly organized, validly existing, properly licensed (in good standing), or otherwise authorized to conduct its business in each of the jurisdictions in which it originates, sells and/or services residential mortgage loans;
- have internal audit and management control processes to evaluate and monitor the overall quality of its loan production and servicing;
- have written procedures for quality control, servicing and the approval and management of vendors and other third-party service providers;
- have a fidelity bond and an errors and omissions policy in effect with such coverage amounts as Fannie Mae requires, and agree to modify them as necessary to meet Fannie Mae's requirements; and
- meet Fannie Mae's counterparty requirements, including having a minimum net worth of at least \$2.5 million plus 0.25% of the unpaid principal balance of the servicing portfolio and minimum capital and liquidity requirements; and satisfy any additional eligibility criteria Fannie Mae imposes from time to time. Such additional criteria may apply either to individual loan sellers or servicers, all loan sellers, all loan sellers or servicers that are seeking approval to sell and/or service certain types of mortgage loans or all loan sellers or servicers that share certain characteristics.

Fannie Mae approves or disapproves an application to become an approved loan seller or servicer based on Fannie Mae's assessment of its total circumstances, and Fannie Mae may reject or condition the application of a loan seller or servicer that satisfies Fannie Mae's general eligibility criteria. No applicant has an absolute or automatic right to be approved to do business with Fannie Mae.

#### ***Ongoing Loan Seller and Servicer Management***

*Exposure Limits.* Fannie Mae's primary institutional counterparty risks include its exposure to loan sellers and servicers that originate or service the mortgage loans that back Fannie Mae's MBS. Fannie Mae relies on these loan sellers and servicers to repurchase loans from Fannie Mae or reimburse it for losses in certain circumstances. Fannie Mae rates each of its counterparties on both a quantitative and qualitative basis to establish Fannie Mae's risk tolerance and maximum exposure for each counterparty. Fannie Mae's ratings assess a counterparty's profitability, asset quality, capitalization, liquidity, funding, portfolio concentration and management quality. Fannie Mae establishes exposure limits for each counterparty based on the counterparty's financial strength and capacity to ensure that Fannie Mae's exposure to a given counterparty is commensurate with Fannie Mae's ability to satisfy its claims. Fannie Mae manages its ratings and exposure limits based on its ongoing evaluation of the counterparties' current financial position, updated internal ratings and the performance and risk profile of the loans Fannie Mae acquires.

To mitigate Fannie Mae's exposure to troubled loan sellers and servicers, Fannie Mae may take a range of possible actions, including requiring a guaranty of their obligations by higher-rated affiliated entities, reducing or eliminating their exposure limits or certain of their business activities, transferring servicing to third parties, requiring them to deliver collateral to secure their obligations, increasing and/or accelerating Fannie Mae's loan-level QC reviews, and suspending or terminating their approved loan seller or servicer status with Fannie Mae.

#### ***Additional Monitoring of Loan Sellers***

Following the initial approval process, Fannie Mae monitors loan sellers on an ongoing basis using Fannie Mae's mortgage origination risk assessment procedures. Dedicated teams of reviewers perform an annual on-site operational assessment of controls in various functional areas of the origination activities for Fannie Mae's highest volume loan sellers. Fannie Mae also selects other loan sellers annually by volume or risk profile for on-site and desk reviews of compliance with Fannie Mae's origination policies. For loan sellers with emerging growth and potentially elevated risk, Fannie Mae conducts additional file reviews. In addition, Fannie Mae may perform on-site reviews of new loan sellers when they meet certain delivery thresholds and of established loan sellers when they fail financial or loan performance requirements. Fannie Mae analyzes the results of such reviews, report any issues to senior management, prioritize Fannie Mae's findings, develop remediation action plans, and validate a loan seller's

progress against Fannie Mae's remediation plans. Fannie Mae adjusts its financial ratings and maximum exposure limits of the loan sellers based on the results of its reviews, the performance of the loans Fannie Mae acquire from the loan seller, and their compliance with Fannie Mae's remediation action plans.

## **Credit Standards**

### ***Loan Underwriting and Eligibility***

Fannie Mae's credit underwriting and eligibility standards establish requirements that loan sellers must follow in evaluating the capacity and willingness of borrowers to repay the loans Fannie Mae acquires and the adequacy of the property pledged as collateral. Fannie Mae's goal is to promote sustainable homeownership by considering all stages of the life cycle of loans under various economic scenarios so that borrowers have a higher probability of continuing to make their monthly housing payments. However, as noted above, Refi Plus loans were granted exceptions to many of these standards. Given that Fannie Mae already held the credit risk and collateral risk on the loans being refinanced, the risk of payment default would be reduced through the "borrower benefit" requirement for each new loan while leaving collateral risk unchanged.

In evaluating a borrower's willingness and capacity to repay the mortgage loan, in general, the loan seller must include documentation in the loan file that confirms that information provided by the borrower as part of the loan application is accurate and supports the loan seller's assessment of the borrower's credit history, employment, income, assets, and other financial information.

In establishing Fannie Mae's single-family mortgage credit risk policies and standards, Fannie Mae closely monitors changes in housing and economic conditions, as well as regulatory and legislative changes, and the impact of those changes on the credit risk profile of Fannie Mae's existing single-family mortgage credit book of business. Fannie Mae regularly reviews and provides updates to its underwriting and property standards and eligibility requirements to take into consideration changing market conditions. The credit risk profile of Fannie Mae's single-family mortgage credit book of business is influenced by, among other things, the credit profile of the borrowers, features of the loans Fannie Mae acquires, the mix of the loan products Fannie Mae acquires, the types of properties securing the loans, and the housing market and economy more generally.

Additionally, Fannie Mae offers loan sellers new, innovative tools to help ensure the quality of mortgage loans delivered to Fannie Mae. These tools include EarlyCheck™, which enables early validation of loan delivery eligibility, allowing lenders to make corrections and avoid the delivery of ineligible loans. EarlyCheck™ is available to loan sellers regardless of the loan underwriting method used.

### ***Permitted Variances***

In addition to the underwriting and eligibility standards outlined in Fannie Mae's Selling Guide, its credit risk tolerance profile includes additional eligible loans that Fannie Mae acquires under specific Permitted Variances granted to specific loan sellers.

Fannie Mae will acquire variance loans from those loan sellers that have demonstrated the capacity, systems capabilities and experience to originate and service loans in compliance with the specific terms of the Permitted Variance. Fannie Mae manages variance loans by requiring the specific terms of the Permitted Variance to be set forth in documented contract terms, which are applied on a case-by-case basis to individual loan sellers. All of the other terms and requirements of Fannie Mae's Selling Guide continue to apply to variance loans, including the loan seller's representations and warranties and the obligation to repurchase a variance loan that fails to meet the terms of the Selling Guide.

Fannie Mae evaluates, approves and monitors variances to Fannie Mae's Selling Guide. Fannie Mae requires the loan seller to provide Fannie Mae with its rationale and analysis, as applicable, for the variance request. Fannie Mae analyzes the proposed credit risk parameters of the variance, any proposed offsetting or compensating risk parameters, and, as appropriate, the experience of the loan seller in originating and servicing the proposed variance loans, the performance of variance loans previously originated and serviced by the loan seller, the ongoing performance metrics to be applied to the variance loans and the forecast impact of the proposed variance loans on Fannie Mae's overall risk profile, acquisition characteristics and MBS performance. If Fannie Mae agrees on the terms of a Permitted Variance with a loan seller, Fannie Mae may update its loan level acquisition data edits to provide for the specific agreed features of the variance loan with the related loan seller. On an ongoing basis,

Fannie Mae generally reviews and evaluates the performance of variance loans Fannie Mae has acquired to confirm that variance loans perform according to Fannie Mae's expectations.

### ***Underwriting Process***

Fannie Mae provides two options to loan sellers for conducting a comprehensive risk assessment: automated underwriting, primarily through Desktop Underwriter®, or manual underwriting. Both methods include an evaluation of the borrower's creditworthiness and equity investment, taking into account factors such as credit history, liquid reserves, reliable and recurring income, and the cumulative effect that these and other risk factors have on mortgage loan performance. As noted above, the Refi Plus Program offered exceptions to many of Fannie Mae's standard underwriting provisions.

#### ***Desktop Underwriter® - General***

Desktop Underwriter® ("DU") is a proprietary automated underwriting tool that evaluates mortgage delinquency risk and arrives at an underwriting recommendation by performing a comprehensive examination of the primary and contributory risk factors in a mortgage application. DU analyzes the information in the loan case file to reach an overall credit risk assessment to determine eligibility for delivery to Fannie Mae. Fannie Mae grants a limited waiver of certain underwriting representations and warranties to a loan seller that sells an eligible mortgage underwritten with DU, provided the seller also complies with specific requirements for DU loans outlined in the Selling Guide. Approximately 35.64% of the Reference Obligations by the Cut-off Date Balance were underwritten using DU.

No single factor determines a borrower's ability or willingness to make his or her mortgage payments. When several high-risk factors are present in a loan case-file without sufficient offsets, the likelihood of serious delinquency increases. DU conducts its analysis uniformly and without regard to race, gender, or other prohibited factors. DU uses validated, statistically significant variables that have been shown to be predictive of mortgage delinquency across all groups.

DU considers the following characteristics in the credit report to assess the creditworthiness of borrowers who have traditional credit histories: credit history, delinquent accounts, installment accounts, revolving credit use, public records, foreclosures, collection accounts and inquiries. The following additional mortgage risk factors are also evaluated: the borrower's equity and loan-to-value ("LTV") ratio, liquid reserves, loan purpose, loan term, loan amortization type, occupancy type, debt-to-income ratio, housing expense ratio, property type, self-employment, and co-borrowers. DU performs a comprehensive evaluation, weighing each factor based on the amount of risk it represents and its importance to the recommendation. DU analyzes the results of this evaluation along with the evaluation of the borrower's credit profile to arrive at the underwriting recommendation for the loan case-file. As part of Fannie Mae's normal business operations, DU is reviewed regularly to determine whether its risk analysis is appropriate based on new data and actual loan performance information.

Upon completion of its assessment, DU issues a DU Underwriting Findings report. The DU Underwriting Findings report summarizes the overall risk assessment and whether the loan is eligible for delivery to Fannie Mae, and lists the steps necessary for the loan seller to complete the processing of the loan file. If the loan is ineligible for delivery to Fannie Mae, the report indicates specific reasons, such as a credit score below Fannie Mae's minimum requirements. This is typically the first report viewed by an underwriter or a loan officer after the loan case-file has been underwritten with DU.

DU also provides specific messages for each individual loan case-file to assist loan sellers in processing and closing loans. These include a number of "potential red flag" messages designed to help the loan seller detect inconsistencies in the loan case-file. Neither the presence nor absence of these messages alters the loan seller's responsibility to ensure accurate information in all areas of the loan process or otherwise comply with applicable law, including the Fair Credit Reporting Act.

When underwriting loan case-files through DU, the loan seller remains responsible for employing prudent underwriting judgment in assessing whether a loan should be approved and delivered to Fannie Mae. The loan seller must confirm the accuracy and completeness of the borrower, property, and credit report information submitted to DU, making sure that it did not fail to submit any data that might have affected the DU recommendation. The loan seller must ensure the loan complies with all of the verification messages and approval conditions specified in the DU Underwriting Findings report; apply due diligence when reviewing the loan file documentation; and determine if

there is any potentially derogatory or contradictory information that is not part of the data analyzed by DU. The loan seller must also take action when erroneous data in the credit report or contradictory or derogatory information in the loan file would justify additional investigation or would provide grounds for a decision that is different from the recommendation that DU delivered.

### Desktop Underwriter® - Documentation Requirements

*Income and Employment Documentation Requirements.* DU indicates the minimum income and employment verification documentation required to process a loan application. This level of documentation may not be adequate for every borrower and every situation. The loan seller must determine whether additional documentation is warranted. If the loan seller is unable to determine the stability of the borrower's income on the basis of the available documentation, the income must be removed and the loan case-file resubmitted to DU.

The DU validation service will use third-party vendor data to perform calculations and validate information entered by the lender in DU. When a component of the loan file is validated by the DU validation service, DU will issue a message indicating the required documentation. These documentation requirements may differ from those described below.

For salaried or hourly borrowers DU typically requires, at a minimum, the borrower's recent paystub and a W-2 covering the most recent one-year period, along with a verbal verification of employment. For the verification of bonus, overtime, and commission income, DU requires, at a minimum, the borrower's recent paystub and W-2 forms covering the most recent two-year period along with a verbal verification of employment. However, under the Refi Plus Program, only a verbal verification of employment and a recent paystub was required.

Based on the overall risk of the loan, DU will determine if signed personal and, if applicable, business federal income tax returns for the preceding year are sufficient to document a self-employed borrower's income, or if such returns for the most recent two-year period are required. Business tax returns do not have to be provided unless the business is a corporation, an S corporation, a limited liability company or a partnership. Under certain conditions, the requirements for business tax returns may be waived.

The tax returns must include a minimum of 12 months of self-employment income for the income to be included.

All borrowers are required to complete and sign IRS Form 4506-T at or before closing (regardless of income source), except that following the 2012 changes to the Refi Plus Program, this was only required if the monthly principal and interest payment on the new loan was 20% or more higher than it was on the loan being refinanced. Employment must be verified within 10 business days prior to the note date for employment income, or a verification of the business within 120 calendar days prior to the note date for self-employment income.

### Manual Underwriting

Loan sellers that choose to manually underwrite a mortgage application are expected to follow the comprehensive risk assessment approach, which requires the loan seller to evaluate the LTV, credit score, occupancy, loan purpose, property type, debt-to-income ("**DTI**") and other factors as outlined in the Selling Guide and Lender Contract. Under this approach, loan sellers evaluate key elements to assess the overall level of serious delinquency risk by taking into consideration any layering of risk factors, the significance of those factors and the overall risks present in the mortgage application. The loan seller represents and warrants to Fannie Mae that each loan it underwrites manually is eligible to be acquired by Fannie Mae. In the case of the Refi Plus Program, this related to the specific provisions relating to Refi Plus loans.

The Eligibility Matrix, available through Fannie Mae's Business Portal and incorporated in Fannie Mae's Selling Guide, provides the comprehensive LTV, combined loan-to-value ("**CLTV**"), and home equity combined loan-to-value ratio requirements for conventional first mortgage loans eligible for delivery to Fannie Mae. During the availability of the Refi Plus Program, the Eligibility Matrix reflected the special terms applicable to that program. The Eligibility Matrix also includes credit score, minimum reserve requirements (in months), and maximum DTI ratio requirements for manually underwritten loans. The Eligibility Matrix provides a solid foundation for assessing the risk of a manually underwritten loan, and identifies the risk elements to evaluate for each transaction type. The loan seller's determination of the mortgage delinquency risk, the assessment of the adequacy of the property as security for the mortgage, the determination of whether the mortgage satisfies Fannie Mae's mortgage eligibility

criteria, and the acceptability of the documentation in the mortgage file should all factor into the decision whether to deliver the mortgage to Fannie Mae. The loan seller must fully document the results of its comprehensive risk assessment and final underwriting decision, and ensure that the information used to reach its assessment is valid, accurate and substantiated.

### *Appraisal Standards and Controls*

Fannie Mae's goal is to acquire only those mortgage loans that the borrower is able to sustain, and a key factor Fannie Mae uses to evaluate the sustainability of a borrower's home ownership is the value of the home and the borrower's equity in it. To evaluate the adequacy of the mortgaged properties as collateral for Fannie Mae's investment, Fannie Mae generally requires loan sellers to obtain appraisals on most of the loans that it acquires. However, appraisals generally were not required for Refi Plus loans, so long as the property value stated by the lender was consistent with Fannie Mae's internal assessment of the property's value.

### **Mortgage Insurance**

Under the Charter Act, Fannie Mae is generally required to obtain credit enhancements on single-family conventional mortgage loans that it purchases or securitizes with LTV ratios over 80% at the time of purchase. However, under the Refi Plus Program, if the original loan was not required to have private mortgage insurance, then the new Refi Plus loan was not required to have private mortgage insurance despite having an LTV ratio over 80%. If the original loan had mortgage insurance in effect at the time the loan was refinanced through the Refi Plus Program, then such mortgage insurance could be transferred to the new loan.

Fannie Mae manages its exposure to mortgage insurers by maintaining eligibility requirements for qualified mortgage insurers. Fannie Mae requires a certification and supporting documentation annually from each mortgage insurer and perform periodic reviews of mortgage insurers to confirm compliance with eligibility requirements and to evaluate their management, control and underwriting practices. Fannie Mae's monitoring of the mortgage insurers includes in-depth financial reviews and stress analyses of the insurers' portfolios and capital adequacy.

Although the financial condition of Fannie Mae's primary mortgage insurer counterparties currently approved to write new business has improved in recent years, there is still a risk that these counterparties may fail to fulfill their obligations to pay Fannie Mae's claims under insurance policies. In addition, three of Fannie Mae's mortgage insurer counterparties—PMI Mortgage Insurance Co., Republic Mortgage Insurance Company and Triad Guaranty—are currently under various forms of supervised control by their state regulators and are in run-off, which increases the risk that these counterparties will pay claims only in part or fail to pay claims at all under existing insurance policies. If Fannie Mae determines that it is probable that Fannie Mae will not collect all of its claims from one or more of its mortgage insurer counterparties, or if Fannie Mae has already made that determination but its estimate of the shortfall increases, it could result in an increase in Fannie Mae's loss reserves, which could adversely affect Fannie Mae's earnings, liquidity, financial condition and net worth.

In November 2017, Fannie Mae introduced a procedure designed to streamline the mortgage insurance claim process for expenses incurred in connection with foreclosure. Under this procedure, the amount payable under the applicable policy in respect of foreclosure expenses incurred by servicers is determined by application of a numerical factor to the property value in the case of a short sale and the UPB in the case of an REO/third-party sale. The factor to be applied will be determined annually based on historical data regarding actual mortgage insurance proceeds received in respect of foreclosure losses for insured mortgage loans included in Fannie Mae's portfolio.

The same set of factors will be used for all participating insurers and will be applied to determine all foreclosure expense payments due from such insurers, including for loans that were originated prior to the introduction of the use of factors. Factors will be set by Fannie Mae and will be based in part on loan characteristics such as disposition type, property location and loan size and type and will be re-evaluated and potentially adjusted annually. The use of factors will reduce the likelihood that servicers on the related mortgage loans will have to make payments to Fannie Mae to compensate for mortgage insurance curtailments related to foreclosure claims because using factors will eliminate the mortgage insurers' right to curtail such payments. The use of factors is also anticipated to reduce the timeline for receiving mortgage insurance proceeds following foreclosure. This procedure is subject to certain conditions and may be terminated if such conditions are not met. In addition, this procedure may be terminated at any time at the discretion of each individual mortgage insurer. The use of factors is limited to foreclosure expenses and does not affect mortgage insurance payments due in respect of interest or unpaid principal on the related loans.



## Loan Delivery Controls

### *Loan Data Delivery and Quality Assurance*

Loan data for all mortgage loans must be transmitted to Fannie Mae using Loan Delivery, an electronic web-based application that allows loan sellers to deliver whole loans for purchase and MBS loans for securitization. Loan sellers can import loan and pool data, perform edits to facilitate loan delivery, transfer loans between commitments (or pools), track the status of loan deliveries, generate reports, and export loan and pool data back to the loan seller's organization.

The loan seller must provide information about certain borrower and property characteristics as part of the loan delivery data. Although loan sellers are strongly encouraged to provide all data at the time of initial loan delivery, any missing or corrected data must be provided by the loan seller as soon as possible after initial delivery.

All loans delivered to Fannie Mae are submitted to an automated validation process to test data and eligibility. The loan seller submits data into Loan Delivery, where the data is tested for compliance with certain eligibility rules. If there is a breach of the rules, Fannie Mae evaluates the nature of the breach, and for certain significant breaches the loan seller must resolve the breach and re-validate eligibility. A loan seller may deliver loans to Fannie Mae for funding or issuing only if there are no outstanding significant breaches for the loans.

### *Loan Documents and Custodial Process*

Fannie Mae requires loan sellers to maintain copies of certain documents relating to mortgage loans acquired by Fannie Mae, some of which must be held either by Fannie Mae's designated document custodian ("**DDC**") or by another custodial institution that meets the following eligibility criteria as set out more fully in the Selling Guide and in Fannie Mae's Requirements for Document Custodians ("**RDC Guide**") (either such custodian, a "document custodian"):

- must be a federally regulated institution or a subsidiary of such an institution;
- must be in good standing with its regulator; and
- must have a financial rating of "125" or better from IDC Financial Publishing or "C" or better from Kroll Bond Ratings Agency.

If a loan seller or servicer (or an affiliate of a loan seller or servicer) satisfies these eligibility criteria, meets any other conditions that Fannie Mae may require and receives approval from Fannie Mae, it may act as document custodian for mortgage loans Fannie Mae acquires.

The document custodian must review and examine all custody documents to ensure that all required documents are received and that they conform to the data and documentation provisions of the Selling Guide and the RDC Guide. In order for Fannie Mae to provide funding to the loan seller, the loan or pool must be certified by a document custodian. The certification must state that the document custodian has examined, and maintains physical custody and control of, the required documents for the mortgage loans. Fannie Mae's certification processes for whole loan and MBS deliveries are designed to assure Fannie Mae and the marketplace that all mortgage loans purchased or securitized by Fannie Mae conform to its requirements, meet the characteristics attributed to them in MBS disclosures or on the basis of which Fannie Mae acquired them.

Document custodians are subject to certain additional requirements, including monthly assurance checks, annual re-certifications and randomly-selected independent quality assurance reviews performed by Fannie Mae. Fannie Mae requires that document custodians develop and implement a monthly quality control review process to examine the quality of document and data certifications for the prior month. Fannie Mae reviews the results of the monthly quality control to monitor custodian performance. If monthly quality control indicates issues, Fannie Mae will engage the document custodian to determine a remediation plan. All findings from the monthly quality control must be documented in a Findings Report. Each document custodian is also required to engage the services of an independent third-party audit firm to perform an annual audit to assess whether the document custodian satisfies Fannie Mae's eligibility criteria and operates in compliance with Fannie Mae's requirements. Document custodians are responsible for all costs associated with the independent audit. The auditor should exercise judgment in adapting the audit requirements to a specific document custodian's processes and procedures. Any variation or departure from the outlined requirements must be reviewed with Fannie Mae in advance. Upon receipt of the auditor's final

audit report, the document custodian must provide a copy to Fannie Mae. Fannie Mae will review the audit results and work with the document custodian to track remediation items through to resolution. The document custodian is responsible for providing proof that audit review results were remediated to Fannie Mae's satisfaction. At any time, with or without cause, Fannie Mae has the right to require a document custodian to transfer documents to a different document custodian, which may be a DDC or another eligible document custodian.

## **Quality Control**

### ***Fannie Mae Quality Control Policy and Process***

Fannie Mae has established quality control ("QC") policies and procedures to evaluate mortgage loans on a comprehensive basis with the primary goal of confirming that the mortgage loans Fannie Mae acquires meet Fannie Mae's underwriting and eligibility requirements. With respect to the Refi Plus loans, however, the QC process was limited as described below.

#### ***Representations and Warranties Framework***

When Fannie Mae acquires a mortgage loan, Fannie Mae relies on representations and warranties of the loan seller with respect to many critical aspects of the loans. For mortgage loans delivered under the Refi Plus Program, loan sellers made a very limited number of representations and warranties about the mortgage loans. Those representations and warranties provided assurance that the mortgage loans conformed to the requirements of the Refi Plus Program and complied with applicable law. The representations and warranties did not address property value or condition, borrower credit characteristics or information provided by the borrower. While the representations and warranties regarding compliance with applicable law are effective for the life of the mortgage loans, the other representations and warranties generally expired 12 months after delivery of the mortgage loans to Fannie Mae. Mortgage loans that experienced delinquencies prior to the expiration of the 12-month sunset period could have the terms of the representations and warranties extended; however, since all of the Reference Obligations are current in payment status, we do not anticipate that any significant percentage of the Reference Obligations are subject to representations and warranties a breach of which would give rise to loan seller repurchase obligations, other than those representations and warranties related to compliance with applicable law.

#### ***Scope of Quality Control***

Fannie Mae's loan level post-purchase quality control reviews for Refi Plus loans were significantly limited relative to the quality control reviews undertaken for non-Refi Plus loans. For Refi Plus loans, the scope of QC review was limited to confirming that the mortgage loans met the eligibility criteria for the Refi Plus Program. There was no QC review of borrowers' credit or income, the value of the related mortgaged properties or other factors.

#### ***QC File Request and Submission Requirements***

Loan sellers are notified which mortgage loans Fannie Mae has selected for QC review via written or electronic notification.

Loan sellers must maintain a complete mortgage loan file, including all documents used to support the underwriting decision. Upon Fannie Mae's request, loan sellers must provide copies of the complete mortgage loan file, as described in the request. Loan sellers must send the requested documentation for an underwriting or servicing review within 30 days after Fannie Mae notifies such loan seller that it has selected a mortgage loan for review. Fannie Mae, in its sole discretion, may request the documentation in a shorter or longer period of time based upon circumstances at the time.

Fannie Mae will make an effort to work with loan sellers when extenuating circumstances prevent them from delivering documentation in a timely manner. However, if a loan seller delays in providing the requested information, Fannie Mae, in its sole discretion, may require indemnification or repurchase (depending on the circumstances of the individual case) in respect of these mortgage loans. When a loan seller has a pattern of extensive delays or unresponsiveness, Fannie Mae may consider this a breach of contract and consider other actions against such loan seller, up to and including termination.

#### ***QC Report of Findings***

When Fannie Mae identified a mortgage loan that did not meet Refi Plus Program requirements, Fannie Mae, in its sole discretion, may have elected one of a number of potential remedies, including requiring correction of the identified errors, requiring indemnification from the lender or, in the case of significant errors, requiring the lender to repurchase the loan.

#### Appeal of QC Review Decisions

A loan seller may submit a written appeal of Fannie Mae's repurchase request or repurchase alternative request within 60 days of its receipt (or other specified time). If the appeal is denied and the loan seller has additional material information, the loan seller may submit a second appeal in writing within 15 days from the date of the denial letter (or other specified time). If the loan seller appeals the repurchase or repurchase alternative request and Fannie Mae denies the appeal(s), the loan seller, subject to the impasse and management escalation processes described below, within 15 days from the date of the final denial letter (or other specified time), must complete the repurchase of the mortgage loan or property or submit the signed recourse agreement or fee payment in lieu of repurchase. If the repurchase involves an active loan that will be involved in a servicing transfer, notify Fannie Mae of the name of the new servicer and the date of the servicing transfer.

If, at the conclusion of the appeal process, the loan seller wishes to continue challenging the repurchase request, the loan seller may initiate the impasse process and/or management escalation process, during which Fannie Mae and the loan seller attempt to resolve the dispute through direct conversations or escalation to senior management. In February 2016, Fannie Mae announced jointly with Freddie Mac the Independent Dispute Resolution (IDR) process, which offers a neutral third party to resolve repurchase requests that remain unresolved after the appeal, impasse process and escalation processes have been exhausted.

#### **Loan Remediation Process**

##### Repurchases

A defective mortgage loan identified through Fannie Mae's QC process may result in loan repurchases, recourse agreements, indemnification, make-whole payments, fees in lieu of repurchase, or alternative remedial actions. Breach of a loan seller's representation or warranty or other violation of the Lender Contract will give rise to Fannie Mae's ability to issue a repurchase request or, if the property has been liquidated, a fee in lieu of repurchase request, or a make-whole request to the loan seller.

If a mortgage loan was repurchased by a loan seller, and the repurchased loan is subsequently made compliant with Fannie Mae's current standards, the loan may be redelivered to Fannie Mae, at its sole and absolute discretion, on a negotiated basis. In the event that a mortgage loan is deemed ineligible for redelivery or rejected by Fannie Mae upon redelivery, any future losses incurred after repurchase are the responsibility of the loan seller. A redelivered loan would not be included in the Reference Pool since the Reference Pool is fixed and since a redelivered loan would be considered a new delivery.

##### Alternatives to Repurchases

In certain circumstances, Fannie Mae may provide the loan seller with an alternative to the immediate repurchase of a mortgage loan that does not meet Fannie Mae's requirements. In each such case, Fannie Mae will notify the loan seller of the type and terms of the repurchase alternative. The alternatives may include any one or more of the following, as determined by Fannie Mae in its sole discretion:

- (i) Recourse – agreement by loan seller to provide recourse for life of loan or other specified period. At Fannie Mae's discretion, Fannie Mae may require loan seller's obligation to be secured by specified collateral.
- (ii) Indemnification – agreement by loan seller to indemnify Fannie Mae for any losses, costs, etc. on the mortgage loan. At Fannie Mae's discretion, Fannie Mae may require loan seller's obligation to be secured by specified collateral.
- (iii) Loss share – agreement between Fannie Mae and loan seller to each pay a specified proportion of any future losses on the mortgage loan.
- (iv) Loss reimbursement – agreement by loan seller to reimburse Fannie Mae for specified losses on the mortgage loan.

- (v) Fee in lieu of repurchase – payment by loan seller to compensate Fannie Mae for increased risk of holding the mortgage loan.
- (vi) Conditional recourse/partial indemnification – agreement by loan seller to provide recourse or indemnification on the mortgage loan subject to one or more specified conditions.
- (vii) A combination of two or more of the above.

Mortgage loans that are subject to a remedy described in clauses (i)-(v) or (vii) above are not eligible for initial inclusion in the Reference Pool. If a remedy described in clauses (i)-(v) or (vii) above is imposed after a loan has been included in the Reference Pool, Fannie Mae will remove such loan from the Reference Pool. A pricing adjustment (described below) or conditional recourse/partial indemnification commitment from a loan seller will not trigger the removal of a Reference Obligation from the Reference Pool.

Fannie Mae may also identify loans with data errors as part of its QC review. If such loan is otherwise eligible for sale to Fannie Mae, Fannie Mae will not require the lender to repurchase the loan; however, Fannie Mae may collect a price adjustment, which is a fee from the lender to compensate Fannie Mae for the data discrepancy based on the pricing that would have been charged had the true and accurate facts been known at the time of purchase.

Certain repurchase alternatives may be available only to a loan seller that is in good standing with Fannie Mae, that is in a strong financial condition acceptable to Fannie Mae, and that otherwise is able and willing to comply with other provisions of the Lender Contract, including Fannie Mae's eligibility criteria. If the servicing of a mortgage has been transferred to a loan seller other than the loan seller that sold the mortgage loan to Fannie Mae, eligibility for this benefit will be based on an evaluation of the new loan seller. In determining a loan seller's eligibility for this repurchase alternative, Fannie Mae will evaluate the following:

- the quality of the mortgage loans for which the loan seller has the selling and/or servicing representations and warranties, as measured by comparing the delinquency rates for comparable portfolios;
- the quality of the servicing performance, as measured by the loan seller's loss mitigation activities; and
- the overall financial strength of the loan seller, as reflected in the loan seller's annual financial statements and any other periodic financial reports the loan seller submits to Fannie Mae.

Fannie Mae also will periodically assess the loan seller's ongoing underwriting performance and contingent repurchase exposure (i.e., the loan seller's repurchase risk exposure in relation to its financial ability). When appropriate, Fannie Mae may change the loan seller's eligibility status for a repurchase alternative.

#### *Payment of Repurchase Proceeds*

The loan seller must pay Fannie Mae the funds that are due in connection with a repurchase, full indemnification or fee in lieu of repurchase request within 60 days of request (or within 15 days after Fannie Mae has affirmed the demand after an appeal).

### ***Loan Seller Quality Control Requirements***

#### *General*

A loan seller is required to establish its own set of standards for loan quality. The standards define the loan seller's credit culture and aid in the development of the appropriate controls necessary to ensure that the mortgage loans originated and closed by the loan seller are Fannie Mae-investment quality. The loan seller must also develop and maintain a QC program that defines its standards for loan quality and establishes processes designed to achieve those standards throughout its entire origination business. The program must include reporting results of the quality reviews to the loan seller's senior management, who must prescribe actions addressing and remediating defects discovered in the loan seller's review process. A loan seller that fails to maintain effective QC systems and processes will be in breach of its contractual obligations with Fannie Mae.

A loan seller must determine the appropriate balance among pre-funding, post-closing and contractor-performed QC reviews. For example, if a loan seller identifies a particular source of business as high-risk based on the mortgage loan product or type of origination, it may decide to conduct pre-funding reviews for a sample of such mortgage originations. There is no single, optimal QC plan appropriate to every loan seller. Therefore, Fannie Mae

encourages each loan seller to use a broad risk-management perspective in developing and changing its QC approach.

#### Pre-funding QC

A loan seller's written QC plan must include a process for reviewing a sampling of its loans prior to funding. Reviews performed prior to funding provide important and timely feedback to the origination staff and may prevent closing mortgage loans with substantial defects such as misrepresentation, inaccurate data or inadequate documentation. Fannie Mae requires that the loan seller have procedures for reporting defects identified in the review to its senior management and those parties responsible for resolving such defects and an action plan that includes documenting the resolution of the defects.

#### Post-Closing QC

A loan seller's written QC plan must also include its processes for evaluating and monitoring the overall quality of its mortgage production and its re-verification procedures. With limited exceptions for loans with data validated through the DU validation service, the loan seller must re-verify the accuracy and integrity of the information used to support the lending decision for any mortgage loans selected for a QC review. For loans underwritten through DU, the loan seller must validate the integrity of the loan file data and confirm that any conditions for approval were satisfied and any "potential red flag" messages were addressed and documented. For manually underwritten loans, the loan seller must determine that the mortgage loan was properly underwritten and that sound underwriting judgments were made in accordance with Fannie Mae's guidelines and requirements.

#### Contractor-Performed QC Reviews

A loan seller may outsource its QC processes; however, Fannie Mae holds the loan seller fully accountable for the work performed by its contractors. The loan seller must establish a process for reviewing the contractor's work, have procedures to address findings identified in the reviews and implement corrective actions within the loan seller's and contractor's organizations. The loan seller must ensure that the contractor's staff members possess the qualifications and experience required to provide quality reviews and analysis. The loan seller's QC process must include processes for reviewing the contractor's work to ensure that the lender's requirements and guidelines are applied consistently and that the review results accurately reflect the quality of the lender's loan originations. The lender must perform a monthly review of a minimum of 10% of the loans reviewed by the contractor to validate the accuracy and completeness of the vendor's work. The 10% sample must include loans for which the vendor identifies defects and for which no defects were identified. The review must be performed by the lender itself and may not be contracted out.

#### Reporting Requirements

QC review results are required to be reported on a regular basis to the loan seller's senior management within 30 days after the review is completed. The loan seller must have procedures in place requiring response to, and resolution of, findings identified in the QC review process. The loan seller is also required to promptly notify Fannie Mae of any misrepresentation or breach of a selling warranty, including fraud. In addition, any fraudulent activities by loan sellers, contractors, or brokers must be reported to Fannie Mae immediately. Fannie Mae may perform additional audits as needed.

#### Audit Review of the QC Process

Each loan seller must have an audit process to ensure that its QC process and procedures are followed by the QC staff, and that assessments and conclusions are recorded and consistently applied. The findings must be accurately recorded and consistent with the defects noted in the loan seller's system of record. Results of the QC audit must be distributed to senior management, who must distribute the results to the appropriate areas within the organization and establish an action plan for remediation or changes to policies or processes, if appropriate.

### **Ongoing Surveillance and Feedback**

#### ***General***

Fannie Mae refers to any loans that may have missing loan file documents or otherwise do not fully conform to

all applicable underwriting requirements for such loan as having "**Loan File or Underwriting Errors**". Loan File or Underwriting Errors may be minor and insignificant to the security or performance of a loan or they may be significant. Fannie Mae refers to any Loan File or Underwriting Error or breach of a representation or warranty with respect to a loan that Fannie Mae determined to be significant enough to warrant issuing a repurchase request to the related loan seller or servicer and for which the related loan seller or servicer was unable to provide Fannie Mae with a sufficient rebuttal that warranted withdrawal of the repurchase request (or in the case of loans described in clauses (vi) and (vii) under "*Summary of Terms—The Reference Pool—Reference Pool Removals*", such errors or breaches that Fannie Mae determines would be significant enough to warrant issuing a repurchase request but for the circumstances specified in such clause (vi) or (vii), as applicable) as an "**Eligibility Defect**".

Fannie Mae has built an integrated framework to evaluate detailed information regarding loan sellers, their operating controls and efficiencies, the quality of their loan and data deliveries to Fannie Mae, the performance of the loans Fannie Mae acquires from them and the results of Fannie Mae's review of their loans and quality control procedures. Fannie Mae has dedicated QC specialists that provide loan sellers with ongoing feedback about their overall loan and QC performance. The level of detail provided to each loan seller varies, but may include identifying defect types, reporting on frequent or common defects and describing quality trend analyses and Loan File or Underwriting Errors identified through the QC review process. This information is provided through a variety of methods that range from regular electronic transmissions to more formal periodic discussions. In addition, in some cases, Fannie Mae holds periodic on-site meetings with Fannie Mae's loan sellers, including the loan seller's senior management, to provide in depth feedback about their overall performance and the quality of their loans. These on-site meetings may occur periodically for Fannie Mae's largest loan sellers and as needed for the other sellers, depending on Fannie Mae's evaluation of the other loan sellers and the performance of the loans Fannie Mae acquires from them.

To manage the post-purchase review process, Fannie Mae has launched Loan Quality Connect, an interactive system in which Fannie Mae and Fannie Mae's loan sellers work together to drive loan quality. This state-of-the-art platform replaces the Quality Assurance System (QAS) and several other processes. Loan Quality Connect allows for seamless collaboration and increased certainty in the post-purchase QC.

### ***Loan Seller Training and Feedback***

Based on topics identified in Fannie Mae's QC review feedback, QC specialists interface directly with loan sellers to identify and help to remediate findings, defects and trends that are occurring in the loan seller's QC process. QC specialists also provide analysis and recommendations related to the quality of a loan seller's loan and origination processes to be used as an input for Fannie Mae's account teams and risk managers during executive engagement with the loan seller.

Fannie Mae provides ongoing instruction through one-on-one consultation and online webinars on doing business with Fannie Mae. Because personnel, guidelines and policies change over time, Fannie Mae provides regular online training sessions to inform loan sellers of these changes. Fannie Mae further shares best practices in QC, risk management and operational risk techniques. Fannie Mae also provides a series of live training sessions called QC Boot Camp where lenders attend a day and a half of in-depth training on Fannie Mae's QC requirements and best practices. The Training Resources Catalog located at <https://www.fanniemae.com/singlefamily/originating-underwriting-training> offers a collection of resources that is available to loan sellers. *Beyond the Guide* and the Quality Control Self-Assessment Tool offer loan sellers additional recommendations for enhancing QC efforts beyond the minimum standards reflected in the Selling Guide. These recommendations include approaches that may prevent Loan File or Underwriting Errors in the origination process. Fannie Mae also conducts annual QC sessions for intensive in-person training on Fannie Mae's lender QC requirements.

### ***Loan Performance Monitoring***

A mortgage analytics team produces and monitors reporting on Fannie Mae's loan acquisitions. Early and later warning reports compare actual loan performance against expected performance. The mortgage analytics team reviews cohorts by risk attributes and loan sellers to look for areas of the business that are performing worse than expected. The customer account risk managers use these reports and metrics to engage routinely with Fannie Mae's largest loan sellers to discuss early performance trends and acquisition profiles versus national averages. In addition, loan acquisition and performance trends are reviewed at periodic intervals by senior management on an ongoing basis. Based on the above analysis, Fannie Mae's risk and policy teams conduct inquiries on underperforming segments of business to determine if any actions are needed. Such actions may include making

changes to Fannie Mae's underwriting guidelines or eligibility criteria, making changes to Desktop Underwriter®, enacting additional upfront controls and providing additional loan seller monitoring or training.

## **Servicing Standards**

### ***General***

Generally, the servicing of the mortgage loans that are held in Fannie Mae's mortgage portfolio or that back its MBS is performed by servicers on Fannie Mae's behalf. Loan sellers who sell single-family mortgage loans to Fannie Mae may service these loans for Fannie Mae or the loans may be serviced by other entities, including special servicers retained by Fannie Mae. For loans Fannie Mae owns or guarantees, the loan seller or servicer must obtain Fannie Mae's approval before selling servicing rights to another servicer. All servicers of Fannie Mae loans must be approved by Fannie Mae.

Fannie Mae's servicers typically collect and remit principal and interest payments, administer escrow accounts, monitor and report delinquencies, perform default prevention activities, evaluate transfers of ownership interests, respond to requests for partial releases of security, and handle proceeds from casualty and condemnation losses. Fannie Mae's servicers are the primary point of contact for borrowers and perform a key role in the effective implementation of Fannie Mae's homeownership assistance initiatives, negotiation of workouts of troubled loans and other loss mitigation activities. If necessary, servicers inspect and preserve properties and process foreclosures and bankruptcies. Because Fannie Mae generally delegates the servicing of its mortgage loans to servicers and does not have its own servicing function, Fannie Mae's ability to directly manage troubled loans that it owns or guarantees is limited.

Fannie Mae compensates servicers primarily by permitting them to retain a specified portion of each interest payment on a serviced mortgage loan as a servicing fee. Servicers also generally retain prepayment premiums, assumption fees, late payment charges and other similar ancillary charges, to the extent they are collected from borrowers, as additional servicing compensation. Fannie Mae also compensates servicers for completing workouts on delinquent loans.

### ***Servicer Eligibility***

Fannie Mae-approved servicers must demonstrate the following resources and capabilities:

- **Experience:** escrow management, general servicing, investor reporting, custodial funds, default management and quality control.
- **Written procedures:** fully-documented procedures that address all aspects of performing loan servicing, delinquency prevention, default servicing and foreclosure management.
- **Quality assurance:** quality assurance processes that are designed, documented and implemented to ensure servicing practices comply with Fannie Mae's requirements.
- **Staffing and training:** staffing levels and training to support acceptable performance standards.
- **Procedures for escalated cases:** comprehensive processes and written procedures to promptly respond to escalated cases.
- **Master/subservicer responsibilities:** where applicable, comprehensive processes and written procedures for subservicer selection, oversight, performance assessment and compliance monitoring.
- **Risk Management & Controls:** comprehensive risk identification, mitigation and remediation processes; including appropriate regulatory and legal compliance frameworks.

Fannie Mae communicates standard requirements for all servicers through the Servicing Guide, written announcements, lender letters and servicer notices.

### ***Servicer Compliance Oversight and Performance Management***

Fannie Mae's servicers are required to develop, follow and maintain written procedures relating to loan servicing and legal compliance in accordance with Fannie Mae's Servicing Guide and applicable law. Servicers are also required to employ staff trained and experienced and in mortgage collection techniques. A servicer may also hire subservicers and other vendors to conduct these activities on its behalf and, in some circumstances, Fannie Mae may require a servicer to do so if Fannie Mae reasonably believes that servicer is not adequately equipped to conduct default servicing and loss mitigation.

Fannie Mae oversees servicer compliance with its Servicing Guide requirements and execution of its loss mitigation programs by conducting servicer compliance reviews, which involve a combination of loan-level and procedural compliance testing. These reviews are designed to test a servicer's quality control processes and compliance across key servicing functions. Issues identified through these compliance reviews are provided to the servicer with prescribed corrective actions and expected resolution due dates, and Fannie Mae monitors servicers' remediation of their compliance issues.

Performance management staff measure, monitor and manage overall servicer performance by:

- providing monthly or quarterly loss mitigation workout goals to servicers;
- discussing performance against each goal and tracking action items to improve; and
- following up on remediation of findings identified from compliance reviews.

Subject matter experts work with targeted servicers on a consulting basis to improve performance through effective collections, modifications, short sales, deeds-in-lieu of foreclosure, bankruptcy monitoring, foreclosure processing, and loan reporting. All servicers are also supported by Fannie Mae's Servicing Support Center, which answers routine policy and process questions, and offers training resources.

Additionally, Fannie Mae employs a servicer performance management program called the STAR<sup>TM</sup> Program, which provides Fannie Mae's largest servicers a transparent framework of key metrics and operational assessments to recognize strong performance and identify areas of weakness. The framework also identifies best practices and is designed to create motivation for servicers to improve their performance. The STAR<sup>TM</sup> Program reference guide and STAR Performance Scorecard White Paper communicate how servicers will be measured. Monthly operational and credit scorecards help servicers understand their performance relative to peers. Operational assessments of STAR<sup>TM</sup> Program servicers are conducted across all key servicing functions, with heavy emphasis on ensuring process reliability. STAR<sup>TM</sup> Program recognition as a STAR Performer is issued to eligible servicers annually based on the correlation between how servicers performed on the STAR<sup>TM</sup> Program metrics and their operational effectiveness. Fannie Mae also actively monitors the performance of servicers who do not participate in the STAR Program through regular performance assessment and tracking.

Incentive fees for servicers include tiered amounts tied to the timing of completing loss mitigation solutions with homeowners. Repercussions for poor performance include lost incentive income, reduced opportunity for STAR<sup>TM</sup> Program recognition, compensatory fees, monetary and non-monetary remedies, performance improvement plans and servicing transfers.

Fannie Mae also seek to improve the servicing of its loans through a variety of means, including sharing best practices and training of its servicers, directing servicers to proactively contact borrowers at the earliest stages of delinquency, improving their written and telephone communications with borrowers, and holding its servicers accountable for compliance with its Servicing Guide.

### ***Delinquent Loan Management***

Fannie Mae's servicers are the primary points of contact for borrowers and perform a vital role in Fannie Mae's efforts to resolve defaults by pursuing workout options. Fannie Mae's management strategies are primarily focused on resolving defaults by pursuing foreclosure alternatives to attempt to minimize the severity of the losses Fannie Mae incurs. If a borrower does not make required payments, or is in jeopardy of not making payments, servicers evaluate the borrower for a workout solution following a mandatory evaluation hierarchy that is based on whether the borrower is experiencing a temporary or permanent hardship. The hierarchy requires servicers to first evaluate the borrower for eligibility for a home retention solution prior to a liquidation solution, which minimizes the likelihood of foreclosure as well as the severity of loss. Fannie Mae's home retention solutions include loan modifications, repayment plans and forbearances. Liquidation solutions include short sales and deeds-in-lieu of foreclosure. When retention solutions and liquidation solutions are no longer viable for a homeowner's circumstances, Fannie Mae's servicers seek to conclude the foreclosure process in an expeditious manner.

Fannie Mae's loss mitigation strategy emphasizes early intervention by servicers to address mortgage loan delinquency and provide alternatives to foreclosure. The servicer must attempt to determine the reason for the delinquency, whether it is temporary or permanent in nature and the borrower's ability to repay the debt. The servicer is required to contact a delinquent borrower to discuss with the borrower the options for resolving the



delinquency and, as appropriate, obtain a commitment from the borrower to resolve the delinquency. Servicers are required to send a late payment notice no later than the 17th day of delinquency and must begin outbound contact attempts no later than the 36th day of delinquency. The servicer is authorized to conduct outbound contact attempts prior to the 36th day of delinquency and to use its own methodology or borrower behavioral models to determine when outbound contact attempts should begin prior to the 36th day of delinquency. Contact attempts must continue every seven days beginning on the 36<sup>th</sup> day of delinquency until contact is made, a borrower response package is received, or the delinquency status is resolved.

Loan workout activities are a key component of Fannie Mae's loss mitigation strategy for managing and resolving troubled assets and lowering credit losses. Fannie Mae provides its servicers with default management tools designed to help them manage delinquent mortgage loans and mortgage loans that, even if current, are at risk of imminent default. Fannie Mae's automated loss mitigation decisioning system, Servicing Management Default Underwriter (SMDU), determines whether a loan is at risk of imminent default, provides the servicer with preferred workout options, including modifications, for delinquent loans consistent with Fannie Mae policy based on a borrower's individual financial circumstances, and simplifies the execution of these options.

