



## Government National Mortgage Association

### GINNIE MAE<sup>®</sup>

#### Guaranteed REMIC Pass-Through Securities (Issuable in Series)

The Government National Mortgage Association Guaranteed REMIC Pass-Through Securities, which will be sold from time to time in one or more series, represent interests in separate Ginnie Mae REMIC Trusts established from time to time. The Government National Mortgage Association (“Ginnie Mae”), a wholly-owned corporate instrumentality of the United States of America within the U.S. Department of Housing and Urban Development, guarantees the timely payment of principal and interest on each Class of Securities. The Ginnie Mae Guaranty is backed by the full faith and credit of the United States of America.

The terms of each Series will be described in an Offering Circular Supplement. Each Trust will be comprised primarily of (i) “fully modified pass-through” mortgage-backed certificates as to which Ginnie Mae has guaranteed the timely payment of principal and interest pursuant to the Ginnie Mae I Program or the Ginnie Mae II Program, (ii) certificates backed by Ginnie Mae MBS Certificates as to which Ginnie Mae has guaranteed the timely payment of principal and interest pursuant to the Ginnie Mae Platinum Program, (iii) previously issued REMIC or comparable mortgage certificates or Underlying Callable Securities or (iv) previously issued Ginnie Mae Guaranteed Stripped Mortgage-Backed Securities, in each case, evidencing interests in trusts consisting primarily of direct or indirect interests in Ginnie Mae Certificates, as further described in the related Offering Circular Supplement. The mortgage loans underlying the Ginnie Mae Certificates consist of one- to four-family residential mortgage loans that are insured or guaranteed by the Federal Housing Administration (“FHA”), the U.S. Department of Veterans Affairs (“VA”), the U.S. Department of Housing and Urban Development (“HUD”) or U.S. Department of Agriculture, Rural Development (“RD”), formerly the Rural Housing Service and Farmers Home Administration, and participation interests in advances made to borrowers and related amounts (each, a “Participation”) in respect of home equity conversion mortgage loans (each, a “HECM”), also commonly referred to as “reverse mortgage loans,” insured by FHA. See “The Ginnie Mae Certificates.”

Each Series will be issued in two or more Classes. Each Class of Securities of a Series will evidence an interest in future principal payments and/or an interest in future interest payments on the Trust Assets included in the related Trust or a group of Trust Assets in the related Trust. The Holders of one or more Classes of Securities of a Series may be entitled to receive distributions of principal, interest, other revenues or any combination thereof prior to the Holders of one or more other Classes of Securities of that Series or after the occurrence of specified events, in each case, as specified in the related Offering Circular Supplement.

The Weighted Average Life of each Class of Securities of a Series may be affected by the rate of payment of principal (including prepayments and payments of certain other amounts resulting from defaults) on the Mortgage Loans underlying (or related to the Participations underlying) the related Trust Assets and the timing of receipt of those payments, as described in this Base Offering Circular and in the related Offering Circular Supplement. The Ginnie Mae Guaranty of timely payment of principal and interest is not a guarantee of the Weighted Average Life of a Class of Securities or of any particular rate of principal prepayments with respect to the Mortgage Loans underlying (or related to the Participations underlying) the Trust Assets or any Trust Asset Group. A Trust may be subject to early termination under the circumstances described in the related Offering Circular Supplement.

An election will be made to treat each Trust or certain assets of each Trust as one or more real estate mortgage investment conduits for United States federal income tax purposes. See “Certain United States Federal Income Tax Consequences” in this Base Offering Circular.