Fannie Mae's goal is to assist borrowers in maintaining home ownership where possible, or facilitate liquidation solutions when continued homeownership is not an option. Fannie Mae requires its servicers to follow a standardized evaluation hierarchy of workout options with the intention of determining and delivering the right kind of assistance needed to resolve the particular borrower's distress and minimize losses based on the nature of the hardship. Fannie Mae's loan workouts include:

- *Forbearance agreements*, where reduced payments or no payments are required during a defined period. Forbearance agreements provide additional time for the borrower to return to compliance with the original terms of the mortgage loan or to implement another loan workout. In the case of material property damage due to earthquake, flood or hurricane or caused by a person or event beyond the borrower's control, it may be appropriate for the loan servicer to offer a forbearance agreement after reviewing the borrower's circumstances. Generally, the initial term of forbearance may be granted for three to six months from the date of the first reduced or suspended payment. Fannie Mae's written approval is required for forbearance that extends cumulatively beyond 12 months.
- *Repayment plans*, which are contractual plans to make up past due amounts for a period generally within six months while continuing to make the current contractual payment. These plans, offered after the hardship is resolved, assist borrowers in returning to compliance with the original terms of their mortgage loan upon completion of the plan.
- *Loan modifications*, which involve changing the terms of the mortgage loan and may include capitalizing outstanding amounts such as delinquent interest, to the unpaid principal balance of the mortgage loan, reducing the interest rate, and extending the loan term or maturity date. Fannie Mae may grant partial principal forbearance in connection with loan modifications. Principal forbearance is a change to a loan's terms to designate a portion of the principal as non-interest-bearing and non-amortizing; the designated portion of principal then becomes payable at the new maturity date, or upon the sale or transfer of the property, refinance, or payment of the interest-bearing principal balance. Fannie Mae has several loan modification programs. Servicers are provided direction on when and how to offer the various modification programs that are available based on the borrower's eligibility, including consideration of any hardship or financial documentation factors. See "*Loan Modifications*" below.
- *Short sales*, which involve allowing the borrower of a delinquent loan to sell the mortgaged property to an unrelated third party for fair market value in an amount that is insufficient to pay off the mortgage loan in full. Under Fannie Mae's standard short sale program, servicers are able to determine whether a borrower is eligible to complete a short sale. All short sale offers are submitted to Fannie Mae for review and decision. This allows Fannie Mae to expedite timelines, reduce the likelihood of fraud and significantly increase Fannie Mae's recovery compared to traditional short sale methods. Under certain circumstances, the borrower is required to make a cash or note contribution to reduce the losses on the mortgage loan. When an approved short sale is complete the mortgage note is cancelled, the lien of the mortgage is released and the borrower may be paid an amount to assist with relocation. In most cases, after completion of an approved short sale, the borrower has no further obligation to make payments under the mortgage note. Short sales may also be approved for a borrower who is current but is determined to be in imminent payment default. See "*Foreclosure Alternatives*" below.

- *Deeds in lieu of foreclosure*, which involve the conveyance of the mortgaged property directly to Fannie Mae by the borrower. See "*—Foreclosure Alternatives*" below.
- *Mortgage assumptions*, which involve a new party assuming the obligations of the borrower under the mortgage note and may be performed in connection with a loan modification. If the former borrower requests a release of liability, the servicer evaluates the new party for its ability to pay the mortgage loan (as modified, if applicable) based on Fannie Mae's standard underwriting criteria before allowing the assumption.

If a loan workout has not been reached by the 121st day of delinquency, Fannie Mae generally requires the servicer to accelerate the debt from the borrower and initiate foreclosure proceedings in accordance with the provisions of Fannie Mae's Servicing Guide and applicable law. However, Fannie Mae also authorizes the servicer to continue to pursue loss mitigation alternatives to resolve the delinquency before the conclusion of the foreclosure proceedings. If, after demand for acceleration, a borrower pays all delinquent amounts, agrees with Fannie Mae to accept an arrangement for reinstatement of the mortgage (including through any applicable loan modification) or arranges for the sale or conveyance of the mortgaged property to a third party or Fannie Mae, the servicer may terminate the foreclosure proceedings. If the borrower again becomes delinquent, Fannie Mae pursues workout options prior to making a new demand for acceleration and the servicer will commence new foreclosure proceedings. See "*Certain Legal Aspects of the Reference Obligations—Foreclosure.*"

In recognition of the fact that mortgage loans that are delinquent are at higher risk for abandonment by the borrower, and may also face issues related to the maintenance of the mortgaged property, Fannie Mae has developed guidelines for servicers with respect to inspecting certain properties for which a monthly payment is delinquent. Depending on various factors, such as the ability to contact the customer, the delinquency status of the mortgage loan, and the property occupancy status, a servicer may hire a vendor to inspect the related property to determine its condition. If the inspection indicates the property is vacant and abandoned and in need of property safeguarding measures, such as securing or winterizing, the servicer will ensure the appropriate safeguards are implemented in accordance with industry and legal standards, as well as Fannie Mae's own requirements, including its allowable expense limits.

### ***Loan Modifications***

Servicers are delegated with the authority to implement Fannie Mae's home retention and foreclosure prevention initiatives in accordance with the Servicing Guide. Loan modifications involve changes to the original mortgage terms such as product type, interest rate, amortization term, maturity date and/or unpaid principal balance. To assist in achieving modifications that result in affordable payment for the borrower, Fannie Mae may ultimately collect less than the contractual amount due under the original loan. Other resolutions and modifications may result in Fannie Mae's receiving the full amount due, or certain installments due, under the loan over a period of time that is longer than the period of time originally provided for under the terms of the loan.

After a servicer determines that the borrower's hardship is not temporary in nature or the temporary hardship has not been resolved, Fannie Mae requires that servicers first evaluate borrowers for eligibility under a workout option before considering foreclosure. Fannie Mae's primary loan modification solution is called Flex Modification. Not all borrowers facing foreclosure will be eligible for a modification. Borrowers who do not qualify for a modification or who fail to successfully complete the required trial period plan may be provided with a foreclosure prevention alternative, such as a short sale or deed-in-lieu of foreclosure.

Program guidance for the majority of Fannie Mae's modifications directs servicers to convert trial modifications to permanent modifications after three or four consecutive trial period payments are made successfully. Fannie Mae completed 99,140 modifications in the twelve months ended December 31, 2018. As of September 30, 2019, there were approximately 13,200 loans in trial modification periods.

There is significant uncertainty regarding the ultimate long term success of Fannie Mae's modification efforts. Fannie Mae believes the performance of its workouts will be highly dependent on economic factors, such as unemployment rates, household wealth and income, and home prices. Modifications, even those with reduced monthly payments, may also not be sufficient to help borrowers with second liens and other significant non-mortgage debt obligations. FHFA, other agencies of the U.S. government or Congress may ask Fannie Mae to undertake new initiatives to support the housing and mortgage markets should Fannie Mae's current modification efforts ultimately not perform in a manner that results in the stabilization of these markets.

### ***Foreclosure Alternatives***

In addition, Fannie Mae continues to focus on foreclosure alternatives for borrowers who are unable to retain their homes. Foreclosure alternatives may be more appropriate if the borrower has experienced a significant adverse change in financial condition due to events such as unemployment or reduced income, divorce, or unexpected issues like medical bills and is therefore no longer able to make the required mortgage payments. To avoid foreclosure and satisfy the first-lien mortgage obligation, Fannie Mae's servicers work with a borrower to sell the home prior to foreclosure in a short sale, whereby the borrower sells the home for less than the full amount owed to Fannie Mae under the mortgage debt, or to accept a deed-in-lieu of foreclosure, whereby the borrower voluntarily conveys title to the property to Fannie Mae. These alternatives are designed to reduce Fannie Mae's credit losses while helping borrowers avoid having to go through a foreclosure. Fannie Mae works to obtain the highest price possible for the properties sold in short sales and, in 2018, Fannie Mae received aggregate net sales proceeds from its short sale transactions representing approximately 77% of the aggregate unpaid principal balance of the mortgage loans secured by the properties sold in those transactions, compared with aggregate net sales proceeds representing approximately 75% in 2017. The existence of a second lien may limit Fannie Mae's ability to provide borrowers with loan workout options, particularly those that are part of Fannie Mae's foreclosure prevention efforts; however, Fannie Mae is not required to contact a second lien holder to obtain their approval prior to providing a borrower with a loan modification.

### ***Non-Performing Loan Sales***

FHFA has issued requirements regarding the sale of non-performing loans which are intended to encourage Fannie Mae and Freddie Mac to pursue third-party sales of seriously-delinquent loans while promoting broad buyer participation and borrower protection. Broadly, the requirements are intended to promote the transfer of the risk of loss associated with owning seriously-delinquent loans to the private sector, reduce the overall number of loans held in the Fannie Mae and Freddie Mac portfolios in keeping with portfolio reduction targets in the Senior Preferred Stock Purchase Agreement, and improve borrower and neighborhood outcomes. Among other FHFA requirements, buyers of non-performing loans must identify their servicing partners, demonstrate a history of successful resolution of non-performing loans and are required to offer loan modifications to borrowers and provide alternatives to foreclosure whenever possible, including in certain limited cases of underwater properties, principal forgiveness. If foreclosure cannot be prevented, property sales to owner-occupants and not-for-profit agencies must be prioritized. Successful bidders are prohibited from simply abandoning properties and must sell or donate them to an organization willing to take them. Fannie Mae works to sell these loans to investors, not-for-profit organizations and public sector organizations. In addition, when selling non-performing loans, Fannie Mae offers both larger and smaller pools that may be more attractive to smaller investors, not-for-profit organizations and minority- and women-owned businesses. Fannie Mae brings pools of non-performing loans to the market periodically in its discretion and the frequency of such sales is likely to decline as its portfolio of such loans declines. Fannie Mae considers a number of factors in determining whether to sell seriously-delinquent loans to third parties, including its capital position, the impact of such sales on applicable portfolio limits and the extent of credit protection it has on such loans from risk sharing transactions or other sources. See "*Risk Factors — Federal Housing Policy Objectives Adopted by Fannie Mae May Not Be Aligned With the Interests of the Securityholders*" for a discussion of how enhanced non-performing loan sale requirements may increase the risk of loss on the Securities.

### ***Bankruptcy***

When a borrower files for bankruptcy, the servicer's options for recovery are more limited. The servicer monitors bankruptcy proceedings and develops appropriate responses based on a variety of factors, including: (i) the chapter of the U.S. Bankruptcy Code under which the borrower filed; (ii) the federal and local bankruptcy rules; (iii) motion requirements; and (iv) specific orders issued through the applicable court. In general, when a borrower who has filed for bankruptcy protection becomes delinquent or defaults under the terms of the mortgage note, bankruptcy payment requirements, or terms of the bankruptcy plan, Fannie Mae instructs servicers to engage counsel to file a motion for relief from stay that will allow the servicer to commence foreclosure proceedings. Servicers report information about borrowers and mortgage loans affected by a bankruptcy proceeding to Fannie Mae on a periodic basis. Borrowers who have filed bankruptcy are generally eligible for Fannie Mae's loan workout alternatives, which may require court approval in certain circumstances.

## ***Foreclosure***

The servicer is responsible for conducting any required foreclosures beginning with sending appropriate pre-foreclosure notices, referring the mortgage to foreclosure counsel, instructing and supervising foreclosure counsel during the foreclosure process and participating in the foreclosure sale. If a third party (someone other than the mortgagee or the borrower or their representatives) purchases the mortgaged property at the foreclosure sale, the servicer has the responsibility for remitting the foreclosure sale proceeds to Fannie Mae. If the servicer bids at the foreclosure sale in an amount as instructed by Fannie Mae and is the winning bidder, then the servicer is responsible for reporting the acquisition of the REO to Fannie Mae and vesting clear title to the property in Fannie Mae.

## ***Delinquent Loan Statistics***

The following table displays the delinquency status of loans in Fannie Mae's single-family conventional guaranty book of business (based on number of loans) as of the dates indicated.

### **Delinquency Status of Single-Family Conventional Loans**

	<b>As of</b>		
	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Delinquency status:			
30 to 59 days delinquent	1.28%	1.37%	1.52%
60 to 89 days delinquent	0.35%	0.38%	0.37%
Seriously delinquent	0.68%	0.76%	0.82%
Percentage of seriously delinquent loans that have been delinquent for more than 180 days	50%	49%	53%
Percentage of seriously delinquent loans that have been delinquent for more than two years	11%	12%	13%

Fannie Mae's single-family serious delinquency rate decreased as of September 30, 2019 compared with September 30, 2018, primarily driven by improved loan payment performance and the sale of nonperforming loans. The decline through the first nine months of 2018 was driven primarily by delinquent borrowers in the regions affected by Hurricanes Harvey, Irma and Maria continuing to resolve their loan delinquencies.

Fannie Mae publishes information in its quarterly financial supplements about the credit performance of the single-family mortgage loans that back its guaranteed MBS. Fannie Mae's most recent financial supplement can be accessed at:

[http://www.fanniemae.com/resources/file/ir/pdf/quarterly-annual-results/2019/q32019\\_financial\\_supplement.pdf](http://www.fanniemae.com/resources/file/ir/pdf/quarterly-annual-results/2019/q32019_financial_supplement.pdf)

## **REO Property Management and Valuation**

If a loan defaults and Fannie Mae acquires a home through foreclosure or a deed-in-lieu of foreclosure, Fannie Mae markets and sells the home through local real estate professionals. Fannie Mae's full range of credit risk management capabilities include Fannie Mae's valuation, sales strategy, and fulfillment operations to maintain and improve properties for sales. Fannie Mae's real estate strategy is to minimize loss severities by maximizing sales prices, supporting neighborhood stabilization, and minimizing carrying costs.

In some cases, Fannie Mae engages in a third party sale at foreclosure, which allows Fannie Mae to avoid maintenance and other REO expenses it would have incurred had it acquired the property.

Fannie Mae currently leases properties to tenants who occupied the properties before Fannie Mae acquired them into its REO inventory and to eligible borrowers who executed a deed-in-lieu of foreclosure. As of December 2018, approximately 350 tenants leased Fannie Mae's REO properties.

Fannie Mae continues to manage its REO inventory to appropriately control costs and maximize sales proceeds. A significant portion of Fannie Mae's REO properties are unable to be marketed at any given time because the properties are occupied, under repair, or are subject to state or local redemption or confirmation periods, which extends the amount of time it takes to bring Fannie Mae's properties to a marketable state and eventually dispose of them. This results in higher foreclosed property expenses, which include costs related to maintaining the property and ensuring that the property is vacant. As of September 30, 2019 approximately 45% of Fannie Mae's REO properties were unable to be marketed, 23% of Fannie Mae's REO properties were available for sale, approximately 12% of Fannie Mae's REO properties were pending sale settlement and approximately 20% of Fannie Mae's REO properties were pending appraisals and being prepared to be listed for sale.

### Sales

Fannie Mae utilizes an in-house REO sales team leveraging a network of nearly 930 real estate professionals. Sales teams are assigned geographically based on volumes. Fannie Mae uses its <http://www.HomePath.com> website to market Fannie Mae's REO properties, provide information to the public and to operate a short sale portal for use by real estate professionals.

Fannie Mae's property valuation team determines property values to support REO sales, short-sales, bids for foreclosure sales and non-performing loan sales. The team works with a panel of over 1,000 third-party appraisers and seven national broker price opinion vendors to determine property values. Vendor scorecards continually refine the vendor panels.

After a property is listed, Fannie Mae regularly reviews and evaluates property-specific factors to ensure consistent and accurate pricing strategies. Factors include the numbers of offers received, numbers of showing conducted, target buyers, closing cost assistance incentives, realtor replacement and alternative disposition strategies. Fannie Mae also convenes a Single Family Real Estate Working Group, which meets to discuss market trends that contribute to pricing and marketing strategies. The committee provides list price guidance to the sales team.

In cases where the property does not sell through local real estate professionals, Fannie Mae uses alternative methods of disposition, including selling homes to municipalities, other public entities or non-profit organizations, and selling properties in bulk or through public auctions.

Fannie Mae transfers credit risk through various channels, including its Connecticut Avenue Securities transactions, its Credit Insurance Risk Transfer transactions and risk sharing transactions in which Fannie Mae shares a portion of the credit risk with parties that sell mortgage loans to Fannie Mae or service mortgage loans for Fannie Mae. Fannie Mae may engage in risk sharing arrangements with loan sellers or servicers at or after the time of acquisition of the related loans. Fannie Mae also may enter into risk sharing transactions with approved servicers that have acquired mortgage servicing rights with respect to loans that Fannie Mae acquires. The applicable loan sellers and servicers may select those loans on which they elect to share credit risk with Fannie Mae based on agreed upon criteria. Loans subject to such risk sharing arrangements will not be eligible for inclusion in reference pools for Connecticut Avenue Securities transactions. See "*Eligibility Criteria*" above.

### **Reference Pool Criteria and Process**

The Securities will be linked to the performance of the mortgage loans in the Reference Pool. Loans included in the Reference Pool were chosen from a specified calendar cohort of loans that met the "*Eligibility Criteria*" and certain other conditions as further described below under "*Reference Pool Formation*".

#### ***Eligible Loans***

The eligible loans will consist of all loans from the calendar cohort that Fannie Mae acquires that meet the Eligibility Criteria as described under "*Summary of Terms — The Reference Pool*" in this Offering Memorandum.

#### ***Reference Pool Formation***

All mortgage loans originated under the Refi Plus Program that Fannie Mae acquired between April 1, 2009 and October 31, 2012 and held in various Fannie Mae MBS trusts as of the Cut-off Date were made available for

potential selection for the Reference Pool. From such mortgage loans, Fannie Mae identified those loans that met the Eligibility Criteria (such loans, the "**Available Loans**").

The Reference Obligations for the current transaction will not be available for inclusion in any other credit risk transfer transaction.

### ***Reference Pool Servicing and Risk Management***

Fannie Mae's servicing guidelines and credit risk management procedures are the same for the Reference Pool loans as for all of the eligible loans. In other words, Fannie Mae applies its standard servicing, credit risk management and quality control procedures to all eligible loans, including all of the loans in the Reference Pool. Additionally, Fannie Mae does not notify its servicers as to which loans are included in the Reference Pool and, accordingly, they are expected to service all eligible loans, including those included in the Reference Pool, in the same manner.

Loan-level credit performance data between January 1, 2000 and June 30, 2019 on a portion of Fannie Mae's 5- to 30-year, fully amortizing, full documentation, single-family, conventional fixed-rate mortgage loans purchased or acquired by Fannie Mae between January 1, 2000 and September 30, 2018, including mortgage loans purchased or acquired by Fannie Mae through HARP, is available online at <http://www.fanniemae.com/portal/funding-the-market/data/loan-performance-data.html> (the "**Single Family Loan-Level Dataset**"). Access to this web address is unrestricted and free of charge. The various mortgage loans for which performance information is shown at the above internet address had initial characteristics that differed from one another, and may have differed in ways that were material to the performance of those mortgage loans. These differing characteristics include, among others, product type, credit quality, geographic concentration, average principal balance, weighted average interest rate, weighted average loan-to-value ratio and weighted average term to maturity. Neither Fannie Mae nor the Indenture Trustee makes any representation, and you should not assume, that the performance information shown at the above internet address is in any way indicative of the performance of the Reference Obligations.

The Single Family Loan-Level Dataset available on Fannie Mae's website relating to any of its mortgage loans is not deemed to be part of this Offering Memorandum. Various factors may affect the prepayment, delinquency and loss performance of the mortgage loans over time.

The Reference Obligations may not perform in the same manner as the mortgage loans in the Single Family Loan-Level Dataset as a result of the various credit and servicing standards Fannie Mae has implemented over time. Due to adverse market and economic conditions, and based in part on Fannie Mae's reviews of the underwriting quality for loans originated in 2005 through 2008, Fannie Mae implemented several credit changes since 2008. These credit changes are defined by specified criteria such as LTV ratios, Credit Score and DTI. Fannie Mae cannot predict how these credit changes will affect the performance of the Reference Obligations compared to the performance of prior vintages of mortgage loans. See also "*Risk Factors — Risks Relating to the Securities Being Linked to the Reference Pool — Certain Loan Sellers May Originate Loans Under Variances to Fannie Mae's Selling Guide*" and "*— Servicers May Not Follow the Requirements of Fannie Mae's Servicing Guide and Servicing Standards May Change Periodically*".

## **THE REFERENCE OBLIGATIONS**

Unless otherwise noted, the statistical information presented in this Offering Memorandum concerning the Reference Pool is based on the characteristics of the Reference Obligations as of September 30, 2019. In addition, unless otherwise noted, references to a percentage of Reference Obligations refer to a percentage of Reference Obligations by principal balance as of September 30, 2019.

This section and [Appendix A](#) to this Offering Memorandum generally describe some of the material characteristics of Reference Obligations. Certain loan-level information for each Reference Obligation may be accessed through Fannie Mae's website at [www.fanniemae.com](http://www.fanniemae.com).

The figures in this Offering Memorandum may not correspond exactly to the related figures in [Appendix A](#) to this Offering Memorandum due to rounding differences. Prior to the Closing Date, Reference Obligations will not be removed or substituted from the Reference Pool. Fannie Mae believes that the information set forth in this Offering Memorandum and [Appendix A](#) to this Offering Memorandum is representative of the characteristics of the Reference Pool as it will be constituted as of the Closing Date.

The "**Initial Cohort Pool**" represents all of the Available Loans that met the Eligibility Criteria at the time of their acquisition by Fannie Mae (other than those Eligibility Criteria that are determined as of the Cut-off Date and the criteria set forth in clause (j) of the definition thereof). The first table below summarizes the loan count, original unpaid principal balance and key attributes of the mortgage loans included in the Initial Cohort Pool.

<u>Category</u>	<u>Loan Count</u>	<u>Aggregate Original Loan Balance</u>	<u>Average Original Loan Balance</u>	<u>Weighted Average Original Credit Score</u>	<u>Weighted Average Original LTV Ratio</u>
Initial Cohort Pool	2,467,907	\$481,741,975,000	\$195,203	753	78.95%
less loans that were paid in full	1,611,394	\$328,911,197,000			
less loans that did not satisfy the delinquency criteria set forth in clauses (c) and (d) of the definition of Eligibility Criteria	15,450	\$2,973,165,000			
less loans that did not have an ELTV or had an ELTV > 200	75	\$16,811,000			
Reference Pool	840,988	\$149,840,802,000	\$178,172	748	82.20%

### Results of Fannie Mae Quality Control

Fannie Mae's loan level post-purchase QC reviews of Refi Plus loans were designed to allow Fannie Mae to evaluate independently whether loans it has acquired met the Refi Plus Program eligibility requirements. These reviews were based on a combination of the documents and information submitted to Fannie Mae by the loan sellers together with information regarding the borrowers and the properties that Fannie Mae developed itself. In some instances, an individual loan may have been selected for both a random and a discretionary review. See "*Loan Acquisition Practices and Servicing Standards — Quality Control*".

The following summary is based on the most current information available as of October 21, 2019.

<u>All Eligible Loans Acquired from April 1, 2009 through October 31, 2012</u>	<u>Number of Loans</u>	<u>% of Eligible Loans</u>
Total Loans	2,532,006	
Post-Purchase Quality Control Review Selections	21,704	0.86%
<u>Post-Purchase Quality Control Review Selections</u>	<u>Number of Loans</u>	<u>% of Reviewed Loans</u>
Randomly Selected Loans	15,320	70.59%
Discretionary Selected Loans	6,384	29.41%
Total	21,704	100.00%
<u>Loans Identified with Eligibility Defects</u>	<u>Number of Loans</u>	<u>% of Reviewed Loans</u>
Randomly Selected Loans	110	0.72%
Discretionary Selected Loans	1,378	21.59%
Total	1,488	6.86%

In Fannie Mae's post-purchase QC reviews of mortgage loans acquired from April 1, 2009 through October 31, 2012, Fannie Mae selected 21,704 mortgage loans to be reviewed out of all mortgage loans that met the criteria specified in clauses (a), (b), (c), (g) and (h) of the definition of Eligibility Criteria at the time of acquisition; these loans comprise approximately a 0.86% sample by loan count. Fannie Mae's post-purchase QC reviews were designed to determine that the loans complied the eligibility criteria for the Refi Plus Program. In addition, Fannie Mae conducts reviews on a subset of loans to evaluate whether the loans comply with certain laws and regulations that limit points and fees and that may result in assignee liability. Of the 21,704 mortgage loans, 17,618 received a limited compliance review. Of the 21,704 loans Fannie Mae selected to review, 15,320 were selected randomly and 6,384 were selected using targeted, discretionary sampling employing a number of technology tools and internal models to more accurately identify loans with characteristics that merit further scrutiny in discretionary reviews, as well as other targeted review criteria. Of these 21,704 loans, 6,470 are included in the Reference Pool. If Fannie Mae determined in its reviews that a loan had an Eligibility Defect, Fannie Mae generally requested that the loan seller repurchase the loan. When Fannie Mae makes a repurchase request, Fannie Mae may provide a limited

opportunity for loan sellers to deliver additional information or documents to Fannie Mae to rebut its repurchase request, and loan sellers frequently are able to provide sufficient additional information for Fannie Mae to determine that the loans do not have Eligibility Defects. As of October 21, 2019, 110 of the randomly selected loans (approximately 0.72% of the randomly selected reviewed loans) and 1,378 of the loans selected on a discretionary basis (approximately 21.59% of the discretionally selected reviewed loans) were identified by Fannie Mae as having Eligibility Defects.

**Investors should make their own determination about the appropriateness and suitability of, as well as the extent to which they should rely upon, the sampling methodology and review the results described above.** See *"Risk Factors — Risks Relating to the Securities Being Linked to the Reference Obligations — Fannie Mae's Limited Review of a Sample of a Small Percentage of the Reference Obligations May Not Reveal All Aspects That Could Lead to Credit Events and Modification Events"* for additional information regarding the limitations of Fannie Mae's reviews.

### ***Limited Compliance Review Findings***

Fannie Mae's limited compliance reviews test for compliance with certain laws that may result in assignee liability or that restrict points and fees ("**Limited Compliance Reviews**"), but Fannie Mae does not examine all of the documents necessary to ensure that a mortgage loan complies with all applicable federal, state and local laws and regulations. Fannie Mae performs Limited Compliance Reviews in order to validate the eligibility of the loans to be acquired. However, these reviews do not include examination of all of the documents that would be required to be reviewed to ensure that the loans comply with all applicable federal, state and local laws and regulations. Of the eligible loans acquired from April 1, 2009 through October 31, 2012 and selected for a random or discretionary post-purchase review, 17,618 were subject to a Limited Compliance Review (5,620 of which are included in the Reference Pool). Of the mortgage loans subject to a Limited Compliance Review, two mortgage loans were determined to be ineligible to be sold to Fannie Mae based on the results of such Limited Compliance Review and were repurchased by the related loan seller.

Fannie Mae's Selling Guide requires each loan seller to comply with all federal, state and local laws and regulations and to implement a QC program designed to validate that the loan seller's loans do comply with all applicable laws and regulations. Fannie Mae periodically evaluates the effectiveness of a loan seller's QC programs as more fully described under *"Loan Acquisition Practices and Servicing Standards — Quality Control — Loan Seller Quality Control Requirements"*. Fannie Mae's Selling Guide also requires loan sellers to represent and warrant to Fannie Mae that loans Fannie Mae acquires were originated in compliance with all applicable laws and regulations.

## **Due Diligence Review**

### ***General***

In connection with the issuance of the Securities, Fannie Mae engaged Adfitech Inc., a third-party diligence provider (the "**Diligence Provider**"), to conduct compliance and data integrity reviews of mortgage loans that Fannie Mae acquired under the Refi Plus Program between April 2009 and October 2012. Fannie Mae pays the fees and expenses of the Diligence Provider and the scope and design of the review is determined by Fannie Mae in consultation with the Diligence Provider.

Selection of the diligence sample for the review relating to this transaction is limited to those mortgage loans that previously were reviewed by Fannie Mae as part of its random post-purchase QC review (the "**Fannie Mae QC Review**"), as described above under *"Loan Acquisition Practices and Servicing Standards — Quality Control — Fannie Mae Quality Control Policy and Process."* The mortgage loans available for selection to the diligence sample for the review relating to this transaction are referred to as the "**Eligible Review Population**" for that review.

The Diligence Provider received access to a comparable set of data integrity and compliance data and documents that Fannie Mae reviews as part of the Fannie Mae QC Review. From the Eligible Review Population, the Diligence Provider randomly selected a statistically determined number of mortgage loans (the "**Diligence Sample**") for its review.

In its review of Refi Plus Program loans acquired by Fannie Mae between April 2009 and October 2012, the Diligence Provider selected a Diligence Sample of 999 mortgage loan files from an Eligible Review Population of



23,762 loans, an approximate 4.20% sample by loan count. The Diligence Sample included 212 Reference Obligations that were included in the final selection of the Reference Pool.

The mortgage loans in the Eligible Review Population subsequently may have paid off, become delinquent or become subject to repurchase requests prior to issuance of the applicable Connecticut Avenue Securities; no such mortgage loans are included in any reference pool.

Each prospective investor is encouraged to make its own determination as to the value of the available third-party diligence results and the extent to which the Reference Pool, taken as a whole, can be assumed to reflect the same or similar error and defect rates as are reflected in the disclosed results.

### ***Compliance Reviews***

The Limited Compliance Reviews that are part of Fannie Mae's post-purchase QC reviews are designed to assess whether the mortgage loans comply with certain laws that may result in assignee liability and for compliance with laws restricting points and fees. Fannie Mae's Limited Compliance Reviews do not include examination of documents to ensure that a mortgage loan complies with all laws and regulations relating to the origination of the mortgage loan. Investors should note that the only potential Eligibility Defects uncovered during such review would relate to mortgage loans that Fannie Mae finds to have violated laws that may result in assignee liability or that restrict points and fees.

None of the 999 mortgage loans in the Diligence Sample with a completed Limited Compliance Review were determined to be non-compliant.

Fannie Mae relies on representations and warranties from its loan sellers that all mortgage loans were originated in accordance with all applicable federal, state and local laws and regulations. If, at any point, Fannie Mae discovers a breach of these representation and warranties, Fannie Mae has the right to require the loan seller to repurchase the mortgage loan. This includes, but is not limited to, circumstances where Fannie Mae is unable to foreclose or take title to a property due to failure of the originator to comply with applicable laws in the origination of the mortgage loan.

### ***Data Integrity Reviews***

The standard data integrity reviews performed by the Diligence Provider are designed to ascertain the data accuracy and completeness of the mortgage loan. Generally, the Diligence Provider reviews the documents and information submitted to Fannie Mae by the loan sellers (the "**Review Files**") as well as information independently ascertained by Fannie Mae to determine whether the mortgage loans meet Fannie Mae's underwriting and eligibility requirements. The Diligence Provider evaluates this information to determine whether the mortgage loans meet the terms of Fannie Mae's Selling Guide, any Permitted Variances and, for mortgage loans that were underwritten through DU, the DU recommendations and findings. As a result, the Diligence Provider may rely upon the additional information provided by Fannie Mae that was not included in the Review Files in determining whether a mortgage loan meets Fannie Mae's underwriting and eligibility standards.

The Diligence Provider compared 12,987 fields on the data file Fannie Mae prepared that includes certain characteristics of the mortgage loans that Fannie Mae uses to generate the statistical information regarding the mortgage loans in a Reference Pool to information in the mortgage loan files. These fields are: credit score, loan purpose, property type, number of units, occupancy status, property state, five digit zip code, original principal balance, original interest rate, amortization type, first payment date, maturity date, and number of borrowers. Discrepancies found in data integrity reviews are summarized below and in Appendix B to this Offering Memorandum.

Fannie Mae's loan level post-purchase QC reviews are designed to allow Fannie Mae to evaluate independently whether mortgage loans Fannie Mae has acquired meet its underwriting and eligibility requirements based on its determinations of the borrowers' credit and income and the value of the mortgaged properties. These reviews are not designed to validate the mortgage loan data provided to Fannie Mae by the loan sellers. Fannie Mae may determine that none of the data discrepancies identified by a Diligence Provider result in Eligibility Defects or a violation of the applicable Eligibility Criteria. However, investors should note that in such cases Fannie Mae does not update the mortgage loan data files to reflect these discrepancies. In its sole discretion, after the closing date for an issuance of Connecticut Avenue Securities, Fannie Mae may take steps to reconcile certain of the data discrepancies identified by the applicable Diligence Provider with the respective loan sellers. To the extent Fannie

Mae verifies any of these data discrepancies, Fannie Mae expects to update the monthly loan-level information with respect to the applicable Reference Pool that is made available to the related Securityholders.

The following tables summarize the data discrepancies identified by the Diligence Provider relative to Fannie Mae's data files.

	Number of Discrepancies	Percentage of Diligence Sample	Average of Fannie Mae Data	Average of Diligence Provider Data
Amortization Type	1	0.10%	ARM	Fixed Rate
Credit Score	48	4.80%	740	742
Loan Amount	1	0.10%	63,640	63,650
Maturity Date	1	0.10%	Blank	3/1/2025
Number of Borrowers	1	0.10%	4	2
Property Type	6	0.60%	Single Family	PUD
Property Type	3	0.30%	Single Family	Condo
<b>Total.....</b>	<b>61*</b>			

\* These 61 discrepancies relate to 59 mortgage loans, of which 14 mortgage loans are included in, and 45 mortgage loans were not included in the Reference Pool. Data discrepancies for the 14 mortgage loans included in the Reference Pool are summarized in the following table. Additionally, see Appendix B for further information regarding each discrepancy.

Discrepancies for Diligence Sample Mortgage Loans Included in the Reference Pool	Number of Discrepancies	Percentage of Diligence Sample	Average of Fannie Mae Data	Average of Diligence Provider Data
Credit Score	13	1.30%	742	732
Property Type	1	0.10%	Single Family	PUD
Property Type	1	0.10%	Single Family	Condo
<b>Total .....</b>	<b>15*</b>			

\* These 15 discrepancies related to 14 mortgage loans.

### Limitations of the Diligence Provider's Review Process

As noted above under "*Risks Relating to the Securities Being Linked to the Reference Obligations — Limited Scope and Size of Review of the Mortgage Loans in the Reference Pool May Not Reveal Aspects of the Reference Obligations That Could Lead to Credit Events and Modification Events*," there can be no assurance that the review conducted by the Diligence Provider uncovered all relevant factors relating to the origination of the mortgage loans included in the Reference Pool, their compliance with applicable laws and regulation or uncovered all relevant factors that could affect the future performance of the mortgage loans included in the Reference Pool. The review was performed on a small sample that did not include all of the mortgage loans included in the Reference Pool and the mortgage loans that were included in the review may have characteristics that were not discovered, noted or analyzed as part of the Diligence Provider's limited review that could, nonetheless, result in those mortgage loans experiencing Credit Events in the future.

Investors are advised that the aforementioned review procedures carried out by the Diligence Provider were performed for the benefit of the Initial Purchasers but were of limited scope as described above. The Diligence Provider makes no representation and provides no advice to any investor or future investor concerning the suitability of any transaction or investment strategy, the Diligence Provider performed only the review procedures described herein and the Diligence Provider is not responsible for any decision to include any mortgage loan in the Reference Pool.

Investors are encouraged to make their own determination as the extent to which they place reliance on the limited loan review procedures carried out as part of the Diligence Provider's reviews.

## HISTORICAL INFORMATION

Loan-level credit performance data between January 1, 2000 and June 30, 2019 on a portion of Fannie Mae's 5- to 30-year, fully amortizing, full documentation, single-family, conventional fixed-rate mortgage loans purchased or acquired by Fannie Mae between January 1, 2000 and September 30, 2018, including mortgage loans purchased or acquired by Fannie Mae through HARP, is available online at <http://www.fanniemae.com/portal/funding-the-market/data/loan-performance-data.html> (the "**Single Family Loan-Level Dataset**"). Access to this web address is unrestricted and free of charge. The various mortgage loans for which performance information is shown at the above internet address had initial characteristics that differed from one another, and may have differed in ways that were material to the performance of those mortgage loans. These differing characteristics include, among others, product type, credit quality, geographic concentration, average principal balance, weighted average interest rate, weighted average loan-to-value ratio and weighted average term to maturity. Neither Fannie Mae nor the Indenture Trustee makes any representation, and you should not assume, that the performance information shown at the above internet address is in any way indicative of the performance of the Reference Obligations.

The Single Family Loan-Level Dataset available on Fannie Mae's website relating to any of its mortgage loans is not deemed to be part of this Offering Memorandum. Various factors may affect the prepayment, delinquency and loss performance of the mortgage loans over time.

The Reference Obligations may not perform in the same manner as the mortgage loans in the Single Family Loan-Level Dataset as a result of the various credit and servicing standards Fannie Mae has implemented over time. Due to adverse market and economic conditions, and based in part on Fannie Mae's reviews of the underwriting quality for loans originated in 2005 through 2008, Fannie Mae implemented several credit changes since 2008. These credit changes are defined by specified criteria such as LTV ratios, Credit Score and DTI. Fannie Mae cannot predict how these credit changes will affect the performance of the Reference Obligations compared to the performance of prior vintages of mortgage loans. See also "*Risk Factors — Risks Relating to the Securities Being Linked to the Reference Obligations — Certain Loan Sellers May Originate Loans Under Variances to Fannie Mae's Selling Guide*" and "*— Servicers May Not Follow the Requirements of Fannie Mae's Servicing Guide and Servicing Standards May Change Periodically*".

## PREPAYMENT AND YIELD CONSIDERATIONS

### Credit Events and Modification Events

The amount and timing of Credit Events and Modification Events on the Reference Obligations will affect the yield on the Securities. To the extent that Credit Events or Modification Events on the Reference Obligations result in the allocation of Tranche Write-down Amounts to a related Class of Securities, the Class Principal Balance of such Class of Securities will be reduced, without any corresponding payment of principal, by the amount of such Tranche Write-down Amounts. As described under "*Summary of Terms — Reductions in Class Principal Balances of the Securities Due to Allocation of Tranche Write-down Amounts*," Tranche Write-down Amounts for the Securities will be allocated (after allocation of the Senior Reduction Amount and Subordinate Reduction Amount) *first*, to reduce any Overcollateralization Amount for such Payment Date, until such Overcollateralization Amount is reduced to zero. Thereafter, all additional Tranche Write-down Amounts will be allocated to reduce the Class Notional Amounts of the Reference Tranches in the following order of priority:

*first*, to the Class B-2H Reference Tranche,

*second*, to the Class B-1 and Class B-1H Reference Tranches, *pari passu* based on their Class Notional Amounts after allocation of the Senior Reduction Amount and Subordinate Reduction Amount;

*third*, to the Class M-2B and Class M-BH Reference Tranches, *pari passu* based on their Class Notional Amounts after allocation of the Senior Reduction Amount and Subordinate Reduction Amount;

*fourth*, to the Class M-2A and Class M-AH Reference Tranches, *pari passu* based on their Class Notional Amounts after allocation of the Senior Reduction Amount and Subordinate Reduction Amount; and

*fifth*, to the Class A-H Reference Tranche (up to the amount of any remaining unallocated Tranche Write-down Amounts *less* the amount attributable to clause (d) of the definition of "Principal Loss Amount");

in each case until the Class Notional Amount of each such Class is reduced to zero. Any Tranche Write-down Amounts allocated to the Class M-2A, Class M-2B or Class B-1 Reference Tranche will result in a corresponding decrease in the Class Principal Balance of the Class M-2A Notes, Class M-2B Notes or Class B-1 Certificates, as applicable (without regard to any exchanges of Exchangeable Notes for RCR Notes for such Payment Date). If any RCR Notes are held by Holders, any Tranche Write-down Amount that is allocable to the related Exchangeable Notes will be allocated to decrease the Class Principal Balance or Class Notional Amount, as applicable, of the RCR Notes (to the extent such RCR Notes have a Class Principal Balance or Class Notional Amount, as applicable, greater than zero). Any such allocations will result, in turn, in investment losses to the Securityholders. Similarly, Modification Loss Amounts may be allocated to the Class M-2A, Class M-2B or Class B-1 Reference Tranche as described under "*Description of the Securities—Hypothetical Structure and Calculations with Respect to the Reference Tranches—Allocation of Modification Loss Amount*" and will result in a corresponding reduction of the Interest Payment Amount of the Class M-2A Notes, Class M-2B Notes or Class B-1 Certificates, as applicable. If any RCR Notes are held by Holders, any Modification Loss Amount that is allocable to the related Exchangeable Notes will be allocated to decrease the Class Principal Balance or Class Notional Amount, as applicable, of the RCR Notes. As such:

- because the Class B-1 Reference Tranche is subordinate to the Class M-2A and Class M-2B Reference Tranches, the Class B-1 Certificates will be more sensitive than the Class M-2A and Class M-2B Notes to Tranche Write-down Amounts after the Class Notional Amount of the Class B-2H Reference Tranche is reduced to zero; and
- because the Class M-2B Reference Tranche is subordinate to the Class M-2A Reference Tranches, the Class M-2B Notes will be more sensitive than the Class M-2A Notes to Tranche Write-down Amounts after the Class Notional Amounts of the Class B-2H and Class B-1 Reference Tranches are reduced to zero.

Additionally, allocations of Modification Loss Amounts following Modification Events may result in reductions in the Interest Payment Amounts on the Securities, as further described under "*Description of the Securities — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Modification Loss Amount*."

Credit Events and Modification Events can be caused by, but not limited to, borrower mismanagement of credit and unforeseen events. The rate of delinquencies on refinance mortgage loans may be higher than for other types of mortgage loans. Furthermore, the rate and timing of Credit Events and Modification Events on the Reference Obligations (and the actual losses realized with respect thereto) will be affected by the general economic condition of the region of the country in which the related mortgaged properties are located. The risk of Credit Events and Modification Events is greater and prepayments are less likely in regions where a weak or deteriorating economy exists, as may be evidenced by, among other factors, increasing unemployment or falling property values. The yield on any Class of Securities and the rate and timing of Credit Events and Modification Events on the Reference Obligations may also be affected by servicing decisions by the applicable servicer.

### **Prepayment Considerations and Risks**

The rate of principal payments on the Securities and the yield to maturity (or to early redemption) of Securities purchased at a price other than par are directly related to the rate and timing of payments of principal on the Reference Obligations. The principal payments on the Reference Obligations may be in the form of Scheduled Principal or Unscheduled Principal. Any Unscheduled Principal may result in payments to an investor of amounts that would otherwise be distributed over the remaining term of the Reference Obligations.

The rate at which mortgage loans in general prepay may be influenced by a number of factors, including general economic conditions, mortgage market interest rates, availability of mortgage funds, the value of the mortgaged property and the borrower's net equity therein, solicitations, servicer decisions and homeowner mobility.

- In general, if prevailing mortgage rates fall significantly below the mortgage rates on the Reference Obligations, the Reference Obligations are likely to prepay at higher rates than if prevailing mortgage rates remain at or above the mortgage rates on the Reference Obligations.
- Conversely, if prevailing mortgage rates rise above the mortgage rates on the Reference Obligations, the rate of prepayment would be expected to decrease.

The timing of changes in the rate of prepayments may significantly affect an investor's actual yield to maturity, even if the average rate of principal prepayments is consistent with an investor's expectations. In general, the earlier the payment of principal of the Reference Obligations the greater the effect on an investor's yield to maturity. As a result, the effect on investors' yield due to principal prepayments occurring at a rate higher (or lower) than the rate investors anticipate during the period immediately following the issuance of the Securities may not be offset by a subsequent like reduction (or increase) in the rate of principal prepayments. Prospective investors should also consider the risk, in the case of a Security purchased at a discount that a slower than anticipated rate of payments in respect of principal (including prepayments) on the Reference Obligations will have a negative effect on the yield to maturity of such Security. Prospective investors should also consider the risk, in the case of a Security purchased at a premium, that a faster than anticipated rate of payments in respect of principal (including prepayments) on the Reference Obligations will have a negative effect on the yield to maturity of such Security. Prospective investors must make decisions as to the appropriate prepayment assumptions to be used in deciding whether to purchase Securities.

A borrower may make a full or partial prepayment on a mortgage loan at any time without paying a penalty. A borrower may fully prepay a mortgage loan for several reasons, including an early payoff, a sale of the related mortgaged property or a refinancing of the mortgage loan. A borrower who makes a partial prepayment of principal may request that the monthly principal and interest installments be recalculated, provided that the monthly payments are current. Any recalculation of payments must be documented by a modification agreement. The recalculated payments cannot result in an extended maturity date or a change in the interest rate. The rate of payment of principal may also be affected by any removal from the Reference Pool of some or all of the Reference Obligations as required by the Indenture. See "*Summary of Terms — The Reference Pool*" in this Offering Memorandum. Fannie Mae may also remove Reference Obligations from the Reference Pool because they do not satisfy the Eligibility Criteria. Any removals will shorten the weighted average lives of the Securities.

The Reference Obligations will typically include "due-on-sale" clauses which allow the holder of such Reference Obligation to demand payment in full of the remaining principal balance upon sale or certain transfers of the property securing such Reference Obligation.

Acceleration of the Reference Obligations as a result of enforcement of "due-on-sale" clauses in connection with transfers of the related mortgaged properties or the occurrence of certain other events resulting in acceleration would affect the level of prepayments on the Reference Obligations, which in turn would affect the weighted average lives of the Securities.

In recent years, modifications and other default resolution procedures other than foreclosure, such as deeds in lieu of foreclosure and short sales, have become more common and those servicing decisions, rather than foreclosure, may affect the rate of principal prepayments on the Reference Obligations.

Prospective investors should understand that the timing of changes in One-Month LIBOR may affect the actual yields on the floating rate Securities even if the average rate of One-Month LIBOR is consistent with such prospective investors' expectations. Each prospective investor must make an independent decision as to the appropriate One-Month LIBOR assumptions to be used in deciding whether to purchase a Security.

The Securities are also subject to acceleration following an Event of Default under the Indenture, as described under "*The Agreements — The Indenture*," and are subject to early redemption as described under "*Description of the Securities — Early Redemption*" in this Offering Memorandum.

## **RCR Notes**

The payment characteristics and experiences of the RCR Notes reflect the payment characteristics of the related Exchangeable Notes. Accordingly, investors in the RCR Notes should consider the prepayment and yield considerations described herein of the related Exchangeable Notes as if they were investing directly in such Exchangeable Notes. In addition, if investors purchase Interest Only RCR Notes and principal payments allocated to the related Exchangeable Notes occur at a faster rate than such investors assumed, such investors' actual yield to maturity will be lower than assumed or such investors may not even recover their investments in such RCR Notes.

**Assumptions Relating to Weighted Average Life Tables, Declining Balances Tables, Credit Event Sensitivity Table, Cumulative Security Write-down Amount Tables and Yield Tables**

The tables on the following pages have been prepared on the basis of the following assumptions (the "**Modeling Assumptions**"):

(a) The Reference Obligations consist of the mortgage loans having the assumed characteristics shown in Appendix C;

(b) the initial Class Principal Balances for the Offered Securities are as set forth or described on the cover page hereof, the Class Principal Balances and Class Notional Amounts of the other RCR Notes and the Exchangeable Notes are as set forth on Schedule I hereto, and the Class Coupons are assumed to be as follows:

<u>Class</u>	<u>Assumed Class Coupon</u>
M-2 Notes .....	One-Month LIBOR + 2.15%
M-2A Notes.....	One-Month LIBOR + 2.15%
M-2B Notes.....	One-Month LIBOR + 2.15%
A-I1 Notes.....	1.55%
A-I2 Notes.....	1.15%
A-I3 Notes.....	0.75%
A-I4 Notes.....	0.35%
E-A1 Notes.....	One-Month LIBOR + 0.60%
E-A2 Notes.....	One-Month LIBOR + 1.00%
E-A3 Notes.....	One-Month LIBOR + 1.40%
E-A4 Notes.....	One-Month LIBOR + 1.80%
B-I1 Notes .....	1.55%
B-I2 Notes .....	1.15%
B-I3 Notes .....	0.75%
B-I4 Notes .....	0.35%
E-B1 Notes.....	One-Month LIBOR + 0.60%
E-B2 Notes.....	One-Month LIBOR + 1.00%
E-B3 Notes.....	One-Month LIBOR + 1.40%
E-B4 Notes.....	One-Month LIBOR + 1.80%
B-1 Certificates .....	One-Month LIBOR + 9.25%

(c) the scheduled monthly payment for each Reference Obligation is based on its unpaid principal balance, current mortgage rate and remaining term so that it will fully amortize in amounts sufficient for the repayment thereof over its remaining amortization term;

(d) other than with respect to the Declining Balances Tables, the Reference Obligations experience Credit Events at the indicated CDR percentages and there is no lag between the related Credit Event Amounts and the application of any Recovery Principal; the Principal Loss Amount is equal to 15% of the Credit Event; in the case of the Declining Balances Tables, it is assumed that no Credit Events occur;

(e) the Delinquency Test is satisfied for each Payment Date;

(f) scheduled payments of principal and interest with respect to the Reference Obligations are received on the applicable due date beginning on the first day of the calendar month immediately preceding the month in which the first Payment Date occurs;

(g) principal prepayments in full on the Reference Obligations are received on the last day of each month beginning in the calendar month prior to the month in which the first Payment Date occurs;

(h) there are no partial principal prepayments on the Reference Obligations;

(i) the Reference Obligations prepay at the indicated CPR percentages;

- (j) no Reference Obligations are purchased or removed from the Reference Pool and no mortgage loans are substituted for the Reference Obligations included in the Reference Pool on the Closing Date;
- (k) there are no Modification Events or data corrections in connection with the Reference Obligations;
- (l) there is no exercise of the Early Redemption Option (except in the case of WAL (years) to Early Redemption Date);
- (m) there are no Reversed Credit Event Reference Obligations or Originator Rep and Warranty Settlements;
- (n) the Projected Recovery Amount is zero;
- (o) the Securities are issued on December 6, 2019;
- (p) the Maturity Date is the Payment Date in November 2039;
- (q) cash payments on the Securities are received on the twenty-fifth (25<sup>th</sup>) day of each month beginning in December 2019 as described under "*Description of The Securities*" in this Offering Memorandum;
- (r) each Remittance Date occurs on the twenty-fourth (24<sup>th</sup>) day of each month beginning in December 2019;
- (s) the value of One-Month LIBOR is assumed to remain constant at 1.70800% per annum;
- (t) the Credit Protection Agreement does not terminate prior to the Payment Date in November 2039 (except in the case of WAL (years) to Early Redemption Date);
- (u) there is no Event of Default under the Indenture; and
- (v) there are no losses or delays in the liquidation of Eligible Investments in the Cash Collateral Account.

Although the characteristics of the Reference Obligations for the Weighted Average Life Tables, Declining Balances Tables, Credit Event Sensitivity Table, Cumulative Security Write-down Amount Tables and Yield Tables have been prepared on the basis of the weighted average characteristics of the mortgage loans which are expected to be included in the Reference Pool, there is no assurance that the Modeling Assumptions will reflect the actual characteristics or performance of the Reference Obligations or that the performance of the Securities will conform to the results set forth in the tables.

### **Weighted Average Lives of the Securities**

Weighted average life of a Class of Securities (other than the Interest Only RCR Notes) refers to the average amount of time that will elapse from the date of issuance of such Class of Securities until each dollar is distributed and any Tranche Write-down Amount is allocated in reduction of its principal balance. Fannie Mae has calculated the weighted average lives for the Interest Only RCR Notes assuming that a reduction in the related Class Notional Amount is a reduction in Class Principal Balance of the related Exchangeable Note. The weighted average lives of the Securities will be influenced by, among other things, the rate at which principal of the Reference Obligations is actually paid by the related borrower, which may be in the form of Scheduled Principal or Unscheduled Principal, the timing of changes in such rate of principal payments and the timing and rate of allocation of Tranche Write-down Amounts and Tranche Write-up Amounts to the Securities. The interaction of the foregoing factors may have different effects on each Class of Securities and the effects on any such Class may vary at different times during the life of such Class. Accordingly, no assurance can be given as to the weighted average life of any Class of Securities. For an example of how the weighted average lives of the Securities are affected by the foregoing factors at various rates of prepayment and Credit Events, see the Weighted Average Life Tables and Declining Balances Tables set forth below.

Prepayments on mortgage loans are commonly measured relative to a constant prepayment standard or model. The model used in this Offering Memorandum for the Reference Obligations is a Constant Prepayment Rate (or "CPR"). CPR assumes that the outstanding principal balance of a pool of mortgage loans prepays at a specified constant annual rate. In projecting monthly cash flows, this rate is converted to an equivalent monthly rate.

CPR does not purport to be either a historical description of the prepayment experience of mortgage loans or a prediction of the anticipated rate of prepayment of any mortgage loans, including the Reference Obligations. The percentages of CPR in the tables below do not purport to be historical correlations of relative prepayment experience of the Reference Obligations or predictions of the anticipated relative rate of prepayment of the Reference Obligations. Variations in the prepayment experience and the principal balance of the Reference Obligations that prepay may increase or decrease the percentages of initial Class Principal Balances (and weighted average lives) shown in the Declining Balances Tables below and may affect the weighted average lives shown in the Weighted Average Life Tables below. Such variations may occur even if the average prepayment experience of all such Reference Obligations equals any of the specified percentages of CPR.

It is highly unlikely that the Reference Obligations will have the precise characteristics referred to in this Offering Memorandum or that they will prepay or experience Credit Events or Modification Events at any of the rates specified or times assumed or that Credit Events or Modification Events will be incurred according to one particular pattern. The Weighted Average Life Tables, Credit Event Sensitivity Table, Cumulative Security Write-down Amount Tables and Yield Tables below assume a constant rate of Reference Obligations becoming Credit Event Reference Obligations each month relative to the then outstanding aggregate unpaid principal balance of the Reference Obligations. This constant default rate ("**CDR**") does not purport to be either a historical description of the default experience of the Reference Obligations or a prediction of the anticipated rate of defaults on the Reference Obligations. The rate and extent of actual defaults experienced on the Reference Obligations are likely to differ from those assumed and may differ significantly. A rate of 3.0% CDR assumes Reference Obligations become Credit Event Reference Obligations at an annual rate of 3.0% which remains in effect through the remaining lives of such Reference Obligations. Further, it is unlikely the Reference Obligations will become Credit Event Reference Obligations at any specified percentage of CDR.

The Weighted Average Life Tables and the Declining Balances Tables have been prepared on the basis of the Modeling Assumptions described above under "*Assumptions Relating to Weighted Average Life Tables, Declining Balances Tables, Credit Event Sensitivity Table, Cumulative Security Write-down Amount Tables and Yield Tables*". There will likely be discrepancies between the characteristics of the actual mortgage loans included in the Reference Pool and the characteristics of the hypothetical mortgage loans assumed in preparing the Weighted Average Life Tables and the Declining Balances Tables. Any such discrepancy may have an effect upon the percentages of initial Class Principal Balances outstanding set forth in the Declining Balances Tables (and the weighted average lives of the Securities set forth in the Weighted Average Life Tables and the Declining Balances Tables). In addition, to the extent that the mortgage loans that actually are included have characteristics that differ from those assumed in preparing the following Declining Balances Tables, the Class Principal Balance of a related Class of Securities could be reduced to zero earlier or later than indicated by the applicable Declining Balances Table.

Furthermore, the information contained in the Weighted Average Life Tables and the Declining Balances Tables with respect to the weighted average life of any Security is not necessarily indicative of the weighted average life of that Class of Securities that might be calculated or projected under different or varying prepayment assumptions.

It is not likely that all of the Reference Obligations will have the interest rates or remaining terms to maturity assumed or that the Reference Obligations will prepay at the indicated CPR percentages or experience Credit Events at the indicated CDR percentages. In addition, the diverse remaining terms to maturity of the Reference Obligations could produce slower or faster reductions of the Class Principal Balances than indicated in the Declining Balances Tables at the various CPR percentages specified.



**Weighted Average Life Tables**

Based upon the Modeling Assumptions, the following Weighted Average Life Tables indicate the projected weighted average lives in years of each Class of Securities shown at various CPR percentages and CDR percentages.

**Class M-2 Weighted Average Life to Maturity (years)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	5.63	3.24	2.20	1.63	1.28	1.04	0.87	0.73
0.25%.....	7.08	5.38	3.08	2.10	1.57	1.23	1.01	0.85
0.50%.....	6.79	7.99	5.31	2.90	1.96	1.45	1.16	0.95
0.75%.....	5.22	6.03	7.52	5.11	2.71	1.82	1.36	1.08
1.00%.....	4.18	4.67	5.51	6.02	4.31	2.55	1.68	1.26
1.50%.....	2.95	3.18	3.50	4.01	5.01	3.92	3.02	2.20
2.00%.....	2.28	2.40	2.56	2.78	3.13	3.84	3.38	2.74
3.00%.....	1.55	1.60	1.66	1.74	1.83	1.96	2.16	2.52

**Class M-2A, Class A-I1\*, Class A-I2\*, Class A-I3\*, Class A-I4\*, Class E-A1, Class E-A2, Class E-A3 and Class E-A4 Weighted Average Life to Maturity (years)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	2.82	1.51	1.00	0.73	0.57	0.47	0.39	0.33
0.25%.....	3.04	2.36	1.35	0.92	0.69	0.55	0.46	0.40
0.50%.....	3.39	3.22	1.96	1.17	0.82	0.62	0.51	0.43
0.75%.....	4.10	3.91	3.47	1.62	1.01	0.72	0.56	0.47
1.00%.....	3.87	4.14	4.42	2.75	1.35	0.88	0.65	0.52
1.50%.....	3.06	3.26	3.55	4.03	4.95	1.60	0.93	0.68
2.00%.....	2.46	2.58	2.74	2.98	3.37	4.30	2.00	0.98
3.00%.....	1.74	1.79	1.85	1.93	2.04	2.19	2.43	2.95

**Class M-2B, Class B-I1\*, Class B-I2\*, Class B-I3\*, Class B-I4\*, Class E-B1, Class E-B2, Class E-B3 and Class E-B4 Weighted Average Life to Maturity (years)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	8.44	4.97	3.41	2.54	1.99	1.61	1.34	1.14
0.25%.....	11.12	8.41	4.82	3.28	2.44	1.91	1.57	1.30
0.50%.....	10.18	12.76	8.66	4.63	3.11	2.29	1.81	1.47
0.75%.....	6.34	8.15	11.58	8.60	4.42	2.91	2.15	1.69
1.00%.....	4.48	5.20	6.59	9.28	7.27	4.22	2.71	2.00
1.50%.....	2.85	3.10	3.44	3.98	5.07	6.24	5.11	3.72
2.00%.....	2.09	2.22	2.37	2.58	2.88	3.38	4.76	4.50
3.00%.....	1.37	1.41	1.47	1.54	1.63	1.74	1.88	2.10

\* Interest Only RCR Note. Assumes that a reduction in the Class Principal Balance of the related Exchangeable Note causes a corresponding reduction in the Class Notional Amount of the related Interest Only RCR Note.

**Class B-1 Weighted Average Life to Maturity (years)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	16.40	12.09	8.88	6.79	5.41	4.43	3.71	3.16
0.25%.....	9.68	11.24	9.73	7.97	6.56	5.47	4.62	3.95
0.50%.....	3.81	4.51	6.49	6.78	5.96	5.13	4.43	3.84
0.75%.....	2.42	2.64	2.97	3.60	4.84	4.58	4.11	3.64
1.00%.....	1.78	1.88	2.03	2.23	2.57	3.53	3.62	3.36
1.50%.....	1.16	1.20	1.26	1.32	1.40	1.51	1.67	2.00
2.00%.....	0.86	0.89	0.91	0.94	0.98	1.02	1.08	1.16
3.00%.....	0.57	0.58	0.59	0.60	0.62	0.63	0.65	0.67

***Declining Balances Tables***

Based upon the Modeling Assumptions, the following Declining Balances Tables indicate the projected weighted average lives of each Class of Securities and sets forth the percentages of the initial Class Principal Balance of each Class that would be outstanding after each of the dates shown at various CPR percentages.

**Percentages of Original Class Principal Balances Outstanding and Weighted Average Lives**

<b>Date</b>	<b>Class M-2</b>							
	<b>CPR Prepayment Assumption</b>							
	<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>	<b>30%</b>	<b>35%</b>
Closing Date .....	100	100	100	100	100	100	100	100
November 25, 2020 .....	91	83	74	65	57	48	39	31
November 25, 2021 .....	83	67	51	37	23	11	0	0
November 25, 2022 .....	74	51	31	14	0	0	0	0
November 25, 2023 .....	64	37	14	0	0	0	0	0
November 25, 2024 .....	55	24	0	0	0	0	0	0
November 25, 2025 .....	45	11	0	0	0	0	0	0
November 25, 2026 .....	36	*	0	0	0	0	0	0
November 25, 2027 .....	27	0	0	0	0	0	0	0
November 25, 2028 .....	20	0	0	0	0	0	0	0
November 25, 2029 .....	13	0	0	0	0	0	0	0
November 25, 2030 .....	5	0	0	0	0	0	0	0
November 25, 2031 .....	0	0	0	0	0	0	0	0
November 25, 2032 .....	0	0	0	0	0	0	0	0
November 25, 2033 .....	0	0	0	0	0	0	0	0
November 25, 2034 .....	0	0	0	0	0	0	0	0
November 25, 2035 .....	0	0	0	0	0	0	0	0
November 25, 2036 .....	0	0	0	0	0	0	0	0
November 25, 2037 .....	0	0	0	0	0	0	0	0
November 25, 2038 .....	0	0	0	0	0	0	0	0
November 25, 2039 .....	0	0	0	0	0	0	0	0
WAL (years) to Maturity .....	5.63	3.24	2.20	1.63	1.28	1.04	0.87	0.73
WAL (years) to Early Redemption Date** .....	4.79	3.24	2.20	1.63	1.28	1.04	0.87	0.73

\* Indicates a number that is greater than 0.0% but less than 0.5%.

\*\* The Early Redemption Date occurs on the first eligible Payment Date.

**Class M-2A, Class A-I1\*\*, Class A-I2\*\*, Class A-I3\*\*, Class A-I4\*\*, Class  
E-A1, Class E-A2, Class E-A3 and Class E-A4**

**CPR Prepayment Assumption**

<b>Date</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>	<b>30%</b>	<b>35%</b>
Closing Date .....	100	100	100	100	100	100	100	100
November 25, 2020 .....	83	66	48	31	14	0	0	0
November 25, 2021 .....	65	33	3	0	0	0	0	0
November 25, 2022 .....	47	3	0	0	0	0	0	0
November 25, 2023 .....	29	0	0	0	0	0	0	0
November 25, 2024 .....	9	0	0	0	0	0	0	0
November 25, 2025 .....	0	0	0	0	0	0	0	0
November 25, 2026 .....	0	0	0	0	0	0	0	0
November 25, 2027 .....	0	0	0	0	0	0	0	0
November 25, 2028 .....	0	0	0	0	0	0	0	0
November 25, 2029 .....	0	0	0	0	0	0	0	0
November 25, 2030 .....	0	0	0	0	0	0	0	0
November 25, 2031 .....	0	0	0	0	0	0	0	0
November 25, 2032 .....	0	0	0	0	0	0	0	0
November 25, 2033 .....	0	0	0	0	0	0	0	0
November 25, 2034 .....	0	0	0	0	0	0	0	0
November 25, 2035 .....	0	0	0	0	0	0	0	0
November 25, 2036 .....	0	0	0	0	0	0	0	0
November 25, 2037 .....	0	0	0	0	0	0	0	0
November 25, 2038 .....	0	0	0	0	0	0	0	0
November 25, 2039 .....	0	0	0	0	0	0	0	0
WAL (years) to Maturity .....	2.82	1.51	1.00	0.73	0.57	0.47	0.39	0.33
WAL (years) to Early Redemption Date* .....	2.82	1.51	1.00	0.73	0.57	0.47	0.39	0.33

\* The Early Redemption Date occurs on the first eligible Payment Date.

\*\* Interest Only RCR Note. Indicates the percentage of the original Class Notional Amount outstanding.

**Class M-2B, Class B-I1\*\*\*, Class B-I2\*\*\*, Class B-I3\*\*\*, Class B-I4\*\*\*,  
Class E-B1, Class E-B2, Class E-B3 and Class E-B4**

**CPR Prepayment Assumption**

<b>Date</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>	<b>30%</b>	<b>35%</b>
Closing Date .....	100	100	100	100	100	100	100	100
November 25, 2020 .....	100	100	100	100	100	96	79	62
November 25, 2021 .....	100	100	100	74	47	21	0	0
November 25, 2022 .....	100	100	63	27	0	0	0	0
November 25, 2023 .....	100	74	28	0	0	0	0	0
November 25, 2024 .....	100	48	0	0	0	0	0	0
November 25, 2025 .....	90	23	0	0	0	0	0	0
November 25, 2026 .....	71	*	0	0	0	0	0	0
November 25, 2027 .....	55	0	0	0	0	0	0	0
November 25, 2028 .....	41	0	0	0	0	0	0	0
November 25, 2029 .....	26	0	0	0	0	0	0	0
November 25, 2030 .....	10	0	0	0	0	0	0	0
November 25, 2031 .....	0	0	0	0	0	0	0	0
November 25, 2032 .....	0	0	0	0	0	0	0	0
November 25, 2033 .....	0	0	0	0	0	0	0	0
November 25, 2034 .....	0	0	0	0	0	0	0	0
November 25, 2035 .....	0	0	0	0	0	0	0	0
November 25, 2036 .....	0	0	0	0	0	0	0	0
November 25, 2037 .....	0	0	0	0	0	0	0	0
November 25, 2038 .....	0	0	0	0	0	0	0	0
November 25, 2039 .....	0	0	0	0	0	0	0	0
WAL (years) to Maturity .....	8.44	4.97	3.41	2.54	1.99	1.61	1.34	1.14
WAL (years) to Early Redemption Date** .....	6.76	4.96	3.41	2.54	1.99	1.61	1.34	1.14

\* Indicates a number that is greater than 0.0% but less than 0.5%.

\*\* The Early Redemption Date occurs on the first eligible Payment Date.

\*\*\* Interest Only RCR Note. Indicates the percentage of the original Class Notional Amount outstanding.

**Class B-1**

**CPR Prepayment Assumption**

<b>Date</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>	<b>30%</b>	<b>35%</b>
Closing Date .....	100	100	100	100	100	100	100	100
November 25, 2020 .....	100	100	100	100	100	100	100	100
November 25, 2021 .....	100	100	100	100	100	100	98	83
November 25, 2022 .....	100	100	100	100	97	78	61	46
November 25, 2023 .....	100	100	100	92	70	51	36	23
November 25, 2024 .....	100	100	98	71	49	32	19	9
November 25, 2025 .....	100	100	80	53	33	19	8	1
November 25, 2026 .....	100	100	65	39	21	9	1	0
November 25, 2027 .....	100	87	52	28	13	3	0	0
November 25, 2028 .....	100	76	42	20	6	0	0	0
November 25, 2029 .....	100	65	33	13	1	0	0	0
November 25, 2030 .....	100	55	25	7	0	0	0	0
November 25, 2031 .....	96	46	18	3	0	0	0	0
November 25, 2032 .....	86	38	13	0	0	0	0	0
November 25, 2033 .....	76	31	8	0	0	0	0	0
November 25, 2034 .....	66	24	4	0	0	0	0	0
November 25, 2035 .....	56	18	*	0	0	0	0	0
November 25, 2036 .....	45	12	0	0	0	0	0	0
November 25, 2037 .....	34	6	0	0	0	0	0	0
November 25, 2038 .....	23	1	0	0	0	0	0	0
November 25, 2039 .....	0	0	0	0	0	0	0	0
WAL (years) to Maturity .....	16.40	12.09	8.88	6.79	5.41	4.43	3.71	3.16
WAL (years) to Early Redemption Date** .....	6.97	6.97	6.60	5.87	5.09	4.33	3.62	3.08

\* Indicates a number that is greater than 0.0% but less than 0.5%.

\*\* The Early Redemption Date occurs on the first eligible Payment Date.

## Yield Considerations with Respect to the Securities

The weighted average life of, and the yield to maturity on, the Securities will be sensitive to the rate and timing of Credit Events and Modification Events on the Reference Obligations (and the severity of losses realized with respect thereto). If the actual rate of Credit Events and Modification Events on the Reference Obligations is higher than those prospective investors assumed, the actual yield to maturity of a Security may be lower than the expected yield. The timing of Credit Events and Modification Events on Reference Obligations will also affect prospective investors' actual yield to maturity, even if the rate of Credit Events and Modification Events is consistent with prospective investors' expectations.

### *Credit Event Sensitivity Tables*

Based upon the Modeling Assumptions, the following Cumulative Credit Events Tables indicate the projected cumulative Credit Event Amount divided by the aggregate UPB of the Reference Obligations as of the Cut-off Date, shown at various CPR percentages and CDR percentages.

#### **Cumulative Credit Events (as % of Cut-off Date Balance)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.25%.....	2.63%	1.88%	1.41%	1.10%	0.88%	0.73%	0.61%	0.52%
0.50%.....	5.17%	3.72%	2.79%	2.18%	1.76%	1.45%	1.22%	1.04%
0.75%.....	7.62%	5.50%	4.14%	3.24%	2.61%	2.16%	1.82%	1.56%
1.00%.....	10.00%	7.24%	5.47%	4.28%	3.46%	2.86%	2.42%	2.07%
1.50%.....	14.52%	10.57%	8.02%	6.31%	5.12%	4.25%	3.59%	3.08%
2.00%.....	18.76%	13.73%	10.48%	8.28%	6.73%	5.60%	4.74%	4.07%
3.00%.....	26.43%	19.57%	15.08%	12.01%	9.82%	8.21%	6.98%	6.01%

### *Cumulative Security Write-down Amount Tables*

Based upon the Modeling Assumptions, the following Cumulative Security Write-down Amount Tables indicate the projected cumulative write-down of the Class Principal Balance of a Security due to allocation of Tranche Write-down Amounts as a percentage of the Note's original Class Principal Balance shown at various CPR percentages and CDR percentages.

#### **Class M-2 Cumulative Write-down Amount (as % of the Class M-2 Original Class Principal Balance)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.25%.....	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.50%.....	40.22%	19.56%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.75%.....	59.00%	51.01%	31.20%	6.57%	0.00%	0.00%	0.00%	0.00%
1.00%.....	69.25%	64.38%	56.78%	35.00%	12.56%	0.00%	0.00%	0.00%
1.50%.....	79.83%	77.43%	74.26%	69.53%	57.78%	34.02%	16.09%	2.11%
2.00%.....	84.96%	83.38%	81.51%	79.15%	75.85%	69.67%	47.51%	29.23%
3.00%.....	90.01%	88.94%	87.76%	86.46%	84.97%	83.23%	81.01%	77.51%

**Class M-2A, Class A-I1, Class A-I2, Class A-I3, Class A-I4, Class E-A1, Class E-A2, Class E-A3 and Class E-A4 Cumulative Write-down Amount (as % of the Class M-2A, Class E-A1, Class E-A2, Class E-A3 and Class E-A4 Original Class Principal Balances or Class A-I1, Class A-I2, Class A-I3 and Class A-I4 Original Class Notional Amounts)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.25%.....	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.50%.....	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.75%.....	18.01%	2.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1.00%.....	38.50%	28.77%	13.56%	0.00%	0.00%	0.00%	0.00%	0.00%
1.50%.....	59.66%	54.86%	48.51%	39.06%	15.55%	0.00%	0.00%	0.00%
2.00%.....	69.92%	66.76%	63.02%	58.31%	51.70%	39.34%	0.00%	0.00%
3.00%.....	80.02%	77.87%	75.52%	72.91%	69.95%	66.45%	62.01%	55.02%

**Class M-2B, Class B-I1, Class B-I2, Class B-I3, Class B-I4, Class E-B1, Class E-B2, Class E-B3 and Class E-B4 Cumulative Write-down Amount (as % of the Class M-2B, Class E-B1, Class E-B2, Class E-B3 and Class E-B4 Original Class Principal Balances or Class B-I1, Class B-I2, Class B-I3 and Class B-I4 Original Class Notional Amounts)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.25%.....	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.50%.....	80.43%	39.12%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.75%.....	100.00%	100.00%	62.39%	13.13%	0.00%	0.00%	0.00%	0.00%
1.00%.....	100.00%	100.00%	100.00%	70.00%	25.13%	0.00%	0.00%	0.00%
1.50%.....	100.00%	100.00%	100.00%	100.00%	100.00%	68.05%	32.18%	4.23%
2.00%.....	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	95.02%	58.45%
3.00%.....	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

**Class B-1 Cumulative Write-down Amount (as % of the Class B-1 Original Class Principal Balance)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.25%.....	86.02%	58.15%	40.45%	28.73%	20.65%	14.83%	10.48%	7.12%
0.50%.....	100.00%	100.00%	92.23%	69.24%	53.32%	41.84%	33.24%	26.58%
0.75%.....	100.00%	100.00%	100.00%	100.00%	85.52%	68.53%	55.78%	45.89%
1.00%.....	100.00%	100.00%	100.00%	100.00%	100.00%	94.92%	78.10%	65.04%
1.50%.....	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2.00%.....	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
3.00%.....	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

**Yield Tables**

Based upon the Modeling Assumptions and the assumed prices in the table captions, the following tables show pre-tax yields to maturity (corporate bond equivalent) of the Securities at various CPR percentages and CDR percentages.

**Class M-2 Pre-Tax Yield to Maturity (Assumed Price = 100.00000%)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	3.89%	3.89%	3.89%	3.89%	3.89%	3.89%	3.89%	3.89%
0.25%.....	3.89%	3.89%	3.89%	3.89%	3.89%	3.89%	3.89%	3.89%
0.50%.....	(3.10)%	1.76%	3.89%	3.89%	3.89%	3.89%	3.89%	3.89%
0.75%.....	(13.42)%	(7.53)%	(0.29)%	2.88%	3.89%	3.89%	3.89%	3.89%
1.00%.....	(25.01)%	(18.42)%	(10.77)%	(2.42)%	1.17%	3.89%	3.89%	3.89%
1.50%.....	(49.75)%	(42.91)%	(34.83)%	(25.00)%	(10.22)%	(6.21)%	(1.72)%	3.11%
2.00%.....	(73.21)%	(67.02)%	(59.79)%	(51.04)%	(39.88)%	(22.88)%	(13.64)%	(8.76)%
3.00%.....	*	*	*	(96.68)%	(89.23)%	(80.03)%	(67.75)%	(47.89)%

\*Indicates a yield less than (99.99)%.

**Class M-2A Pre-Tax Yield to Maturity (Assumed Price = 100.75000%)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	3.60%	3.37%	3.12%	2.85%	2.57%	2.27%	1.95%	1.61%
0.25%.....	3.62%	3.55%	3.31%	3.06%	2.79%	2.53%	2.25%	1.99%
0.50%.....	3.65%	3.64%	3.49%	3.23%	2.95%	2.66%	2.41%	2.12%
0.75%.....	(0.87)%	3.30%	3.65%	3.41%	3.13%	2.84%	2.55%	2.27%
1.00%.....	(10.23)%	(4.82)%	0.85%	3.60%	3.31%	3.02%	2.72%	2.43%
1.50%.....	(31.73)%	(25.47)%	(18.33)%	(10.07)%	0.78%	3.40%	3.07%	2.77%
2.00%.....	(53.42)%	(47.35)%	(40.44)%	(32.32)%	(22.43)%	(8.95)%	3.49%	3.11%
3.00%.....	(92.57)%	(87.54)%	(81.89)%	(75.43)%	(67.78)%	(58.60)%	(46.89)%	(29.55)%

**Class M-2B Pre-Tax Yield to Maturity (Assumed Price = 99.25000%)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	3.99%	4.06%	4.13%	4.20%	4.29%	4.37%	4.47%	4.57%
0.25%.....	3.97%	4.00%	4.06%	4.14%	4.22%	4.30%	4.39%	4.49%
0.50%.....	(6.95)%	1.13%	3.99%	4.07%	4.15%	4.24%	4.32%	4.42%
0.75%.....	(31.44)%	(20.38)%	(1.78)%	2.76%	4.08%	4.17%	4.26%	4.35%
1.00%.....	(50.82)%	(41.11)%	(28.01)%	(4.56)%	0.67%	4.09%	4.19%	4.28%
1.50%.....	(85.74)%	(78.05)%	(68.72)%	(56.72)%	(38.27)%	(9.00)%	(2.78)%	3.18%
2.00%.....	*	*	*	(92.74)%	(81.82)%	(66.49)%	(21.27)%	(11.65)%
3.00%.....	*	*	*	*	*	*	*	*

\*Indicates a yield less than (99.99)%.



**Class A-I1 Pre-Tax Yield to Maturity (Assumed Price = 1.08500%)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	158.01%	114.68%	64.00%	11.79%	(36.87)%	(79.19)%	*	*
0.25%.....	159.21%	146.08%	102.64%	51.15%	1.21%	(44.25)%	(83.57)%	*
0.50%.....	160.40%	156.51%	132.73%	84.10%	30.79%	(21.27)%	(60.48)%	(97.76)%
0.75%.....	161.59%	157.68%	153.59%	115.10%	63.07%	8.74%	(39.97)%	(79.46)%
1.00%.....	162.69%	158.83%	154.74%	143.19%	97.04%	42.18%	(11.62)%	(57.55)%
1.50%.....	163.77%	160.40%	156.69%	152.61%	147.87%	108.35%	49.75%	(3.18)%
2.00%.....	162.03%	159.43%	156.57%	153.37%	149.70%	145.39%	113.88%	55.90%
3.00%.....	148.92%	147.69%	146.36%	144.96%	143.44%	141.75%	139.73%	137.09%

\*Indicates a yield less than (99.99)%.

**Class A-I2 Pre-Tax Yield to Maturity (Assumed Price = 0.80500%)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	158.01%	114.68%	64.00%	11.79%	(36.87)%	(79.19)%	*	*
0.25%.....	159.21%	146.08%	102.64%	51.15%	1.21%	(44.25)%	(83.57)%	*
0.50%.....	160.40%	156.51%	132.73%	84.10%	30.79%	(21.27)%	(60.48)%	(97.76)%
0.75%.....	161.59%	157.68%	153.59%	115.10%	63.07%	8.74%	(39.97)%	(79.46)%
1.00%.....	162.69%	158.83%	154.74%	143.19%	97.04%	42.18%	(11.62)%	(57.55)%
1.50%.....	163.77%	160.40%	156.69%	152.61%	147.87%	108.35%	49.75%	(3.18)%
2.00%.....	162.03%	159.43%	156.57%	153.37%	149.70%	145.39%	113.88%	55.90%
3.00%.....	148.92%	147.69%	146.36%	144.96%	143.44%	141.75%	139.73%	137.09%

\*Indicates a yield less than (99.99)%.

**Class A-I3 Pre-Tax Yield to Maturity (Assumed Price = 0.52500%)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	158.01%	114.68%	64.00%	11.79%	(36.87)%	(79.19)%	*	*
0.25%.....	159.21%	146.08%	102.64%	51.15%	1.21%	(44.25)%	(83.57)%	*
0.50%.....	160.40%	156.51%	132.73%	84.10%	30.79%	(21.27)%	(60.48)%	(97.76)%
0.75%.....	161.59%	157.68%	153.59%	115.10%	63.07%	8.74%	(39.97)%	(79.46)%
1.00%.....	162.69%	158.83%	154.74%	143.19%	97.04%	42.18%	(11.62)%	(57.55)%
1.50%.....	163.77%	160.40%	156.69%	152.61%	147.87%	108.35%	49.75%	(3.18)%
2.00%.....	162.03%	159.43%	156.57%	153.37%	149.70%	145.39%	113.88%	55.90%
3.00%.....	148.92%	147.69%	146.36%	144.96%	143.44%	141.75%	139.73%	137.09%

\*Indicates a yield less than (99.99)%.

**Class A-I4 Pre-Tax Yield to Maturity (Assumed Price = 0.24500%)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	158.01%	114.68%	64.00%	11.79%	(36.87)%	(79.19)%	*	*
0.25%.....	159.21%	146.08%	102.64%	51.15%	1.21%	(44.25)%	(83.57)%	*
0.50%.....	160.40%	156.51%	132.73%	84.10%	30.79%	(21.27)%	(60.48)%	(97.76)%
0.75%.....	161.59%	157.68%	153.59%	115.10%	63.07%	8.74%	(39.97)%	(79.46)%
1.00%.....	162.69%	158.83%	154.74%	143.19%	97.04%	42.18%	(11.62)%	(57.55)%
1.50%.....	163.77%	160.40%	156.69%	152.61%	147.87%	108.35%	49.75%	(3.18)%
2.00%.....	162.03%	159.43%	156.57%	153.37%	149.70%	145.39%	113.88%	55.90%
3.00%.....	148.92%	147.69%	146.36%	144.96%	143.44%	141.75%	139.73%	137.09%

\*Indicates a yield less than (99.99)%.

**Class E-A1 Pre-Tax Yield to Maturity (Assumed Price = 99.66500%)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	2.44%	2.55%	2.66%	2.78%	2.91%	3.04%	3.19%	3.34%
0.25%.....	2.43%	2.47%	2.57%	2.69%	2.81%	2.93%	3.05%	3.17%
0.50%.....	2.42%	2.43%	2.50%	2.61%	2.73%	2.87%	2.98%	3.11%
0.75%.....	(2.63)%	1.98%	2.42%	2.53%	2.66%	2.79%	2.92%	3.04%
1.00%.....	(12.75)%	(6.99)%	(0.83)%	2.45%	2.57%	2.71%	2.84%	2.97%
1.50%.....	(35.48)%	(28.96)%	(21.47)%	(12.75)%	(0.94)%	2.53%	2.68%	2.82%
2.00%.....	(57.94)%	(51.73)%	(44.61)%	(36.21)%	(25.88)%	(11.60)%	2.49%	2.67%
3.00%.....	(97.66)%	(92.62)%	(86.94)%	(80.43)%	(72.70)%	(63.36)%	(51.37)%	(33.28)%

**Class E-A2 Pre-Tax Yield to Maturity (Assumed Price = 99.94500%)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	2.74%	2.76%	2.78%	2.80%	2.82%	2.84%	2.87%	2.89%
0.25%.....	2.74%	2.75%	2.77%	2.78%	2.80%	2.82%	2.84%	2.86%
0.50%.....	2.74%	2.74%	2.75%	2.77%	2.79%	2.81%	2.83%	2.85%
0.75%.....	(2.17)%	2.32%	2.74%	2.76%	2.78%	2.80%	2.82%	2.84%
1.00%.....	(12.08)%	(6.41)%	(0.39)%	2.74%	2.77%	2.79%	2.81%	2.83%
1.50%.....	(34.48)%	(28.02)%	(20.63)%	(12.03)%	(0.49)%	2.76%	2.78%	2.81%
2.00%.....	(56.73)%	(50.55)%	(43.49)%	(35.16)%	(24.96)%	(10.89)%	2.75%	2.78%
3.00%.....	(96.29)%	(91.25)%	(85.58)%	(79.09)%	(71.38)%	(62.08)%	(50.16)%	(32.27)%

**Class E-A3 Pre-Tax Yield to Maturity (Assumed Price = 100.22500%)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	3.04%	2.97%	2.90%	2.82%	2.73%	2.64%	2.55%	2.44%
0.25%.....	3.05%	3.03%	2.96%	2.88%	2.80%	2.72%	2.64%	2.56%
0.50%.....	3.06%	3.05%	3.01%	2.93%	2.85%	2.76%	2.69%	2.60%
0.75%.....	(1.71)%	2.66%	3.06%	2.98%	2.90%	2.81%	2.73%	2.64%
1.00%.....	(11.42)%	(5.85)%	0.05%	3.04%	2.96%	2.87%	2.78%	2.69%
1.50%.....	(33.50)%	(27.11)%	(19.81)%	(11.34)%	(0.04)%	2.98%	2.88%	2.79%
2.00%.....	(55.55)%	(49.41)%	(42.40)%	(34.15)%	(24.06)%	(10.20)%	3.01%	2.89%
3.00%.....	(94.96)%	(89.93)%	(84.27)%	(77.78)%	(70.09)%	(60.83)%	(48.99)%	(31.30)%

**Class E-A4 Pre-Tax Yield to Maturity (Assumed Price = 100.50500%)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	3.34%	3.19%	3.02%	2.84%	2.65%	2.44%	2.23%	2.00%
0.25%.....	3.36%	3.31%	3.15%	2.97%	2.80%	2.62%	2.43%	2.26%
0.50%.....	3.37%	3.36%	3.26%	3.09%	2.90%	2.71%	2.54%	2.34%
0.75%.....	(1.26)%	3.00%	3.37%	3.21%	3.02%	2.83%	2.63%	2.44%
1.00%.....	(10.78)%	(5.30)%	0.48%	3.34%	3.15%	2.95%	2.75%	2.55%
1.50%.....	(32.55)%	(26.23)%	(19.01)%	(10.65)%	0.39%	3.21%	2.98%	2.78%
2.00%.....	(54.40)%	(48.30)%	(41.34)%	(33.16)%	(23.18)%	(9.53)%	3.27%	3.01%
3.00%.....	(93.67)%	(88.64)%	(82.99)%	(76.51)%	(68.85)%	(59.63)%	(47.86)%	(30.35)%

**Class B-I1 Pre-Tax Yield to Maturity (Assumed Price = 3.87500%)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	41.08%	32.91%	19.43%	2.05%	(17.76)%	(38.79)%	(60.18)%	(81.26)%
0.25%.....	42.27%	40.70%	31.78%	17.43%	(0.76)%	(21.39)%	(42.01)%	(64.44)%
0.50%.....	42.39%	42.84%	40.18%	30.19%	14.41%	(5.53)%	(26.58)%	(49.38)%
0.75%.....	38.17%	40.72%	42.45%	39.32%	28.16%	10.67%	(10.65)%	(33.25)%
1.00%.....	30.60%	34.36%	38.14%	40.98%	37.62%	25.84%	6.13%	(16.57)%
1.50%.....	10.04%	14.94%	20.26%	26.08%	32.52%	36.13%	31.08%	19.34%
2.00%.....	(13.68)%	(8.53)%	(2.86)%	3.47%	10.59%	18.80%	28.78%	28.36%
3.00%.....	(60.82)%	(56.28)%	(51.12)%	(45.52)%	(39.07)%	(31.82)%	(23.25)%	(12.99)%

**Class B-I2 Pre-Tax Yield to Maturity (Assumed Price = 2.87500%)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	41.08%	32.91%	19.43%	2.05%	(17.76)%	(38.79)%	(60.18)%	(81.26)%
0.25%.....	42.27%	40.70%	31.78%	17.43%	(0.76)%	(21.39)%	(42.01)%	(64.44)%
0.50%.....	42.39%	42.84%	40.18%	30.19%	14.41%	(5.53)%	(26.58)%	(49.38)%
0.75%.....	38.17%	40.72%	42.45%	39.32%	28.16%	10.67%	(10.65)%	(33.25)%
1.00%.....	30.60%	34.36%	38.14%	40.98%	37.62%	25.84%	6.13%	(16.57)%
1.50%.....	10.04%	14.94%	20.26%	26.08%	32.52%	36.13%	31.08%	19.34%
2.00%.....	(13.68)%	(8.53)%	(2.86)%	3.47%	10.59%	18.80%	28.78%	28.36%
3.00%.....	(60.82)%	(56.28)%	(51.12)%	(45.52)%	(39.07)%	(31.82)%	(23.25)%	(12.99)%

**Class B-I3 Pre-Tax Yield to Maturity (Assumed Price = 1.87500%)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	41.08%	32.91%	19.43%	2.05%	(17.76)%	(38.79)%	(60.18)%	(81.26)%
0.25%.....	42.27%	40.70%	31.78%	17.43%	(0.76)%	(21.39)%	(42.01)%	(64.44)%
0.50%.....	42.39%	42.84%	40.18%	30.19%	14.41%	(5.53)%	(26.58)%	(49.38)%
0.75%.....	38.17%	40.72%	42.45%	39.32%	28.16%	10.67%	(10.65)%	(33.25)%
1.00%.....	30.60%	34.36%	38.14%	40.98%	37.62%	25.84%	6.13%	(16.57)%
1.50%.....	10.04%	14.94%	20.26%	26.08%	32.52%	36.13%	31.08%	19.34%
2.00%.....	(13.68)%	(8.53)%	(2.86)%	3.47%	10.59%	18.80%	28.78%	28.36%
3.00%.....	(60.82)%	(56.28)%	(51.12)%	(45.52)%	(39.07)%	(31.82)%	(23.25)%	(12.99)%

**Class B-I4 Pre-Tax Yield to Maturity (Assumed Price = 0.87500%)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	41.08%	32.91%	19.43%	2.05%	(17.76)%	(38.79)%	(60.18)%	(81.26)%
0.25%.....	42.27%	40.70%	31.78%	17.43%	(0.76)%	(21.39)%	(42.01)%	(64.44)%
0.50%.....	42.39%	42.84%	40.18%	30.19%	14.41%	(5.53)%	(26.58)%	(49.38)%
0.75%.....	38.17%	40.72%	42.45%	39.32%	28.16%	10.67%	(10.65)%	(33.25)%
1.00%.....	30.60%	34.36%	38.14%	40.98%	37.62%	25.84%	6.13%	(16.57)%
1.50%.....	10.04%	14.94%	20.26%	26.08%	32.52%	36.13%	31.08%	19.34%
2.00%.....	(13.68)%	(8.53)%	(2.86)%	3.47%	10.59%	18.80%	28.78%	28.36%
3.00%.....	(60.82)%	(56.28)%	(51.12)%	(45.52)%	(39.07)%	(31.82)%	(23.25)%	(12.99)%

**Class E-B1 Pre-Tax Yield to Maturity (Assumed Price = 95.37500%)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	2.94%	3.33%	3.77%	4.25%	4.77%	5.33%	5.92%	6.56%
0.25%.....	2.81%	2.94%	3.36%	3.82%	4.33%	4.87%	5.41%	6.05%
0.50%.....	(9.69)%	(0.46)%	2.93%	3.41%	3.91%	4.46%	5.01%	5.63%
0.75%.....	(39.36)%	(26.84)%	(3.43)%	1.55%	3.46%	4.01%	4.60%	5.20%
1.00%.....	(60.28)%	(49.74)%	(35.12)%	(6.20)%	(0.59)%	3.51%	4.14%	4.76%
1.50%.....	(96.45)%	(88.56)%	(78.83)%	(66.10)%	(45.76)%	(10.55)%	(3.92)%	2.70%
2.00%.....	*	*	*	*	(92.05)%	(75.92)%	(22.82)%	(12.97)%
3.00%.....	*	*	*	*	*	*	*	*

\*Indicates a yield less than (99.99)%.

**Class E-B2 Pre-Tax Yield to Maturity (Assumed Price = 96.37500%)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	3.22%	3.52%	3.86%	4.24%	4.64%	5.08%	5.54%	6.04%
0.25%.....	3.11%	3.22%	3.55%	3.91%	4.30%	4.72%	5.14%	5.64%
0.50%.....	(8.94)%	(0.04)%	3.21%	3.58%	3.97%	4.40%	4.83%	5.31%
0.75%.....	(36.96)%	(24.89)%	(2.99)%	1.87%	3.62%	4.05%	4.51%	4.97%
1.00%.....	(57.42)%	(47.13)%	(32.98)%	(5.76)%	(0.26)%	3.66%	4.15%	4.63%
1.50%.....	(93.24)%	(85.40)%	(75.79)%	(63.27)%	(43.51)%	(10.14)%	(3.62)%	2.82%
2.00%.....	*	*	*	*	(88.99)%	(73.09)%	(22.42)%	(12.62)%
3.00%.....	*	*	*	*	*	*	*	*

\*Indicates a yield less than (99.99)%.

**Class E-B3 Pre-Tax Yield to Maturity (Assumed Price = 97.37500%)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	3.49%	3.71%	3.96%	4.23%	4.52%	4.83%	5.16%	5.52%
0.25%.....	3.42%	3.49%	3.73%	3.99%	4.27%	4.57%	4.88%	5.24%
0.50%.....	(8.23)%	0.37%	3.49%	3.75%	4.03%	4.34%	4.65%	5.00%
0.75%.....	(34.85)%	(23.17)%	(2.57)%	2.18%	3.78%	4.09%	4.42%	4.76%
1.00%.....	(54.90)%	(44.83)%	(31.08)%	(5.34)%	0.07%	3.81%	4.16%	4.51%
1.50%.....	(90.38)%	(82.60)%	(73.09)%	(60.77)%	(41.51)%	(9.74)%	(3.32)%	2.95%
2.00%.....	*	*	*	(97.31)%	(86.26)%	(70.57)%	(22.02)%	(12.28)%
3.00%.....	*	*	*	*	*	*	*	*

\*Indicates a yield less than (99.99)%.

**Class E-B4 Pre-Tax Yield to Maturity (Assumed Price = 98.37500%)**

<b>CDR</b>	<b>0% CPR</b>	<b>5% CPR</b>	<b>10% CPR</b>	<b>15% CPR</b>	<b>20% CPR</b>	<b>25% CPR</b>	<b>30% CPR</b>	<b>35% CPR</b>
0.00%.....	3.76%	3.90%	4.05%	4.21%	4.39%	4.58%	4.79%	5.01%
0.25%.....	3.72%	3.76%	3.91%	4.07%	4.24%	4.43%	4.61%	4.83%
0.50%.....	(7.53)%	0.78%	3.76%	3.92%	4.10%	4.28%	4.48%	4.69%
0.75%.....	(32.95)%	(21.62)%	(2.14)%	2.49%	3.94%	4.13%	4.33%	4.54%
1.00%.....	(52.63)%	(42.76)%	(29.37)%	(4.92)%	0.39%	3.96%	4.18%	4.39%
1.50%.....	(87.81)%	(80.08)%	(70.66)%	(58.52)%	(39.72)%	(9.34)%	(3.03)%	3.08%
2.00%.....	*	*	*	(94.77)%	(83.80)%	(68.30)%	(21.62)%	(11.94)%
3.00%.....	*	*	*	*	*	*	*	*

\*Indicates a yield less than (99.99)%.

**Class B-1 Pre-Tax Yield to Maturity (Assumed Price = 100.00000%)**

<b>CDR</b>	<b>0%</b> <b>CPR</b>	<b>5%</b> <b>CPR</b>	<b>10%</b> <b>CPR</b>	<b>15%</b> <b>CPR</b>	<b>20%</b> <b>CPR</b>	<b>25%</b> <b>CPR</b>	<b>30%</b> <b>CPR</b>	<b>35%</b> <b>CPR</b>
0.00%.....	11.21%	11.21%	11.21%	11.21%	11.21%	11.21%	11.21%	11.21%
0.25%.....	2.53%	5.90%	7.01%	7.66%	8.19%	8.67%	9.14%	9.61%
0.50%.....	(27.05)%	(18.13)%	(3.00)%	0.85%	2.12%	2.94%	3.63%	4.26%
0.75%.....	(56.45)%	(48.52)%	(38.75)%	(24.99)%	(5.81)%	(3.56)%	(2.35)%	(1.44)%
1.00%.....	(83.06)%	(76.29)%	(68.20)%	(58.14)%	(44.46)%	(13.36)%	(9.26)%	(7.58)%
1.50%.....	*	*	*	*	*	(91.04)%	(77.44)%	(53.02)%
2.00%.....	*	*	*	*	*	*	*	*
3.00%.....	*	*	*	*	*	*	*	*

\*Indicates a yield less than (99.99)%.

Prospective investors should make investment decisions based on determinations of anticipated rates of prepayments and Credit Events and Modification Events under a variety of scenarios. Prospective investors should fully consider the risk that the occurrence of Credit Events and Modification Events on the Reference Obligations could result in the failure to fully recover investments.

**USE OF PROCEEDS**

The Issuer will deliver the proceeds of the offering of the Securities to the Custodian, which will deposit them in the Cash Collateral Account. From time to time, the Investment Agent will direct the Custodian to invest the proceeds in Eligible Investments pursuant to the terms of the Investment Agency Agreement, as further described herein under "*Risk Factors — Risks Related to Eligible Investments*" and "*The Agreements — The Indenture*."