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**THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION GUARANTEES THE TIMELY PAYMENT OF PRINCIPAL AND INTEREST ON THE SECURITIES. THE GINNIE MAE GUARANTY IS BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE SECURITIES ARE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933 AND CONSTITUTE EXEMPTED SECURITIES UNDER THE SECURITIES EXCHANGE ACT OF 1934.**

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*Offers of the Securities may be made through one or more different methods, including offerings through the Sponsor, as more fully described in the related Offering Circular Supplement. This Base Offering Circular may not be used to consummate sales of Securities unless you have received the related Offering Circular Supplement.  
The date of this Base Offering Circular is January 1, 2014.*

## OFFERING CIRCULAR SUPPLEMENT

The Offering Circular Supplement relating to the Securities (or separate Classes of Securities) of a Series to be offered under this Offering Circular will, among other things, set forth with respect to those Securities, as appropriate: (a) information about the assets comprising the related Trust; (b) a description of each Class of Securities in that Series and the Interest Rate or method of determining the amount of interest, if any, to be passed through to Holders of Securities of those Classes; (c) the Original Class Principal Balance or original Class Notional Balance of each of those Classes; (d) the method for determining the amount of principal, if any, to be distributed on each of those Classes on each Distribution Date; (e) additional information about the plan of distribution of those Securities; (f) information about the Trustee; (g) designation of the Securities offered pursuant to the Offering Circular Supplement as Regular Interests or Residual Interests in a Trust REMIC; and (h) the circumstances, if any, under which the related Trust may be subject to early termination.

## DEFINED TERMS

Capitalized terms used in this Base Offering Circular and any Offering Circular Supplement shall have the meanings assigned in the glossary included in Appendix II, unless otherwise specified. Capitalized terms used only in “Certain United States Federal Income Tax Consequences” in this Base Offering Circular and in the Offering Circular Supplement will be defined within those sections.

**This Base Offering Circular, together with the Offering Circular Supplement for each Series, constitutes an offer to sell only that Series of Securities. No broker, dealer, salesperson, or other person has been authorized to provide any information or to make any statements or representations other than those contained in this Base Offering Circular and the related Offering Circular Supplement (or any other offering document that may have been incorporated into any such documents by reference). Investors must not rely upon any other such information, statements or representations. Neither this Base Offering Circular nor any Offering Circular Supplement constitutes an offer to sell or a solicitation of an offer to buy any Securities in any jurisdiction in which such an offer or solicitation would be unlawful.**

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## DESCRIPTION OF THE SECURITIES

### General

Ginnie Mae guarantees the timely payment of principal and interest on the Securities. The full faith and credit of the United States of America stands behind each Ginnie Mae Guaranty. Pursuant to a Trust Agreement, dated as of the related Closing Date, between the Sponsor and the Trustee, a separate Trust will issue Ginnie Mae REMIC Securities. In the event that a series provides for the issuance of MX Securities in exchange for REMIC Securities, a separate MX Trust established pursuant to an MX Trust Agreement dated as of the related Closing Date between the Sponsor and the Trustee will issue Modifiable Securities (relating to REMIC Securities that may be but have not yet been exchanged) and MX Securities (relating to REMIC Securities that have been exchanged).

### Forms of Securities; Book-Entry Procedures

Unless otherwise provided in the related Offering Circular Supplement, each Regular Security that is not subject to exchange for MX Securities, each Modifiable Security and each MX Security initially will be issued and maintained in book-entry form through the book-entry system of the U.S. Federal Reserve Banks (the “Fedwire Book-Entry System”) and each Residual Security will be issued in certificated, fully-registered form. Each Class of Book-Entry Securities initially will be registered in the name of the Federal Reserve Bank of New York (together with any successor or other depository selected by Ginnie Mae, the “Book-Entry Depository”)

The Fedwire Book-Entry System is an electronic facility operated by the U.S. Federal Reserve Banks for maintaining securities accounts and for effecting transfers. The Fedwire Book-Entry system is a real-time, delivery-versus-payment, gross settlement system that allows for the simultaneous transfer of securities against payment. The Fedwire Book-Entry System is used to clear, settle and pay not only Ginnie Mae Securities, but also all U.S. Treasury marketable debt instruments, the majority of book-entry securities issued by other government agencies and government sponsored enterprises and the mortgage-backed securities issued by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