**CERTAIN LEGAL ASPECTS OF THE REFERENCE OBLIGATIONS**

The following discussion provides general summaries of certain legal aspects of mortgage loans which are general in nature. The summaries do not purport to be complete. They do not reflect the laws of any particular state nor the laws of all states in which the mortgaged properties may be situated. This is because these legal aspects are governed in part by the law of the state that applies to a particular mortgaged property and the laws of the states may vary substantially. You should refer to the applicable federal and state laws governing the Reference Obligations.

**Security Instruments**

*Mortgages and Deed of Trust.* The Reference Obligations are evidenced by promissory notes or other similar evidences of indebtedness secured by first mortgages, deeds of trust or similar security instruments, depending upon the prevailing practice and law in the state in which the related mortgaged property is located, on residential properties consisting of one- to four-unit properties, townhouses, individual condominium units, individual units in planned unit developments, individual co-operative units or manufactured homes. Each promissory note and related mortgage loan are obligations of one or more borrowers and require the related borrower to make monthly payments of principal and interest. In some states, a mortgage or deed of trust creates a lien upon the real property encumbered by the mortgage or deed of trust. However, in other states, the mortgage or deed of trust conveys legal title to the property, respectively, to the mortgagee or to a trustee for the benefit of the mortgagee subject to a condition subsequent (i.e., the payment of the indebtedness secured thereby). The lien created by the mortgage or deed of trust is not prior to the lien for real estate taxes and assessments and other charges imposed under governmental police powers. Priority between mortgages depends on their terms or on the terms of separate subordination or inter-creditor agreements, on the knowledge of the parties in some cases and generally on the order of recordation of the mortgages in the appropriate recording office. There are two parties to a mortgage, the borrower and the lender. In the case of a land trust, there are three parties because title to the property is held by a land trustee under a land trust agreement of which the borrower is the beneficiary; at origination of a mortgage loan, the borrower executes a separate undertaking to make payments on the mortgage note. Although a deed of trust is similar to a mortgage, a deed of trust has three parties: the trustor, who is the borrower; the beneficiary, who is the lender; and a third-party grantee called the trustee. Under a deed of trust, the borrower grants the property, irrevocably until the debt is paid, in trust, generally with a power of sale, to the trustee to secure payment of the obligation. The trustee's authority under a deed of trust, the grantee's authority under a deed to secure debt and the

mortgagee's authority under a mortgage are governed by the law of the state in which the real property is located, the express provisions of the deed of trust or mortgage, and, in deed of trust transactions, the directions of the beneficiary.

*Co-operative Loans.* Some of the Reference Obligations are co-operative loans. A co-operative is owned by tenant-stockholders, who, through ownership of stock, shares or membership certificates in the corporation, receive proprietary leases or occupancy agreements which confer exclusive rights to occupy specific co-operative units. The co-operative owns the real property and the specific units and is responsible for management of the property. An ownership interest in a co-operative and the accompanying rights are financed through a co-operative share loan evidenced by a promissory note and secured by a security interest in the co-operative shares or occupancy agreement or proprietary lease.

## **Foreclosure**

*Foreclosing Mortgages and Deeds of Trust.* Foreclosure of a deed of trust in most states is generally most efficiently accomplished by a non-judicial trustee's sale under a specific provision in the deed of trust which authorizes the trustee to sell the property upon any default by the borrower under the terms of the note or deed of trust. In addition to any notice requirements contained in a deed of trust, in some states the trustee must record a notice of default and send a copy to the trustor and to any person who has recorded a request for a copy of notice of default and notice of sale. In addition, the trustee must provide notice in some states to any other individual having an interest of record in the real property, including any junior lienholders.

In some states, the trustor has the right to reinstate the loan at any time following default until shortly before the trustee's sale. Generally in these states, the borrower, or any other person having a junior encumbrance on the real estate, may, during a reinstatement period, cure the default by paying the entire amount in arrears plus the costs and expense incurred in enforcing the obligation. If the deed of trust is not reinstated within a specified period, a notice of sale must be posted in a public place and, in most states, published for a specific period of time in one or more newspapers in a specified manner prior to the date of the trustee's sale. In addition, some state laws require that a copy of the notice of sale be posted on the property and sent to all parties having an interest of record in the real property.

Generally, the foreclosure action is initiated by the service of legal pleadings upon all parties having an interest of record in the real property. Delays in completion of the foreclosure may occasionally result from difficulties in locating necessary parties. Over the past few years, judicial foreclosure proceedings have become increasingly contested, with challenges often raised to the right of the foreclosing party to maintain the foreclosure action. The resolution of these proceedings can be time-consuming.

In the case of foreclosure under either a mortgage or a deed of trust, the sale by the referee or other designated officer or by the trustee is a public sale. The proceeds received by the referee or trustee from the sale are applied first to the costs, fees and expenses of the sale and then in satisfaction of the indebtedness secured by the mortgage or deed of trust under which the sale was conducted. Any remaining proceeds are generally payable to the holders of junior mortgages or deeds of trust and other liens and claims in order of their priority, whether or not the borrower is in default under such instruments. Any additional proceeds are generally payable to the borrower or trustor. The payment of the proceeds to the holders of junior mortgages may occur in the foreclosure action of the senior lender or may require the institution of separate legal proceedings. It is common for the lender to purchase the property from the trustee, referee or other designated officer for a credit bid less than or equal to the unpaid principal amount of the note plus the accrued and unpaid interest and fees due under the note and the expense of foreclosure. If the credit bid is equal to, or more than, the borrower's obligations on the loan, the borrower's debt will be extinguished. However, if the lender purchases the property for an amount less than the total amount owed to the lender, it preserves its right against a borrower to seek a deficiency judgment if such a remedy is available under state law and the related loan documents, in which case the borrower's obligation will continue to the extent of the deficiency. Regardless of the purchase price paid by the foreclosing lender, the lender will be responsible to pay the costs, fees and expenses of the sale, which sums are generally added to the borrower's indebtedness. In some states, there is a statutory minimum purchase price which the lender must offer for the property and generally, state law controls the maximum amount of foreclosure costs and expenses, including attorneys' fees, which may be recovered by a lender. Thereafter, subject to the right of the borrower in some states to remain in possession during any redemption period, the lender will assume the burdens of ownership, including obtaining hazard insurance,

paying taxes and making the repairs at its own expense as are necessary to render the property suitable for sale. Generally, the lender will obtain the services of a real estate broker and pay the broker's commission in connection with the subsequent sale of the property. Depending upon market conditions, the ultimate proceeds of the sale of the property may not equal the lender's investment in the property and, as described above, in some states, the lender may be entitled to a deficiency judgment. Any such loss in connection with a Reference Obligation will be treated as an actual realized loss experienced on such Reference Obligation.

Foreclosure proceedings are governed by general equitable principles. Some of these equitable principles are designed to relieve the borrower from the legal effect of its defaults under the loan documents. Examples of judicial remedies that have been fashioned include judicial requirements that the lender undertake affirmative and expensive actions to determine the causes for the borrower's default and the likelihood that the borrower will be able to reinstate the loan. In some cases, courts have substituted their judgment for the lender's judgment and have required that lenders reinstate loans or recast payment schedules in order to accommodate borrowers who are suffering from temporary financial hardship. In other cases, courts have limited the right of the lender to foreclose if the default under the mortgage instrument is not monetary, such as the borrower's failure to adequately maintain the property or the borrower's execution of a second mortgage or deed of trust affecting the property. Finally, some courts have been faced with the issue of whether or not federal or state constitutional provisions reflecting due process concerns for adequate notice require that borrowers under deeds of trust or mortgages receive notices in addition to the statutorily-prescribed minimums. For the most part, these cases have upheld the notice provisions as being reasonable or have found that the sale by a trustee under a deed of trust, or under a mortgage having a power of sale, does not involve sufficient state action to afford constitutional protection to the borrower.

Under certain loan modification programs, to the extent a loan servicer is considering qualifying the related borrower for a loan modification after foreclosure proceedings have already been initiated, the foreclosure proceedings must be halted until the servicer has determined whether the borrower has qualified for the loan modification. This is a requirement under the February 2012 settlement agreement between 49 states' attorneys general and five leading bank mortgage servicers and may apply to servicers of some the Reference Obligations, and, if the servicing standards outlined in the settlement agreement develop into national servicing standards in the future, this requirement may apply to the servicers of all the Reference Obligations. In all cases the servicers of the Reference Obligations will be required to service the Reference Obligations in accordance with applicable law, including the CFPB servicing standards which became effective in January 2014.

In response to an unusually large number of foreclosures in recent years, a growing number of states have enacted laws that subject the holder to certain notice and/or waiting periods prior to commencing a foreclosure. In some instances, these laws require the servicer of the mortgage to consider modification of the mortgage or an alternative option prior to proceeding with foreclosure. The effect of these laws has been to delay foreclosure in particular jurisdictions.

The Mortgages or the "Assignments of Mortgage" for some of the Reference Obligations may have been recorded in the name of Mortgage Electronic Registration Systems, Inc. ("**MERS**"), solely as nominee for the originator and its successors and assigns. Subsequent assignments of those Mortgages are registered electronically through the MERS system. The recording of mortgages in the name of MERS has been challenged in a number of states. Although many decisions have accepted MERS as lender, some courts have held that MERS is not a proper party to conduct a foreclosure and have required that the mortgage be reassigned to the entity that is the economic owner of the mortgage loan before a foreclosure can be conducted. In states where such a rule is in effect, there may be delays and additional costs in commencing, prosecuting and completing foreclosure proceedings and conducting foreclosure sales of mortgaged properties. In addition, borrowers are raising new challenges to the recording of mortgages in the name of MERS, including challenges questioning the ownership and enforceability of mortgage loans registered in MERS. An adverse decision in any jurisdiction may delay the foreclosure process.

With respect to any mortgage loans registered on the MERS system, the servicer must comply with all of the requirements of MERS regarding instituting foreclosure proceedings. In addition, mortgage loans registered in the MERS system will be required to be removed from the MERS system by the servicer upon 90 days of delinquency.

*Foreclosing Co-operative Loans.* The co-operative shares owned by the tenant-stockholder and pledged to the lender or lender's agent or trustee are, in almost all cases, subject to restrictions on transfer as set forth in the co-operative's certificate of incorporation and bylaws, as well as the tenant-stockholder's proprietary lease or occupancy

agreement, and may be cancelled by the co-operative for failure by the tenant-stockholder to pay rent or other obligations or charges owed by such tenant-stockholder, including mechanics' liens against the co-operative's property incurred by such tenant-stockholder. A proprietary lease or occupancy agreement generally permits the co-operative to terminate such lease or agreement in the event a tenant-stockholder fails to make payments or defaults in the performance of covenants required thereunder. Furthermore, a default by the tenant-stockholder under the proprietary lease or occupancy agreement will usually constitute a default under the security agreement between the lender and the tenant-stockholder.

Typically, the lender and the co-operative enter into a recognition agreement which establishes the rights and obligations of both parties in the event of a default by the tenant-stockholder with respect to its obligations under the proprietary lease or occupancy agreement and/or the security agreement. The recognition agreement generally provides that, in the event that the tenant-stockholder has defaulted under the proprietary lease or occupancy agreement, the co-operative will take no action to terminate such lease or agreement until the lender has been provided with an opportunity to cure the defaults. The recognition agreement typically provides that if the proprietary lease or occupancy agreement is terminated, the co-operative will recognize the lender's lien in respect of the proprietary lease or occupancy agreement, and will deliver to the lender the proceeds from the sale of the co-operative apartment unit to a third party up to the amount to which the lender is entitled by reason of its lien, subject to the co-operative's right to sums due under such proprietary lease or occupancy agreement. The total amount owed to the co-operative by the tenant-stockholder, which the lender generally cannot restrict and does not monitor, may reduce the proceeds available to the lender to an amount below the outstanding principal balance of the co-operative loan and accrued and unpaid interest thereon.

Recognition agreements typically also provide that in the event of a foreclosure on a co-operative loan, the lender must obtain the approval or consent of the co-operative as required by the proprietary lease or occupancy agreement before transferring the co-operative shares or assigning the proprietary lease to a third party. Generally, the lender is not limited in any rights it may have to dispossess the tenant-stockholders. In some states, foreclosure on the co-operative shares is accomplished by a sale in accordance with the provisions of Article 9 of the Uniform Commercial Code ("**Article 9**") and the security instrument relating to those shares. Article 9 requires that a sale be conducted in a "commercially reasonable" manner. Whether a foreclosure sale has been conducted in a "commercially reasonable" manner will depend on the facts in each case and state law. In determining commercial reasonableness, a court typically will look to the notice (which generally includes a publication requirement) given the borrower and third parties and the method, manner, time, place and terms of the foreclosure.

As described above, any provision in the recognition agreement regarding the right of the co-operative to receive sums due under the proprietary lease or occupancy agreement prior to the lender's reimbursement supplements any requirement under Article 9 that the proceeds of the sale will be applied first to pay the costs and expenses of the sale and then to satisfy the indebtedness secured by the lender's security interest. If there are proceeds remaining after application to costs and expenses of the sale, amounts due under the proprietary lease or occupancy agreement, and satisfaction of the indebtedness, the lender must account to the tenant-stockholder for such surplus. Conversely, if a portion of the indebtedness remains unpaid, the tenant-stockholder is generally responsible for the deficiency.

In the case of foreclosure on a co-operative that was converted from a rental building to a co-operative under a non-eviction plan, some states require that a purchaser at a foreclosure sale take the property subject to rent control and rent stabilization laws which apply to certain tenants who elected to remain in the building but who did not purchase shares in the co-operative when the building was so converted.

### **Rights of Redemption**

The purpose of a foreclosure action in respect of a mortgaged property is to enable the lender to realize upon its security and to bar the borrower, and all persons who have interests in the property that are subordinate to that of the foreclosing lender, from exercise of their "equity of redemption." The doctrine of equity of redemption provides that, until the property encumbered by a mortgage has been sold in accordance with a properly conducted foreclosure and foreclosure sale, those having interests that are subordinate to that of the foreclosing lender have an equity of redemption and may redeem the property by paying the entire debt with interest. Those having an equity of redemption must generally be made parties and joined in the foreclosure proceeding and provided statutorily prescribed notice, in the case of a non-judicial foreclosure, in order for their equity of redemption to be terminated.



The equity of redemption is a common-law (non-statutory) right which should be distinguished from post-sale statutory rights of redemption. In some states, after sale pursuant to a deed of trust or foreclosure of a mortgage, the borrower and foreclosed junior lienors are given a statutory period in which to redeem the property. In some states, statutory redemption may occur only upon payment of the foreclosure sale price. In other states, redemption may be permitted if the former borrower pays only a portion of the sums due. The effect of a statutory right of redemption is to diminish the ability of the lender to sell the foreclosed property because the exercise of a right of redemption would defeat the title of any purchase through a foreclosure. Consequently, the practical effect of the redemption right is to force the lender to maintain the property and pay the expenses of ownership until the redemption period has expired. In some states, a post-sale statutory right of redemption may exist following a judicial foreclosure, but not following a trustee's sale under a deed of trust.

### **Anti-Deficiency Legislation and Other Limitations on Lenders**

Some states have imposed statutory prohibitions which limit the remedies of a beneficiary under a deed of trust or a lender under a mortgage. In some states (including California), statutes limit the right of the beneficiary or lender to obtain a deficiency judgment against the borrower following non-judicial foreclosure by power of sale. A deficiency judgment is a personal judgment against the former borrower equal in most cases to the difference between the net amount realized upon the public sale of the real property and the amount due to the lender. In the case of a mortgage loan secured by a property owned by a trust where the mortgage note is executed on behalf of the trust, a deficiency judgment against the trust following foreclosure or sale under a deed of trust, even if obtainable under applicable law, may be of little value to the lender or beneficiary if there are no trust assets against which the deficiency judgment may be executed. Some state statutes require the beneficiary or lender to exhaust the security afforded under a deed of trust or mortgage by foreclosure in an attempt to satisfy the full debt before bringing a personal action against the borrower. In other states, the lender has the option of bringing a personal action against the borrower on the debt without first exhausting the security; however in some of these states, the lender, following judgment on the personal action, may be deemed to have elected a remedy and may be precluded from exercising other remedies, including with respect to the security. Consequently, the practical effect of the election requirement, in those states permitting the election, is that lenders will usually proceed against the security first rather than bringing a personal action against the borrower. This also allows the lender to avoid the delays and costs associated with going to court. Finally, in some states, statutory provisions limit any deficiency judgment against the former borrower following a foreclosure to the excess of the outstanding debt over the fair value of the property at the time of the public sale. The purpose of these statutes is generally to prevent a beneficiary or lender from obtaining a large deficiency judgment against the former borrower as a result of low or no bids at the foreclosure sale.

In addition to laws limiting or prohibiting deficiency judgments, numerous other federal and state statutory provisions, including the federal bankruptcy laws and state laws affording relief to debtors, may interfere with or affect the ability of the secured mortgage lender to realize upon collateral or enforce a deficiency judgment. For example, under the U.S. Bankruptcy Code, virtually all actions (including foreclosure actions and deficiency judgment proceedings) to collect a debt are automatically stayed upon the filing of the bankruptcy petition and, often, no interest or principal payments are made during the course of the bankruptcy case. The delay and the consequences of the automatic stay can be significant. Also, under the U.S. Bankruptcy Code, the filing of a petition in a bankruptcy by or on behalf of a junior lienor may stay the senior lender from taking action to foreclose out the junior lien. Moreover, with respect to federal bankruptcy law, a court with federal bankruptcy jurisdiction may permit a debtor through his or her Chapter 11 or Chapter 13 rehabilitative plan to cure a monetary default in respect of a mortgage loan on a debtor's residence by paying arrearage within a reasonable time period and reinstating the original mortgage loan payment schedule even though the lender accelerated the mortgage loan and final judgment of foreclosure had been entered in state court (provided no sale of the residence had yet occurred) prior to the filing of the debtor's petition. Some courts with federal bankruptcy jurisdiction have approved plans, based on the particular facts of the reorganization case, that effected the curing of a mortgage loan default by paying arrearage over a number of years.

Courts with federal bankruptcy jurisdiction have also held that the terms of a mortgage loan secured by property of the debtor may be modified. These courts have allowed modifications that include reducing the amount of each monthly payment, changing the rate of interest, altering the repayment schedule, forgiving all or a portion of the debt and reducing the lender's security interest to the value of the residence, thus leaving the lender a general unsecured creditor for the difference between the value of the residence and the outstanding balance of the loan.

Generally, however, the terms of a mortgage loan secured only by a mortgage on real property that is the debtor's principal residence may not be modified pursuant to a plan confirmed pursuant to Chapter 13 except with respect to mortgage payment arrearages, which may be cured within a reasonable time period.

Tax liens arising under the Code may have priority over the lien of a mortgage or deed of trust. In addition, substantive requirements are imposed upon mortgage lenders in connection with the origination and the servicing of mortgage loans by numerous federal and some state consumer protection laws and their implementing regulations. These laws and regulations include the federal Truth-in-Lending Act and Regulation Z, the Real Estate Settlement Procedures Act and Regulation X, the Equal Credit Opportunity Act and Regulation B, the Fair Credit Billing Act and Regulation Z, the Fair Credit Reporting Act and Regulation V and related statutes. These federal laws impose specific statutory liabilities upon lenders who originate mortgage loans and who fail to comply with the provisions of the law. Further, violations of the laws could result in a borrower's defense to foreclosure or an unwinding or rescission of the loan. In some cases, this liability may affect assignees of the mortgage loans.

### **Enforceability of Due-On-Sale Clauses**

The Reference Obligations will typically include "due-on-sale clauses" which allow the holder of such Reference Obligation to demand payment in full of the remaining principal balance upon sale or certain transfers of the property securing such Reference Obligation. The enforceability of these clauses has been the subject of legislation or litigation in many states, and in some cases the enforceability of these clauses was limited or denied. However, The Garn-St Germain Depository Institutions Act of 1982 (the "**Garn-St Germain Act**") preempts state constitutional, statutory and case law that prohibits the enforcement of due-on-sale clauses and permits lenders to enforce these clauses in accordance with their terms, subject to limited exceptions. The Garn- St Germain Act does "encourage" lenders to permit assumption of loans at the original rate of interest or at some other rate less than the average of the original rate and the market rate.

The Garn-St Germain Act also sets forth nine specific instances in which a mortgage lender covered by the Garn-St Germain Act may not exercise a due-on-sale clause, notwithstanding the fact that a transfer of the property may have occurred. These include, amongst others, intra-family transfers, some transfers by operation of law, leases of fewer than three years and the creation of a junior encumbrance. Regulations promulgated under the Garn-St Germain Act also prohibit the imposition of a prepayment penalty upon the acceleration of a loan pursuant to a due-on-sale clause.

The inability to enforce a due-on-sale clause may result in a Reference Obligation bearing an interest rate below the current market rate being assumed by the buyer rather than being paid off, which may have an impact upon the average life of the Reference Obligations and the number of Reference Obligations which may be outstanding until maturity.

### **Subordinate Financing**

When a borrower encumbers mortgaged property with one or more junior liens, the senior lender is subjected to additional risk. First, the borrower may have difficulty servicing and repaying multiple loans. In addition, if the junior loan permits recourse to the borrower (as junior loans often do) and the senior loan does not, a borrower may be more likely to repay sums due on the junior loan than those on the senior loan. Second, acts of the senior lender that prejudice the junior lender or impair the junior lender's security may create a superior equity in favor of the junior lender. For example, if the borrower and the senior lender agree to an increase in the principal amount of or the interest rate payable on the senior loan, the senior lender may lose its priority to the extent an existing junior lender is harmed or the borrower is additionally burdened. Third, if the borrower defaults on the senior loan and/or any junior loan or loans, the existence of junior loans and actions taken by junior lenders can impair the security available to the senior lender and can interfere with or delay the taking of action by the senior lender. Moreover, the bankruptcy of a junior lender may operate to stay foreclosure or similar proceedings by the senior lender. In addition, the consent of the junior lender is required in connection with loan modifications, short sales and deeds-in-lieu of foreclosure, which may delay or prevent the loss mitigation actions taken by the senior lender.

## **Servicemembers Civil Relief Act**

Under the terms of The Servicemembers Civil Relief Act, as amended (the "**Relief Act**"), various rights and protections apply to a borrower who is a servicemember that enters military service. For purposes of the application of the Relief Act to a servicemember, military service includes (i) active duty by a member of the Army, Navy, Air Force, Marine Corps or Coast Guard (including a member of the reserves called to active duty and a member of the National Guard activated under a federal call to active duty), (ii) service by a member of the National Guard under a call to active service authorized by the President of the United States or the Secretary of Defense for a period of more than 30 consecutive days for purposes of responding to a national emergency declared by the President and supported by federal funds, and (iii) active service by a commissioned officer of either the Public Health Service or the National Oceanic and Atmospheric Administration. In addition, certain provisions of the Relief Act also apply to (i) a member of a reserve component upon receipt of an order to report for military service, and (ii) a person ordered to report for induction under the Military Selective Service Act upon receipt of an order for induction. Upon application to a court, a dependent of a servicemember is also entitled to certain limited protections under the Relief Act if the dependent's ability to comply with an obligation is materially affected by reason of the servicemember's military service. Because the Relief Act extends rights and protections to borrowers who enter military service after origination of the mortgage loan, no information can be provided as to the number of Reference Obligations that may be affected by the Relief Act.

The Relief Act imposes limitations that would impair the ability of the servicer to foreclose on an affected mortgage loan originated before the borrower's period of military service. In an action filed during, or within nine months after, a borrower's period of military service to enforce a mortgage loan, a court may stay the proceedings or adjust the mortgage loan to preserve the interests of all parties. Moreover, a sale, foreclosure or seizure of property for breach of a mortgage loan is not valid if made during, or within nine months after, the period of the borrower's military service, except upon a court order granted before such sale, foreclosure or seizure or pursuant to a written waiver by the borrower. The Relief Act also provides that a period of military service may not be included in computing any period provided by law for the redemption of real property sold or forfeited to enforce an obligation. Thus, in the event that the Relief Act or similar legislation or regulations applies to any mortgage loan which goes into default, there may be delays in payment and losses on the related securities in connection therewith. Any other interest shortfalls, deferrals or forgiveness of payments on the Reference Obligations resulting from similar legislation or regulations may result in delays in payments or losses to Securityholders.

Certain states have enacted or may enact their own versions of the Relief Act, which may provide for greater rights and protections than those set forth in the Relief Act, including rights and protections for National Guard members called to active state service by a state governor.

## **CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES**

The Securities and payments thereon generally are subject to taxation. Therefore, you should consider the tax consequences of owning a Security before acquiring one.

The following discussion is general and may not apply to your particular circumstances for any of the following (or other) reasons:

- This summary is based on federal tax laws in effect as of the date of this Offering Memorandum. Changes to any of these laws after this date may affect the tax consequences described below and may apply, retroactively, as of a date preceding the date of this Offering Memorandum.
- This summary discusses only Securities acquired by beneficial owners and held as capital assets (within the meaning of federal tax law). It does not discuss all of the tax consequences that may be relevant to beneficial owners subject to special rules, such as banks, thrift institutions, partnerships, insurance companies, real estate investment trusts, regulated investment companies, tax-exempt organizations, brokers and dealers in securities or currencies, certain securities traders and certain other financial institutions. This discussion also does not discuss tax consequences that may be relevant to a beneficial owner in light of the beneficial owner's particular circumstances, such as a beneficial owner holding a Security as a position in a straddle, hedging, conversion or other integrated investment, a beneficial owner whose functional currency is not the U.S. dollar, a beneficial

owner for whom the income with respect to a Security would constitute "business interest income" or a beneficial owner who is a recalcitrant account holder (within the meaning of Section 1471 of the Internal Revenue Code of 1986, as amended (the "Code")).

- The Securities also are subject to income and other taxes imposed by states and possessions of the United States and by local taxing authorities. You should consult your own tax advisors as to the consequences of such laws.

**Because the following discussion may not apply to you, you should consult your own tax advisors regarding the tax consequences of purchasing, owning and disposing of Securities, including the advisability of making any of the elections described below.**

### **Treatment of the Issuer**

In the opinion of Dechert LLP, special U.S. federal tax counsel to the Issuer, although no activity closely comparable to that contemplated by the Issuer and no similar transaction involving securities issued by a trust with terms similar to the terms of the Notes, the Class B-1 Certificates and the Ownership Certificates have been the subject of any Treasury regulation, revenue ruling or judicial decision, neither the Issuer nor any portion thereof will be classified as an association taxable as a corporation, a publicly traded partnership taxable as a corporation or a taxable mortgage pool for U.S. federal income tax purposes. The Indenture and Trust Agreement contain certain restrictions on the activities of the Issuer and the opinion will be based on the assumption that all terms of such agreements and related documents will be complied with.

**Except as otherwise noted below, the following discussion assumes that the Issuer is not treated as an association taxable as a corporation, publicly traded partnership taxable as a corporation or taxable mortgage pool.**

### **Treatment of the Securities**

In the opinion of Dechert LLP, special U.S. federal tax counsel to the Issuer, although no activity closely comparable to that contemplated by the Issuer and no similar transaction involving securities issued by a trust with terms similar to the terms of the Notes, the Class B-1 Certificates and the Ownership Certificates have been the subject of any Treasury regulation, revenue ruling or judicial decision, the Exchangeable Notes sold on the Closing Date, including Exchangeable Notes sold by virtue of a sale of Class M-2 Notes, will be treated as indebtedness for U.S. federal income tax purposes. The U.S. federal income tax treatment of the Class B-1 Certificates is not clear. The Issuer and each Holder of a Class B-1 Certificate, by acceptance of a Class B-1 Certificate, will agree to treat the Class B-1 Certificates in part as a limited recourse guarantee contract and in part as an interest-bearing collateral arrangement for U.S. federal income tax purposes. By purchasing the Securities, Holders agree to treat the Securities in the manner described above unless a change in law or administrative practice requires a Security to be treated in some other manner.

Prospective investors of the Securities should be aware that there is no authority that directly addresses the U.S. federal income tax treatment of the Securities, and no ruling will be received from the IRS in connection with the issuance of the Securities. Accordingly, the U.S. federal income tax characterization of the Securities is not certain. The characterization of the Securities may affect the amount, timing and character of income, deduction, gain or loss recognized by a U.S. Person in respect of a Security, and the U.S. withholding tax consequences to a non-U.S. Person of a Security. As noted, the Issuer intends to take the position that the Notes will be treated as indebtedness for U.S. federal income tax purposes and that the Class B-1 Certificates will be treated in part as a limited recourse guarantee contract and in part as an interest-bearing collateral arrangement for U.S. federal income tax purposes. By purchasing Securities, Holders will agree to treat their Securities in the manner described above. These characterizations are not binding on the IRS. In addition, opinions of counsel are not a guarantee of any particular U.S. federal income tax result and are not binding on the IRS, the courts or any other third party. Accordingly, no assurance can be given that the IRS will not challenge any of these conclusions or that, if challenged, such conclusion would be sustained. For example, the IRS may treat a Note as a derivative instrument (or, even more unlikely, as an equity interest). Similarly, the IRS may treat the Class B-1 Certificates as a derivative (such as a notional principal contract) or an equity interest. In addition, the opinion regarding the classification of the Issuer will assume that the transfer restrictions, as described under "*U.S. Persons—Class B-1 Certificates—Transfer*

*Restrictions*" below, will be enforceable. It should be noted, however, that because the Class B-1 Certificates will be held in book-entry form, it is possible that book-entry transfers of beneficial interests in the Class B-1 Certificates could be effected without the knowledge of the Indenture Trustee, making it more difficult to monitor compliance with the transfer restrictions. In light of the uncertainty as to the characterization of the Issuer and the Securities, prospective investors of Securities should consult their own tax advisors as to the possible alternative characterizations of the Issuer and the Securities for U.S. federal income tax purposes and the U.S. federal income and withholding tax consequences of such alternative characterizations.

## **U.S. Persons**

If you are a U.S. Person and own a Security, income from the Security is subject to U.S. federal income taxation.

For purposes of the foregoing and the discussion that follows, a "**U.S. Person**" means:

- a citizen or individual resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is includible in its gross income for U.S. federal income tax purposes without regard to its source;
- a trust if a court within the United States is able to exercise primary supervision over its administration and at least one U.S. Person has the authority to control all substantial decisions of the trust; or
- certain trusts in existence on August 20, 1996, and treated as U.S. persons (within the meaning of Section 7701(a)(30) of the Code) prior to such date, that elect to continue to be treated as U.S. persons, as provided in Treasury regulations.

If a partnership holds Securities, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding Securities should consult its tax advisor regarding the U.S. federal income tax treatment of the partnership's investment in the Securities.

The first part of the following discussion addresses beneficial owners who are U.S. Persons, the second part addresses beneficial owners who are individuals, corporations, estates or trusts who are not U.S. Persons ("**non-U.S. Persons**"), and the last part addresses rules concerning information reporting to the IRS and backup withholding, which is applicable to U.S. Persons and non-U.S. Persons.

For purposes of the discussion under "*Certain U.S. Federal Income Tax Consequences*" herein, a Holder refers to the beneficial owner of a Security. The beneficial owner is the party that beneficially owns a Security for U.S. federal income tax purposes.

## ***Exchangeable Notes***

### *Tax Status of Exchangeable Notes for Building and Loans, Savings Banks, REITs and REMICs*

Although principal on the Exchangeable Notes is payable generally in relation to principal payments made with respect to the Reference Obligations, the Exchangeable Notes represent obligations of the Issuer and are not ownership interests in the related Reference Obligations. Consequently, (i) Exchangeable Notes held by a domestic building and loan association or savings bank will not be "qualifying real property loans" under Section 593(d) of the Code; (ii) Exchangeable Notes held by a real estate investment trust ("**REIT**") will not be "real estate assets" under Section 856(c)(5)(B) of the Code, nor will interest payments on the Exchangeable Notes be "interest on obligations secured by mortgages on real property or on interests in real property" under Section 856(c)(3)(B) of the Code; (iii) Exchangeable Notes held by a real estate mortgage investment conduit ("**REMIC**") will not be "qualified

mortgages" within the meaning of Section 860G(a)(3) of the Code; and (iv) the Exchangeable Notes will not be "government securities" within the meaning of Section 856(c)(4)(A) or 851(b)(3) of the Code.

#### *Interest and Original Issue Discount*

*General.* The Exchangeable Notes may be issued with original issue discount ("**OID**") for U.S. federal income tax purposes depending on their "issue price." Treasury Regulations governing contingent payment debt instruments (the "**CPDI Regulations**") do not adequately address certain issues relevant to, and in some instances provide that they are not applicable to, securities similar to the Exchangeable Notes. Accordingly, as described in more detail below, the Issuer intends to take the position that the Exchangeable Notes are not subject to the CPDI Regulations and that the stated interest on the Exchangeable Notes is Qualified Stated Interest (as defined below). Payments of stated interest on the Exchangeable Notes that are considered Qualified Stated Interest will be taxable as ordinary income to U.S. Persons at the time that such payments are accrued or received in accordance with the Holder's regular method of accounting for U.S. federal income tax purposes. As described in more detail below, in the event of a principal write-down or reduction in interest entitlement, or if the Exchangeable Notes are otherwise treated as being issued with OID, the Issuer intends to accrue OID and otherwise to account for tax items (other than Qualified Stated Interest) relating to such Exchangeable Notes in accordance with the principles of Section 1272(a)(6) of the Code.

*Application of CPDI Regulations.* Neither the Code nor applicable Treasury Regulations address how to accrue income, including OID, taking into account the effect of any principal write-downs or reductions in interest entitlement, for debt obligations with the characteristics of the Exchangeable Notes. The CPDI Regulations generally apply to debt instruments in which the amount of a payment under the instrument is subject to one or more contingencies that are neither remote nor incidental at the time the debt instruments are issued. As of the date of this Offering Memorandum, the Issuer believes that the likelihood of a reduction in the principal balance of the Exchangeable Notes due to a Credit Event or Modification Event or a reduction in the interest entitlement of the Exchangeable Notes due to a Modification Event is remote. Accordingly, the Issuer also believes that the possibility of receipt of any Projected Recovery Amount by the Exchangeable Notes is remote because such amounts apply only to Notes that have been written down. Thus, the Issuer intends to take the position that the Exchangeable Notes are not subject to the CPDI Regulations. The Issuer's position that the Exchangeable Notes are not subject to the CPDI Regulations is binding on Holders unless they disclose their contrary positions to the IRS in the manner required by the applicable Treasury Regulations.

The IRS could disagree and require Holders of the Exchangeable Notes to accrue interest and OID pursuant to the CPDI Regulations or under a different tax accounting regime. In that event, the amount, timing and character of the income recognized by a Holder of a Note could be materially different from what is described below. See "*Possible Alternate Treatment; Deemed Reissuance*" below.

*OID.* The Treasury Regulations governing OID define OID as the excess of the "stated redemption price at maturity" (defined below) of each such Exchangeable Note over its "issue price" (defined below) if such excess equals or exceeds a *de minimis* threshold amount. The "issue price" of an Exchangeable Note is the first price at which a substantial amount of such Class of Notes is sold to the public for cash (ignoring sales to bond houses, underwriters, placement agents and other wholesalers), including a sale by virtue of a sale of the related RCR Notes. The *de minimis* threshold amount is defined as one-quarter of one percent of such Note's stated redemption price at maturity multiplied by the number of complete years to its maturity. The "stated redemption price at maturity" of an Exchangeable Note is the sum of all payments on the Note other than payments of Qualified Stated Interest.

*Qualified Stated Interest.* "**Qualified Stated Interest**" includes stated interest that is unconditionally payable in cash or in property at least annually, at a qualified floating rate as provided in the Treasury Regulations. Interest is payable unconditionally only if either (i) reasonable legal remedies exist to compel the timely payment of interest or (ii) the terms or conditions under which the debt instrument is issued make the likelihood of a late payment or nonpayment of interest remote. As described in "*Description of the Notes*," if Tranche Write-down Amounts are allocated to the Exchangeable Notes, the Class Principal Balance of the Exchangeable Notes will be reduced accordingly. Interest will not accrue on the amount by which the Class Principal Balance of the Notes is reduced. In addition, allocation of Modification Loss Amounts could reduce the interest entitlement of the Notes. If at the time of issuance of the Exchangeable Notes the likelihood of such a reduction were not remote, although there is no

authority on point, the interest payable on such Notes likely would not be considered payable unconditionally at least annually. In that event, the interest on the Exchangeable Notes would not be treated as Qualified Stated Interest, and instead, would be treated as OID. In that case, you would be required to accrue OID income, including all of the interest payable, on such Notes on a constant yield to maturity basis, regardless of your regular method of accounting, and whether or not you receive a cash payment of interest on any Payment Date. As noted above, as of the date of this Offering Memorandum, the Issuer believes that the likelihood of a reduction in the Class Principal Balance of the Exchangeable Notes due to Credit Events or Modification Events or reductions in the interest entitlement of the Exchangeable Notes due to Modification Events is remote. Thus, the Issuer intends to take the position that all interest on the Exchangeable Notes is Qualified Stated Interest.

*Possible Alternate Treatment; Deemed Reissuance.* The Issuer intends to take the position that (i) the likelihood of reductions in the Class Principal Balance of the Exchangeable Notes due to Credit Events or Modification Events or reductions in the interest entitlement of the Exchangeable Notes due to Modification Events is remote, (ii) all the stated interest on the Exchangeable Notes is Qualified Stated Interest, and (iii) the Exchangeable Notes are not treated as contingent payment debt instruments. Nonetheless, the meaning of the term "remote" in the Treasury Regulations has not yet been addressed in any rulings or other guidance by the IRS or any court. Consequently, the IRS may conclude that the likelihood of reductions in the Class Principal Balance of the Exchangeable Notes due to Credit Events or Modification Events or reductions in the interest entitlement of the Exchangeable Notes due to Modification Events is not remote and that the Exchangeable Notes are subject to the CPDI Regulations or that the interest on the Exchangeable Notes does not constitute Qualified Stated Interest. In that event, you may be required (i) to accrue OID income at a rate higher or lower than the stated interest rate on the Exchangeable Notes, and (ii) to treat as ordinary income, rather than capital gain, any gain on the sale or retirement of the Exchangeable Notes. Furthermore, Holders should be aware that, if the Class Principal Balance of an Exchangeable Note is actually reduced as a result of a Credit Event or Modification Event or the interest entitlement of an Exchangeable Note is actually reduced as a result of a Modification Event, such Note likely would be treated solely for OID purposes as retired and reissued for its "adjusted issue price" (as defined below). In that event, the Issuer intends to treat the deemed reissued Exchangeable Notes as contingent payment debt instruments having OID (and no Qualified Stated Interest) for U.S. federal income tax purposes because the likelihood of principal write-downs would no longer be remote.

*Accrual of OID.* To the extent that Exchangeable Notes are issued, or are treated as being issued, with OID (for example, because of their "issue price" or in the event of a principal write-down or reduction in interest entitlement) the Issuer intends to accrue OID and otherwise to account for tax items (other than Qualified Stated Interest) relating to such Notes in accordance with the principles of Section 1272(a)(6) of the Code.

Section 1272(a)(6) of the Code provides rules for the accrual of OID in cases where principal payments on a debt instrument are accelerated because of prepayments on other obligations securing the debt instrument. The Exchangeable Notes are not secured by the Reference Obligations, nor are principal and interest payments received with respect to the Reference Obligations being used to fund payments on the Exchangeable Notes. However, the timing of principal payments on the Exchangeable Notes is based on the rate at which scheduled and unscheduled principal payments are received with respect to the Reference Obligations. Thus, although Section 1272(a)(6) of the Code does not technically apply to the Exchangeable Notes, the method for accruing OID that is contained in that provision appears to be a method that appropriately apportions OID over the term of the Exchangeable Notes. Consequently, if the Exchangeable Notes are considered to have OID, the Issuer intends to apply the tax accounting principles of Section 1272(a)(6) of the Code to the Exchangeable Notes where appropriate, as described in greater detail below, and intends to treat each Note as not constituting a "specified security" in accordance with Treasury Regulations section 1.6045-1(a)(14).

The Issuer believes that the application of such tax accounting principles is appropriate even in cases where Exchangeable Notes are treated as contingent payment debt instruments (or become treated as such as a result of a deemed reissuance occurring in connection with an actual principal write-down or reduction in interest entitlement). The CPDI Regulations do not currently provide tax accounting rules for instruments, like the Exchangeable Notes, that have timing contingencies. Thus, even if the Exchangeable Notes were treated as contingent payment debt instruments, because the CPDI Regulations do not address timing contingencies of the type applicable to the Exchangeable Notes, the Issuer believes that the tax accounting methodology described below, rather than the methodology in the CPDI Regulations, would be more properly applicable to the Exchangeable Notes. The

remainder of this discussion is based on a tax accounting methodology incorporating the principles of Section 1272(a)(6) of the Code being respected for U.S. federal income tax purposes. The IRS may not agree with this treatment. Holders of Exchangeable Notes should consult their tax advisors regarding the proper tax accounting methodology for the Notes under U.S. federal income tax law, including the potential application of the CPDI Regulations.

In general, OID accrues under Section 1272(a)(6) of the Code based on a prepayment assumption that is used for U.S. federal income tax purposes (and may not represent the rate at which the Exchangeable Notes in fact prepay) (the "**PAC Method**"). Under the PAC Method, the amount of OID allocable to any accrual period for an Exchangeable Note will equal the excess, if any, of (i) the sum of (A) the present value of all remaining payments under the Note as of the end of the accrual period and (B) any payments made on such Note during the accrual period of amounts included in the stated redemption price at maturity of the Exchangeable Note over (ii) the adjusted issue price of such Note at the beginning of the accrual period. The OID so determined is allocated ratably among the days in the accrual period. For certain U.S. Persons using the accrual method of accounting, however, such OID may be includible at the time it would be included for financial accounting purposes if earlier than when such U.S. Person would otherwise take the OID into income.

The adjusted issue price of an Exchangeable Note at the beginning of the first accrual period will be its issue price. The adjusted issue price at the end of any accrual period (and, therefore, at the beginning of the subsequent accrual period) is determined by discounting the remaining payments due on the Exchangeable Note at its yield to maturity. The remaining payments due are projected based on the pricing prepayment assumption used to price the Notes at issuance (the "**Prepayment Assumption**"), but taking into account events (including actual principal payments) that have occurred prior to the end of the accrual period.

For this purpose, the yield to maturity of an Exchangeable Note is determined on the issue date by projecting the payments expected to be received on such Note over its life based on the Prepayment Assumption. The yield to maturity of an Exchangeable Note is the discount rate that, when applied to the stream of payments projected to be made on such Note as of the issue date, produces a present value equal to the issue price of such Note. The Code requires that the Prepayment Assumption be determined in the manner prescribed in Treasury Regulations. To date, no such regulations have been issued. 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 debt issuance, which, in turn, presumably would be based on a reasonable expectation regarding the rate of prepayments on the underlying mortgage loans. For tax information reporting purposes, the Indenture Trustee will apply the Prepayment Assumption without projections of Credit Events.

Under the PAC Method, accruals of OID will increase or decrease (but never below zero) to reflect the fact that payments on the Reference Pool are occurring at a rate that is faster or slower than that assumed under the Prepayment Assumption. In certain circumstances (e.g., because a principal write-down is allocated to a particular Exchangeable Note), a Holder's OID accrual under the PAC Method may be negative for one or more accrual periods. In that event, the Holder will not be permitted to deduct such amount currently and instead will be entitled to offset such negative accruals only against future positive OID accruals on that Note. All or a portion of a Holder's loss attributable to negative OID accruals may be treated as a capital loss upon disposition or retirement if the related Note is held as a capital asset. The timing and character of such losses is not entirely clear, and Holders should consult their tax advisors regarding the U.S. federal income tax treatment of negative OID accruals. A principal write-up, on the other hand, allocated to a particular Exchangeable Note generally will result in a positive OID accrual (or will offset prior negative OID accruals).

#### *Market Discount and Premium*

If you purchase an Exchangeable Note at an amount (net of accrued interest) less than its stated redemption price at maturity (or, in the case of an Exchangeable Note with OID, its adjusted issue price), you will have market discount with respect to such Note in the amount of the shortfall. If you purchase an Exchangeable Note with market discount you are required (unless such market discount is a *de minimis* amount) to treat any principal payments on, or any gain realized upon the disposition or retirement of such Note, as interest income to the extent of the market discount that accrued while you held such Note, unless you elect to include such market discount in income on a current basis. If you make an election to include market discount in income on a current basis, it will apply to all



debt instruments with more than *de minimis* market discount that you acquire on or after the beginning of the first taxable year to which the election applies. You may revoke the election only with the consent of the IRS. If you acquire an Exchangeable Note at more than *de minimis* market discount and you do not elect to include market discount in income on a current basis, you may be required to defer the deduction of a portion of the interest expense on any indebtedness you incurred or continued to purchase or carry the Exchangeable Note until the deferred income is realized. If you dispose of an Exchangeable Note with more than a *de minimis* amount of market discount in a nontaxable transaction (other than a nonrecognition transaction described in Section 1276(d) of the Code), accrued market discount is includible as ordinary income as if you had sold the Exchangeable Note at its then fair market value.

If you purchase an Exchangeable Note for an amount (net of accrued interest) in excess of its principal amount (or, in the case of an Exchangeable Note with OID, its remaining stated redemption price at maturity), you will have premium with respect to such Note in the amount of such excess. A Holder who purchases an Exchangeable Note at a premium may elect to treat such premium as "amortizable bond premium." If you make this election, the amount of interest that you must include in income for each accrual period (where such Note is not optionally redeemable prior to its Maturity Date) is reduced (but not below zero) by the portion of the premium allocable to such period based on the Exchangeable Note's yield to maturity. If the amortizable bond premium allocable to an accrual period exceeds the interest allocable to that accrual period, you may treat the excess as a bond premium deduction for the accrual period. However, the amount treated as a bond premium deduction is limited to the amount by which your total interest income on the Exchangeable Note in prior accrual periods exceeds the total amount treated by you as a bond premium deduction on the Exchangeable Note in prior accrual periods. If an Exchangeable Note may be called prior to maturity, but after you acquired it, you generally may not assume that the call will be exercised and must amortize premium to the Maturity Date. If the Exchangeable Note is in fact called, you may deduct any unamortized premium in the year of the call. If you make the election described above, the election will apply to all debt instruments the interest on which is not excludible from gross income ("**Fully Taxable Bonds**") that you hold at the beginning of the first taxable year to which the election applies and to all Fully Taxable Bonds you later acquire. You may revoke this election only with the consent of the IRS.

If you do not make this election, you must include the full amount of each interest payment in income in accordance with your regular method of tax accounting, and you will receive a tax benefit from the premium only in computing your gain or loss upon the sale or other disposition or retirement of the Exchangeable Note. Thus, in that event, the premium will reduce capital gain or increase capital loss realized on the disposition or retirement of the Exchangeable Note.

If you purchase an Exchangeable Note with OID at a purchase price that exceeds the remaining stated redemption price at maturity of an Exchangeable Note, you are not required to include in income any OID with respect to such Note. If you purchase an Exchangeable Note with OID for an amount in excess of its adjusted issue price, but less than its remaining stated redemption price at maturity, you will have acquisition premium with respect to such Note in the amount of such excess. If you purchase an Exchangeable Note with OID at an acquisition premium, the amount of OID you will include in income in each taxable year will be reduced by that portion of the acquisition premium properly allocable to such year. Unless you make the accrual method election described below in "*U.S. Persons—Exchangeable Notes—Accrual Method Election*," acquisition premium is allocated on a pro rata basis to each accrual of OID, so that you are allowed to reduce each OID accrual by a constant fraction.

The relevant legislative history provides that market discount and premium on a debt instrument to which Section 1272(a)(6) of the Code applies may be treated as accruing either (i) on the basis of a constant interest rate or (ii) (a) in the case of an Exchangeable Note issued without OID, in the ratio of the stated interest payable in the relevant period to the total stated interest remaining to be paid measured as of the beginning of such period (computed taking into account the Prepayment Assumption) or (b) in the case of an Exchangeable Note issued with OID, in the ratio of the OID accruing in the relevant period to the total OID remaining unaccrued as of the beginning of such period (computed taking into account the Prepayment Assumption). The Indenture Trustee will publish a monthly market discount accrual ratio for Holders to determine the amount of accrued market discount and premium using the method described in (ii) above. For certain U.S. Persons using the accrual method of accounting, however, it is possible that such market discount may be includible at the time it would be included for financial accounting purposes, if earlier. However, the IRS issued proposed regulations that would exclude from this rule any item of gross income for which a taxpayer uses a special method of accounting required by certain sections of the Code,

including, income subject to the timing rules for OID, income under the contingent payment debt instrument rules, income and gain associated with an integrated transaction, *de minimis* OID, accrued market discount, and *de minimis* market discount. These regulations are proposed to apply to taxable years beginning on or after the date the final regulations are published. A taxpayer may generally rely on the proposed regulations for taxable years beginning after December 31, 2017, provided the taxpayer meets certain requirements outlined in the regulations.

Holders should consult their own tax advisors regarding the application of the market discount and premium rules and the advisability of making the elections described above with respect to Exchangeable Notes.

#### *Accrual Method Election*

You may elect to include in gross income your entire return on an Exchangeable Note (i.e., the excess of all remaining payments to be received on the Note over the amount you paid for the Note) based on the compounding of interest at a constant rate (the "**Accrual Method Election**"). In some instances, the Accrual Method Election may mitigate any negative OID accruals that may arise under the PAC Method. Such an election for an Exchangeable Note with amortizable bond premium will result in a deemed election for all your debt instruments with amortizable bond premium to amortize the premium. Such an election for an Exchangeable Note with market discount will result in a deemed election for all your debt instruments with market discount that you acquire on or after the beginning of the taxable year in which you make the election. You may revoke the Accrual Method Election only with the permission of the IRS. Holders should consult their own tax advisors regarding the advisability of making the Accrual Method Election with respect to an Exchangeable Note.

#### *Disposition or Retirement of Exchangeable Notes*

When you sell, exchange or otherwise dispose of an Exchangeable Note, or when an Exchangeable Note is retired (including by redemption), you will recognize gain or loss equal to the difference, if any, between the amount you realize upon the disposition or retirement (excluding any accrued but unpaid interest, which will be taxed separately as ordinary income) and your tax basis in the Exchangeable Note. Your tax basis for determining gain or loss on the disposition or retirement of an Exchangeable Note generally is your U.S. dollar cost of such Note, increased by the amount of any OID and any market discount includible in your gross income with respect to such Note, and decreased by the amount of any payments under the Note that are part of its stated redemption price at maturity (i.e., payments other than Qualified Stated Interest) and by the portion of any premium previously taken into account to reduce interest payments.

The character of gains or losses recognized upon the disposition or retirement of the Exchangeable Notes will depend on whether they are treated as contingent payment debt instruments for U.S. federal income tax purposes. As discussed above, it is not entirely clear whether the Exchangeable Notes should be characterized as contingent payment debt instruments, but the Issuer currently intends to take the position that the Exchangeable Notes should not be treated as such at the time of their issuance. Holders should be aware that the IRS could take a different position regarding the treatment of the Exchangeable Notes. In addition, if the Class Principal Balance of an Exchangeable Note is actually reduced as a result of a Credit Event or Modification Event or the interest entitlement of an Exchangeable Note is actually reduced as a result of a Modification Event, such Class of Notes likely would be treated as retired and reissued for its adjusted issue price. In that event, the Issuer intends to treat the deemed reissued Exchangeable Notes as contingent payment debt instruments for U.S. federal income tax purposes because the likelihood of principal write-downs would no longer be remote.

To the extent that the Exchangeable Notes are not considered contingent payment debt instruments, any gain or loss you realize on a disposition or retirement of an Exchangeable Note is capital gain or loss (except to the extent the gain represents accrued interest, OID or market discount on the Note not previously included in gross income, to which extent such gain or loss would be treated as ordinary income). Any capital gain or loss is long-term capital gain or loss if at the time of disposition or retirement you held the Exchangeable Note for more than one year. The deductibility of capital losses is subject to limitations. Certain non-corporate Holders (including individuals) are eligible for preferential U.S. federal income tax rates on long-term capital gains.

In the event that an Exchangeable Note is treated as a contingent payment debt instrument for U.S. federal income tax purposes (either at issuance or upon a deemed reissuance), the CPDI Regulations provide special rules

that generally would characterize any taxable gain on the disposition of such Note as ordinary income. Any taxable loss would be ordinary to the extent of the Holder's ordinary income inclusions with respect to the Note, and any excess generally would be treated as capital loss.

Holders should contact their own tax advisors regarding the U.S. federal income tax treatment of a disposition or retirement of an Exchangeable Note.

#### *Medicare Tax*

Certain non-corporate Holders will be subject to an increased rate of tax on some or all of their "net investment income," which generally will include interest, OID and market discount realized on an Exchangeable Note and any net gain recognized upon a disposition of an Exchangeable Note. You should consult your own tax advisor regarding the applicability of this tax in respect of your Note.

#### ***Class B-1 Certificates***

##### *Tax Status of Class B-1 Certificates for Building and Loans, Savings Banks, REITs and REMICs*

Similar to the Exchangeable Notes, the Class B-1 Certificates are not ownership interests in the Reference Obligations or the underlying mortgage loans for U.S. federal income tax purposes. Consequently, (i) Class B-1 Certificates held by a domestic building and loan association or savings bank will not be "qualifying real property loans" under Section 593(d) of the Code; (ii) Class B-1 Certificates held by a REIT will not be "real estate assets" under Section 856(c)(5)(B) of the Code, nor will interest payments on the Class B-1 Certificates be "interest on obligations secured by mortgages on real property or on interests in real property" under Section 856(c)(3)(B) of the Code; (iii) Class B-1 Certificates held by a REMIC will not be "qualified mortgages" within the meaning of Section 860G(a)(3) of the Code; and (iv) the Class B-1 Certificates will not be "government securities" within the meaning of Section 856(c)(4)(A) or 851(b)(3) of the Code.

##### *Periodic Inclusions (or Deductions) with Respect to the Class B-1 Certificates*

As described above, the Class B-1 Certificates will be treated in part as a limited recourse guarantee contract and in part as an interest-bearing collateral arrangement to the extent of the principal balance of the Class B-1 Certificates for U.S. federal income tax purposes. By purchasing the Class B-1 Certificates, Holders agree to treat the Class B-1 Certificates in the manner described above unless a change in law or administrative practice requires the Class B-1 Certificates to be treated in some other manner. The remainder of this discussion assumes such treatment.

Accordingly, a portion of each payment on each Class B-1 Certificate attributable to interest on Eligible Investments will be includible as ordinary interest by the Holder. Amounts of interest paid on the Class B-1 Certificates in excess of the return realized on Eligible Investments will constitute guarantee income and will be includible as ordinary income by the Holder. Holders should consult their tax advisors regarding their specific circumstances.

#### *Losses*

When a write-down occurs on the Class B-1 Certificates, Holders of the Class B-1 Certificates will be deemed to have made a guarantee payment with respect to the actual loss experienced on the Reference Obligation. The deemed guarantee payment will result in a loss to the Holder in the taxable year in which the guarantee payment is deemed to be made. In the case of Holders other than corporations who hold the Class B-1 Certificates as investments, the loss will be treated as a loss from the sale or exchange of a capital asset held for not more than one year. The deductibility of capital losses is subject to limitations under the Code. Taxpayers should consult their tax advisors as to the availability of the loss deduction.

##### *Disposition or Retirement of Class B-1 Certificates*

On a sale or other disposition (other than a retirement) of a Class B-1 Certificate, a Holder will recognize gain or loss in an amount equal to the difference between the amount realized upon the disposition of the Class B-1 Certificate other than any amount attributable to accrued interest, which will be accounted for in the manner described above, and the Holder's adjusted tax basis in such Class B-1 Certificate. A Holder who holds a Class B-1 Certificate as a capital asset will realize capital gain or loss on the sale or other disposition of such Class B-1 Certificate. Holders should consult their own tax advisors regarding the U.S. federal income tax treatment of a sale or other disposition of Class B-1 Certificates.

#### *Medicare Tax*

Certain non-corporate Holders will be subject to an increased rate of tax on some or all of their "net investment income," which generally will include interest realized on the cash collateral. You should consult your own tax advisor regarding the applicability of this tax in respect of your Class B-1 Certificate.

#### *Transfer Restrictions*

If the Issuer were recharacterized as a "publicly traded partnership" taxable as a corporation, the Issuer could be subject to U.S. federal income tax at corporate rates on its taxable income (generally, the income from the Cash Collateral Account and Credit Protection Agreement, reduced by the interest deductions on the Exchangeable Notes if they are treated as debt of the Issuer for U.S. federal income tax purposes). This characterization of the Issuer could cause the amount of cash flow available to Holders of Securities to be substantially reduced, and also result in the Holders of Class B-1 Certificates (or any other equity interests) recognizing income and other tax items with respect to their Securities that differ significantly, in amount, timing and character, from that recognized were such Securities treated as equity in a partnership for U.S. federal income tax purposes. The Class B-1 Certificates are subject to restrictions on transfer that are intended to prevent the Issuer from being classified as a "publicly traded partnership" for U.S. federal income tax purposes.

To reduce the risk of the Issuer being treated as a publicly traded partnership, each initial Holder of a Class B-1 Certificate and each subsequent Holder of a Class B-1 Certificate, in making its purchase, will be deemed to have acknowledged, represented and agreed that the Holder (A) either (i) is not and will not become for U.S. federal income tax purposes a partnership, subchapter S corporation or grantor trust (or a disregarded entity, the single owner of which is any of the foregoing) (each such entity, a "**Flow-Through Entity**") or (ii) if it is or becomes a Flow-Through Entity, then (x) none of the direct or indirect beneficial owners of any of the interests in such Flow-Through Entity has or ever will have more than 50% of the value of its interest in such Flow-Through Entity attributable to the interest of such Flow-Through Entity in the Class B-1 Certificates and any Notes and (y) it is not and will not be a principal purpose of the arrangement involving the investment of such Flow-Through Entity in any Class B-1 Certificate to permit any partnership to satisfy the 100 partner limitation of Treasury Regulation section 1.7704-1(h)(1)(ii) necessary for such partnership not to be classified as a publicly traded partnership under the Code, (B) will not sell, assign, transfer, pledge or otherwise convey any participating interest in any note or any financial instrument or contract the value of which is determined by reference in whole or in part to any Class B-1 Certificate, (C) is not acquiring and will not sell, transfer, assign, participate, pledge or otherwise dispose of any Class B-1 Certificate (or interest therein) or cause any Class B-1 Certificate (or interest therein) to be marketed on or through an "established securities market" within the meaning of Section 7704(b) of the Code, including, without limitation, an interdealer quotation system that regularly disseminates firm buy or sell quotations and (D) does not and will not beneficially own a Class B-1 Certificate (or any beneficial interest therein) in an amount that is less than the minimum denomination for such Security. Any transfer of a Class B-1 Certificate (or any beneficial interest therein) that does not comply with the foregoing requirements will be deemed null and void ab initio.

#### *RCR Notes*

The RCR Notes 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 chapter 1 of subtitle A of the Code. The Exchangeable Notes that back the RCR Notes will be the assets of the grantor trust, and the RCR Notes will represent an ownership interest in the applicable Exchangeable Notes. The Class M-2 Notes will represent beneficial ownership of undivided interests the two Exchangeable Notes.

The Class M-2 Notes will represent beneficial ownership of undivided interests in the two Exchangeable Notes. Each remaining RCR Note (each, a "**Strip RCR Note**") will represent the right to receive a disproportionate part of the principal or interest payments on an Exchangeable Note.

#### *Class M-2 Notes*

A Holder of a Class M-2 Note will be treated as the beneficial owner of a proportionate interest in the Exchangeable Notes related to that Class M-2 Note. Except in the case of a Holder that acquires a Class M-2 Note in an exchange described under "*—Exchanges,*" a Holder of a Class M-2 Note must allocate its cost to acquire that Note among the related Exchangeable Notes in proportion to their relative fair market values at the time of acquisition. Such a Holder should account for its ownership interest in each related Exchangeable Note as described under "*— U.S. Persons—Exchangeable Notes.*" When a Holder sells a Class M-2 Note, the Holder must allocate the sale proceeds among the related Exchangeable Notes in proportion to their relative fair market values at the time of sale.

#### *Strip RCR Notes*

The tax consequences to a Holder of a Strip RCR Note will be determined under Section 1286 of the Code, except as discussed below. Under Section 1286, a Holder of a Strip RCR Note will be treated as owning "stripped bonds" to the extent of its share of principal payments and "stripped coupons" to the extent of its share of interest payments on the related Exchangeable Notes. If a Strip RCR Note entitles the holder to payments of principal and interest on a related Exchangeable Note, the IRS could contend that the Strip RCR Note should be treated (i) as an interest in the related Exchangeable Note to the extent that the Strip RCR Note represents an equal pro rata portion of principal and interest on the related Exchangeable Note, and (ii) with respect to the remainder, as an installment obligation consisting of "stripped bonds" to the extent of its share of principal payments or "stripped coupons" to the extent of its share of interest payments. For purposes of information reporting, however, the Issuer intends to treat each Strip RCR Note as a single debt instrument, regardless of whether it entitles the holder to payments of principal and interest. Holders of Strip RCR Notes should consult their own tax advisors as to the proper treatment of a Strip RCR Note in this regard.

Under Section 1286, the Holder of a Strip RCR Note must treat the Strip RCR Note as a debt instrument originally issued on the date the owner acquires it and as having OID equal to the excess, if any, of its "stated redemption price at maturity" over the price paid by the owner to acquire it. The stated redemption price at maturity for a Strip RCR Note is determined in the same manner as described with respect to the related Exchangeable Notes. See "*— Exchangeable Notes — Interest and Original Issue Discount — OID.*"

If a Strip RCR Note has OID, the Holder must include the OID in its ordinary income for federal income tax purposes as the OID accrues, which may be prior to the receipt of the cash attributable to that income. Although the matter is not entirely clear, a Holder should accrue OID using a method similar to that described with respect to the accrual of OID on the Exchangeable Notes under "*— Exchangeable Notes — Interest and Original Issue Discount — Accrual of OID.*" A Holder, however, determines its yield to maturity based on its purchase price. For a particular Holder, it is not clear whether the prepayment assumption used for calculating OID would be one determined at the time the Strip RCR Note is acquired or would be the original Prepayment Assumption for the related Exchangeable Notes. For purposes of information reporting, the Issuer will use the original yield to maturity of the Strip RCR Note, calculated based on the original Prepayment Assumption. For certain U.S. Persons using the accrual method of accounting, however, such OID may be includible at the time it would be included for financial accounting purposes if earlier than when the U.S. Person would otherwise take the OID into income. Holders of Strip RCR Notes should consult their own tax advisors regarding the proper method for accruing OID on a Strip RCR Note.

The rules of Section 1286 of the Code also apply if (i) a Holder of Exchangeable Notes exchanges them for Strip RCR Notes, (ii) the Holder sells some, but not all, of the Strip RCR Notes, and (iii) the combination of retained Strip RCR Notes cannot be exchanged for the related Exchangeable Notes. As of the date of such a sale, the Holder must allocate its basis in the Exchangeable Notes between the part of the related Exchangeable Notes related to the Strip RCR Notes sold and the part of the Exchangeable Notes related to the Strip RCR Notes retained in proportion to their relative fair market values. Section 1286 of the Code treats the Holder as purchasing the Strip RCR Notes retained for the amount of the basis allocated to the retained Strip RCR Notes, and the Holder must then accrue any

OID with respect to the retained Strip RCR Notes as described above. Section 1286 does not apply, however, if a Holder exchanges Exchangeable Notes for the related RCR Notes and retains all the RCR Notes. See "*Exchanges*."

Upon the sale of a Strip RCR Note, a Holder will realize gain or loss on the sale in an amount equal to the difference between the amount realized and its adjusted basis in the Strip RCR Notes. The Holder's adjusted basis generally is equal to the Holder's cost of the Strip RCR Notes (or portion of the cost of Exchangeable Notes allocable to the RCR Note), increased by income previously included, and reduced (but not below zero) by distributions previously received and by any amortized premium. If the Holder holds such Note as a capital asset, any gain or loss realized will be capital gain or loss, except to the extent provided under "*Exchangeable Notes — Disposition or Retirement of Debt Notes*."

Although the matter is not free from doubt, if a Holder acquires in one transaction (other than an exchange described below under "*Exchanges*") a combination of Strip RCR Notes that may be exchanged for related Exchangeable Notes, the Holder should be treated as owning the related Exchangeable Notes, in which case Section 1286 would not apply. If a Holder acquires such a combination in separate transactions, the law is unclear as to whether the combination should be aggregated or each Strip RCR Note should be treated as a separate debt instrument. Holders of Strip RCR Notes should consult their own tax advisors regarding the proper treatment of Strip RCR Notes in this regard. For the treatment of Strip RCR Notes received in exchange for Exchangeable Notes, see "*Exchanges*."

### *Exchanges*

If a Holder exchanges one or more Exchangeable Notes for the related RCR Note or Notes in the manner described under "*RCR Notes*," the exchange will not be taxable. Likewise, if a Holder exchanges one or more RCR Notes for the related Exchangeable Note or Notes in the manner described in that discussion, the exchange will not be a taxable exchange. In each of these cases, the Holder will be treated as continuing to own after the exchange the same combination of interests in the related Exchangeable Notes (or the same interest in the related Exchangeable Notes) that it owned immediately prior to the exchange.

## **Non-U.S. Persons**

### *Notes*

#### *Interest and OID*

If you own a Note and are a non-U.S. Person, each payment of interest (and any payment of principal representing OID, if any) on the Note generally will be subject to a 30% U.S. withholding tax, unless:

- you meet the general exemption for non-U.S. Persons described below;
- you meet the requirements for a reduced rate of withholding under a treaty; or
- the interest is "effectively connected" to a business you conduct in the United States (or, if an income tax treaty applies, the interest is attributable to a permanent establishment that you maintain in the United States), in each case as further described below.

In certain circumstances, you may be able to claim amounts that are withheld as a refund or as a credit against your U.S. federal income tax. If the 30% U.S. withholding tax on payments of interest (including OID, if any) does not apply, as described herein, such payments may nevertheless be subject to FATCA withholding tax, as defined below in "*U.S. FATCA Withholding Tax*."

*General Exemption for Non-U.S. Persons.* Payments of interest (and any payment of principal representing OID, if any) on a Note to any non-U.S. Person generally are exempt from U.S. withholding tax if you satisfy the following conditions:

- (1) the appropriate payor in the chain of payment (the "**Withholding Agent**") has received prior to payment in the year in which such payment occurs, or in either of the two preceding years, a statement signed by you under penalties of perjury that certifies that you are not a U.S. Person and provides your name, address and taxpayer identification number, if any;
- (2) the Withholding Agent and all intermediaries between you and the Withholding Agent do not know or have reason to know that your non-U.S. beneficial ownership statement is false; and
- (3) you are not (a) a bank that receives payments on the Notes that are described in Section 881(c)(3)(A) of the Code, (b) a 10% shareholder of the Issuer or Fannie Mae within the meaning of Section 871(h)(3)(B) of the Code, or (c) a "controlled foreign corporation" related to the Issuer or Fannie Mae within the meaning of Section 881(c)(3)(C) of the Code.

In addition, the portfolio interest exemption will not apply if the interest payable on the Notes is determined by reference to any receipts, sales or other cash flow of the Issuer, Fannie Mae or a related person, the income or profits of the Issuer, Fannie Mae or a related person, or a change in value of any property of the Issuer, Fannie Mae or a related person, or any other item specified in Section 871(h)(4)(A) of the Code. While the Issuer has guaranteed mortgage securities that are backed by loans in the Reference Pool (and may also own some of the loans), this exclusion from the portfolio interest exemption will not apply because the amount of interest payments on the Notes will not be determined by reference to a change in value of any property of the Issuer or Fannie Mae or any of the other items specified above.

You may make the non-U.S. beneficial ownership statement on an IRS Form W-8BEN, IRS Form W-8BEN-E or a substantially similar substitute form. You must inform the Withholding Agent (or the last intermediary in the chain between you and the Withholding Agent) of any change in the information on the statement within 30 days of the change. If you hold a Note through a securities clearing organization or certain other financial institutions, the organization or institution may provide a signed statement to the Withholding Agent on your behalf. In such case, however, the signed statement must be accompanied by a copy of an IRS Form W-8BEN, IRS Form W-8BEN-E or substitute form provided by you to the organization or institution. The U.S. Treasury Department is empowered to publish a determination that a beneficial ownership statement from any person or class of persons will not be sufficient to preclude the imposition of U.S. federal withholding tax with respect to payments of interest made at least one month after the publication of such determination.

*Exemption or Reduced Withholding Rate for Non-U.S. Persons Entitled to the Benefits of a Treaty.* If you are entitled to the benefit of an income tax treaty to which the United States is a party, you may be eligible for an exemption from, or a reduced rate of, U.S. withholding tax (depending on the terms of the applicable treaty). An exemption or rate reduction under a treaty generally can be obtained by providing the Withholding Agent with a properly completed IRS Form W-8BEN, IRS Form W-8BEN-E, or any successor form, before interest is paid. However, neither an exemption nor a reduced withholding rate will be available if the Withholding Agent has actual knowledge or reason to know that the form is false.

*Exemption for Non-U.S. Persons with Effectively Connected Income.* If the interest (or OID, if any) you earn on a Note is "effectively connected" to a business you conduct in the United States (or, if an income tax treaty applies, the interest is attributable to a permanent establishment that you maintain in the United States), you generally can obtain an exemption from U.S. withholding tax by providing to the Withholding Agent a properly completed IRS Form W-8ECI, or any successor form, prior to the payment of interest, unless the Withholding Agent has actual knowledge or reason to know that the form is false. Payments of interest (or OID, if any) on a Note exempt from U.S. withholding tax as effectively-connected income nevertheless may be subject to U.S. federal income tax at graduated rates as if such amounts were earned by a U.S. Person. A non-U.S. Person that is a foreign corporation treated as engaged in the conduct of a trade or business in the United States through an unincorporated U.S. branch may be subject to branch profits tax in respect of interest (or OID, if any) earned on a Note.

*Partnerships and Other Pass-through Entities.* A payment to a foreign partnership is treated, with some exceptions, as a payment directly to the partners, so that the partners are required to provide any required certifications. If you hold a Note through a partnership or other pass-through entity, you should consult your own tax advisors regarding the application of these rules to your situation.

### *Disposition or Retirement of Notes*

Except as provided below in "*Information Reporting and Backup Withholding*" and "*U.S. FATCA Withholding Tax*," a non-U.S. Person (other than certain nonresident alien individuals present in the United States for a total of 183 days or more during the taxable year of the disposition or retirement) will not be subject to U.S. federal income tax or U.S. withholding tax with respect to any gain that is realized on the disposition or retirement of a Note, provided that the gain is not effectively connected with the conduct by the non-U.S. Person of a U.S. trade or business (or, if an income tax treaty applies, the gain is not attributable to a permanent establishment that the non-U.S. Person maintains in the United States). A non-U.S. Person that is a foreign corporation treated as engaged in the conduct of a trade or business in the United States through an unincorporated U.S. branch may be subject to branch profits tax on any gain from the disposition or retirement of a Note .

### *Treatment if Certain Notes Are Not Respected as Indebtedness*

As discussed above, the IRS may not agree with the Issuer's treatment of the Exchangeable Notes as debt instruments for U.S. federal income tax purposes. If the IRS were to successfully contend that the Exchangeable Notes were properly characterized as an equity security, a derivative or some other form of financial instrument issued by the Issuer for U.S. federal income tax purposes, payments representing income on such recharacterized Notes (and any related RCR Notes) held by non-U.S. Persons could be subject to U.S. withholding tax. In particular, if such Notes were recharacterized as equity securities of the Issuer or Fannie Mae, payments on such Notes (and any related RCR Notes) generally would be subject to U.S. withholding tax at a 30% rate to the extent such payments represented dividends for U.S. income tax purposes, unless the Holder is eligible for an exemption or reduced withholding rate under an applicable tax treaty.

Similarly, if such Notes were recharacterized as a derivative (other than a notional principal contract), although the law is not clear, it is possible that periodic income on such Notes (and any related RCR Notes) would be subject to U.S. withholding tax at a 30% rate (or lower rate established by applicable statute or tax treaty). If the IRS were to successfully contend that the Exchangeable Notes were properly characterized as an equity security, a derivative or some other form of financial instrument issued by the Issuer or Fannie Mae for U.S. federal income tax purposes, gain on the disposition or retirement of the recharacterized Notes (any related RCR Notes) generally would be subject to U.S. federal income tax or U.S. withholding tax only in the circumstances described above under "*Non-U.S. Persons — Notes — Disposition or Retirement of Notes*."

In the event that a withholding tax is imposed on any payment in respect of a Note, neither the Issuer nor Fannie Mae has any obligation to pay additional interest or other amounts as a consequence thereof or to redeem the Notes before their stated maturity.

### ***Class B-1 Certificates***

As described above, the Issuer will treat the Class B-1 Certificates in part as a limited recourse guarantee contract and in part as an interest-bearing collateral arrangement for U.S. federal income tax purposes. To the extent payments on the Class B-1 Certificates are treated as interest with respect to the interest-bearing collateral arrangement, such interest will be eligible for the portfolio interest exemption subject to certain exceptions and requirements. With respect to the portion of payments on the Class B-1 Certificates that are treated as guarantee fees, it is not clear that U.S. withholding tax would not be imposed. Accordingly, a non-U.S. Person should expect that U.S. withholding tax at a rate of 30% would apply to the portion of payments on the Class B-1 Certificates that are treated as guarantee fees. In addition, a non-U.S. Person will not be permitted to deliver an IRS Form W-8ECI (or IRS Form W-8IMY supported by an IRS Form W-8ECI) in connection with such person's acquisition or ownership of a Class B-1 Certificate, and any non-U.S. Person acquiring or owning a Class B-1 Certificate will be deemed to represent that, as a result of such non-U.S. Person's own activities separate from those of the Issuer, such non-U.S. Person would not be required to treat income from the Class B-1 Certificate as effectively connected to a U.S. trade or business of a person that is not a U.S. Person. If, in contravention of such restriction, a non-U.S. Person were to acquire a Class B-1 Certificate and provide an IRS Form W-8ECI (or IRS Form W-8IMY supported by an IRS Form W-8ECI) in connection with its acquisition or ownership of Class B-1 Certificate, such non-U.S. Person should expect to incur U.S. federal income and withholding tax at the highest applicable rate. However, a non-U.S. Person may be able to claim the benefits of an applicable tax treaty with the United States, which will



depend on factors specific to a particular Holder (for example, that such payments are not attributable to a U.S. permanent establishment). In addition, absent the application of an applicable tax treaty, a non-U.S. Person generally should expect that U.S. withholding tax or U.S. federal income tax will apply to any gain realized on the sale, exchange or other disposition of a Class B-1 Certificate. Paying agents other than the Issuer making such payments may disagree with the statements above. Accordingly, there can be no assurance that a paying agent will not withhold on payments with respect to the Class B-1 Certificates.

Non-U.S. Persons will not be eligible for the safe harbor under Section 864(b)(2)(A) that exempts trading in stocks or securities from treatment as the conduct of a U.S. trade or business with respect to the Class B-1 Certificates because the Class B-1 Certificates do not constitute "stocks or securities" under the Treasury Regulations. Whether an investment in the Class B-1 Certificates will be treated as part of the conduct of a U.S. trade or business by a non-U.S. Person will depend on their particular circumstances. Non-U.S. Persons should consult their tax advisors regarding the impact of an investment in the Class B-1 Certificates on whether such non-U.S. Person is engaged in the conduct of a U.S. trade or business and the correct withholding forms to provide.

### **Designation of an Alternative Method or Index in Place of LIBOR**

In the event that Fannie Mae designates an alternative method or index in place of LIBOR for determining monthly interest rates, the tax consequences with respect to the related Securities are unclear. Under general principles of federal income tax law, certain modifications of a debt instrument may cause a deemed exchange of the related Securities upon which gain or loss is realized if the modification constitutes a Significant Modification. It is possible that the designation of an alternative method or index in place of LIBOR could be treated as a Significant Modification, resulting in a deemed exchange upon which gain or loss may be realized; however, the IRS has issued favorable guidance that may reduce the likelihood that a designation of an alternative method or index will constitute a Significant Modification. Holders are advised to consult their own tax advisors regarding the designation of an alternative method or index.

### **Information Reporting and Backup Withholding**

Payments of principal of and interest (including OID, if any) on Securities held by U.S. Persons other than corporations and other exempt Holders are required to be reported to the IRS and the Holder. Payments of principal of and interest (including OID, if any) on Securities held by non-U.S. Persons generally are required to be reported to the IRS and the Holder.

The Indenture Trustee will furnish or make available, at such times as required by applicable law, to each Holder such information as may be required to be provided under applicable law to enable Holders to prepare their U.S. federal income tax returns, if applicable.

Backup withholding of U.S. federal income tax may apply to payments made in respect of the Securities, as well as payments of proceeds from the sale of Securities. Backup withholding will apply on such payments to Holders that are not "exempt recipients" and that fail to provide certain identifying information (such as their taxpayer identification numbers) in the manner required. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

If a Security is sold before its Maturity Date to (or through) a broker, the broker may be required to withhold a portion of the sale price. The broker will not withhold if either the broker determines that the seller is a corporation or other exempt recipient or the seller provides, in the required manner, certain identifying information and, in the case of a non-U.S. Person, certifies that such seller is a non-U.S. Person (and certain other conditions are met). The broker must report such a sale to the IRS unless the broker determines that the seller is an exempt recipient or the seller certifies its non-U.S. status (and certain other conditions are met). Certification of the Holder's non-U.S. status normally would be made under penalties of perjury on IRS Form W-8BEN or IRS Form W-8BEN-E, although in certain cases it may be possible to submit certain other signed forms. For these purposes, the term "broker" includes all persons who, in the ordinary course of business, stand ready to effect sales made by others. This information reporting requirement generally will apply to a U.S. office of a broker and to a foreign office of a U.S. broker, as well as to a foreign office of a foreign broker (i) that is a "controlled foreign corporation" within the meaning of Section 957(a) of the Code, (ii) 50% or more of whose gross income from all sources for the three-year

period ending with the close of its taxable year preceding the payment (or for such part of the period that the foreign broker has been in existence) was effectively connected with the conduct of a trade or business within the United States, or (iii) that is a foreign partnership with certain connections to the United States, unless such foreign office has both documentary evidence that the seller is a non-U.S. Person and no actual knowledge, or reason to know, that such evidence is false.

A payment to a foreign partnership is treated, with some exceptions, for backup withholding purposes as a payment directly to the partners, so that the partners are required to provide any required certifications. If you hold a Security through a partnership or other pass-through entity, you should consult your own tax advisors regarding the application of these rules to your situation.

A Holder may claim any amounts withheld under the backup withholding rules as a refund or a credit against the Holder's U.S. federal income tax, provided that the required information is furnished to the IRS. Furthermore, the IRS may impose certain penalties on a Holder who is required to supply information but who does not do so in the proper manner.

Payments of interest (including OID, if any) on a Security that is beneficially owned by a non-U.S. Person will be reported annually on IRS Form 1042-S, which the Withholding Agent must file with the IRS and furnish to the Holder.

In the event that any U.S. withholding or backup withholding tax is imposed, neither the Issuer nor Fannie Mae has any obligation to pay additional interest or other amounts as a consequence thereof or to redeem the Securities before their stated maturity.

### **U.S. FATCA Withholding Tax**

Under the Foreign Account Tax Compliance Act ("**FATCA**") and Treasury regulations, a 30% withholding tax ("**FATCA withholding tax**") generally applies to certain withholdable payments that are made to foreign financial institutions and certain other non-financial foreign entities. The FATCA withholding tax generally will not apply where such payments are made to (i) a foreign financial institution that enters into an agreement with the IRS or complies with rules promulgated by the government of the jurisdiction in which it is organized or located pursuant to an intergovernmental agreement with the United States to, among other requirements, undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, report annually information about such accounts and withhold tax as may be required by such agreement; or (ii) a non-financial foreign entity that certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner. Application of the FATCA withholding tax does not depend on whether the payment otherwise would be exempt from U.S. withholding tax under an exemption described under "*Non-U.S. Persons—Notes—Interest and OID*" or otherwise. Holders should consult their own tax advisors regarding the potential application and impact of the FATCA withholding tax to the Securities. To receive the benefit of an exemption from FATCA withholding tax, you must provide to the Withholding Agent a properly completed IRS Form W-8BEN or IRS Form W-8BEN-E or other applicable form evidencing such exemption.

In the event that the FATCA withholding tax is imposed on any payment of interest on a Security, Fannie Mae has no obligation to pay additional interest or other amounts as a consequence thereof or to redeem the Securities before their stated maturity.

### **General Information**

**The U.S. federal tax discussion set forth above is included for your general information only and may not apply in your particular situation. You should consult your own tax advisors with respect to the tax consequences of your purchase, ownership and disposition of the Securities, including the tax consequences under the tax laws of the United States, states, localities, countries other than the United States and any other taxing jurisdictions and the possible effects of changes in such tax laws.**

## STATE, LOCAL AND FOREIGN TAX CONSEQUENCES

In addition to the U.S. federal tax consequences described above, prospective investors in the Securities should consider the potential U.S. state and local tax consequences of the acquisition, ownership and disposition of the Securities and the tax consequences of the law of any non-U.S. jurisdiction in which they reside or do business. State, local and foreign tax law may differ substantially from the corresponding U.S. federal tax law, and the discussion above does not purport to describe any aspect of the tax law of any state or other jurisdiction. You should consult your own tax advisors with respect to such matters.

## LEGAL INVESTMENT

If prospective investors' investment activities are subject to investment laws and regulations, regulatory capital requirements or review by regulatory authorities, prospective investors may be subject to restrictions on investment in the Securities. Prospective investors should consult legal, tax and accounting advisers for assistance in determining the suitability of and consequences of the purchase, ownership and sale of the Securities.

- The Securities do not represent an interest in and will not be secured by the Reference Pool or any Reference Obligation.
- The Securities will not constitute "mortgage related securities" for purposes of the Secondary Mortgage Market Enhancement Act of 1984, as amended ("SMMEA").
- The Securities may be regarded by governmental authorities or others, or under applicable law, as high-risk, risk-linked or otherwise complex securities.

The Securities should not be purchased by prospective investors who are prohibited from acquiring securities having the foregoing characteristics. In addition, the Securities should not be purchased by prospective investors located in jurisdictions where their purchase of Securities could subject them to the risk of regulation as an insurance or reinsurance company or as otherwise being engaged in an insurance business.

None of the Issuer, the Initial Purchasers, the Indenture Trustee, the Delaware Trustee or any of their respective affiliates have made or will make any representation as to (i) the proper characterization of the Securities for legal investment or other purposes, (ii) the ability of particular prospective investors to purchase Securities for legal investment or other purposes or (iii) the ability of particular prospective investors to purchase Securities under applicable investment restrictions. Without limiting the generality of the foregoing, none of the Issuer, the Initial Purchasers, the Indenture Trustee, the Delaware Trustee or any of their respective affiliates have made or will make any representation as to the characterization of the Securities as a U.S. or non-U.S. investment under any state insurance code or related regulations. None of the Issuer, the Initial Purchasers, the Indenture Trustee or any of their respective affiliates are aware of any published precedent that addresses such characterization. There can be no assurance as to the nature of any advice or other action that may result from such consideration or the effect, if any, such advice or other action resulting from such consideration may have on the Securities.

## EUROPEAN SECURITIZATION RULES

If prospective investors' investment activities are subject to investment laws and regulations, regulatory capital requirements or review by regulatory authorities, prospective investors may be subject to restrictions on investment in the Securities. Prospective investors should consult legal, tax and accounting advisers for assistance in determining the suitability of and consequences of the purchase, ownership and sale of the Securities.

The application of Regulation (EU) 2017/2402 (the "**EU Securitization Regulation**"), together with regulatory and implementing technical standards applicable thereto and guidelines and other materials published by the European Banking Authority, the European Securities and Markets Authority and the European Commission in relation thereto (the "**European Securitization Rules**"), to the Securities transaction (the "**Transaction**") is unclear. The EU Securitization Regulation has direct effect in member states of the European Union (the "**EU**") and is expected to be implemented by national legislation in other countries in the European Economic Area (the "**EEA**").

Investors should independently assess and determine whether they are subject to the "EU Due Diligence Requirements" of Article 5 of the EU Securitization Regulation, which applies to 'institutional investors', being (a) insurance undertakings and reinsurance undertakings as defined in Directive 2009/138/EC; (b) institutions for occupational retirement provision falling within the scope of Directive (EU) 2016/2341 (subject to certain exceptions), and certain investment managers and authorized entities appointed by such institutions; (c) alternative investment fund managers as defined in Directive 2011/61/EU which manage and/or market alternative investment funds in the EU; (d) certain internally-managed investment companies authorized in accordance with Directive 2009/65/EC, and management companies as defined in that Directive; (e) credit institutions as defined in Regulation (EU) No 575/2013 ("**CRR**") (and certain consolidated affiliates thereof); and (f) investment firms as defined in CRR (and certain consolidated affiliates thereof) (together, "**EU Institutional Investors**").

Amongst other things, the EU Due Diligence Requirements restrict an EU Institutional Investor from investing in a securitization unless the EU Institutional Investor has verified that: (a) the originator or original lender of the underlying exposures of the securitization grants all the credits giving rise to the underlying exposures on the basis of sound and well-defined criteria and clearly established processes for approving, amending, renewing and financing those credits and has effective systems in place to apply those criteria and processes to ensure that credit-granting is based on a thorough assessment of the obligor's creditworthiness; (b) the originator, sponsor or original lender of the securitization (i) retains on an ongoing basis a material net economic interest which, in any event, shall not be less than 5%, determined in accordance with Article 6 of the EU Securitization Regulation, and (ii) discloses the risk retention to EU Institutional Investors; and (c) the originator, sponsor or securitization special purpose entity ("**SSPE**") has, where applicable, made available the information required by Article 7 of the EU Securitization Regulation in accordance with the frequency and modalities provided for in Article 7 of the EU Securitization Regulation and requires that the EU Institutional Investor carries out initial and ongoing due-diligence and monitoring procedures with respect to the securitization, its securitization position and the underlying exposures.

In reviewing Fannie Mae's credit granting standards for the purposes of the EU Due Diligence Requirements, investors subject to the EU Due Diligence Requirements may wish to review "*Loan Acquisition Practices and Servicing Standards — Credit Standards*".

In relation to the risk retention requirements of the European Securitization Rules, the Reference Obligations are not assets of Fannie Mae, and its exposure to the credit risk related to the Transaction is in the form of Fannie Mae's guaranty obligations on the related MBS (the "**Guaranty Obligations**"). Fannie Mae's Guaranty Obligations represent general unsecured obligations. Fannie Mae's Guaranty Obligations were undertaken in the ordinary course of Fannie Mae's business, were established prior to issuance of the Securities, and exist independently of the Transaction.

In determining the extent to which the EU Due Diligence Requirements apply to the Transaction, investors subject to the European Securitization Rules may wish to consider the guidance appearing in the preamble to the draft regulatory technical standards contained in the European Banking Authority's Final Draft Regulatory Technical Standards specifying the requirements for originators, sponsors and original lenders relating to risk retention pursuant to Article 6(7) of the Securitization Regulation of July 31, 2018, which provides in relevant part: "Where an entity exclusively securitizes assets consisting of its own liabilities, alignment of interests is established automatically for that securitization. Where it is clear that the credit risk remains with the originator, the retention of interest by the originator is unnecessary and would not improve on the pre-existing position." Although the Transaction is not structured as a securitization of the Guaranty Obligations, it is being undertaken, in part, to offset a portion of Fannie Mae's exposure under the Guaranty Obligations. Notwithstanding the Transaction, Fannie Mae will remain fully liable under the Guaranty Obligations.

Fannie Mae does not intend to collateralize any of its credit exposure under the Guaranty Obligations.

In order to assist EU Institutional Investors in evaluating a potential investment in the Securities, on the Closing Date, Fannie Mae will enter into a letter agreement (the "**European Risk Retention Letter**") pursuant to which Fannie Mae will irrevocably undertake to the Indenture Trustee, for the benefit of each holder or prospective holder of a beneficial interest in any Securities that is an EU Institutional Investor (an "**Affected**

**Investor**") that, in connection with the European Securitization Rules, as at the origination and on an ongoing basis, so long as any Securities remain outstanding:

- it will, as originator (for purposes of the European Securitization Rules), retain a material net economic interest (the "**Retained Interest**") in the exposure related to the Transaction of not less than 5% in the form specified in Article 6(3)(a) of the EU Securitization Regulation (i.e., the retention of not less than 5% of the nominal value of each of the tranches sold or transferred to investors);
- accordingly, neither it nor its affiliates will hedge or otherwise mitigate its credit risk under or associated with the Retained Interest or the Reference Obligations or sell, transfer or otherwise surrender all or part of the rights, benefits or obligations arising from the Retained Interest, except to the extent permitted in accordance with the European Securitization Rules; accordingly, neither it nor its affiliates will, through this transaction or any subsequent transactions, enter into agreements that transfer or hedge more than a 95% *pro rata* share of the credit risk corresponding to any of (i) the Class A-H Reference Tranche, (ii) the Class M-2A and Class M-AH Reference Tranches (in the aggregate), (iii) the Class M-2B and Class M-BH Reference Tranches (in the aggregate) or (iv) the Class B-1 and Class B-1H Reference Tranches (in the aggregate) and will not enter into any such agreements with respect to any of the credit risk corresponding to the Class B-2H Reference Tranche;
- it will, upon written request and further subject to any applicable duty of confidentiality or data protection restrictions, provide such information in its possession as may reasonably be required by the Indenture Trustee, for the benefit of each Affected Investor, for the purposes of the EU Due Diligence Requirements applicable to such investor as of the Closing Date and at any time prior to maturity of the Securities (but none of Fannie Mae, the Issuer or any other transaction party agrees or undertakes to provide all of the information specified for the purposes of or to provide any such information in the form specified in Article 7 of the EU Securitization Regulation);
- it will confirm to the Indenture Trustee for reporting to Holders of the Securities its continued compliance with the undertakings set out at the first and second bullet points above (which confirmation may be by email): (i) on a monthly basis; (ii) following its determination that the performance of the Securities or the risk characteristics of the Securities or of the Reference Obligations has materially changed; and (iii) following knowledge of a breach of the obligations included in the Indenture; and
- it will promptly notify the Indenture Trustee in writing if for any reason: (i) it ceases to hold the Retained Interest in accordance with the first bullet point above; or (ii) it or any of its affiliates fails to comply with the covenants set out in the second and third bullet points above in any way.

For details of Fannie Mae's broader business purpose see "*Fannie Mae*" of this Offering Memorandum.

Article 7 of the EU Securitization Regulation requires the originator, sponsor and SSPE of a securitization (as such terms are defined in such regulation) to make certain prescribed information relating to the securitization available to investors, competent authorities and, upon request, to potential investors. Such prescribed information includes quarterly asset level reporting and quarterly investor reporting using a specified form of reporting template. The EU Securitization Regulation does not explicitly specify the jurisdictional scope of application of Article 7. Although Fannie Mae and the Issuer are non-EU entities, Fannie Mae has elected to provide EU Institutional Investors with certain informational resources (collectively, the "**Supplemental Resources**") to support such investors' compliance with the European Securitization Rules.

None of the transaction parties, their respective affiliates or any other person: (i) makes any representation that the Supplemental Resources or the undertakings and information described herein or to be provided pursuant to the European Risk Retention Letter and the Transaction Documents are sufficient in all circumstances for the purpose of permitting an EU Institutional Investor to comply with the EU Due Diligence Requirements or any other applicable legal, regulatory or other requirements in respect of an investment in the Securities; (ii) will have any liability to any prospective investor or any other person with respect to any deficiency in such information (including the Supplemental Resources) or any failure of the transactions contemplated herein to comply with or otherwise satisfy the EU Due Diligence Requirements or any other applicable, legal, regulatory or other requirements; and (iii) will

have any obligation, other than the obligations assumed by Fannie Mae under the EU Risk Retention Letter and the obligations assumed by the transaction parties under the Transaction Documents generally, to assist EU Institutional Investors in complying with the EU Due Diligence Requirements or any other applicable legal, regulatory or other requirements.

Prospective investors are themselves responsible for monitoring and assessing changes to the European Securitization Rules and their regulatory capital requirements.

Each Affected Investor is required to independently assess and determine whether Fannie Mae's undertakings above, the undertakings of the Issuer and the disclosure under "*European Securitization Rules*" and generally in this Offering Memorandum, the Supplemental Resources, the European Risk Retention Letter and the Transaction Documents are sufficient for purposes of such Affected Investor complying with any aspect of the EU Due Diligence Requirements applicable to it. None of the Issuer, the Initial Purchasers, the Indenture Trustee, the Delaware Trustee or any other person makes any representation or provides any assurance to the effect that the undertakings and information described herein or to be provided pursuant to the Transaction Documents is sufficient for such purposes.

Each Securityholder and prospective investor in the Securities that is subject to any retention or due diligence requirements such as the EU Due Diligence Requirements should consult with its own legal, accounting and other advisors and/or its national regulator in determining the extent to which such information (including the Supplemental Resources) is sufficient for such purpose. See "*Risk Factors — Investment Factors and Risks Related to the Securities — Additional Governmental Actions in the U.S. and Abroad Could Adversely Affect the Market Value of the Securities*".

#### **CERTAIN ERISA CONSIDERATIONS**

The following is a summary of material considerations arising under ERISA and the prohibited transaction provisions of Section 4975 of the Code that may be relevant to a prospective purchaser of the Securities that is an employee benefit plan, or certain other retirement plans and arrangements, including individual retirement accounts ("**IRAs**") and annuities, Keogh plans, and collective investment funds in which such plans, accounts, annuities or arrangements are invested, that are described in or must follow Title I of ERISA or Section 4975 of the Code, or an entity that is deemed to hold the assets of any such plan or arrangement, or a governmental or church plan or foreign plan that is subject to foreign law or U.S. federal, state or local law similar to that of Title I of ERISA or Section 4975 of the Code (collectively, "**Plans**," and each such similar law, a "**Similar Law**") or a person or entity acting on behalf of, using the assets of or deemed to use the assets of a Plan. The discussion does not purport to deal with all aspects of ERISA or Section 4975 of the Code or Similar Law that may be relevant to particular Plans in light of their particular circumstances.

The discussion is based on current provisions of ERISA and the Code, existing regulations under ERISA and the Code, the legislative history of ERISA and the Code, existing administrative rulings of the U.S. Department of Labor ("**DOL**") and reported judicial decisions. No assurance can be given that legislative, judicial, or administrative changes will not affect the accuracy of any statements herein with respect to transactions entered into or contemplated prior to the effective date of such changes. Unless otherwise stated, reference in this section to the purchase, holding or disposition of a Security will also mean the purchase, holding or disposition of a beneficial interest in such Security.

#### **General**

ERISA and Section 4975 of the Code impose certain requirements and duties on Plans and on persons who are fiduciaries of Plans and of entities whose underlying assets include assets of Plans by reason of a Plan's investment in such entities. These duties include investment prudence and diversification and the requirement that a Plan's investments be made in accordance with the documents governing the Plan. The prudence of a particular investment must be determined by the responsible fiduciary of a Plan by taking into account the Plan's particular circumstances and liquidity needs and all of the facts and circumstances of the investment, including the availability of a public

market for the investment. In addition, certain U.S. federal, state and local laws impose similar duties on fiduciaries of governmental or church plans which are not subject to ERISA or Section 4975 of the Code.