Beneficial ownership of a Book-Entry Security will be subject to the rules and procedures governing the Book-Entry Depository and its participants as in effect from time to time. The Book-Entry Depository will maintain evidence of the interests of its participants in any Book-Entry Securities by appropriate entries in the Book-Entry Depository’s books and records. Only participants of the Fedwire Book-Entry System are eligible to maintain book-entry accounts directly with the Book-Entry Depository. A Beneficial Owner that is not a participant of the Fedwire Book-Entry System generally will evidence its interest in a Book-Entry Security by appropriate entries in the books and records of one or more financial intermediaries. A Beneficial Owner of a Book-Entry Security must rely upon these procedures to evidence its beneficial ownership, and may transfer its beneficial ownership only if it complies with the procedures of the appropriate financial intermediaries. Correspondingly, a Beneficial Owner of a Book-Entry Security must depend upon its financial intermediaries (including the Book-Entry Depository, as Holder) to enforce its rights with respect to a Book-Entry Security. Alternatively, a Beneficial Owner of a Book-Entry Security may receive, upon (i) compliance with the procedures of the Book-Entry Depository and its participants and (ii) payment of a required exchange fee of \$ 25,000 per physical certificate, one or more certificated, fully-registered Securities in authorized denominations evidencing that Beneficial Owner’s interest in the appropriate Class of Securities.

The Trustee will authenticate the Certificated Securities. The Securities will be freely transferable and exchangeable, subject to the transfer restrictions applicable to Residual Securities set forth in the related Trust Agreement or MX Trust Agreement, at the Corporate Trust Office of the Trustee. Among other restrictions, the Residual Securities may not be transferred to (i) a Plan Investor, (ii) a Non-U.S. Person or (iii) a Disqualified Organization. The Trustee may impose a service charge upon Holders for any registration of exchange or transfer of Certificated Securities (other than Residual Securities), and the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge incurred in connection with any transfer, including the transfer of a Residual Security.

## **Minimum Denominations**

Unless otherwise noted in the applicable Offering Circular Supplement, each Trust and MX Trust will issue Regular Securities and MX and/or Modifiable Securities, respectively (other than Securities of Increased Minimum Denomination Classes), in minimum dollar denominations representing initial principal balances of \$1,000 and integral multiples of \$1 in excess of \$1,000. Unless otherwise noted in the applicable Offering Circular Supplement, Residual Securities will be issued in minimum Percentage Interests of 10% and integral multiples of 10%.

An Offering Circular Supplement may identify one or more Increased Minimum Denomination Classes, as described in the Offering Circular Supplement.

An Increased Minimum Denomination Class is a Class that is deemed to be a suitable investment only for an institutional Accredited Investor that has substantial experience in mortgage-backed securities and that is capable of understanding, and is able to bear, the risks associated with an investment in a Class such as an Increased Minimum Denomination Class.

An investor should not conclude, however, that Classes not designated as Increased Minimum Denomination Classes are suitable for all investors. No investor should purchase Securities of any Class unless the investor understands, and is able to bear, the risks associated with that Class.

## **Standard Definitions and Abbreviations for Classes and Components**

Classes of Securities (as well as Components of such Classes) are categorized according to “Principal Types,” “Interest Types” and “Other Types.” The chart attached as Appendix I identifies the standard abbreviations for most of these categories. Definitions of Class Types may be found in Appendix II. The first column of the chart shows the standard abbreviation for each Class Type. Each Offering Circular Supplement will identify the category of Classes of the related Securities (and the related Terms Sheet will identify the category of any related Components) by means of one or more of these abbreviations.

## **Distributions**

Each month, the Trustee for a Series shall calculate the amount of principal and interest distributable on the Securities on the Distribution Date. The Distribution Amount for each Series (or, if the Series is segregated into Security Groups, for each Security Group) for any Distribution Date for the related Series (or Security Group) will equal the sum of the Principal Distribution Amount (less principal, if any, payable to the Trustee as described in the Offering Circular Supplement), the Accrual Amount, if any, and the Interest Distribution Amount for the related Series (or Security Group).

In the case of Trust MBS, the Trustee will determine the amount of principal expected to be received on each Trust MBS during that month on the basis of Certificate Factors for those Trust MBS for that month. The Trustee will obtain the Certificate Factors for the Trust MBS from the Information Agent on the seventh Business Day of the month (the “Certificate Factor Date”). For any Trust MBS (other than Trust MBS that consist of Ginnie Mae Platinum Certificates) for which a Certificate Factor is not available on the Certificate Factor Date, the Trustee will determine a Calculated Certificate Factor.