Any fiduciary of a Plan or of an entity whose underlying assets include assets of Plans by reason of a Plan's investment in such entity, or of a governmental or church plan or foreign plan that is subject to fiduciary standards similar to those of ERISA ("**Plan Fiduciary**"), that proposes to cause such a Plan or entity to purchase the Securities should determine whether, under the general fiduciary standards of ERISA or other applicable law, an investment in the Securities is appropriate for such plan or entity. In determining whether a particular investment is appropriate for a Plan, DOL regulations provide that the fiduciaries of a Plan must give appropriate consideration to, among other things, the role that the investment plays in the Plan's portfolio, taking into consideration whether the investment is designed reasonably to further the Plan's purposes, an examination of the risk and return factors, the portfolio's composition with regard to diversification, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the Plan and the projected return of the total portfolio relative to the Plan's funding objectives. Before investing the assets of a Plan in the Securities, a Plan Fiduciary should determine whether such an investment is consistent with the foregoing regulations and its fiduciary responsibilities, including any specific restrictions to which such Plan Fiduciary may be subject.

## **Prohibited Transactions**

### *General*

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions ("**Prohibited Transactions**") involving the assets of a Plan and certain persons (referred to as "parties in interest" under ERISA or "disqualified persons" under the Code) having certain relationships to such Plans, unless an exemption is available. A party in interest or disqualified person who engages in a Prohibited Transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. Section 4975 of the Code imposes excise taxes, or, in some cases, a civil penalty may be assessed pursuant to Section 502(i) of ERISA, on parties in interest which engage in non-exempt Prohibited Transactions. If the disqualified person who engages in the transaction is the individual on behalf of whom an IRA is maintained (or his beneficiary), the IRA will lose its tax-exempt status and its assets will be deemed to have been distributed to such individual in a taxable distribution (and no excise tax will be imposed) on account of the Prohibited Transaction. In addition, a Plan Fiduciary who permits a Plan to engage in a transaction that the Plan Fiduciary knows or should know is a Prohibited Transaction may be liable to the Plan for any loss the Plan incurs as a result of the transaction or for any profits earned by the Plan Fiduciary in the transaction.

### *Plan Asset Regulation*

The DOL has promulgated regulations at 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA (the "**Plan Asset Regulation**"), describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA, and Section 4975 of the Code. The Plan Asset Regulation describes the circumstances under which Plan Fiduciaries and entities with certain specified relationships to a Plan are required to "look through" the investment vehicle (such as the Issuer) and treat as an asset of the Plan each underlying investment made by such investment vehicle. If the assets of an entity or an investment vehicle in which a Plan invests are considered to be "plan assets" pursuant to the Plan Asset Regulation, then any person who exercises control over those assets may be subject to ERISA's fiduciary standards. Under the Plan Asset Regulation, if a Plan invests in an "equity interest" of an entity that is neither a "publicly-offered security" nor a security issued by an investment company registered under the Investment Company Act of 1940, as amended ("**Investment Company Act**"), the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or that equity participation in the entity by Benefit Plan Investors (as defined below) is not "significant". Equity participation by Benefit Plan Investors in an entity or investment vehicle is significant if, after the most recent acquisition of any class of securities in the entity or investment vehicle, 25% or more of the value of any class of equity interests in the entity or investment vehicle (excluding the value of interests held by certain persons who exercise discretion and control over the assets of such entity or investment vehicle or receive a fee for advice to such entity or vehicle) is held by Benefit Plan Investors.

The term "**Benefit Plan Investor**" as defined in the Plan Asset Regulation includes (i) any employee benefit plan as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) any plan described in and subject to Section 4975(e)(1) of the Code and (iii) any entity whose underlying assets are deemed to include assets of an employee benefit plan or plan by reason of the ownership of equity interests in such entity by one or more employee benefit plans or a plans. Under the Plan Asset Regulation, the term "equity interest" is defined as any interest in an entity other than an instrument that is treated as indebtedness under "applicable local law" and which has no "substantial equity features". Except for the Class B-1 Certificates, the Securities should not be considered to be "equity interests" in the Issuer. This determination is based in part on the traditional debt features of such Securities, including the absence from such Securities of conversion rights, warrants and other typical equity features. As a result, the Issuer's assets should not be treated as plan assets under the Plan Asset Regulation.

### ***Prohibited Transaction Exemptions***

Additionally, Prohibited Transactions may arise if Securities are acquired by a Plan or a person or entity acting on behalf of, using the assets of or deemed to use the assets of a Plan with respect to which the Issuer or any of its affiliates is a party in interest or a disqualified person. Certain exemptions from the Prohibited Transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan Fiduciary making the decision to acquire the Securities and the circumstances under which such decision is made. Included among these exemptions are PTCE 96-23 (relating to transactions directed by an in-house professional asset manager); PTCE 95-60 (relating to transactions involving insurance company general accounts); PTCE 91-38 (relating to investments by bank collective investment funds); PTCE 84-14 (relating to transactions effected by a qualified professional asset manager); and PTCE 90-1 (relating to investments by insurance company pooled separate accounts). In addition, Section 408(a)(17) of ERISA and Section 4975(d)(20) of the Code provide a statutory exemption for prohibited transactions between a Plan and a person that is a party in interest or a disqualified person (other than a fiduciary an affiliate of a fiduciary that has or exercises discretionary authority or control or renders investment advice with respect to the assets involved in the transaction) solely by reason of providing services to the Plan, provided that there is adequate consideration. Prospective investors should consult with their advisors regarding the application of any of the foregoing administrative or statutory exemptions. There can be no assurance that any of these class exemptions or any other exemption will be available with respect to any particular transaction involving the Securities.

Governmental plans, church plans or foreign plans, while not subject to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code or the fiduciary provisions of ERISA (including the provisions of ERISA pursuant to which assets of a Plan may be deemed to include assets of the Issuer or pursuant to which the Issuer could be deemed to be a fiduciary with respect to such Plan) may nevertheless be subject to Similar Law.

Each purchaser or transferee of a Security (other than the Class B-1 Certificates) that is a Plan or a person or entity acting on behalf of, using the assets of or deemed to use the assets of, any Plan will represent or be deemed to have represented that the purchase, ownership and disposition of a Security or any beneficial interest therein will not constitute or result in a non-exempt Prohibited Transaction or, in the case of a governmental plan, church plan or foreign plan, a violation of a Similar Law, and neither the Issuer nor any of its affiliates is a fiduciary (as defined under ERISA) with respect to such purchaser's or transferee's holding or disposition of a Security or in connection with any of its rights in connection therewith. Each purchaser or transferee of a Class B-1 Certificate will represent or be deemed to have represented that it is not a Plan or using the assets of a Plan.

### **Review by Plan Fiduciaries**

Any Plan Fiduciary considering whether to purchase Securities on behalf of a Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code to a related investment and the availability of any prohibited transaction exemptions. The sale of the Securities to a Plan is in no respect a representation by the Issuer that this investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan or that this investment is appropriate for any such Plans generally or any particular Plan.

Due to the possibility that Fannie Mae, the Issuer, any Initial Purchaser or any of their respective affiliates may receive certain benefits in connection with the sale or holding of the Securities, the purchase of the Securities using "assets of a plan" (as described in 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA) over



which any of these parties or their affiliates has investment authority, or renders investment advice for a fee with respect to the assets of the plan, or is the employer or other sponsor of the plan, might be deemed to be a violation of a provision of Title I of ERISA or Section 4975 of the Code. Accordingly, the Securities may not be purchased using the assets of any plan if Fannie Mae, any Initial Purchaser or any of their respective affiliates has investment authority, or renders investment advice for a fee with respect to the assets of the plan, or is the employer or other sponsor of the plan, unless an applicable prohibited transaction exemption is available to cover the purchase or holding of the Securities or the transaction is not otherwise prohibited.

**BY ITS PURCHASE OF A SECURITY (OTHER THAN THE CLASS B-1 CERTIFICATES) (OR A BENEFICIAL INTEREST THEREIN), THE PURCHASER THEREOF WILL REPRESENT OR WILL BE DEEMED TO REPRESENT AND WARRANT (A) THAT IT IS NOT AND IS NOT ACTING ON BEHALF OF: (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF ERISA THAT IS SUBJECT TO TITLE I OF ERISA, (II) A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE CODE THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN PURSUANT TO 29 C.F.R. SECTION 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA, WHICH EMPLOYEE BENEFIT PLAN, PLAN OR ENTITY IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR FOREIGN PLAN WHICH IS SUBJECT TO SIMILAR LAW ((I)-(IV) COLLECTIVELY REFERRED TO AS "BENEFIT PLAN INVESTOR") OR (B) THAT ITS PURCHASE, OWNERSHIP OR DISPOSITION OF SUCH SECURITY WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, OR FOREIGN PLAN, ANY VIOLATION OF SIMILAR LAW). BY ITS PURCHASE OF A CLASS B-1 CERTIFICATE (OR BENEFICIAL INTEREST THEREIN), THE PURCHASER THEREOF WILL REPRESENT OR WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT A BENEFIT PLAN INVESTOR.**

#### DISTRIBUTION ARRANGEMENTS

The Issuer will offer the Securities to or through the Initial Purchasers under the terms and conditions set forth in the securities purchase agreement, dated as of November 26, 2019 (as amended, supplemented or replaced from time to time, the "**Securities Purchase Agreement**"), among the Issuer, Fannie Mae, BofA Securities, Inc. ("**BofA Securities**") and Citigroup Global Markets Inc. ("**Citigroup**"), under which BofA Securities is acting for itself and as representative of J.P. Morgan Securities LLC ("**J.P. Morgan**"), Morgan Stanley & Co. LLC ("**Morgan Stanley**"), Nomura Securities International, Inc. ("**Nomura**"), and Wells Fargo Securities, LLC ("**Wells Fargo Securities**"), each in its capacity as initial purchaser, and Academy Securities, Inc. and Blaylock Van, LLC in their capacities as selling group members, and Citigroup is acting for itself. BofA Securities, Citigroup, J.P. Morgan, Morgan Stanley, Nomura and Wells Fargo Securities are collectively referred to as the "**Initial Purchasers**".

Under the terms and subject to the conditions set forth in the Securities Purchase Agreement for the sale of Securities, each of the Initial Purchasers has severally agreed, subject to the terms and conditions set forth therein, to purchase the principal balance of the Securities set forth opposite its name below:

	<b>Principal Balance of Class M-2 Notes</b>	<b>Amount of Initial Purchaser Fee for Class M-2 Notes</b>
BofA Securities, Inc. ....	\$312,363,520.00	\$1,561,817.60
Citigroup Global Markets Inc. ....	\$133,870,080.00	\$669,350.40
J.P. Morgan Securities LLC .....	\$27,889,600.00	\$139,448.00
Morgan Stanley & Co. LLC . ....	\$27,889,600.00	\$139,448.00
Nomura Securities International, Inc. ....	\$27,889,600.00	\$139,448.00
Wells Fargo Securities, LLC .....	\$27,889,600.00	\$139,448.00
Total.....	<u>\$557,792,000.00</u>	<u>\$2,788,960.00</u>

	<b>Principal Balance of Class B-1 Certificates</b>	<b>Amount of Initial Purchaser Fee for Class B-1 Certificates</b>
BofA Securities, Inc. ....	\$227,173,520.00	\$1,135,867.60
Citigroup Global Markets Inc. ....	\$97,360,080.00	\$486,800.40
J.P. Morgan Securities LLC ....	\$20,283,350.00	\$101,416.75
Morgan Stanley & Co. LLC . ....	\$20,283,350.00	\$101,416.75
Nomura Securities International, Inc. ....	\$20,283,350.00	\$101,416.75
Wells Fargo Securities, LLC ....	\$20,283,350.00	\$101,416.75
Total.....	<u>\$405,667,000.00</u>	<u>\$2,028,335.00</u>

The Initial Purchasers will be acting as the Issuer's agents in the placing of the Securities and the Initial Purchasers' responsibility in this regard is limited to a "commercially reasonable best efforts" basis in placing the Securities with no understanding, express or implied, on the Initial Purchasers' part of a commitment to purchase or place the Securities. The Issuer will sell the Securities to each purchaser through the Initial Purchasers as agents and the Initial Purchasers will have no ownership interest in or title to the Securities prior to the purchase thereof by the purchasers and, in the event any such purchase is not consummated for any reason by a purchaser, will have no obligation to purchase any related Securities from the Issuer for their own accounts; *provided, however*, that the Initial Purchasers will have the right, but will not be obligated, to purchase Securities as principals for their own accounts or to facilitate the sale of any Securities to a purchaser by acting as initial purchaser. The Securities Purchase Agreement entitles the Initial Purchasers or the Issuer to terminate such sale in certain circumstances before payment for the Securities is made to the Issuer. Except under certain circumstances, any Initial Purchaser may sell the Securities it has purchased as principal to other dealers at a concession, in the form of a discount that other Initial Purchasers receive. The concession may be all or a portion of the underwriting compensation. For a description of potential conflicts that exist among the parties involved in this transaction, see "*Risk Factors — The Interests of Fannie Mae, the Initial Purchasers and Others May Conflict With and Be Adverse to the Interests of the Securityholders*".

The Securities Purchase Agreement provides that Fannie Mae will be required to indemnify the Initial Purchasers against certain civil liabilities under the Securities Act or contribute to payments to be made in respect of such liabilities.

The Initial Purchasers may make a secondary market in the Securities, but are not obligated to do so. There can be no assurance that a secondary market for the Securities will develop or, if it does develop, that it will continue.

### **Price Stabilization**

In connection with this offering, the Initial Purchasers, acting directly or through affiliates, may engage in transactions that stabilize, maintain or otherwise affect the market price of the Securities. Such transactions may include stabilizing transactions pursuant to which the Initial Purchasers, acting directly or through affiliates, may bid for or purchase Securities in the open market or otherwise for the purpose of stabilizing the market price of the Securities. A Initial Purchaser, acting directly or through affiliates, may also create a short position for its account by selling more Securities in connection with the offering than it is committed to purchase from the Issuer, and in such case may purchase Securities in the open market following completion of the offering to cover all or a portion of such short position. Any of the transactions described in this paragraph may result in the maintenance of the price of the Securities at a level above that which might otherwise prevail in the open market. None of the transactions described in this paragraph is required, and if any are undertaken, they may be discontinued at any time.

The Initial Purchasers and their respective affiliates may engage in transactions with, or perform services for, the Issuer and their respective affiliates in the ordinary course of business.

### **Delivery and Settlement**

It is expected that delivery of the Securities to investors will be made in book-entry form through the Same-Day Funds Settlement System of DTC, which may include delivery through Clearstream and Euroclear on or about the

Closing Date, against payment therefor in immediately available funds. See "*Description of the Securities — Form, Registration and Transfer of the Securities*".

### **Limited Liquidity**

There currently is no secondary market for the Securities, and there can be no assurance that such a market will develop or, if it does develop, that it will continue or will provide investors with a sufficient level of liquidity of investment. The Initial Purchasers will have no obligation to make a market in the Securities. Even if an Initial Purchaser engages in market-making activities with respect to the Securities, it may discontinue or limit such activities at any time. In addition, the liquidity of the Securities may be affected by present uncertainties and future unfavorable developments concerning legal investment. Further, even though Fannie Mae may from time to time repurchase or otherwise acquire any Class of Securities, neither Fannie Mae nor the Issuer has any obligation to repurchase or acquire any Class of Securities or issue securities similar to the Securities in the future. Consequently, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Securities for an indefinite period of time. See "*Risk Factors — Investment Factors and Risks Related to the Securities — The Transaction May Result in Limited Liquidity of the Securities, Which May Limit Investors' Ability to Sell the Securities*".

### **Selling Restrictions**

The Securities may be offered and sold outside of the United States, within the United States or simultaneously outside of and within the United States, only where it is legal to make such offers and sales.

The Initial Purchasers have represented and agreed that they have complied and will comply with all applicable laws and regulations in each jurisdiction in which or from which they may purchase, offer, sell or deliver any Securities or distribute this Offering Memorandum or any other offering material. The Initial Purchasers also have agreed to comply with the selling restrictions relating to the jurisdictions set forth in Appendix D.

Subject to limited exceptions in connection with the initial sale of the Securities, each purchaser of a Security, in making its purchase, will be deemed to have acknowledged, represented and agreed as follows:

(1) Such purchaser (i) is a Qualified Institutional Buyer and (ii) is purchasing for its own account (and not for the account of others) or as a fiduciary or agent for others (which others also are Qualified Institutional Buyers). Such purchaser is aware that it (or any account for which it is purchasing) may be required to bear the economic risk of an investment in the Securities for an indefinite period, and it (or such account) is able to bear such risk for an indefinite period.

(2) No sale, pledge or other transfer of any Security may be made by any person unless (i) such sale, pledge or other transfer is made to the Issuer or (ii) such sale, pledge or other transfer is made to a person whom the seller reasonably believes after due inquiry is a Qualified Institutional Buyer acting for its own account (and not for the account of others) or as a fiduciary or agent for others (which others also are Qualified Institutional Buyers) to whom notice is given that the sale, pledge or transfer of the Security is restricted to Qualified Institutional Buyers.

(3) The Securities will bear the following legends (and such legends will satisfy the notice requirement referred to in (2)(ii) above), unless the Issuer determines otherwise in accordance with applicable law:

BY ITS ACCEPTANCE OF THIS SECURITY THE HOLDER OF THIS SECURITY IS DEEMED TO REPRESENT THAT IT IS A QUALIFIED INSTITUTIONAL BUYER (AS SUCH TERM IS DEFINED IN THE INDENTURE, DATED DECEMBER 6, 2019) AND IS ACQUIRING SUCH SECURITY FOR ITS OWN ACCOUNT (AND NOT FOR THE ACCOUNT OF OTHERS) OR AS A FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS ALSO ARE QUALIFIED INSTITUTIONAL BUYERS) TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS RESTRICTED TO QUALIFIED INSTITUTIONAL BUYERS.

NO SALE, PLEDGE OR OTHER TRANSFER OF THIS SECURITY MAY BE MADE BY ANY PERSON UNLESS (I) SUCH SALE, PLEDGE OR OTHER TRANSFER IS MADE TO THE ISSUER OR (II) SUCH SALE, PLEDGE OR OTHER TRANSFER IS MADE TO A PERSON WHOM THE TRANSFEROR REASONABLY

BELIEVES AFTER DUE INQUIRY IS A QUALIFIED INSTITUTIONAL BUYER ACTING FOR ITS OWN ACCOUNT (AND NOT FOR THE ACCOUNT OF OTHERS) OR AS A FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS ALSO ARE QUALIFIED INSTITUTIONAL BUYERS) TO WHOM NOTICE IS GIVEN THAT THE SALE, PLEDGE OR TRANSFER IS RESTRICTED TO QUALIFIED INSTITUTIONAL BUYERS. ANY ATTEMPTED TRANSFER IN CONTRAVENTION OF THE IMMEDIATELY PRECEDING RESTRICTIONS WILL BE VOID AB INITIO AND THE PURPORTED TRANSFEROR WILL CONTINUE TO BE TREATED AS THE OWNER OF THE SECURITIES FOR ALL PURPOSES.

**"Qualified Institutional Buyer"** means:

(i) Any of the following entities, acting for its own account or the accounts of other Qualified Institutional Buyers, that in the aggregate owns and invests on a discretionary basis at least \$100 million in securities of issuers that are not affiliated with the entity:

(A) Any *insurance company* as defined in section 2(13) of the Securities Act;

Note: A purchase by an insurance company for one or more of its separate accounts, as defined by section 2(a)(37) of the Investment Company Act, which are neither registered under section 8 of the Investment Company Act nor required to be so registered, will be deemed to be a purchase for the account of such insurance company.

(B) Any *investment company* registered under the Investment Company Act or any *business development company* as defined in section 2(a)(48) of the Investment Company Act;

(C) Any *Small Business Investment Company* licensed by the U.S. Small Business Administration under section 301(c) or (d) of the Small Business Investment Act of 1958;

(D) Any *plan* established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees;

(E) Any *employee benefit plan* within the meaning of Title I of ERISA;

(F) Any trust fund whose trustee is a bank or trust company and whose participants are exclusively plans of the types identified in sub-clauses (D) or (E) above, except trust funds that include as participants individual retirement accounts or H.R. 10 plans.

(G) Any *business development company* as defined in section 202(a)(22) of the Investment Advisers Act;

(H) Any organization described in section 501(c)(3) of the Code, corporation (other than a bank as defined in section 3(a)(2) of the Securities Act or a savings and loan association or other institution referenced in section 3(a)(5)(A) of the Securities Act or a foreign bank or savings and loan association or equivalent institution), partnership, or Massachusetts or similar business trust; and

(I) Any *investment adviser* registered under the Investment Advisers Act.

(ii) Any *dealer* registered pursuant to section 15 of the Exchange Act, acting for its own account or the accounts of other Qualified Institutional Buyers, that in the aggregate owns and invests on a discretionary basis at least \$10 million of securities of issuers that are not affiliated with the dealer, *provided*, that securities constituting the whole or a part of an unsold allotment to or subscription by a dealer as a participant in a public offering will not be deemed to be owned by such dealer;

(iii) Any *dealer* registered pursuant to section 15 of the Exchange Act acting in a riskless principal transaction on behalf of a Qualified Institutional Buyer;

Note: A registered dealer may act as agent, on a non-discretionary basis, in a transaction with a Qualified Institutional Buyer without itself having to be a Qualified Institutional Buyer.

(iv) Any investment company registered under the Investment Company Act, acting for its own account or for the accounts of other Qualified Institutional Buyers, that is part of a family of investment companies which own in the aggregate at least \$100 million in securities of issuers, other than issuers that are affiliated with the investment company or are part of such family of investment companies. *Family of investment companies* means any two or more investment companies registered under the Investment Company Act, except for a unit investment trust whose assets consist solely of shares of one or more registered investment companies, that have the same investment adviser (or, in the case of unit investment trusts, the same depositor), provided that, for purposes of this sub-clause:

(A) Each series of a series company (as defined in Rule 18f-2 under the Investment Company Act) will be deemed to be a separate investment company; and

(B) Investment companies will be deemed to have the same adviser (or depositor) if their advisers (or depositors) are majority-owned subsidiaries of the same parent, or if one investment company's adviser (or depositor) is a majority-owned subsidiary of the other investment company's adviser (or depositor);

(v) Any entity, all of the equity owners of which are Qualified Institutional Buyers, acting for its own account or the accounts of other Qualified Institutional Buyers; and

(vi) Any *bank* as defined in section 3(a)(2) of the Securities Act, any savings and loan association or other institution as referenced in section 3(a)(5)(A) of the Securities Act, or any foreign bank or savings and loan association or equivalent institution, acting for its own account or the accounts of other Qualified Institutional Buyers, that in the aggregate owns and invests on a discretionary basis at least \$100 million in securities of issuers that are not affiliated with it and that has an audited net worth of at least \$25 million as demonstrated in its latest annual financial statements, as of a date not more than 16 months preceding the date of sale under the Rule in the case of a U.S. bank or savings and loan association, and not more than 18 months preceding such date of sale for a foreign bank or savings and loan association or equivalent institution.

"**Investment Advisers Act**" means the Investment Advisers Act of 1940, as amended.

## RATINGS OF THE SECURITIES

Fannie Mae on behalf of the Issuer has engaged S&P and KBRA to rate the applicable Rated Notes on the Closing Date. It is expected that the Rated Notes will receive the ratings specified on the cover of this Offering Memorandum and on Schedule I hereto. Fannie Mae has not engaged any NRSRO to rate the Class B-1 Certificates on the Closing Date and has no obligation to do so in the future.

The ratings address the likelihood of the timely receipt of payments of interest to which the Holders of the Rated Notes are entitled and the ultimate payment of principal by the Maturity Date. Each engaged NRSRO will monitor its ratings using its normal surveillance procedures and, in its discretion, may change, qualify or withdraw the assigned ratings at any time. No transaction party will be responsible for monitoring any changes to the ratings on the Rated Notes. The ratings of the Rated Notes should be evaluated independently from similar ratings on other types of securities. The ratings are not a recommendation to buy, sell or hold the Rated Notes and may be subject to revision or withdrawal at any time by the engaged NRSROs.

In addition, these ratings do not address: (i) the likelihood, timing or frequency of prepayments (both voluntary and involuntary) on the Reference Obligations and their impact on interest payments or the degree to which such prepayments might differ from those originally anticipated, (ii) the possibility that a Securityholder might suffer a lower than anticipated yield, (iii) the tax treatment of the Rated Notes or the effect of taxes on the payments received, (iv) the likelihood or willingness of the parties to the respective documents to meet their contractual obligations or the likelihood or willingness of any party or court to enforce, or hold enforceable, the documents in whole or in part, (v) an assessment of the yield to maturity that investors may experience, or (vi) other non-credit risks, including, without limitation, market or liquidity risk.

The ratings take into consideration certain credit risks with respect to the Reference Obligations. However, as noted above, the ratings do not represent an assessment of the likelihood, timing or frequency of principal prepayments (both voluntary and involuntary) on the Reference Obligations, or the degree to which such

prepayments might differ from those originally anticipated. In general, the ratings address credit risk and not prepayment risk. In addition, the ratings do not represent an assessment of the yields to maturity that investors may experience or the possibility that the Holders of the Interest Only RCR Notes might not fully recover their initial investments following the occurrence of Credit Events or rapid prepayments on the Reference Obligations (including both voluntary and involuntary prepayments).

As indicated in this Offering Memorandum, the Interest Only RCR Notes are only entitled to payments of interest. In the event that Holders of the Interest Only RCR Notes do not fully recover their investment as a result of (i) a high rate of Credit Events and Modification Events that result in losses being realized with respect thereto, or (ii) rapid principal prepayments on the Reference Obligations, all amounts "due" to such Holders will nevertheless have been paid, and such result is consistent with the ratings received on the Interest Only RCR Notes. For example, if the Reference Obligations were to prepay in the initial month following the Closing Date, Holders of the Interest Only RCR Notes would receive only a single month's interest and, therefore, would suffer a nearly complete loss of their investment. The Class Notional Amounts of the Interest Only RCR Notes on which interest is calculated will be reduced by the allocation under the hypothetical structure described in this Offering Memorandum of Tranche Write-down Amounts and prepayments, whether voluntary or involuntary, to the Reference Tranches and Exchangeable Notes from which their respective Class Notional Amounts are derived. The ratings do not address the timing or magnitude of reductions of such Class Notional Amounts, but only the obligation to pay interest timely on the Class Notional Amounts as so reduced from time to time. Therefore, the ratings of the Interest Only RCR Notes should be evaluated independently from similar ratings on other types of securities.

Other NRSROs that Fannie Mae has not engaged to rate the Rated Notes may issue unsolicited credit ratings on one or more classes of the Securities, relying on information they receive pursuant to Rule 17g-5 or otherwise. If any such unsolicited ratings are issued, there can be no assurance that they will not be different from the ratings assigned by the engaged NRSROs, and if lower than the engaged NRSROs' ratings, whether such unsolicited ratings will have an adverse impact on the liquidity, market value and regulatory characteristics of such Securities. Further, a determination by the SEC that either or both of the engaged NRSROs no longer qualifies as an NRSRO or is no longer qualified to rate the Rated Notes, could adversely impact the liquidity, market value and regulatory characteristics of the Rated Notes.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time for any reason. No person or entity will be obligated to provide any additional credit enhancement with respect to the Rated Notes. Any withdrawal of the ratings may have an adverse effect on the liquidity and market price of the Rated Notes. The ratings assigned to the Rated Notes do not represent any assessment of the likelihood that principal prepayments might differ from those originally anticipated or address the possibility that Holders of the Rated Notes might suffer a lower than anticipated yield. There can be no assurance that an engaged NRSRO will not lower or withdraw its ratings.

See "*Risk Factors—Investment Factors and Risks Related to the Securities—A Reduction, Withdrawal or Qualification of the Ratings on the Rated Notes, or the Issuance of an Unsolicited Rating on the Rated Notes, May Adversely Affect the Market Value of Those Securities and/or Limit an Investor's Ability to Resell Those Securities,*" and "*—The Ratings on the Rated Notes May Not Reflect All Risks*" in this Offering Memorandum.

## LEGAL MATTERS

Fannie Mae's General Counsel or one of its Deputy General Counsels will render an opinion on the legality of the Securities. Certain matters with respect to the Securities will be passed upon for the Issuer by Katten Muchin Rosenman LLP and by Eversheds Sutherland (US) LLP. Certain matters with respect to the Securities will be passed upon for the Initial Purchasers by Morgan, Lewis & Bockius LLP. Certain tax matters with respect to the Securities will be passed upon for the Issuer by Dechert LLP.

## INDEX OF DEFINITIONS

	<u>Page</u>		<u>Page</u>
Accrual Method Election .....	164	Delaware Trustee.....	8, 77
Additional Supplements .....	xiv	Delinquency Test.....	91
Administrator .....	8	Designated Page.....	86
Affected Investor.....	175	Diligence Provider.....	130
Annual Interest Amount .....	S-2	Diligence Sample .....	130
Applicable Securityholders .....	103	Distressed Principal Balance .....	91
ARRC .....	63	District Court.....	78
Article 9 .....	154	DOL .....	176
Automatic Termination .....	v	DTC.....	2, 80
Available Loans .....	128	DTI.....	113
AVM.....	27	DU .....	112
B-1 Distribution Account.....	84	Early Redemption Date .....	16, 85
BBA .....	63	Early Redemption Option.....	16, 85
Benefit Plan Investor.....	178, 179	EEA .....	x, 173
BofA Securities .....	179	Eligibility Criteria.....	26
Book-Entry Securities .....	17, 71	Eligibility Defect .....	120
borrower.....	1	Eligible Investments .....	9, 100
Business Day.....	84	Eligible Review Population .....	130
Canadian Purchaser.....	D-1	Employee Benefit Plan .....	179
Cash Collateral Account.....	1, 9, 99	ERISA .....	32
CDR.....	138	EU .....	173
CFPB.....	45	EU Institutional Investors.....	67, 174
CFTC .....	ii	EU Securitization Regulation .....	67
Charter Act.....	vii	Euroclear .....	82
Citigroup .....	179	Euroclear Operator .....	82
Class.....	14	Euroclear Participants.....	82
Class Coupon .....	20	European Risk Retention and Due Diligence Rules.....	173
Class Notional Amount .....	23	European Risk Retention Letter.....	174
Class Principal Balance.....	14	European Securitization Rules.....	x, 67
Classes .....	14	Event of Default .....	104
Clearstream .....	81	Exchange Act .....	xiii, 32
Clearstream International .....	81	Exchange Administrator .....	8, 77
Clearstream Participants.....	81	Exchangeable Notes .....	1, 13
Closing Date.....	15	Exempt Persons .....	xi
Code .....	32, 158	Fannie Mae QC Review .....	130
Collateral.....	77	FATCA.....	72, 172
Combinations .....	7, 13	FATCA withholding tax.....	172
Common Depository .....	80	FDIC.....	57
Conservator .....	iii	FHA.....	26
CPA Early Termination Date .....	98	FHFA .....	iii
CPA Early Termination Event .....	98	FIEA.....	D-2
CPA Trigger Event.....	97	FIEL .....	xi
CPDI Regulations .....	160	Financial Intermediary.....	80
CPO.....	ii	Flow-Through Entity .....	166
CPR.....	137	FPO .....	xi
Credit Event .....	91	Freddie Mac.....	vii
Credit Event Amount .....	92	FSCMA .....	D-2
Credit Event Net Gain.....	92	FSMA.....	D-3
Credit Event Net Loss .....	92	Fully Taxable Bonds.....	163
Credit Event Reference Obligation .....	92	Garn-St Germain Act.....	156
Credit Event UPB.....	92	Global Agent .....	8
Credit Premium Amount .....	12, 87	Guaranty Obligations.....	174
Credit Protection Agreement.....	11	Hague Securities Convention .....	107
Credit Protection Amount .....	13, 88	HARP .....	27
Credit Protection Reimbursement Amount .....	13, 88	HERA .....	iii
Credit Scores.....	44	HOEPA .....	58
CRR .....	174	Holder.....	2
Current Accrual Rate.....	92	Holder.....	2
Custodian .....	8, 77	HPI .....	27
Cut-off Date .....	1, 27	HUD .....	vii
DDC.....	115	IBA.....	63
Definitive Securities.....	17, 79	ICE Method .....	86

Incorporated Documents .....	xiii	Overcollateralization Amount .....	94
Indenture .....	8, 98	Ownership Certificate.....	76
Indenture Trustee .....	8, 77	PAC Method.....	162
Indirect Participants .....	80	Participants .....	80
Initial Cohort Pool.....	129	Payment Date .....	15, 84
Initial Exchange Date.....	7	Payment Date Statement.....	101
Initial Purchaser .....	1	Permitted Variances.....	43
Initial Purchasers.....	179	Plan.....	32
Interest Accrual Amount .....	87	Plan Asset Regulation.....	177
Interest Only RCR Notes.....	15	Plan Fiduciary .....	177
Interest Payment Amount.....	87	Plans .....	176
Interest Settlement Rate .....	86	Preliminary Class Notional Amount.....	95
Investment Accrual Period .....	9	Preliminary Principal Loss Amount .....	95
Investment Advisers Act.....	183	Preliminary Tranche Write-down Amount .....	95
Investment Agency Agreement .....	8	Preliminary Tranche Write-up Amount.....	95
Investment Agent .....	8, 77	Prepayment Assumption.....	162
Investment Company Act.....	177	PRIIPs Regulation .....	x
Investment Liquidation Contribution .....	12, 87	Principal Loss Amount .....	94
IRA .....	32	Principal Recovery Amount .....	94
IRAs.....	176	Prohibited Transactions .....	177
IRS .....	64	Projected Recovery Amount.....	85
Issuer .....	8	Prospectus Regulation .....	x
J.P. Morgan .....	179	QC .....	116
Japanese Retention Requirement.....	xii	Qualified Institutional Buyer .....	182
JFSA .....	xii	Qualified Stated Interest .....	160
JRR Rule.....	xii	Rated Notes .....	33
KBRA .....	32	RCR Notes .....	1, 13
LIBOR Adjustment Date.....	86	RDC Guide.....	115
LIBOR Business Day.....	86	Record Date.....	15, 84
Limited Compliance Reviews .....	130	Recovery Principal .....	90
Liquidation Proceeds.....	92	Reference Obligations .....	1
Loan File or Underwriting Errors.....	120	Reference Pool .....	1
LTV.....	112	Reference Pool Cut-off Date Balance.....	1
Majority B-1 Holders .....	103	Reference Tranche.....	2, 17
Majority Holders .....	103	Refi Plus loan .....	108
Majority Noteholders .....	103	Refi Plus Program .....	26
Majority Securityholders.....	103	REIT .....	159
Maturity Date.....	15, 84	Relevant Persons .....	xi
MBS .....	1	Relief Act .....	157
MERS .....	153	REMIC .....	159
Mezzanine Reference Tranche .....	18	Remittance Date .....	15
Mezzanine Reference Tranches.....	18	Rep and Warranty Settlement Amount.....	95
MIFID II .....	x	Rep and Warranty Settlement Coverage Amount.....	95
Minimum Credit Enhancement Test .....	91, 93	Reporting Period.....	18
Modeling Assumptions .....	136	RESPA .....	58
Modification Event .....	92	Retained Interest.....	175
Modification Loss Amount .....	93	Reversed Credit Event Amount.....	93
Morgan Stanley .....	179	Reversed Credit Event Reference Obligation .....	93
mortgage .....	1	Review Files.....	131
mortgage loan.....	1	RMBS.....	78
mortgage note.....	1	Rules.....	80
mortgaged property .....	1	S&P .....	32
Neighborhood Stabilization Initiative .....	74	Scheduled Principal.....	90
Net Liquidation Proceeds.....	93	SEC .....	vii
NI 31-103.....	D-1	Secured Parties .....	76
NI 45-106.....	D-1	Securities.....	1
Nomura .....	179	Securities Act .....	1, vii
non-performing loans .....	74	Securities Laws.....	D-1
non-U.S. Persons.....	159	Securities Purchase Agreement .....	179
Note Distribution Account .....	83	Securitization Regulation .....	x, 173
NRSRO .....	32	Security Accrual Period.....	21
Offered Securities .....	1, 78	Security Owners .....	80
OID .....	160	Securityholder .....	2
One-Month LIBOR .....	86	Securityholders.....	2
Original Accrual Rate .....	93	Selling Guide.....	108
Origination Rep and Warranty Settlement .....	95	Senior Percentage.....	90



Senior Preferred Stock Purchase Agreement.....	viii	Tranche Write-up Amount.....	94
Senior Reduction Amount.....	89	Transaction.....	173
Senior Reference Tranche.....	18	Transaction Documents.....	76
Servicing Guide.....	108	Treasury.....	vii
Significant Modification.....	64	TRID.....	42
Similar Law.....	32, 176	Trust Agreement.....	8, 75
Singapore Exchange.....	xi	U.S. Bank.....	77
Single Family Loan-Level Dataset.....	128, 133	U.S. Person.....	159
SMMEA.....	31, 173	UCC.....	105
SSPE.....	67	Unscheduled Principal.....	90
Strip RCR Note.....	167	UPB.....	91
Subordinate Percentage.....	90	USBTNA.....	77
Subordinate Reduction Amount.....	90	VA.....	26
Subordinate Reference Tranche.....	18	Wells Fargo Bank.....	8, 77
Subordinate Reference Tranches.....	18	Wells Fargo Securities.....	179
Termination Date.....	16, 85	Withholding Agent.....	169
Terms and Conditions.....	82	Write-up Excess.....	94
TILA.....	58		

**SCHEDULE I**

**CONNECTICUT AVENUE SECURITIES, SERIES 2019-HRP1  
RCR NOTES  
AVAILABLE COMBINATIONS AND RECOMBINATIONS**

<b>Combination</b>	<b>Class of Exchangeable Note</b>	<b>Maximum Original Balance</b>	<b>Class Coupon (%)</b>	<b>Expected Ratings (S&amp;P/KBRA)</b>	<b>Exchange Proportions (%)<sup>(1)</sup></b>	<b>Class of RCR Note</b>	<b>Maximum Original Balance / Notional Amount (\$)</b>	<b>Exchange Proportions (%)<sup>(1)</sup></b>	<b>Class Coupon (%)</b>	<b>Expected Ratings (S&amp;P/KBRA)</b>
1	M-2A	\$278,896,000	1mL + 2.15%	BB- (sf) / BB (sf)	50.0000000000%	M-2	\$557,792,000	100.0000000000%	1mL + 2.15%	B (sf) / B (sf)
	M-2B	\$278,896,000	1mL + 2.15%	B (sf) / B (sf)	50.0000000000%					
2	M-2A	\$278,896,000	1mL + 2.15%	BB- (sf) / BB (sf)	100.0000000000%	E-A1	\$278,896,000	100.0000000000%	1mL + 0.60%	BB- (sf) / BB (sf)
						A-I1	\$278,896,000 <sup>(2)</sup>	100.0000000000%	1.55% <sup>(3)</sup>	BB- (sf) / BB (sf)
3	M-2A	\$278,896,000	1mL + 2.15%	BB- (sf) / BB (sf)	100.0000000000%	E-A2	\$278,896,000	100.0000000000%	1mL + 1.00%	BB- (sf) / BB (sf)
						A-I2	\$278,896,000 <sup>(2)</sup>	100.0000000000%	1.15% <sup>(3)</sup>	BB- (sf) / BB (sf)
4	M-2A	\$278,896,000	1mL + 2.15%	BB- (sf) / BB (sf)	100.0000000000%	E-A3	\$278,896,000	100.0000000000%	1mL + 1.40%	BB- (sf) / BB (sf)
						A-I3	\$278,896,000 <sup>(2)</sup>	100.0000000000%	0.75% <sup>(3)</sup>	BB- (sf) / BB (sf)
5	M-2A	\$278,896,000	1mL + 2.15%	BB- (sf) / BB (sf)	100.0000000000%	E-A4	\$278,896,000	100.0000000000%	1mL + 1.80%	BB- (sf) / BB (sf)
						A-I4	\$278,896,000 <sup>(2)</sup>	100.0000000000%	0.35% <sup>(3)</sup>	BB- (sf) / BB (sf)
6	M-2B	\$278,896,000	1mL + 2.15%	B (sf) / B (sf)	100.0000000000%	E-B1	\$278,896,000	100.0000000000%	1mL + 0.60%	B (sf) / B (sf)
						B-I1	\$278,896,000 <sup>(2)</sup>	100.0000000000%	1.55% <sup>(3)</sup>	B (sf) / B (sf)
7	M-2B	\$278,896,000	1mL + 2.15%	B (sf) / B (sf)	100.0000000000%	E-B2	\$278,896,000	100.0000000000%	1mL + 1.00%	B (sf) / B (sf)
						B-I2	\$278,896,000 <sup>(2)</sup>	100.0000000000%	1.15% <sup>(3)</sup>	B (sf) / B (sf)
8	M-2B	\$278,896,000	1mL + 2.15%	B (sf) / B (sf)	100.0000000000%	E-B3	\$278,896,000	100.0000000000%	1mL + 1.40%	B (sf) / B (sf)
						B-I3	\$278,896,000 <sup>(2)</sup>	100.0000000000%	0.75% <sup>(3)</sup>	B (sf) / B (sf)
9	M-2B	\$278,896,000	1mL + 2.15%	B (sf) / B (sf)	100.0000000000%	E-B4	\$278,896,000	100.0000000000%	1mL + 1.80%	B (sf) / B (sf)
						B-I4	\$278,896,000 <sup>(2)</sup>	100.0000000000%	0.35% <sup>(3)</sup>	B (sf) / B (sf)

- <sup>(1)</sup> Exchange proportions are constant proportions of the original Class Principal Balances or Class Notional Amounts, as applicable, of the Class or Classes of Exchangeable or RCR Notes being exchanged. For any combinations that include both a Class of Securities with a Class Notional Amount and a Class of Securities with a Class Principal Balance, the exchange proportion shown relates to the aggregate original Class Principal Balance of the Class or Classes of Exchangeable or RCR Notes being received in such exchange. In accordance with the exchange proportions, Holders of Exchangeable Notes may exchange those Securities for RCR Notes, and vice versa. In addition, Holders of certain Classes of RCR Notes may exchange those Securities for other Classes of RCR Notes, and vice versa.
- <sup>(2)</sup> This Class is an interest only class with a Class Notional Amount as of any Payment Date equal to a specified percentage of the outstanding Class Principal Balance of the related Class of Exchangeable or RCR Note or Securities.
- <sup>(3)</sup> The interest payment on each of these Classes of Interest Only RCR Notes for a Payment Date represents a portion of the interest payment on the Class of Exchangeable Notes included in the related Combination for that Payment Date. For any Payment Date for which One-Month LIBOR is less than the applicable value set forth below (the "Negative LIBOR Trigger"), the interest payment on the specified Class of Interest Only RCR Notes will be calculated as the lesser of (x) the amount calculated based on the Class Coupon set forth above for that Class and (y) the excess of (i) the interest amount payable on the related Class of Exchangeable Notes for that Payment Date over (ii) the interest amount payable on the Class of floating rate RCR Notes included in the same Combination for that Payment Date.

<b>Class of Interest Only RCR Notes</b>	<b>Negative LIBOR Trigger</b>
Class A-I1 Notes .....	-0.60%
Class A-I2 Notes .....	-1.00%
Class A-I3 Notes .....	-1.40%
Class A-I4 Notes .....	-1.80%
Class B-I1 Notes.....	-0.60%
Class B-I2 Notes.....	-1.00%
Class B-I3 Notes.....	-1.40%
Class B-I4 Notes.....	-1.80%

## Exchanges

Any exchange of Classes within a Combination is permitted, subject to the following constraints:

- The Classes must be exchanged in the applicable "exchange proportions" shown above. As described below, these are based on the original Class Principal Balances (or original Class Notional Amounts, if applicable) of the Exchangeable or RCR Notes, as applicable.
- The aggregate Class Principal Balance (rounded to whole dollars) of the Securities received in the exchange, immediately after the exchange, must equal that of the Securities surrendered for exchange immediately before the exchange (for this purpose, the Class Notional Amount of any Interest Only RCR Note always equals \$0).
- The aggregate "Annual Interest Amount" (rounded to whole dollars) of the Securities received in the exchange must equal that of the Securities surrendered for exchange. The "**Annual Interest Amount**" for any Security equals its outstanding Class Principal Balance or Class Notional Amount multiplied by its Class Coupon. The Annual Interest Amount for the Classes received and the Classes surrendered must be equal at all levels of LIBOR.

The "exchange proportions" are based on the original, rather than on the outstanding, Class Principal Balance or Class Notional Amount of the Classes.

## Procedures and Fees

The Exchangeable Notes may be exchanged, in whole or in part, for RCR Notes, and vice versa, at any time on or after the Initial Exchange Date; *provided*, that no such exchange will occur on any Payment Date or Record Date. The procedures for exchanges and the obligations of Fannie Mae and the Exchange Administrator are described in the Indenture. See "*The Agreements — The Indenture.*"

### *Notice*

Any Holder wishing to exchange Securities must notify the Exchange Administrator by email at [ctsspgexchanges@wellsfargo.com](mailto:ctsspgexchanges@wellsfargo.com) no later than two Business Days before the proposed exchange date. The exchange date with respect to any exchange can be any Business Day on or after the Initial Exchange Date other than a Record Date or a Payment Date. A notice becomes irrevocable two Business Days before the respective exchange date.

### *Fee*

In connection with each exchange, the Holder must pay the Exchange Administrator a fee equal to \$5,000 for each exchange request and such fee must be received by the Exchange Administrator no later than one Business Day prior to the exchange date or such exchange will not be effected. In addition, any Holder wishing to effect such an exchange must pay any other expenses related to such exchange, including any fees charged by DTC.

### *Payment*

The Indenture Trustee will make the first distribution on any Exchangeable Note or RCR Note received by a Holder in an exchange transaction on the Payment Date related to the next Record Date following the exchange.

*Closing Date Combinations*

Notwithstanding the foregoing, an investor that would otherwise become a Holder of Class M-2 Notes on the Closing Date may specify, no later than 2:00 P.M. (New York City time) on the third Business Day prior to the Closing Date, any permissible combination of proportionate interests in other related RCR Notes or Exchangeable Notes for receipt by such investor on the Closing Date, in which case any exchange procedures and fees otherwise applicable will be waived.

**Appendix A**  
**The Reference Pool as of the Cut-off Date of September 30, 2019**

*The weighted average characteristics shown below and on the following pages do not take into account any Reference Obligation for which such data was unavailable.*

<i>Product Type of the Mortgage Loans</i>									
<b>Product Type</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
Fixed Rate	840,988	106,754,721,932	100	4.426	748	753	82.20	86.73	45.33
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>

<i>Unpaid Principal Balances as of the Origination Date</i>									
<b>Range of Unpaid Principal Balance (\$)</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
0.01 - 25,000.00	354	3,717,060	*	4.403	749	751	37.95	41.22	16.96
25,000.01 - 50,000.00	14,910	351,691,354	0.33	4.403	750	756	54.10	57.60	26.07
50,000.01 - 75,000.00	59,273	2,315,858,440	2.17	4.441	750	757	63.76	67.31	32.05
75,000.01 - 100,000.00	99,369	5,598,825,204	5.24	4.427	752	759	69.55	73.25	35.32
100,000.01 - 125,000.00	109,568	8,141,619,197	7.63	4.409	752	758	74.53	78.71	38.23
125,000.01 - 150,000.00	102,444	9,550,883,730	8.95	4.398	751	758	77.64	81.91	40.41
150,000.01 - 200,000.00	170,539	20,885,536,502	19.56	4.411	749	756	82.09	86.58	43.91
200,000.01 - 250,000.00	115,513	18,790,146,357	17.60	4.418	747	753	84.82	89.55	46.90
250,000.01 - 300,000.00	77,260	15,701,038,447	14.71	4.425	747	751	86.13	91.08	48.75
300,000.01 - 350,000.00	44,466	10,872,155,962	10.18	4.441	745	749	88.94	93.33	51.48
350,000.01 - 400,000.00	31,791	9,174,815,885	8.59	4.409	745	749	88.04	92.68	51.84
400,000.01 - 450,000.00	11,374	3,659,606,750	3.43	4.600	742	745	81.67	88.17	50.76
450,000.01 - 500,000.00	1,644	602,844,501	0.56	4.526	750	755	81.82	84.37	45.15
500,000.01 - 550,000.00	1,126	457,701,416	0.43	4.553	749	757	79.78	82.33	44.02
550,000.01 - 600,000.00	723	326,251,626	0.31	4.407	755	759	78.91	80.77	44.05
600,000.01 - 650,000.00	368	178,644,331	0.17	4.594	754	757	77.78	80.36	44.03
650,000.01 - 700,000.00	113	56,063,272	0.05	4.865	752	750	78.65	80.58	45.57
700,000.01 - 750,000.00	127	71,340,785	0.07	4.856	747	748	69.92	75.21	40.43
750,000.01 - 800,000.00	24	14,570,797	0.01	4.857	750	754	78.93	82.01	38.11
800,000.01 - 850,000.00	1	685,261	*	4.625	798	717	82.00	82.00	33.00
850,000.01 - 900,000.00	1	725,057	*	5.375	711	778	90.00	90.00	36.00
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>
<b>Average (\$)</b>	<b>178,172.34</b>								

*\*Indicates a number that is greater than 0.000% but less than 0.005%.*

<sup>(1)</sup> Amounts may not add up to the totals shown due to rounding.

**Unpaid Principal Balances as of the Cut-off Date**

<b>Range of Unpaid Principal Balance (\$)</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
0.01 - 25,000.00	40,363	611,562,028	0.57	4.029	763	770	50.28	53.48	9.68
25,000.01 - 50,000.00	90,604	3,492,627,031	3.27	4.149	759	765	60.59	63.63	22.01
50,000.01 - 75,000.00	122,373	7,683,459,595	7.20	4.259	756	762	68.61	72.01	30.92
75,000.01 - 100,000.00	122,125	10,650,245,534	9.98	4.332	753	760	74.55	78.52	36.92
100,000.01 - 125,000.00	104,039	11,668,655,156	10.93	4.385	752	757	78.78	83.15	41.27
125,000.01 - 150,000.00	87,308	11,971,185,096	11.21	4.420	749	755	82.59	87.15	44.68
150,000.01 - 200,000.00	125,266	21,647,171,996	20.28	4.461	747	752	85.62	90.40	48.38
200,000.01 - 250,000.00	75,438	16,809,201,497	15.75	4.494	745	750	87.95	93.02	51.55
250,000.01 - 300,000.00	40,660	11,082,872,656	10.38	4.513	743	747	90.44	95.06	54.38
300,000.01 - 350,000.00	27,472	8,923,461,994	8.36	4.519	741	745	87.70	93.23	54.36
350,000.01 - 400,000.00	2,680	984,506,743	0.92	4.579	740	746	88.90	94.00	51.40
400,000.01 - 450,000.00	1,377	582,456,104	0.55	4.584	747	753	81.91	84.65	46.57
450,000.01 - 500,000.00	705	334,091,113	0.31	4.527	753	758	80.21	81.92	45.89
500,000.01 - 550,000.00	398	206,023,680	0.19	4.567	751	755	79.31	82.17	46.24
550,000.01 - 600,000.00	119	68,908,383	0.06	4.903	749	746	76.78	81.00	46.82
600,000.01 - 650,000.00	47	28,897,129	0.03	4.889	741	751	70.75	75.04	41.75
650,000.01 - 700,000.00	13	8,671,141	0.01	4.930	757	757	82.54	83.01	39.86
700,000.01 - 750,000.00	1	725,057	*	5.375	711	778	90.00	90.00	36.00
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>
<b>Average (\$)</b>	<b>126,939.65</b>								

\*Indicates a number that is greater than 0.000% but less than 0.005%.

<sup>(1)</sup> Amounts may not add up to the totals shown due to rounding.

**Gross Mortgage Rates of the Mortgage Loans as of the Cut-off Date**

<b>Range of Gross Mortgage Rates (%)</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
2.001 - 2.250	3	175,073	*	2.250	771	775	86.01	86.01	34.93
2.251 - 2.500	130	8,634,221	0.01	2.483	776	773	67.25	69.09	29.07
2.501 - 2.750	2,130	143,252,635	0.13	2.730	769	771	68.20	70.91	27.40
2.751 - 3.000	13,326	1,093,690,971	1.02	2.956	766	770	74.21	77.31	28.56
3.001 - 3.250	22,543	1,798,971,457	1.69	3.209	765	769	71.69	74.91	27.95
3.251 - 3.500	49,542	4,486,750,508	4.20	3.446	762	767	73.02	76.51	31.60
3.501 - 3.750	60,525	6,148,282,659	5.76	3.702	760	764	75.92	79.61	36.81
3.751 - 4.000	123,365	15,619,257,407	14.63	3.943	757	761	82.05	86.10	42.83
4.001 - 4.250	110,027	14,307,035,013	13.40	4.193	750	756	86.04	90.88	45.43
4.251 - 4.500	157,821	20,928,482,939	19.60	4.435	748	754	85.82	90.52	46.66
4.501 - 4.750	96,236	12,642,515,085	11.84	4.687	745	751	83.28	87.91	46.80
4.751 - 5.000	111,133	15,621,490,793	14.63	4.912	746	749	78.99	83.32	48.10
5.001 - 5.250	47,582	6,999,508,035	6.56	5.196	737	741	81.56	86.56	51.69
5.251 - 5.500	36,837	5,590,200,960	5.24	5.407	724	733	84.83	91.11	54.77
5.501 - 5.750	6,732	952,326,812	0.89	5.672	716	727	87.21	93.46	56.82
5.751 - 6.000	2,582	356,073,012	0.33	5.890	710	723	88.08	94.37	58.76
6.001 - 6.250	263	30,250,439	0.03	6.156	707	718	89.47	95.03	61.36
6.251 - 6.500	138	18,555,692	0.02	6.400	713	725	89.20	96.15	61.40
6.501 - 6.750	36	5,141,335	*	6.690	696	693	85.52	92.00	63.14
6.751 - 7.000	36	4,073,039	*	6.876	693	737	91.34	98.43	65.33
7.001 - 7.250	1	53,847	*	7.065	792	794	105.00	105.00	66.00
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>
<b>Weighted Average (%)</b>	<b>4.426</b>								

*\*Indicates a number that is greater than 0.000% but less than 0.005%.*

<sup>(1)</sup> Amounts may not add up to the totals shown due to rounding.

<i>Seasoning of the Mortgage Loans as of the Cut-off Date</i>									
Seasoning (months)	Number of Mortgage Loans	Unpaid Principal Balance (\$) <sup>(1)</sup>	Unpaid Principal Balance (%) <sup>(1)</sup>	W.A. Mortgage Rate (%)	W.A. Original Credit Score	W.A. Current Credit Score	W.A. Original LTV Ratio (%)	W.A. Original CLTV Ratio (%)	W.A. ELTV Ratio (%)
82	6,318	864,965,856	0.81	3.782	743	754	97.79	103.44	49.33
83	37,523	4,738,962,356	4.44	3.860	744	754	91.45	97.20	46.20
84	47,940	6,321,774,993	5.92	3.929	743	753	94.58	100.25	47.50
85	45,099	5,893,769,533	5.52	4.024	745	754	96.00	101.74	47.88
86	42,776	5,714,345,427	5.35	4.106	743	753	97.92	103.44	48.45
87	39,464	5,392,276,771	5.05	4.193	741	752	96.77	102.22	48.44
88	36,183	4,780,412,550	4.48	4.223	743	753	92.36	97.59	47.10
89	36,194	4,678,341,772	4.38	4.158	747	755	86.06	90.90	45.43
90	34,504	4,443,566,563	4.16	4.147	749	757	80.93	85.39	43.80
91	30,095	3,835,393,557	3.59	4.198	751	757	77.51	81.76	42.75
92	26,671	3,300,636,820	3.09	4.223	756	759	75.24	79.37	41.78
93	28,832	3,469,062,542	3.25	4.215	759	761	73.97	77.78	40.68
94	28,177	3,391,755,810	3.18	4.254	758	760	74.22	78.03	40.75
95	23,486	2,749,628,355	2.58	4.386	755	758	75.35	79.28	41.15
96	19,933	2,208,329,220	2.07	4.653	745	750	74.57	79.44	41.32
97	17,230	1,969,314,994	1.84	4.748	744	749	74.86	79.91	42.23
98	17,202	1,967,666,983	1.84	4.853	745	749	74.74	80.12	42.59
99	14,032	1,601,407,293	1.50	5.038	741	744	75.12	79.87	43.90
100	14,943	1,735,852,195	1.63	5.043	743	747	74.19	79.52	43.90
101	17,341	2,028,836,297	1.90	5.004	745	748	74.05	79.34	43.74
102	16,565	1,995,493,639	1.87	4.794	747	752	74.07	78.88	43.66
103	21,336	2,606,905,523	2.44	4.648	751	753	73.73	78.14	43.47
104	25,573	3,178,852,658	2.98	4.488	756	758	73.71	77.49	42.99
105	26,557	3,328,165,984	3.12	4.452	757	759	73.42	76.63	42.99
106	23,864	2,991,314,068	2.80	4.534	757	759	73.97	77.11	43.45
107	20,424	2,556,445,631	2.39	4.611	758	759	74.12	77.11	43.85
108	16,813	2,131,409,872	2.00	4.747	754	756	75.20	78.47	45.01
109	11,370	1,464,183,434	1.37	4.907	750	752	76.72	80.26	46.44
110	8,054	1,056,949,968	0.99	5.078	743	747	78.11	82.02	47.80
111	6,892	901,957,072	0.84	5.204	738	740	78.50	83.07	49.04
112	8,435	1,130,184,522	1.06	5.175	737	743	78.46	83.00	49.30
113	9,025	1,211,328,346	1.13	5.172	737	741	78.68	83.31	50.01
114	7,321	986,451,993	0.92	5.141	738	742	78.04	82.83	49.36
115	8,539	1,180,635,171	1.11	5.069	741	744	78.01	82.20	49.56
116	8,866	1,245,399,872	1.17	5.063	742	744	78.00	82.03	49.63
117	7,226	988,635,530	0.93	5.081	742	744	78.18	81.71	49.79
118	5,968	814,133,076	0.76	5.096	741	744	78.33	81.95	49.83
119	4,925	680,835,818	0.64	5.113	741	741	78.59	82.83	50.61
120	5,765	785,823,524	0.74	5.053	744	743	77.43	81.17	49.72
121	8,401	1,170,595,332	1.10	4.929	751	750	76.60	79.51	49.16
122	11,488	1,581,174,961	1.48	4.817	756	755	75.15	77.30	47.86
123	9,004	1,146,458,280	1.07	4.744	762	761	72.34	73.67	45.04
124	3,795	448,427,554	0.42	4.732	764	762	67.83	69.13	41.91
125	833	86,287,055	0.08	4.779	765	761	63.30	64.79	38.82
126	6	373,164	*	4.771	776	775	75.01	75.01	44.34
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>
<b>Weighted Average (months)</b>	<b>96.63</b>								

\*Indicates a number that is greater than 0.000% but less than 0.005%.

<sup>(1)</sup> Amounts may not add up to the totals shown due to rounding.



*Original Loan-to-Value Ratio of the Mortgage Loans at Origination*

<b>Range of Original LTV (%)</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$) <sup>(1)</sup></b>	<b>Unpaid Principal Balance (%) <sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
Not Available	1	77,755	*	4.500	682	665	N/A	N/A	114.00
0.01 - 5.00	52	2,661,931	*	4.625	751	766	4.27	4.52	19.38
5.01 - 10.00	705	33,846,058	0.03	4.337	776	773	8.70	10.85	9.25
10.01 - 15.00	2,562	137,757,328	0.13	4.286	776	776	13.43	16.67	7.19
15.01 - 20.00	6,056	343,493,380	0.32	4.259	772	773	18.27	22.06	9.02
20.01 - 25.00	10,501	674,442,135	0.63	4.278	771	773	23.24	27.32	11.63
25.01 - 30.00	14,917	1,044,039,287	0.98	4.277	769	771	28.17	32.55	14.12
30.01 - 35.00	19,971	1,522,190,668	1.43	4.283	766	769	33.11	37.62	16.89
35.01 - 40.00	24,680	2,044,764,520	1.92	4.290	764	767	38.10	42.98	19.55
40.01 - 45.00	29,213	2,597,771,322	2.43	4.296	762	765	43.12	48.31	22.47
45.01 - 50.00	34,855	3,249,424,996	3.04	4.297	759	763	48.08	53.30	25.35
50.01 - 55.00	40,526	4,025,906,061	3.77	4.313	757	761	53.08	58.38	28.48
55.01 - 60.00	48,763	5,136,865,494	4.81	4.323	754	759	58.15	63.22	31.63
60.01 - 65.00	48,760	5,261,030,787	4.93	4.353	753	757	63.11	68.18	34.80
65.01 - 70.00	57,708	6,641,882,081	6.22	4.379	750	755	68.13	72.85	38.55
70.01 - 75.00	67,764	8,291,663,819	7.77	4.413	751	755	73.22	77.36	42.41
75.01 - 80.00	88,805	11,751,319,068	11.01	4.450	750	753	78.38	81.91	46.93
80.01 - 85.00	68,583	10,046,420,368	9.41	4.513	744	749	83.10	87.31	49.95
85.01 - 90.00	69,293	10,591,163,078	9.92	4.520	744	749	88.03	91.89	52.56
90.01 - 95.00	58,583	9,238,543,159	8.65	4.514	745	750	93.11	96.98	54.42
95.01 - 100.00	35,830	5,600,779,993	5.25	4.508	739	747	97.98	102.75	55.30
100.01 - 105.00	33,865	5,377,415,573	5.04	4.503	741	748	103.29	107.79	56.00
105.01 - 110.00	13,349	2,178,563,319	2.04	4.431	736	746	108.05	113.49	57.64
110.01 - 115.00	12,036	1,972,900,171	1.85	4.431	738	749	112.98	118.38	58.38
115.01 - 120.00	9,074	1,526,318,939	1.43	4.443	740	749	117.96	123.49	59.58
120.01 - 125.00	9,398	1,622,999,498	1.52	4.478	744	751	123.33	128.45	61.06
125.01 - 130.00	4,078	686,237,432	0.64	4.283	737	746	128.14	133.93	60.76
130.01 - 135.00	4,017	680,545,027	0.64	4.298	736	748	133.02	139.38	61.83
135.01 - 140.00	3,789	636,727,178	0.60	4.305	738	747	137.96	143.97	62.63
140.01 - 145.00	3,184	534,477,778	0.50	4.319	737	750	142.96	148.87	63.18
145.01 - 150.00	3,104	523,822,251	0.49	4.314	741	749	148.08	154.13	63.89
150.01 - 155.00	2,327	395,689,932	0.37	4.330	737	747	152.96	159.44	64.32
155.01 - 160.00	2,111	358,065,142	0.34	4.332	739	750	157.95	164.08	66.09
160.01 - 165.00	1,798	305,494,656	0.29	4.344	739	748	162.94	169.63	66.17
165.01 - 170.00	1,481	249,010,390	0.23	4.334	738	750	167.94	174.63	66.68
170.01 - 175.00	1,308	221,279,903	0.21	4.340	740	750	172.94	179.04	68.09
175.01 - 180.00	1,168	193,263,626	0.18	4.343	741	752	177.92	184.45	68.14
180.01 - 185.00	897	148,120,970	0.14	4.355	737	748	182.96	190.64	68.44
185.01 - 190.00	835	136,536,988	0.13	4.331	738	747	187.93	194.47	70.21
190.01 - 195.00	676	109,996,949	0.10	4.345	741	752	193.00	199.74	72.19
195.01 - 200.00	590	95,248,199	0.09	4.355	742	753	197.92	204.15	70.06
200.01 or greater	3,775	565,964,723	0.53	4.369	736	748	238.35	246.23	77.10
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>
<b>Weighted Average (%)</b>	<b>82.20</b>								

*\*Indicates a number that is greater than 0.000% but less than 0.005%.*

<sup>(1)</sup> Amounts may not add up to the totals shown due to rounding.

**Combined Loan-to-Value Ratio of the Mortgage Loans at Origination**

<b>Range of Combined LTV (%)</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
Not Available	2	170,542	*	4.432	714	732	116.00	N/A	72.11
0.01 - 5.00	46	2,476,355	*	4.643	749	765	4.23	4.25	20.33
5.01 - 10.00	588	28,506,746	0.03	4.331	779	776	8.60	8.70	9.97
10.01 - 15.00	2,140	114,685,981	0.11	4.300	779	778	13.28	13.43	7.20
15.01 - 20.00	5,014	280,348,748	0.26	4.262	775	776	18.08	18.29	8.89
20.01 - 25.00	8,775	552,806,242	0.52	4.275	775	776	22.91	23.26	11.42
25.01 - 30.00	12,818	872,768,383	0.82	4.273	773	775	27.66	28.18	13.78
30.01 - 35.00	17,272	1,277,559,002	1.20	4.278	771	773	32.49	33.12	16.36
35.01 - 40.00	21,671	1,725,076,566	1.62	4.282	769	771	37.32	38.10	18.93
40.01 - 45.00	25,705	2,184,402,198	2.05	4.287	766	769	42.17	43.12	21.75
45.01 - 50.00	30,837	2,745,297,101	2.57	4.286	764	768	46.97	48.09	24.41
50.01 - 55.00	36,021	3,410,431,387	3.19	4.299	762	766	51.77	53.09	27.32
55.01 - 60.00	43,295	4,366,046,921	4.09	4.311	759	763	56.74	58.14	30.41
60.01 - 65.00	44,123	4,562,382,003	4.27	4.333	757	761	61.28	63.10	33.37
65.01 - 70.00	52,170	5,782,039,602	5.42	4.357	753	759	66.15	68.12	36.82
70.01 - 75.00	61,869	7,323,460,732	6.86	4.385	753	758	71.21	73.22	40.56
75.01 - 80.00	81,907	10,499,244,177	9.83	4.416	752	755	76.43	78.39	45.19
80.01 - 85.00	65,372	9,239,966,988	8.66	4.480	746	752	80.38	83.12	47.88
85.01 - 90.00	70,864	10,487,930,163	9.82	4.485	745	750	84.70	88.07	50.39
90.01 - 95.00	64,514	9,881,674,220	9.26	4.494	746	750	88.88	93.16	52.18
95.01 - 100.00	39,535	6,045,890,436	5.66	4.522	739	746	92.84	98.03	53.25
100.01 - 105.00	39,274	6,173,494,262	5.78	4.525	739	746	97.34	103.22	54.49
105.01 - 110.00	21,363	3,450,076,455	3.23	4.527	733	741	97.86	108.05	55.70
110.01 - 115.00	18,188	2,964,105,391	2.78	4.515	734	743	102.65	112.98	56.86
115.01 - 120.00	14,053	2,303,110,519	2.16	4.515	735	743	106.61	117.95	57.45
120.01 - 125.00	13,055	2,195,033,319	2.06	4.509	739	746	112.84	123.19	58.82
125.01 - 130.00	7,087	1,163,612,824	1.09	4.425	730	741	113.59	128.03	58.28
130.01 - 135.00	6,266	1,031,369,401	0.97	4.400	731	742	119.06	132.99	59.31
135.01 - 140.00	5,458	898,447,904	0.84	4.367	733	744	124.64	137.95	59.83
140.01 - 145.00	4,577	754,303,749	0.71	4.381	734	745	129.34	142.94	60.48
145.01 - 150.00	4,156	697,463,057	0.65	4.369	735	745	134.91	147.99	61.43
150.01 - 155.00	3,171	522,930,672	0.49	4.360	735	745	139.05	152.96	61.37
155.01 - 160.00	2,792	466,292,954	0.44	4.354	734	744	144.84	157.99	63.19
160.01 - 165.00	2,333	394,339,092	0.37	4.356	735	743	149.18	162.96	63.59
165.01 - 170.00	1,975	331,491,632	0.31	4.358	734	745	153.20	167.91	63.79
170.01 - 175.00	1,777	299,686,931	0.28	4.359	737	746	157.59	172.92	65.31
175.01 - 180.00	1,551	254,778,823	0.24	4.349	736	746	163.59	177.90	65.79
180.01 - 185.00	1,203	195,748,647	0.18	4.353	735	745	167.28	182.98	66.19
185.01 - 190.00	1,089	176,750,890	0.17	4.346	737	745	173.13	187.89	67.31
190.01 - 195.00	902	144,419,087	0.14	4.361	735	745	177.42	192.96	68.18
195.01 - 200.00	844	140,062,472	0.13	4.347	737	747	180.28	197.99	67.78
200.01 or greater	5,336	814,039,358	0.76	4.364	733	744	215.80	240.42	73.33
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>
<b>Weighted Average (%)</b>	<b>86.73</b>								

\*Indicates a number that is greater than 0.000% but less than 0.005%.

<sup>(1)</sup> Amounts may not add up to the totals shown due to rounding.

<i>Estimated Loan-to-Value Ratio of the Mortgage Loans</i>									
<b>Range of Estimated LTV (%)</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$) <sup>(1)</sup></b>	<b>Unpaid Principal Balance (%) <sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
0.00	15	642	*	3.877	792	787	22.17	22.17	0.00
0.01 - 5.00	22,295	389,512,052	0.36	3.972	772	776	30.82	34.70	3.94
5.01 - 10.00	35,104	1,495,845,198	1.40	4.067	770	774	35.84	39.39	8.36
10.01 - 15.00	47,806	3,083,952,212	2.89	4.129	768	772	42.76	46.64	13.22
15.01 - 20.00	59,438	4,768,569,983	4.47	4.168	764	769	50.73	54.98	18.15
20.01 - 25.00	69,252	6,422,536,824	6.02	4.189	760	766	58.62	63.07	23.10
25.01 - 30.00	74,164	7,817,662,667	7.32	4.230	757	763	65.50	70.08	28.06
30.01 - 35.00	75,727	9,011,354,408	8.44	4.295	754	760	71.69	76.11	33.04
35.01 - 40.00	75,341	10,058,632,610	9.42	4.365	751	757	77.49	81.98	38.04
40.01 - 45.00	72,549	10,621,197,582	9.95	4.430	749	756	82.46	86.75	43.02
45.01 - 50.00	69,700	10,872,345,223	10.18	4.479	747	752	86.90	91.24	48.00
50.01 - 55.00	65,192	10,682,790,400	10.01	4.519	744	748	90.91	95.28	52.96
55.01 - 60.00	55,372	9,448,450,234	8.85	4.553	741	745	94.75	99.38	57.93
60.01 - 65.00	43,218	7,695,152,734	7.21	4.594	738	743	98.82	103.62	62.89
65.01 - 70.00	30,989	5,774,768,334	5.41	4.637	736	741	103.44	108.40	67.87
70.01 - 75.00	19,894	3,796,618,684	3.56	4.682	733	738	107.69	112.86	72.82
75.01 - 80.00	11,808	2,312,094,137	2.17	4.717	731	736	112.57	118.17	77.75
80.01 - 85.00	6,107	1,198,443,594	1.12	4.735	729	736	116.88	122.87	82.72
85.01 - 90.00	2,976	575,930,021	0.54	4.719	729	735	121.66	127.03	87.73
90.01 - 95.00	1,587	294,900,267	0.28	4.724	730	739	127.14	133.14	92.77
95.01 - 100.00	776	146,220,186	0.14	4.731	730	738	129.11	133.92	97.77
100.01 - 105.00	484	87,039,388	0.08	4.682	735	741	128.10	133.60	102.79
105.01 - 110.00	300	51,609,194	0.05	4.716	730	740	134.00	139.18	107.86
110.01 - 115.00	182	31,167,229	0.03	4.707	728	741	131.85	137.94	113.04
115.01 - 120.00	152	26,778,956	0.03	4.676	731	732	141.60	146.36	117.81
120.01 - 125.00	101	16,920,666	0.02	4.648	736	740	154.65	162.02	122.59
125.01 - 130.00	96	16,339,219	0.02	4.605	732	748	160.15	169.47	127.61
130.01 - 135.00	73	11,467,666	0.01	4.702	736	743	166.90	169.29	132.81
135.01 - 140.00	60	9,883,154	0.01	4.590	725	744	166.83	171.19	137.73
140.01 - 145.00	48	6,933,061	0.01	4.571	739	746	155.02	159.05	143.00
145.01 - 150.00	33	6,287,471	0.01	4.462	732	721	131.71	136.28	148.04
150.01 - 155.00	23	3,262,937	*	4.456	734	748	182.85	184.43	152.93
155.01 - 160.00	20	3,404,566	*	4.692	740	754	110.42	114.99	157.64
160.01 - 165.00	22	3,645,256	*	4.548	738	747	157.25	158.07	162.62
165.01 - 170.00	12	2,193,584	*	4.511	742	745	163.85	183.57	168.39
170.01 - 175.00	19	2,842,247	*	4.476	724	757	234.42	246.88	172.75
175.01 - 180.00	10	1,318,117	*	4.578	747	763	233.22	235.80	177.31
180.01 - 185.00	11	1,791,261	*	4.777	702	727	229.35	240.71	182.77
185.01 - 190.00	11	1,649,260	*	4.630	738	757	143.12	162.21	188.08
190.01 - 195.00	14	2,137,647	*	4.654	728	750	171.02	171.02	192.76
195.01 - 200.00	7	1,073,058	*	4.690	724	698	181.63	181.63	198.39
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>
<b>Weighted Average (%)</b>	<b>45.33</b>								

\*Indicates a number that is greater than 0.000% but less than 0.005%.

<sup>(1)</sup> Amounts may not add up to the totals shown due to rounding.

<i>Original Credit Scores of the Mortgage Loans</i>									
<b>Range of Original Credit Scores</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
Not Available	95	9,695,838	0.01	4.467	N/A	726	87.16	87.24	44.72
Less than or equal to 600	14,872	1,950,167,258	1.83	4.623	560	673	86.47	93.86	49.14
601 - 620	7,440	962,525,267	0.90	4.590	611	684	87.00	93.91	49.10
621 - 640	13,364	1,759,091,490	1.65	4.570	631	688	87.62	94.41	50.07
641 - 660	21,163	2,831,750,363	2.65	4.565	651	696	87.64	94.53	49.96
661 - 680	34,920	4,664,913,595	4.37	4.572	671	708	86.53	93.23	49.41
681 - 700	53,781	7,361,612,723	6.90	4.551	691	721	85.93	92.43	49.30
701 - 720	69,663	9,567,065,886	8.96	4.523	711	732	85.04	91.30	48.39
721 - 740	78,223	10,851,022,584	10.16	4.489	731	741	84.97	90.93	48.43
741 - 760	93,838	12,765,088,452	11.96	4.452	751	752	84.51	89.67	47.56
761 - 780	128,331	16,674,798,050	15.62	4.398	771	766	82.73	86.88	45.28
781 - 800	175,242	21,464,901,183	20.11	4.326	791	779	79.52	82.56	42.39
801 - 820	140,910	15,094,929,421	14.14	4.282	808	789	74.99	76.78	38.78
821 - 840	9,067	790,242,845	0.74	4.493	826	795	63.12	63.73	33.15
841 - 850	79	6,916,979	0.01	4.695	843	794	54.99	55.15	32.11
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>
<b>Weighted Average</b>	<b>748</b>								

<i>Current Credit Scores of the Mortgage Loans</i>									
<b>Range of Current Credit Scores</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
Not Available	9,393	1,118,926,924	1.05	4.584	747	N/A	79.90	83.53	43.76
Less than or equal to 600	17,718	2,370,495,325	2.22	4.599	681	558	84.89	92.04	50.25
601 - 620	8,481	1,162,975,670	1.09	4.599	685	611	85.14	92.09	50.48
621 - 640	12,861	1,792,414,561	1.68	4.601	689	631	85.70	92.56	50.63
641 - 660	19,928	2,781,407,290	2.61	4.586	694	651	85.86	92.87	50.57
661 - 680	30,446	4,261,866,923	3.99	4.570	703	671	85.93	92.77	50.42
681 - 700	43,306	6,093,020,660	5.71	4.549	712	691	85.89	92.59	49.81
701 - 720	54,146	7,540,035,502	7.06	4.517	722	710	84.87	91.17	48.81
721 - 740	57,789	8,074,327,261	7.56	4.485	732	731	84.80	90.68	48.28
741 - 760	76,771	10,349,942,608	9.70	4.437	743	751	83.69	88.74	46.78
761 - 780	114,669	14,904,171,715	13.96	4.390	755	771	82.56	86.79	45.08
781 - 800	190,884	23,644,964,970	22.15	4.341	768	791	80.97	84.44	43.29
801 - 820	204,596	22,660,172,522	21.23	4.353	779	808	77.99	80.67	40.82
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>
<b>Weighted Average</b>	<b>753</b>								

<sup>(1)</sup> Amounts may not add up to the totals shown due to rounding.

<i>Occupancy Status of the Mortgage Loans as of the Cut-off Date</i>									
<b>Occupancy Status</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
Owner-Occupied	733,790	93,271,310,242	87.37	4.390	747	752	81.48	86.31	45.23
Investment Property	81,067	9,936,263,223	9.31	4.745	751	760	88.93	91.42	45.69
Second Home	26,131	3,547,148,467	3.32	4.468	758	763	82.19	84.47	47.00
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>

<i>Loan Purpose of the Mortgage Loans</i>									
<b>Loan Purpose</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
No Cash-Out Refinance	840,988	106,754,721,932	100.00	4.426	748	753	82.20	86.73	45.33
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>

<i>Property Type of the Mortgage Loans as of the Cut-off Date</i>									
<b>Property Type</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
1-4 Family Dwelling Unit	652,130	81,272,210,590	76.13	4.428	746	752	81.15	85.76	44.91
PUD	121,177	16,954,191,979	15.88	4.373	753	757	84.88	89.47	46.39
Condo	61,192	7,847,528,965	7.35	4.511	759	764	88.07	92.01	47.71
Co-op	3,686	461,603,556	0.43	4.443	760	763	65.71	66.65	35.33
Manufactured Housing	2,803	219,186,842	0.21	4.565	744	752	85.28	88.02	53.56
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>

<sup>(1)</sup> Amounts may not add up to the totals shown due to rounding.

**Geographic Concentration of the Mortgage Loans**

<b>State or Territory</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
California	112,309	18,040,772,973	16.90	4.418	753	761	83.73	88.30	36.76
New York	42,209	6,772,120,514	6.34	4.489	744	749	69.13	73.45	41.22
Florida	54,801	6,610,238,274	6.19	4.417	746	753	100.71	106.46	48.33
Illinois	50,574	6,142,581,244	5.75	4.529	743	748	86.92	92.48	56.97
New Jersey	33,773	5,284,429,895	4.95	4.507	741	743	77.80	82.45	54.24
Washington	31,691	4,605,566,121	4.31	4.435	753	760	80.13	83.96	38.22
Virginia	28,242	4,159,549,561	3.90	4.427	751	753	77.66	82.58	50.95
Maryland	24,470	3,953,373,509	3.70	4.492	740	744	84.05	89.22	56.53
Michigan	37,501	3,484,462,241	3.26	4.357	748	756	93.53	99.48	44.99
Georgia	30,357	3,358,571,242	3.15	4.376	749	752	86.44	91.75	46.51
Arizona	25,667	3,278,349,344	3.07	4.437	752	760	107.78	113.24	50.20
Texas	35,237	3,211,365,156	3.01	4.344	745	750	71.14	73.16	35.69
Pennsylvania	27,596	3,167,176,159	2.97	4.412	746	749	73.55	78.12	48.66
North Carolina	24,485	2,729,244,119	2.56	4.412	748	752	74.11	78.84	46.54
Minnesota	20,377	2,561,341,050	2.40	4.334	755	759	85.28	90.51	47.69
Massachusetts	16,346	2,533,517,064	2.37	4.476	742	746	76.85	80.93	43.00
Ohio	26,982	2,340,759,849	2.19	4.383	745	751	79.67	84.81	47.75
Oregon	16,616	2,239,735,054	2.10	4.432	758	764	80.48	84.15	40.03
Colorado	16,918	2,103,839,629	1.97	4.434	757	765	72.35	75.59	34.31
Connecticut	12,928	1,895,921,790	1.78	4.500	742	743	76.81	81.90	59.04
Wisconsin	18,078	1,798,037,093	1.68	4.293	750	754	76.41	80.68	46.94
Missouri	15,006	1,355,492,028	1.27	4.388	749	754	76.05	79.57	47.09
Nevada	8,844	1,197,213,481	1.12	4.401	755	761	126.74	131.95	47.26
South Carolina	10,142	1,119,167,264	1.05	4.410	749	752	77.80	81.41	49.21
Tennessee	10,935	1,085,852,506	1.02	4.353	749	754	74.30	77.67	41.99
Indiana	12,463	1,017,603,482	0.95	4.429	741	750	75.15	79.20	44.44
Utah	7,801	971,382,527	0.91	4.408	748	759	80.88	84.53	39.01
Alabama	9,084	933,367,897	0.87	4.336	747	750	75.27	78.83	50.35
Louisiana	7,797	738,398,753	0.69	4.423	737	742	69.94	72.61	44.83
Hawaii	3,229	722,183,333	0.68	4.389	752	756	72.40	74.87	40.18
New Mexico	5,453	652,187,355	0.61	4.475	750	754	75.51	79.12	50.58
New Hampshire	4,616	618,793,136	0.58	4.510	740	747	81.81	86.20	48.95
Idaho	4,649	554,566,996	0.52	4.424	752	761	90.06	94.35	40.55
Delaware	3,508	508,179,613	0.48	4.484	745	750	79.43	83.69	55.60
Arkansas	5,557	495,876,757	0.46	4.291	748	755	73.88	77.27	47.25
Rhode Island	3,083	453,164,420	0.42	4.502	742	747	87.65	92.40	53.29
Kentucky	5,002	445,081,526	0.42	4.447	742	746	71.89	75.87	44.99
Mississippi	4,639	439,287,155	0.41	4.270	742	744	74.46	77.36	48.73
Iowa	5,291	423,000,020	0.40	4.137	757	760	71.14	73.90	42.52
Kansas	4,265	369,188,766	0.35	4.399	751	755	72.34	75.06	42.99
Oklahoma	4,234	363,440,409	0.34	4.386	746	752	71.14	73.56	44.62
Maine	2,803	335,811,446	0.31	4.515	739	747	76.05	79.26	47.31
Montana	2,636	320,265,301	0.30	4.305	754	759	72.25	74.91	40.80
Nebraska	3,764	300,661,707	0.28	4.239	759	765	71.61	74.56	39.24
District Of Columbia	1,257	222,679,903	0.21	4.484	745	753	67.46	70.72	36.40
Alaska	1,343	185,457,532	0.17	4.172	743	751	70.04	71.58	45.73
West Virginia	1,782	175,174,235	0.16	4.497	741	745	82.18	85.83	53.12
Wyoming	1,317	146,996,886	0.14	4.328	747	755	70.88	73.21	42.95
Vermont	995	122,746,951	0.11	4.514	740	748	72.15	74.90	50.34
South Dakota	1,313	111,278,270	0.10	4.164	761	763	68.84	71.33	36.94
North Dakota	647	49,788,831	0.05	4.153	759	763	66.20	68.52	33.43
Puerto Rico	343	43,350,628	0.04	4.045	732	753	82.58	83.92	75.46
Virgin Islands	33	6,130,938	0.01	4.689	731	737	58.47	58.47	44.86
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>

<sup>(1)</sup> Amounts may not add up to the totals shown due to rounding.

<b>Geographic Concentration of the Mortgage Loans (Top 10 Metropolitan Statistical Areas ("MSA"))*</b>									
<b>Top 10 MSAs</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
New York-Newark-Jersey City, NY-NJ-PA	57,072	9,711,689,128	9.10	4.492	743	746	71.64	76.10	44.70
Non-Metro	70,843	7,330,941,373	6.87	4.405	747	752	77.78	81.23	47.27
Chicago-Naperville-Elgin, IL-IN-WI	45,011	5,768,314,230	5.40	4.555	743	748	87.78	93.45	56.91
Los Angeles-Long Beach-Anaheim, CA	34,294	5,748,084,577	5.38	4.432	749	758	73.31	77.52	33.56
Washington-Arlington-Alexandria, DC-VA-MD-WV	23,543	4,054,295,999	3.80	4.430	746	750	81.14	86.08	50.32
Seattle-Tacoma-Bellevue, WA	19,113	3,008,641,246	2.82	4.435	754	761	80.85	84.98	36.74
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	20,276	2,704,104,915	2.53	4.442	744	746	75.45	80.28	52.13
Atlanta-Sandy Springs-Alpharetta, GA	21,689	2,455,560,598	2.30	4.379	750	753	88.90	94.55	44.86
San Francisco-Oakland-Berkeley, CA	12,610	2,239,309,351	2.10	4.416	760	766	72.44	77.35	27.49
Phoenix-Mesa-Chandler, AZ	16,725	2,185,903,258	2.05	4.388	753	760	114.04	120.09	48.07
Other	519,812	61,547,877,257	57.65	4.408	749	754	84.08	88.55	45.57
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>

\*Definitions of Metropolitan Statistical Areas (MSA) are updated periodically by the United States Office of Management and Budget. Fannie Mae seeks to update its loan level disclosure from time to time to reflect corresponding changes.

<b>Geographic Concentration of the Mortgage Loans (Top 10 Zip Codes)</b>									
<b>Top 10 Zip Codes</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
32162	681	73,232,407	0.07	4.465	777	778	72.06	72.74	43.57
10314	379	67,093,705	0.06	4.550	744	746	70.50	74.38	37.18
11234	357	64,484,536	0.06	4.559	735	744	64.22	67.60	35.02
91709	381	63,406,523	0.06	4.346	748	758	72.25	76.69	35.37
98012	360	62,715,761	0.06	4.350	756	761	82.38	86.26	36.81
60618	365	62,481,981	0.06	4.685	738	749	86.70	92.27	50.68
21122	360	60,222,502	0.06	4.509	734	742	82.23	87.31	57.87
20774	321	58,454,399	0.05	4.612	723	724	103.25	107.77	62.42
60634	429	57,858,380	0.05	4.573	742	743	95.90	101.49	55.54
30041	405	57,780,989	0.05	4.287	756	763	80.18	86.68	44.44
Other	836,950	106,126,990,748	99.41	4.426	748	753	82.21	86.74	45.33
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>

<sup>(1)</sup> Amounts may not add up to the totals shown due to rounding.

<i>Original Term to Maturity of the Mortgage Loans</i>									
<b>Original Term to Maturity (months)</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
240 or less	328,491	25,497,392,250	23.88	3.970	756	761	72.90	76.86	30.19
241 - 259	745	74,695,283	0.07	4.377	762	765	79.81	83.58	37.53
260 - 279	1,695	200,556,008	0.19	4.418	749	756	83.84	88.81	43.04
280 - 299	1,135	153,251,038	0.14	4.467	742	749	90.72	95.86	49.03
300 - 319	14,942	2,256,745,112	2.11	4.566	742	748	91.56	96.09	51.17
320 - 339	1,212	203,310,666	0.19	4.531	754	759	80.62	82.76	50.02
340 - 359	408	72,372,828	0.07	4.494	745	743	95.58	100.59	56.47
360	492,284	78,283,174,353	73.33	4.570	746	751	84.93	89.65	50.07
480	76	13,224,394	0.01	4.896	749	758	77.61	79.96	50.87
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>
<b>Weighted Average (months)</b>	<b>321</b>								

<i>Remaining Term to Maturity of the Mortgage Loans as of the Cut-off Date</i>									
<b>Remaining Term to Maturity (months)</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
240 or less	379,066	33,084,416,600	30.99	4.148	755	759	74.72	78.49	34.64
241 - 250	51,238	8,527,061,732	7.99	5.182	738	741	79.87	84.25	53.25
251 - 260	118,025	18,403,041,095	17.24	4.782	751	753	76.32	80.40	48.36
261 - 270	123,254	19,423,938,088	18.19	4.555	749	753	79.25	83.83	47.77
271 - 280	169,329	27,303,040,023	25.58	4.195	741	751	98.04	103.82	52.03
301 - 357	1	255,125	*	4.500	812	811	56.00	56.00	35.00
358 or greater	75	12,969,269	0.01	4.904	747	757	78.04	80.43	51.19
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>
<b>Weighted Average (months)</b>	<b>224</b>								

\*Indicates a number that is greater than 0.000% but less than 0.005%.

<sup>(1)</sup> Amounts may not add up to the totals shown due to rounding.



*Seller of the Mortgage Loans*

<b>Seller</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
JPMorgan Chase Bank, N.A.	225,409	25,409,422,054	23.80	4.555	744	751	74.93	80.11	41.35
Wells Fargo Bank, N.A.	159,610	21,994,467,947	20.60	4.300	754	757	80.09	83.92	44.48
Bank of America, N.A.	133,412	17,482,694,335	16.38	4.753	742	748	81.00	85.84	46.54
CitiMortgage, Inc.	46,384	5,924,486,558	5.55	4.431	747	754	80.13	84.58	42.98
Quicken Loans Inc.	26,537	3,748,661,364	3.51	4.278	737	744	114.67	120.21	56.07
GMAC Mortgage, LLC	19,269	2,711,594,915	2.54	4.564	745	752	86.36	90.26	49.16
Suntrust Bank	19,718	2,577,046,125	2.41	4.362	749	751	87.35	93.66	50.42
Flagstar Bank FSB	12,457	2,021,209,829	1.89	4.287	746	748	90.92	95.33	50.02
Ally Bank	10,660	1,510,439,462	1.41	4.224	726	745	98.33	104.03	49.98
PHH Mortgage Corporation	9,854	1,301,015,560	1.22	4.480	757	760	81.46	83.50	48.54
Other	177,678	22,073,683,783	20.68	4.181	755	759	85.67	89.72	46.59
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>

*Servicers of the Mortgage Loans as of the Cut-off Date*

<b>Servicer</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
JPMorgan Chase Bank, N.A.	256,583	29,748,157,022	27.87	4.541	745	752	77.02	82.03	42.45
Wells Fargo Bank, N.A.	161,965	22,424,402,715	21.01	4.297	754	757	80.75	84.62	44.67
Bank of America, N.A.	122,728	15,805,143,201	14.81	4.728	748	753	80.05	84.12	45.64
New Residential Mortgage LLC	62,609	8,269,920,910	7.75	4.435	744	753	85.49	90.33	47.11
NationStar Mortgage, LLC	30,104	4,630,022,497	4.34	4.474	722	727	110.32	116.72	55.55
SunTrust Bank	20,971	2,793,465,680	2.62	4.319	751	754	87.32	93.36	49.95
PNC Bank, N.A.	11,187	1,590,564,536	1.49	4.353	749	755	88.28	93.41	50.60
Caliber Home Loans, Inc.	9,267	1,535,900,120	1.44	4.171	750	750	92.99	97.73	49.46
Quicken Loans Inc.	10,997	1,458,454,155	1.37	4.267	752	753	87.30	91.15	49.36
CitiMortgage, Inc.	8,098	1,279,528,730	1.20	4.432	741	750	76.77	81.79	39.68
Other	146,479	17,219,162,366	16.13	4.160	755	758	83.47	87.51	45.74
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>

<sup>(1)</sup> Amounts may not add up to the totals shown due to rounding.

<i>Origination Channel of the Mortgage Loans</i>									
<b>Origination Channel</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
Retail	727,459	89,994,166,080	84.30	4.453	746	752	82.01	86.79	45.10
Correspondent	78,870	11,191,731,251	10.48	4.282	761	761	79.71	82.48	45.57
Broker	34,659	5,568,824,602	5.22	4.279	757	759	90.14	94.21	48.56
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>

<i>Mortgage Loans with Subordinate Financing at Origination</i>									
<b>Mortgage Loans with Subordinate Financing at Origination</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
No	649,836	79,640,389,504	74.60	4.412	753	758	82.35	82.35	44.73
Yes	191,152	27,114,332,428	25.40	4.468	734	740	81.73	99.58	47.08
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>

<i>Original Loan Origination Date of the Mortgage Loans</i>									
<b>Loan Origination Date</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
Not Available	6,364	838,794,911	0.79	4.757	753	758	78.81	82.00	46.24
1978 - 2000	15,729	795,379,271	0.75	4.431	745	755	45.69	50.03	21.10
2001	16,467	1,124,378,215	1.05	4.531	745	754	59.88	65.03	29.09
2002	50,504	4,042,940,401	3.79	4.451	753	758	60.86	67.17	29.93
2003	140,156	13,024,298,258	12.20	4.298	756	761	62.86	70.03	30.76
2004	70,652	7,444,533,341	6.97	4.359	751	756	74.80	81.63	38.22
2005	93,010	12,042,762,308	11.28	4.402	747	753	88.22	94.43	47.11
2006	101,725	14,592,658,838	13.67	4.618	739	746	95.95	101.27	53.69
2007	135,040	20,707,897,533	19.40	4.625	737	745	93.06	97.21	53.68
2008	139,230	20,973,833,011	19.65	4.467	748	752	83.84	85.98	48.31
2009	72,110	11,167,139,659	10.46	3.905	769	769	74.81	76.50	42.00
2010	1	106,188	*	4.500	742	701	80.00	83.00	46.00
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>

\*Indicates a number that is greater than 0.000% but less than 0.005%.

<sup>(1)</sup> Amounts may not add up to the totals shown due to rounding.

<i>First Payment Date of the Mortgage Loans</i>									
<b>First Payment Date</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
April 2009	6	373,164	*	4.771	776	775	75.01	75.01	44.34
May 2009	833	86,287,055	0.08	4.779	765	761	63.30	64.79	38.82
June 2009	3,795	448,427,554	0.42	4.732	764	762	67.83	69.13	41.91
July 2009	9,004	1,146,458,280	1.07	4.744	762	761	72.34	73.67	45.04
August 2009	11,488	1,581,174,961	1.48	4.817	756	755	75.15	77.30	47.86
September 2009	8,401	1,170,595,332	1.10	4.929	751	750	76.60	79.51	49.16
October 2009	5,765	785,823,524	0.74	5.053	744	743	77.43	81.17	49.72
November 2009	4,925	680,835,818	0.64	5.113	741	741	78.59	82.83	50.61
December 2009	5,968	814,133,076	0.76	5.096	741	744	78.33	81.95	49.83
January 2010	7,226	988,635,530	0.93	5.081	742	744	78.18	81.71	49.79
February 2010	8,866	1,245,399,872	1.17	5.063	742	744	78.00	82.03	49.63
March 2010	8,539	1,180,635,171	1.11	5.069	741	744	78.01	82.20	49.56
April 2010	7,321	986,451,993	0.92	5.141	738	742	78.04	82.83	49.36
May 2010	9,025	1,211,328,346	1.13	5.172	737	741	78.68	83.31	50.01
June 2010	8,435	1,130,184,522	1.06	5.175	737	743	78.46	83.00	49.30
July 2010	6,892	901,957,072	0.84	5.204	738	740	78.50	83.07	49.04
August 2010	8,054	1,056,949,968	0.99	5.078	743	747	78.11	82.02	47.80
September 2010	11,370	1,464,183,434	1.37	4.907	750	752	76.72	80.26	46.44
October 2010	16,813	2,131,409,872	2.00	4.747	754	756	75.20	78.47	45.01
November 2010	20,424	2,556,445,631	2.39	4.611	758	759	74.12	77.11	43.85
December 2010	23,864	2,991,314,068	2.80	4.534	757	759	73.97	77.11	43.45
January 2011	26,557	3,328,165,984	3.12	4.452	757	759	73.42	76.63	42.99
February 2011	25,573	3,178,852,658	2.98	4.488	756	758	73.71	77.49	42.99
March 2011	21,336	2,606,905,523	2.44	4.648	751	753	73.73	78.14	43.47
April 2011	16,565	1,995,493,639	1.87	4.794	747	752	74.07	78.88	43.66
May 2011	17,341	2,028,836,297	1.90	5.004	745	748	74.05	79.34	43.74
June 2011	14,943	1,735,852,195	1.63	5.043	743	747	74.19	79.52	43.90
July 2011	14,032	1,601,407,293	1.50	5.038	741	744	75.12	79.87	43.90
August 2011	17,202	1,967,666,983	1.84	4.853	745	749	74.74	80.12	42.59
September 2011	17,230	1,969,314,994	1.84	4.748	744	749	74.86	79.91	42.23
October 2011	19,933	2,208,329,220	2.07	4.653	745	750	74.57	79.44	41.32
November 2011	23,486	2,749,628,355	2.58	4.386	755	758	75.35	79.28	41.15
December 2011	28,177	3,391,755,810	3.18	4.254	758	760	74.22	78.03	40.75
January 2012	28,832	3,469,062,542	3.25	4.215	759	761	73.97	77.78	40.68
February 2012	26,671	3,300,636,820	3.09	4.223	756	759	75.24	79.37	41.78
March 2012	30,095	3,835,393,557	3.59	4.198	751	757	77.51	81.76	42.75
April 2012	34,504	4,443,566,563	4.16	4.147	749	757	80.93	85.39	43.80
May 2012	36,194	4,678,341,772	4.38	4.158	747	755	86.06	90.90	45.43
June 2012	36,183	4,780,412,550	4.48	4.223	743	753	92.36	97.59	47.10
July 2012	39,464	5,392,276,771	5.05	4.193	741	752	96.77	102.22	48.44
August 2012	42,776	5,714,345,427	5.35	4.106	743	753	97.92	103.44	48.45
September 2012	45,099	5,893,769,533	5.52	4.024	745	754	96.00	101.74	47.88
October 2012	47,940	6,321,774,993	5.92	3.929	743	753	94.58	100.25	47.50
November 2012	37,523	4,738,962,356	4.44	3.860	744	754	91.45	97.20	46.20
December 2012	6,318	864,965,856	0.81	3.782	743	754	97.79	103.44	49.33
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>

\*Indicates a number that is greater than 0.000% but less than 0.005%.

<sup>(1)</sup> Amounts may not add up to the totals shown due to rounding.

<i>Maturity Date of the Mortgage Loans</i>									
<b>Maturity Date (year)</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
2019	134	370,311	*	4.333	754	756	52.28	53.73	1.51
2020	2,778	34,899,345	0.03	4.000	765	769	53.18	55.54	4.86
2021	10,078	218,407,920	0.20	3.787	759	764	47.78	52.70	7.30
2022	12,420	336,312,079	0.32	3.449	755	762	50.37	55.12	10.17
2023	736	31,612,181	0.03	3.803	762	767	60.77	62.60	16.07
2024	9,875	488,465,638	0.46	4.514	756	761	64.45	66.53	19.71
2025	38,287	2,326,393,477	2.18	4.219	761	765	64.22	66.76	21.87
2026	70,681	4,770,025,085	4.47	3.960	759	764	64.18	67.51	23.63
2027	85,856	6,688,945,464	6.27	3.436	756	763	74.04	78.28	27.89
2028	326	25,683,629	0.02	4.286	752	761	98.93	103.65	34.93
2029	3,333	284,873,285	0.27	4.839	753	755	69.73	72.07	33.97
2030	14,327	1,472,005,059	1.38	4.667	756	759	72.55	75.88	36.28
2031	29,035	3,083,212,159	2.89	4.492	755	758	71.36	75.69	35.61
2032	50,740	5,747,780,108	5.38	3.988	751	758	86.48	91.34	40.17
2033	825	83,863,790	0.08	4.436	761	764	76.27	80.15	36.91
2034	1,590	187,089,449	0.18	4.719	754	754	77.71	81.27	43.83
2035	3,119	433,349,130	0.41	4.788	747	750	82.32	86.22	48.69
2036	4,826	719,937,703	0.67	4.788	743	748	84.70	89.44	49.72
2037	7,431	1,151,913,007	1.08	4.313	739	748	100.29	105.50	53.15
2038	1,251	199,920,435	0.19	4.526	745	752	87.43	89.43	49.16
2039	44,514	6,958,504,434	6.52	4.944	750	750	76.68	79.49	50.49
2040	98,392	15,974,971,595	14.96	4.901	747	750	77.79	81.63	50.41
2041	130,729	20,196,348,814	18.92	4.781	748	751	77.27	82.02	47.93
2042	219,629	35,326,613,440	33.09	4.225	743	752	94.16	99.64	51.07
2049	3	624,781	*	4.559	793	789	51.40	51.40	33.78
2050	26	4,802,045	*	5.243	751	762	83.02	85.94	56.18
2051	27	4,246,482	*	4.999	735	744	75.71	78.73	50.50
2052	20	3,551,085	*	4.364	754	764	77.19	78.37	47.16
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>

\*Indicates a number that is greater than 0.000% but less than 0.005%.

<sup>(1)</sup> Amounts may not add up to the totals shown due to rounding.

<i>Number of Borrowers</i>									
<b>Number of Borrowers</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
1	359,903	43,093,662,037	40.37	4.488	751	758	83.10	87.13	45.58
2 or more	481,054	63,657,520,351	59.63	4.384	746	750	81.59	86.46	45.16
Not Available	31	3,539,544	*	4.904	N/A	N/A	101.83	101.83	48.32
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>

\*Indicates a number that is greater than 0.000% but less than 0.005%.

<i>Number of Units</i>									
<b>Number of Units</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
1	814,904	102,312,084,883	95.84	4.413	748	753	82.25	86.85	45.45
2	18,605	2,952,204,149	2.77	4.699	742	753	81.60	84.71	43.31
3	3,880	763,517,306	0.72	4.729	742	755	79.84	82.80	41.59
4	3,599	726,915,593	0.68	4.798	750	763	79.95	82.01	39.79
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>

<i>Delinquency Status of the Mortgage Loans as of the Cut-off Date</i>									
<b>Delinquency Status</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
Current	840,988	106,754,721,932	100.00	4.426	748	753	82.20	86.73	45.33
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>

<i>Historical Delinquency of the Mortgage Loans Since Acquisition as of the Cut-off Date</i>									
<b>Delinquency Status Since Acquisition</b>	<b>Number of Mortgage Loans</b>	<b>Unpaid Principal Balance (\$)<sup>(1)</sup></b>	<b>Unpaid Principal Balance (%)<sup>(1)</sup></b>	<b>W.A. Mortgage Rate (%)</b>	<b>W.A. Original Credit Score</b>	<b>W.A. Current Credit Score</b>	<b>W.A. Original LTV Ratio (%)</b>	<b>W.A. Original CLTV Ratio (%)</b>	<b>W.A. ELTV Ratio (%)</b>
Current	1,880	189,077,783	0.18	4.394	711	664	64.45	71.36	29.20
Never Delinquent in past 3 months	4,730	608,786,090	0.57	4.563	711	681	82.20	88.29	46.15
Never Delinquent in past 6 months	8,480	1,155,020,309	1.08	4.555	715	684	83.21	89.28	47.44
Never Delinquent in past 12 months	16,408	2,297,881,078	2.15	4.571	714	692	85.49	91.19	49.16
Never Delinquent in past 24 months	11,698	1,655,464,695	1.55	4.559	714	702	84.31	89.87	48.95
Never Delinquent in past 36 months	9,749	1,402,261,769	1.31	4.584	713	705	85.03	90.61	49.45
Never Delinquent in past 48 months	9,509	1,383,220,977	1.30	4.566	713	710	85.91	91.72	49.65
Never Delinquent in past 60 months	778,534	98,063,009,230	91.86	4.414	751	758	82.01	86.44	45.06
<b>Total:</b>	<b>840,988</b>	<b>106,754,721,932</b>	<b>100.00</b>	<b>4.426</b>	<b>748</b>	<b>753</b>	<b>82.20</b>	<b>86.73</b>	<b>45.33</b>

<sup>(1)</sup> Amounts may not add up to the totals shown due to rounding.

**Appendix B**

**Diligence Provider's Data Integrity Reviews Discrepancies**

<b>Record Type</b>	<b>Loan File Data</b>	<b>Diligence Provider Data</b>	<b>In Reference Pool</b>	<b>Diligence Review Period</b>
Amortization Type	ARM	Fixed Rate	No	HARP
Credit Score	721	747	No	HARP
Credit Score	665	708	No	HARP
Credit Score	796	769	No	HARP
Credit Score	684	763	No	HARP
Credit Score	654	712	No	HARP
Credit Score	654	671	No	HARP
Credit Score	751	769	No	HARP
Credit Score	725	720	Yes	HARP
Credit Score	781	783	Yes	HARP
Credit Score	732	698	Yes	HARP
Credit Score	741	740	No	HARP
Credit Score	839	813	No	HARP
Credit Score	546	493	Yes	HARP
Credit Score	823	800	No	HARP
Credit Score	815	756	Yes	HARP
Credit Score	659	692	No	HARP
Credit Score	793	797	No	HARP
Credit Score	747	760	Yes	HARP
Credit Score	786	761	No	HARP
Credit Score	689	655	No	HARP
Credit Score	773	790	Yes	HARP
Credit Score	819	798	Yes	HARP
Credit Score	764	648	Yes	HARP
Credit Score	807	780	No	HARP
Credit Score	836	801	No	HARP
Credit Score	768	794	No	HARP
Credit Score	759	800	No	HARP
Credit Score	770	788	Yes	HARP
Credit Score	767	772	No	HARP
Credit Score	773	783	No	HARP
Credit Score	796	795	No	HARP
Credit Score	648	634	No	HARP
Credit Score	805	792	No	HARP
Credit Score	699	654	No	HARP
Credit Score	808	795	No	HARP
Credit Score	736	798	No	HARP
Credit Score	683	715	Yes	HARP
Credit Score	782	843	Yes	HARP
Credit Score	787	793	No	HARP
Credit Score	805	750	No	HARP
Credit Score	709	775	No	HARP
Credit Score	692	694	No	HARP
Credit Score	816	809	No	HARP
Credit Score	535	575	No	HARP
Credit Score	702	723	No	HARP
Credit Score	723	717	No	HARP
Credit Score	658	654	No	HARP
Credit Score	714	724	Yes	HARP
Loan Amount	63,640	63,650	No	HARP

<b>Record Type</b>	<b>Loan File Data</b>	<b>Diligence Provider Data</b>	<b>In Reference Pool</b>	<b>Diligence Review Period</b>
Maturity Date	Blank	3/1/2025	No	HARP
Number of Borrowers	4	2	No	HARP
Property Type	Single Family	PUD	No	HARP
Property Type	Single Family	Condo	No	HARP
Property Type	Single Family	PUD	Yes	HARP
Property Type	Single Family	PUD	No	HARP
Property Type	Single Family	PUD	No	HARP
Property Type	Single Family	Condo	Yes	HARP
Property Type	Single Family	PUD	No	HARP
Property Type	Single Family	PUD	No	HARP
Property Type	Single Family	Condo	No	HARP

## Appendix C

### Assumed Characteristics of the Reference Obligations (as of the Cut-off Date)

Assumed Reference Obligation Group Number	Unpaid Principal Balance (\$)	Remaining Term to Maturity (months)	Original Term to Maturity (months)	Current Mortgage Rate (%)
1	20,172.21	61	144	2.250
2	154,900.30	98	180	2.250
3	112,846.67	38	120	2.375
4	154,820.64	94	180	2.375
5	848,344.54	98	180	2.375
6	339,428.25	35	120	2.500
7	473,767.28	38	120	2.500
8	49,090.63	56	140	2.500
9	48,538.26	74	156	2.500
10	3,030,922.10	96	180	2.500
11	3,576,463.12	97	180	2.499
12	1,219,353.97	36	120	2.624
13	2,952,284.75	37	120	2.624
14	55,348.18	57	139	2.625
15	9,745,682.73	96	180	2.623
16	8,318,150.70	97	180	2.625
17	25,494.45	11	96	2.750
18	12,888.36	19	108	2.750
19	8,788,194.16	35	120	2.749
20	6,224,380.65	37	120	2.749
21	361,133.42	56	140	2.742
22	356,168.61	62	145	2.744
23	36,507.48	73	157	2.750
24	62,950,894.83	95	180	2.750
25	42,026,827.79	97	180	2.749
26	179,324.64	214	300	2.750
27	63,088.37	8	96	2.875
28	72,329.01	18	104	2.875
29	16,412,587.42	33	120	2.874
30	5,553,381.34	37	120	2.874



<b>Assumed Reference Obligation Group Number</b>	<b>Unpaid Principal Balance (\$)</b>	<b>Remaining Term to Maturity (months)</b>	<b>Original Term to Maturity (months)</b>	<b>Current Mortgage Rate (%)</b>
31	1,054,442.73	58	143	2.873
32	141,514.24	65	148	2.875
33	235,731.58	74	163	2.875
34	243,235,014.52	95	180	2.875
35	101,642,391.75	97	180	2.874
36	179,304.96	276	360	2.875
37	648,762.83	278	360	2.875
38	170,823.38	10	96	2.993
39	90,777.69	22	115	2.996
40	27,668,760.03	33	120	2.995
41	6,225,085.98	38	121	2.994
42	1,772,297.82	57	144	2.995
43	746,943.35	67	152	2.998
44	278,294.94	80	168	2.993
45	528,402,041.67	94	180	2.998
46	153,473,494.93	97	180	2.997
47	126,706.49	156	240	3.000
48	1,344,383.06	158	240	2.999
49	398,136.13	212	297	3.000
50	636,459.96	276	360	3.000
51	3,118,217.09	278	360	3.000
52	69,861.97	10	97	3.125
53	150,316.33	20	114	3.125
54	16,798,518.02	31	120	3.121
55	4,092,856.11	37	121	3.123
56	1,820,573.79	55	145	3.123
57	284,187.73	68	154	3.122
58	472,579.19	79	173	3.112
59	448,867,244.60	93	180	3.124
60	83,074,673.91	97	180	3.124
61	2,632,495.12	156	240	3.125
62	4,763,880.36	157	240	3.122
63	70,055.73	204	288	3.125

<b>Assumed Reference Obligation Group Number</b>	<b>Unpaid Principal Balance (\$)</b>	<b>Remaining Term to Maturity (months)</b>	<b>Original Term to Maturity (months)</b>	<b>Current Mortgage Rate (%)</b>
64	62,312.88	218	300	3.125
65	111,537.93	238	320	3.125
66	1,979,436.01	276	360	3.125
67	6,319,099.91	278	360	3.123
68	50,331.11	6	96	3.250
69	4,663,692.40	23	120	3.250
70	41,597,275.46	30	120	3.249
71	4,552,095.60	38	123	3.244
72	3,081,814.69	55	145	3.247
73	749,521.72	65	158	3.250
74	16,609,571.99	79	180	3.250
75	961,343,062.57	91	180	3.249
76	73,778,555.62	97	180	3.249
77	42,588,908.52	156	240	3.250
78	36,978,845.75	157	240	3.249
79	106,628.55	178	262	3.250
80	69,748.44	203	286	3.250
81	515,699.63	212	297	3.250
82	310,831.35	218	300	3.250
83	556,732.87	235	318	3.250
84	17,346,646.20	275	360	3.250
85	22,501,865.26	277	360	3.248
86	87,013.69	7	96	3.375
87	8,364,188.15	22	120	3.373
88	41,592,671.46	30	120	3.374
89	5,522,093.20	39	123	3.372
90	3,866,922.82	54	144	3.374
91	1,943,343.65	65	157	3.375
92	38,728,225.47	79	180	3.374
93	1,303,877,954.93	90	180	3.374
94	84,440,104.80	97	180	3.374
95	82,380.30	128	213	3.375
96	111,464,067.25	155	240	3.374

<b>Assumed Reference Obligation Group Number</b>	<b>Unpaid Principal Balance (\$)</b>	<b>Remaining Term to Maturity (months)</b>	<b>Original Term to Maturity (months)</b>	<b>Current Mortgage Rate (%)</b>
97	74,565,273.08	157	240	3.373
98	63,731.30	192	276	3.375
99	278,692.35	203	287	3.375
100	2,599,245.76	216	300	3.375
101	555,308.19	217	300	3.375
102	628,424.01	237	320	3.375
103	345,835.67	248	332	3.375
104	256,593.98	255	360	3.375
105	98,629,716.19	276	360	3.374
106	102,966,420.73	277	360	3.374
107	244,285.68	10	97	3.500
108	7,907,880.21	21	120	3.499
109	43,047,640.26	31	120	3.499
110	6,115,375.73	39	124	3.500
111	5,472,755.90	54	144	3.499
112	3,155,300.41	66	156	3.500
113	76,775,316.18	78	180	3.499
114	1,271,023,903.10	91	180	3.499
115	111,114,184.06	97	180	3.498
116	151,224.30	117	202	3.500
117	61,793.74	121	204	3.500
118	22,124.38	135	240	3.500
119	249,750,644.30	155	240	3.499
120	99,910,221.06	157	240	3.498
121	168,343.51	171	254	3.500
122	560,996.18	188	272	3.500
123	256,721.25	199	281	3.438
124	9,117,185.56	215	300	3.498
125	5,862,679.47	218	300	3.496
126	2,091,570.47	235	319	3.500
127	1,508,215.65	241	324	3.500
128	115,247.88	253	360	3.500
129	412,191,324.60	275	360	3.499

<b>Assumed Reference Obligation Group Number</b>	<b>Unpaid Principal Balance (\$)</b>	<b>Remaining Term to Maturity (months)</b>	<b>Original Term to Maturity (months)</b>	<b>Current Mortgage Rate (%)</b>
130	299,267,367.02	277	360	3.498
131	89,117.55	11	116	3.625
132	9,404,503.35	21	120	3.625
133	39,097,747.38	31	120	3.625
134	7,572,250.57	43	130	3.625
135	5,367,948.77	56	144	3.625
136	4,325,686.46	69	162	3.625
137	107,677,686.57	78	180	3.625
138	729,576,630.72	90	180	3.624
139	40,127,875.75	97	180	3.625
140	227,512.37	116	204	3.625
141	376,985.10	129	216	3.625
142	1,297,257.27	138	236	3.622
143	310,808,702.78	153	240	3.624
144	79,279,042.15	157	240	3.623
145	171,908.13	176	261	3.608
146	366,363.09	189	273	3.625
147	239,826.35	194	276	3.625
148	10,984,324.98	215	300	3.625
149	5,697,066.85	218	302	3.620
150	2,119,287.06	237	322	3.619
151	303,744.98	252	336	3.625
152	636,441.80	256	360	3.625
153	605,593,064.99	275	360	3.624
154	343,779,320.11	277	360	3.624
155	1,435,246.18	12	118	3.750
156	32,070,785.19	20	120	3.750
157	47,919,731.99	31	120	3.750
158	6,999,022.73	41	130	3.750
159	7,023,550.12	54	147	3.750
160	24,796,186.99	71	178	3.750
161	523,080,158.53	77	180	3.749
162	692,272,085.74	90	180	3.750

<b>Assumed Reference Obligation Group Number</b>	<b>Unpaid Principal Balance (\$)</b>	<b>Remaining Term to Maturity (months)</b>	<b>Original Term to Maturity (months)</b>	<b>Current Mortgage Rate (%)</b>
163	34,677,588.70	97	180	3.750
164	284,003.77	119	206	3.750
165	595,559.04	124	210	3.750
166	9,826,307.65	137	239	3.749
167	666,261,430.79	152	240	3.749
168	69,498,444.72	157	240	3.749
169	883,659.52	176	263	3.750
170	1,166,043.72	187	272	3.750
171	1,107,447.64	198	290	3.750
172	26,807,816.20	214	300	3.749
173	10,530,814.32	219	302	3.749
174	7,348,544.12	236	333	3.745
175	786,899.33	249	345	3.750
176	14,746,561.06	256	360	3.750
177	1,276,527,188.25	273	360	3.749
178	386,250,562.13	277	360	3.748
179	266,725.84	395	480	3.750
180	2,533,629.80	11	119	3.873
181	41,487,659.96	20	120	3.875
182	40,880,221.93	30	120	3.875
183	3,678,572.25	41	134	3.875
184	4,907,481.02	54	152	3.874
185	60,453,862.10	71	179	3.875
186	839,495,212.19	78	180	3.874
187	647,965,687.25	89	180	3.874
188	16,568,435.53	97	181	3.875
189	1,197,369.37	113	201	3.875
190	2,739,430.45	127	216	3.875
191	56,841,767.48	137	239	3.875
192	1,032,299,497.41	151	240	3.874
193	86,691,046.12	157	240	3.874
194	2,682,846.63	172	259	3.874
195	2,603,431.97	187	273	3.874

<b>Assumed Reference Obligation Group Number</b>	<b>Unpaid Principal Balance (\$)</b>	<b>Remaining Term to Maturity (months)</b>	<b>Original Term to Maturity (months)</b>	<b>Current Mortgage Rate (%)</b>
196	5,190,880.25	197	290	3.875
197	78,558,439.78	212	300	3.874
198	17,768,385.45	219	303	3.874
199	16,148,849.63	236	329	3.874
200	4,877,761.27	246	343	3.874
201	111,647,480.22	256	360	3.875
202	3,253,587,674.66	272	360	3.874
203	492,720,841.95	277	360	3.874
204	166,214.31	392	480	3.875
205	419,521.73	397	480	3.875
206	1,734,928.97	10	120	3.996
207	15,961,811.13	20	120	3.999
208	20,244,040.06	30	120	3.999
209	3,949,520.08	42	132	3.998
210	5,116,727.11	55	155	3.997
211	46,286,804.28	71	179	3.997
212	426,672,613.27	78	180	3.999
213	314,458,496.50	90	180	3.998
214	13,641,879.43	99	183	3.995
215	3,094,699.90	116	203	3.997
216	6,252,489.08	129	221	3.997
217	77,897,128.77	136	238	3.998
218	1,085,398,934.43	152	240	3.997
219	100,253,523.30	157	240	3.996
220	9,072,124.36	173	259	3.995
221	10,765,659.55	187	272	3.997
222	15,051,760.30	197	290	3.998
223	136,833,242.57	213	300	3.995
224	39,323,736.99	219	303	3.993
225	33,753,909.19	236	333	3.993
226	9,429,137.24	250	354	3.993
227	222,908,322.33	256	360	3.998
228	5,410,417,383.52	272	360	3.996

<b>Assumed Reference Obligation Group Number</b>	<b>Unpaid Principal Balance (\$)</b>	<b>Remaining Term to Maturity (months)</b>	<b>Original Term to Maturity (months)</b>	<b>Current Mortgage Rate (%)</b>
229	786,492,856.00	277	360	3.994
230	133,477.93	386	480	4.000
231	1,079,879.10	10	120	4.125
232	11,189,329.15	20	120	4.124
233	9,795,881.22	30	120	4.125
234	956,289.27	42	134	4.125
235	3,147,399.38	56	169	4.125
236	35,286,834.56	71	180	4.124
237	317,984,093.36	79	180	4.124
238	175,425,069.01	90	180	4.124
239	10,996,453.16	100	184	4.125
240	1,595,802.41	117	205	4.125
241	4,943,407.31	131	229	4.125
242	76,724,477.70	137	239	4.124
243	703,119,029.56	151	240	4.124
244	46,758,269.47	158	242	4.124
245	8,642,004.82	176	261	4.125
246	9,600,223.57	189	275	4.125
247	14,691,315.58	199	291	4.124
248	110,320,367.78	213	300	4.124
249	31,875,997.75	220	305	4.123
250	12,908,399.94	235	330	4.125
251	8,208,678.79	250	353	4.125
252	297,625,902.19	255	360	4.124
253	4,021,198,550.36	272	360	4.124
254	487,695,919.22	277	360	4.124
255	167,613.57	396	480	4.125
256	124,969.61	397	480	4.125
257	2,975,321.34	9	120	4.250
258	12,505,173.56	20	120	4.249
259	4,958,593.26	30	121	4.250
260	1,442,076.83	43	144	4.250
261	21,431,159.00	58	179	4.250

<b>Assumed Reference Obligation Group Number</b>	<b>Unpaid Principal Balance (\$)</b>	<b>Remaining Term to Maturity (months)</b>	<b>Original Term to Maturity (months)</b>	<b>Current Mortgage Rate (%)</b>
262	175,461,946.45	69	180	4.249
263	572,151,816.90	79	180	4.250
264	152,541,102.61	89	180	4.249
265	8,346,522.90	101	186	4.250
266	5,066,034.43	116	223	4.250
267	24,996,702.15	131	237	4.250
268	237,631,695.05	137	240	4.250
269	630,270,582.78	150	240	4.250
270	40,413,858.37	160	243	4.250
271	14,652,209.23	176	265	4.250
272	20,648,754.13	190	276	4.250
273	35,303,290.88	199	293	4.250
274	149,845,629.41	212	300	4.250
275	36,003,370.77	222	308	4.250
276	114,736,695.57	237	357	4.250
277	55,718,682.62	249	359	4.250
278	876,264,715.53	255	360	4.249
279	4,338,469,560.25	272	360	4.249
280	372,815,047.61	277	360	4.250
281	322,313.18	390	480	4.250
282	3,036,155.55	9	120	4.373
283	8,247,345.00	20	120	4.375
284	4,207,406.40	31	124	4.375
285	1,642,586.04	43	150	4.375
286	59,822,899.83	58	180	4.374
287	299,681,710.28	67	180	4.374
288	544,268,445.40	79	180	4.374
289	103,374,013.83	89	180	4.374
290	5,069,637.12	102	189	4.375
291	17,201,897.68	118	238	4.375
292	55,435,262.05	130	239	4.374
293	367,862,252.30	137	240	4.375
294	660,066,758.14	150	240	4.375



<b>Assumed Reference Obligation Group Number</b>	<b>Unpaid Principal Balance (\$)</b>	<b>Remaining Term to Maturity (months)</b>	<b>Original Term to Maturity (months)</b>	<b>Current Mortgage Rate (%)</b>
295	28,911,605.28	159	245	4.375
296	15,871,454.64	176	275	4.375
297	22,270,775.75	189	281	4.375
298	74,028,259.54	197	297	4.375
299	172,011,955.65	211	300	4.375
300	35,144,623.37	221	311	4.375
301	293,752,844.77	237	358	4.375
302	234,760,007.38	250	360	4.375
303	2,258,062,624.83	256	360	4.375
304	5,188,192,696.59	271	360	4.374
305	259,799,770.55	277	360	4.375
306	163,558.89	388	480	4.375
307	917,182.35	9	120	4.498
308	2,936,574.46	19	120	4.500
309	1,693,939.95	30	125	4.500
310	798,131.35	42	153	4.500
311	54,324,041.11	58	180	4.499
312	188,058,179.74	67	180	4.498
313	263,122,401.04	79	180	4.500
314	57,039,627.03	89	180	4.497
315	5,609,048.98	102	190	4.497
316	18,683,295.59	118	238	4.500
317	64,979,606.44	130	239	4.498
318	274,622,727.02	138	240	4.500
319	489,164,078.68	150	240	4.499
320	22,597,840.96	161	248	4.500
321	22,208,369.03	176	278	4.500
322	27,583,791.15	188	283	4.500
323	62,781,861.99	197	295	4.500
324	178,684,455.55	211	300	4.499
325	36,041,690.00	221	312	4.500
326	418,777,932.75	238	359	4.500
327	353,388,531.69	250	360	4.500

<b>Assumed Reference Obligation Group Number</b>	<b>Unpaid Principal Balance (\$)</b>	<b>Remaining Term to Maturity (months)</b>	<b>Original Term to Maturity (months)</b>	<b>Current Mortgage Rate (%)</b>
328	2,093,917,012.37	256	360	4.499
329	5,392,712,680.15	271	360	4.499
330	183,484,927.62	277	360	4.499
331	525,848.46	358	480	4.500
332	942,616.58	390	480	4.500
333	523,171.95	8	120	4.625
334	1,205,019.36	19	120	4.625
335	1,140,367.33	30	124	4.625
336	467,448.42	43	154	4.622
337	32,768,861.90	58	180	4.622
338	115,830,576.32	67	180	4.624
339	143,242,522.69	79	180	4.625
340	27,302,679.71	89	180	4.623
341	1,553,777.25	103	191	4.622
342	14,315,211.21	118	239	4.625
343	58,921,586.16	129	240	4.624
344	229,484,976.78	139	240	4.625
345	236,179,936.00	149	240	4.624
346	17,431,822.09	162	251	4.624
347	16,597,100.61	175	275	4.625
348	21,891,912.10	188	282	4.625
349	47,682,940.49	198	296	4.625
350	113,980,240.10	211	300	4.625
351	24,369,963.66	222	313	4.625
352	374,359,120.07	238	359	4.624
353	338,769,741.61	250	360	4.624
354	1,659,687,160.04	256	360	4.624
355	2,720,889,795.07	271	360	4.624
356	95,050,389.33	277	360	4.625
357	496,337.90	380	480	4.625
358	603,581.50	391	480	4.625
359	325,458.86	8	120	4.747
360	772,091.05	19	121	4.750

<b>Assumed Reference Obligation Group Number</b>	<b>Unpaid Principal Balance (\$)</b>	<b>Remaining Term to Maturity (months)</b>	<b>Original Term to Maturity (months)</b>	<b>Current Mortgage Rate (%)</b>
361	1,098,008.40	29	123	4.747
362	589,011.84	41	154	4.750
363	34,076,689.64	58	180	4.748
364	174,350,054.59	67	180	4.748
365	128,059,407.79	79	180	4.749
366	20,414,368.48	89	180	4.748
367	920,009.57	104	201	4.750
368	26,492,927.18	118	239	4.748
369	117,003,575.28	128	240	4.748
370	280,677,354.28	139	240	4.750
371	156,011,276.03	149	240	4.750
372	6,716,949.71	160	253	4.750
373	15,374,250.41	177	289	4.749
374	15,836,956.15	188	289	4.750
375	53,327,066.97	199	298	4.750
376	74,260,555.07	211	301	4.750
377	17,724,681.09	223	316	4.750
378	621,087,170.41	238	360	4.749
379	671,749,459.15	248	360	4.749
380	2,072,016,372.48	258	360	4.750
381	1,802,439,136.40	271	360	4.749
382	54,541,370.66	277	360	4.749
383	1,223,294.73	375	480	4.750
384	681,348.81	388	480	4.750
385	325,488.45	9	120	4.875
386	919,350.50	19	122	4.875
387	288,411.66	29	126	4.875
388	263,276.35	43	155	4.875
389	39,740,569.21	59	180	4.873
390	127,573,921.71	67	180	4.875
391	79,238,084.38	79	180	4.875
392	8,146,741.77	87	180	4.872
393	975,774.61	102	198	4.875

<b>Assumed Reference Obligation Group Number</b>	<b>Unpaid Principal Balance (\$)</b>	<b>Remaining Term to Maturity (months)</b>	<b>Original Term to Maturity (months)</b>	<b>Current Mortgage Rate (%)</b>
394	58,245,552.84	118	240	4.874
395	250,932,302.45	127	240	4.874
396	377,025,522.21	140	240	4.875
397	112,540,311.46	148	240	4.874
398	3,152,799.18	162	266	4.873
399	28,445,925.38	178	297	4.875
400	45,097,906.37	187	298	4.875
401	121,683,133.00	199	300	4.875
402	59,257,082.61	209	303	4.875
403	21,671,151.77	223	323	4.875
404	1,535,350,653.73	238	360	4.874
405	2,248,228,945.19	247	360	4.875
406	4,196,221,436.61	259	360	4.875
407	1,465,744,379.86	269	360	4.874
408	20,788,562.95	277	360	4.873
409	98,932.69	363	480	4.875
410	407,907.60	380	480	4.875
411	219,060.37	385	480	4.875
412	63,072.47	7	120	4.995
413	125,890.30	19	120	5.000
414	100,092.70	29	123	5.000
415	35,108.70	42	160	5.000
416	7,649,770.06	58	180	4.994
417	30,948,724.11	67	180	4.999
418	17,251,972.72	79	180	4.998
419	2,215,600.23	89	180	4.998
420	27,912.44	97	180	4.946
421	12,675,596.67	118	240	4.996
422	83,033,145.43	128	240	4.998
423	118,889,749.58	140	240	4.999
424	36,696,538.85	148	240	4.997
425	1,581,180.46	164	274	4.998
426	8,729,816.45	177	295	4.996

<b>Assumed Reference Obligation Group Number</b>	<b>Unpaid Principal Balance (\$)</b>	<b>Remaining Term to Maturity (months)</b>	<b>Original Term to Maturity (months)</b>	<b>Current Mortgage Rate (%)</b>
427	22,788,135.98	187	298	4.997
428	52,675,057.21	200	300	4.999
429	33,944,856.41	209	303	4.998
430	7,240,387.64	222	325	4.999
431	478,681,823.43	238	360	4.994
432	1,256,191,249.61	247	360	4.997
433	1,977,830,050.53	259	360	4.998
434	662,290,576.10	269	360	4.994
435	5,193,026.87	277	360	4.985
436	859,215.15	370	480	4.997
437	1,045,788.03	382	480	4.999
438	143,269.62	385	480	5.000
439	12,221.40	8	120	5.125
440	38,537.53	19	124	5.125
441	2,766,354.38	59	180	5.122
442	13,270,455.19	67	180	5.125
443	8,276,190.20	79	180	5.124
444	866,359.03	89	185	5.120
445	191,788.92	105	216	5.125
446	5,193,447.46	118	240	5.124
447	56,260,035.13	128	240	5.125
448	66,327,707.23	140	240	5.125
449	11,432,043.97	148	241	5.120
450	595,388.56	162	267	5.125
451	2,398,706.08	177	296	5.120
452	16,198,629.21	186	297	5.124
453	39,372,476.79	201	300	5.125
454	13,621,628.50	210	307	5.125
455	6,688,224.66	223	319	5.125
456	221,337,959.19	238	360	5.124
457	936,978,859.08	247	360	5.124
458	1,239,546,269.71	259	360	5.125
459	311,332,879.63	269	360	5.121

<b>Assumed Reference Obligation Group Number</b>	<b>Unpaid Principal Balance (\$)</b>	<b>Remaining Term to Maturity (months)</b>	<b>Original Term to Maturity (months)</b>	<b>Current Mortgage Rate (%)</b>
460	3,030,147.03	277	360	5.125
461	253,823.35	373	480	5.125
462	237,533.32	391	480	5.125
463	46,971.47	9	120	5.242
464	25,445.31	20	120	5.250
465	45,815.39	37	144	5.250
466	2,655,022.60	59	180	5.249
467	8,723,608.14	67	180	5.249
468	5,104,290.53	78	180	5.248
469	494,405.97	88	183	5.243
470	5,769,010.36	119	240	5.249
471	57,064,469.53	127	240	5.250
472	69,993,438.72	140	240	5.250
473	5,490,953.95	149	241	5.236
474	1,660,736.62	166	272	5.250
475	3,996,779.62	177	293	5.250
476	39,955,918.85	188	300	5.249
477	50,374,749.50	200	301	5.250
478	12,572,063.93	209	309	5.250
479	4,762,506.78	222	330	5.249
480	196,081,345.40	239	360	5.249
481	1,838,175,160.06	247	360	5.249
482	1,524,437,732.35	259	360	5.250
483	213,199,411.58	269	360	5.243
484	2,392,890.16	277	360	5.250
485	139,157.29	372	480	5.250
486	118,485.66	381	480	5.250
487	4,225.52	4	120	5.375
488	19,573.27	16	120	5.375
489	2,034,535.70	59	180	5.373
490	7,033,298.09	66	180	5.374
491	2,714,763.75	78	180	5.375
492	210,139.03	91	185	5.349

<b>Assumed Reference Obligation Group Number</b>	<b>Unpaid Principal Balance (\$)</b>	<b>Remaining Term to Maturity (months)</b>	<b>Original Term to Maturity (months)</b>	<b>Current Mortgage Rate (%)</b>
493	65,341.63	107	204	5.375
494	6,117,851.74	119	240	5.374
495	56,719,209.59	127	240	5.375
496	53,710,737.74	140	240	5.375
497	2,471,705.75	150	242	5.365
498	1,049,053.87	164	271	5.375
499	3,594,799.62	178	297	5.375
500	38,134,090.76	188	300	5.375
501	70,728,040.68	200	300	5.375
502	8,745,681.42	209	311	5.374
503	5,797,886.35	222	331	5.374
504	240,705,071.64	239	360	5.374
505	1,834,291,526.57	247	360	5.375
506	1,684,548,347.79	259	360	5.375
507	125,916,842.16	267	360	5.367
508	112,214.06	277	360	5.375
509	881,687.23	368	480	5.375
510	511,272.86	379	480	5.375
511	179,442.94	385	480	5.375
512	949,279.46	58	180	5.493
513	2,032,352.17	65	180	5.497
514	1,177,897.79	79	180	5.487
515	244,807.71	89	191	5.488
516	70,975.37	99	218	5.500
517	1,506,963.87	119	240	5.500
518	27,018,114.40	127	240	5.500
519	12,946,809.64	139	240	5.500
520	828,103.72	150	240	5.488
521	292,123.26	164	276	5.500
522	1,987,897.33	179	299	5.500
523	16,131,612.18	187	300	5.500
524	21,822,161.09	200	300	5.500
525	3,685,253.43	210	310	5.500

<b>Assumed Reference Obligation Group Number</b>	<b>Unpaid Principal Balance (\$)</b>	<b>Remaining Term to Maturity (months)</b>	<b>Original Term to Maturity (months)</b>	<b>Current Mortgage Rate (%)</b>
526	2,704,992.44	222	331	5.500
527	108,662,439.10	239	360	5.498
528	734,549,416.32	246	360	5.499
529	470,301,963.39	259	360	5.499
530	36,257,058.08	268	360	5.485
531	493,881.23	369	480	5.500
532	239,518.41	380	480	5.500
533	201,253.68	59	180	5.625
534	339,238.54	66	180	5.619
535	539,810.26	79	180	5.625
536	58,267.60	88	180	5.594
537	1,015,091.45	119	240	5.625
538	8,980,905.55	127	240	5.625
539	5,102,178.24	138	240	5.625
540	129,048.73	152	249	5.625
541	1,254,025.35	179	299	5.625
542	6,045,809.63	187	300	5.625
543	6,571,762.65	200	302	5.625
544	256,453.33	215	312	5.625
545	926,356.65	222	336	5.625
546	45,617,055.95	239	360	5.624
547	333,232,121.65	246	360	5.625
548	160,093,853.91	259	360	5.624
549	13,464,281.44	269	360	5.584
550	71,950.00	57	180	5.750
551	391,130.05	65	180	5.750
552	372,932.04	80	180	5.750
553	22,079.63	85	180	5.750
554	505,146.66	119	240	5.735
555	4,691,459.20	127	240	5.750
556	2,661,617.84	140	241	5.750
557	193,037.28	150	240	5.684
558	317,694.11	180	300	5.750



<b>Assumed Reference Obligation Group Number</b>	<b>Unpaid Principal Balance (\$)</b>	<b>Remaining Term to Maturity (months)</b>	<b>Original Term to Maturity (months)</b>	<b>Current Mortgage Rate (%)</b>
559	5,857,742.66	189	300	5.750
560	2,421,732.22	199	302	5.750
561	1,158,313.18	211	318	5.740
562	1,199,193.13	223	332	5.750
563	32,913,008.38	239	360	5.749
564	228,766,489.61	247	360	5.750
565	77,139,927.03	259	360	5.748
566	9,328,527.09	270	360	5.696
567	487,317.48	364	480	5.750
568	2,872.36	7	120	5.875
569	400,047.29	58	180	5.870
570	387,153.00	66	180	5.875
571	248,207.88	81	186	5.865
572	678,546.35	119	240	5.875
573	3,099,906.32	127	240	5.875
574	1,191,538.07	141	240	5.875
575	259,605.38	153	246	5.795
576	48,333.27	167	288	5.875
577	1,299,142.33	178	297	5.875
578	5,304,215.23	187	300	5.875
579	1,517,376.54	199	302	5.875
580	134,929.68	207	300	5.875
581	479,721.54	222	331	5.875
582	51,476,434.91	239	360	5.875
583	186,797,905.54	246	360	5.875
584	47,906,062.63	258	360	5.874
585	4,171,877.79	269	360	5.818
586	145,075.76	367	480	5.875
587	258,834.32	380	480	5.875
588	98,744.51	66	180	6.000
589	89,285.57	118	240	6.000
590	348,594.56	125	240	6.000
591	41,107.22	155	240	5.990

<b>Assumed Reference Obligation Group Number</b>	<b>Unpaid Principal Balance (\$)</b>	<b>Remaining Term to Maturity (months)</b>	<b>Original Term to Maturity (months)</b>	<b>Current Mortgage Rate (%)</b>
592	68,247.67	180	300	5.990
593	458,540.46	185	300	6.000
594	115,762.07	204	300	6.000
595	82,258.17	213	334	6.000
596	6,732,652.55	239	360	5.992
597	33,182,066.03	245	360	5.991
598	5,175,833.06	258	360	5.978
599	3,605,366.41	269	360	5.936
600	266,767.34	370	480	6.000
601	90,050.92	62	180	6.125
602	119,991.24	120	240	6.125
603	87,813.83	130	240	6.125
604	87,272.13	180	300	6.125
605	204,377.57	183	300	6.125
606	3,339,614.37	239	360	6.123
607	12,034,923.38	245	360	6.122
608	1,729,852.18	259	360	6.103
609	2,219,643.36	270	360	6.064
610	31,901.10	91	180	6.190
611	60,852.98	129	240	6.250
612	74,692.52	152	240	6.130
613	64,609.00	189	300	6.250
614	321,908.40	205	324	6.250
615	2,627,596.19	239	360	6.250
616	5,333,565.88	246	360	6.243
617	822,227.65	259	360	6.235
618	999,546.41	271	360	6.177
619	101,881.21	121	240	6.375
620	37,979.52	135	240	6.375
621	330,958.63	183	300	6.375
622	4,405,564.85	239	360	6.373
623	5,825,807.38	245	360	6.374
624	1,874,533.65	258	360	6.371

<b>Assumed Reference Obligation Group Number</b>	<b>Unpaid Principal Balance (\$)</b>	<b>Remaining Term to Maturity (months)</b>	<b>Original Term to Maturity (months)</b>	<b>Current Mortgage Rate (%)</b>
625	1,274,884.40	269	360	6.319
626	203,168.21	142	240	6.500
627	1,315,833.87	239	360	6.499
628	2,510,027.97	243	360	6.496
629	265,515.39	257	360	6.500
630	409,537.18	270	360	6.431
631	1,035,011.40	239	360	6.625
632	1,110,278.39	250	360	6.619
633	258,076.49	260	360	6.625
634	973,822.38	239	360	6.750
635	1,597,716.15	243	360	6.750
636	166,430.51	260	360	6.750
637	63,447.89	119	240	6.875
638	85,998.19	134	240	6.875
639	117,404.54	181	300	6.875
640	1,770,405.76	239	360	6.875
641	1,831,183.56	246	360	6.875
642	165,597.98	256	360	6.875
643	39,001.17	238	360	6.950
644	53,846.55	243	360	7.065

## Appendix D

### Seller Restrictions

#### Canada

Each Initial Purchaser has represented, warranted and agreed that:

(a) the sale and delivery of any Securities to any purchaser who is located or resident in Canada or who is purchasing on a non-discretionary basis for a principal who is located or resident in Canada (each such purchaser or principal, a "**Canadian Purchaser**") by such Initial Purchaser shall be made so as to be exempt from the prospectus filing requirements and exempt from, or in compliance with, the dealer registration requirements of all applicable securities laws, regulations, rules, instruments, rulings and orders, including those applicable in each of the provinces and territories of Canada where any Canadian purchaser is located or resident (as defined in this section, the "**Securities Laws**");

(b) (i) the Initial Purchaser is an investment dealer as defined in section 1.1 of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations ("**NI 31-103**"); or (ii) any sale and delivery of any Securities to a Canadian Purchaser will be made through (A) an affiliate of the relevant Initial Purchaser that is a registered investment dealer, exempt market dealer or restricted dealer; or (B) in compliance with the international dealer exemption from the dealer registration requirements, and otherwise in compliance with the representations, warranties, and agreements set out herein;

(c) each Canadian Purchaser is entitled under the Securities Laws to acquire the Securities without a prospectus qualified under the Securities Laws, and such purchaser, (A) is a "permitted client" as defined in section 1.1 of NI 31-103 and an "accredited investor" as defined in Section 73.3 of the *Securities Act* (Ontario) or National Instrument 45-106 Prospectus Exemptions ("**NI 45-106**"), is not an individual unless relying on subparagraph (j.1) of the definition of "accredited investor" in NI 45-106, and if relying on subparagraph (m) of the definition of "accredited investor" in NI 45-106, was not formed and is not being used solely to acquire the Securities as an accredited investor;

(d) it has not provided and will not provide to any Canadian Purchaser any document or other material that would constitute an offering memorandum (other than this Offering Memorandum with respect to the private placement of the Securities in Canada) within the meaning of the Securities Laws;

(e) it has not made and will not make any offers or sales of any Securities to any Canadian Purchaser that is located or resident in any province or territory of Canada other than the provinces of Alberta, British Columbia, Ontario and Quebec;

(f) it has not provided and will not provide any document or any other material that would constitute an offering memorandum within the meaning of the Securities Laws to a Canadian Purchaser outside the provinces of Alberta, British Columbia, Ontario and Quebec;

(g) it has not made and it will not make any written or oral representations to any Canadian Purchaser:

(i) that any person will resell or repurchase the Securities purchased by such Canadian Purchaser;

(ii) that the Securities will be freely tradable by the Canadian Purchaser without any restrictions or hold periods;

(iii) that any person will refund the purchase price of the Securities; or

(iv) as to the future price or value of the Securities; and

Each Canadian Purchaser acquiring Securities is hereby notified that:

(a) The Securities may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in subsection 73.3(1) of the *Securities Act* (Ontario) or NI 45-106, and are permitted clients, as defined in NI 31-103. Any resale of the Securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws;

(b) Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The Canadian Purchaser should refer to any applicable provisions of the securities legislation of the Canadian Purchaser's province or territory for particulars of these rights or consult with a legal advisor; and

(c) Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### **European Economic Area**

Each Initial Purchaser represents and agrees that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available Securities to any retail investor in the European Economic Area.

For the purposes of this provision, (a) the expression "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation (as defined below); (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Securities, as the same may be varied in a Member State by any measure implementing the Prospectus Regulation (as defined below) in that Member State; and (c) the expression "Prospectus Regulation" means Regulation (EU) 2017/1129 (as amended), and includes any relevant implementing measure in each Relevant Member State.

### **Japan**

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA") and, accordingly, each Initial Purchaser undertakes that it will not offer or sell any Securities directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

### **Korea**

The Issuer is not making any representation with respect to eligibility of any recipients of this Offering Memorandum to acquire the Securities referred to herein under the laws of Korea. The Securities offered under this Offering Memorandum have not been and will not be registered with the Financial Services Commission of Korea for public offering in Korea under the Financial Investment Service and Capital Markets Act ("FSCMA") and are therefore subject to certain transfer restrictions. The Securities may not be offered, sold or delivered, directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea (as defined in the Foreign Exchange Transaction Law of Korea) except pursuant to the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law and the decrees and regulations thereunder.

## **Singapore**

The Initial Purchasers have acknowledged that this Offering Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore, and that the Securities are (A) capital markets products other than prescribed capital markets products (as defined in the Singapore Securities and Futures (Capital Markets Products) Regulations 2018) and (B) Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products). Accordingly, each Initial Purchaser has represented, warranted and agreed that it will neither offer nor sell the Securities pursuant to an offering nor make the Securities the subject of an invitation for subscription or purchase whether directly or indirectly, and has not circulated or distributed, nor will it circulate or distribute this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Securities, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) under Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person that is:

(A) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(B) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred for six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; (4) as specified in Section 276(7) of the SFA; or (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

## **Taiwan**

The Securities have not been and will not be registered with the Financial Supervisory Commission of Taiwan, the Republic of China pursuant to relevant securities laws and regulations and may not be offered or sold in Taiwan, the Republic of China through a public offering or in circumstance which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan, the Republic of China that requires a registration or approval of the Financial Supervisory Commission of Taiwan, the Republic of China. No person or entity in Taiwan, the Republic of China has been authorized to offer or sell the Securities in Taiwan, the Republic of China.

## **United Kingdom**

Each of the Initial Purchasers has represented and agreed that (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity, within the meaning of section 21 of the United Kingdom Financial Services and Markets Act 2000, as amended (the "FSMA"), received by it in connection with the issue or sale of any Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer and (b) it has complied and will

comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

**Appendix E**  
**No-Action Letter**