In the case of Underlying Certificates or Underlying SMBS Securities, the Trustee will determine the amount of principal expected to be received on each Underlying Certificate or Underlying SMBS Security during that month on the basis of the Underlying Certificate Factor for such Underlying Certificate or Underlying SMBS Security for that month. The Trustee will obtain the Underlying Certificate Factors in accordance with the related Trust Agreement. In the event that an Underlying Certificate Factor is not available on the date specified in the related Trust Agreement, no amounts in respect of principal for the related Underlying Certificate or Underlying SMBS Security, as applicable, will be distributable to the related Securities on the following Distribution Date.

The Class Factors for each Distribution Date will reflect the Certificate Factors and/or the Calculated Certificate Factors for that month (or, in the case of Underlying Certificates or Underlying SMBS Securities, the amount of principal distributable thereon on the preceding Underlying Certificate Payment Date or Underlying

SMBS Security Payment Date). Amounts calculated by the Trustee based on the Class Factors will be distributed to Holders of Securities on the applicable Distribution Date, whether or not those amounts are actually received on the Trust Assets.

Each Class Factor is the factor (carried to eight decimal places) that, when multiplied by the Original Class Principal Balance (or the original Class Notional Balance) of the related Class, determines the Class Principal Balance (or Class Notional Balance) of that Class after giving effect to the distribution of principal to be made on the Securities (and any addition to the Class Principal Balance of any Accrual Class or Partial Accrual Class) on the related Distribution Date. The Information Agent identified in the Offering Circular Supplement will post the Class Factors, along with the Interest Rate for each Class, on e-Access.

For any Distribution Date, investors can calculate the amount of principal to be distributed on any Class (other than an Accrual Class or Partial Accrual Class) by multiplying the Original Class Principal Balance of that Class by the difference between its Class Factors for the preceding and current months. The amount of interest to be distributed on any Class (other than an Accrual Class or Partial Accrual Class) on each Distribution Date will equal 30 days' interest at the Interest Rate for that Class on its Class Principal Balance (or Class Notional Balance) as determined by its Class Factor for the preceding month. Based on the Class Factors and Interest Rates published each month, investors in an Accrual Class or Partial Accrual Class can calculate the total amount of principal and interest to be distributed to (or interest to be added to the Class Principal Balance of) that Class.

### **Method of Distributions**

Distributions of principal and interest (or, where applicable, of principal only or interest only) on a Series (or, if the Series is segregated into Security Groups, on a Security Group) will be made on each Distribution Date for that Series (or Security Group) (or, with respect to Certificated Securities, the Business Day following the Distribution Date) to the Persons in whose names the Securities are registered on the related Record Date.

The Book-Entry Depository will make distributions on any Book-Entry Securities, and Beneficial Owners of Book-Entry Securities will receive distributions, through credits to accounts maintained on the books and records of appropriate financial intermediaries (including the Federal Reserve Bank of New York as Holder) for the benefit of those Beneficial Owners.

The Trustee will make distributions on any Certificated Securities (a) by check mailed to the Holder at the Holder's address as it appears in the applicable Register on the applicable Record Date or (b) upon receipt by the Trustee of a written request of a Holder accompanied by the appropriate wiring instructions at least five Business Days prior to a Record Date, by wire transfer of immediately available funds, on the Business Day following the related and each subsequent Distribution Date, to the account of the Holder thereof, if the Holder holds Securities issued by the related Trust or MX Trust in an initial aggregate principal amount of at least \$5,000,000 or a nother amount specified in the Offering Circular Supplement. Notwithstanding the foregoing, the final distribution in retirement of any Certificated Security will be made only upon presentation and surrender of the Security at the Corporate Trust Office.

### **Interest Rate Indices**

Unless otherwise provided in the related Offering Circular Supplement, each Floating Rate and Inverse Floating Rate Class will bear interest during each Accrual Period for that Class by reference to one of the following indices: "LIBOR," "COFI," a "Treasury Index," or the "Prime Rate," each as defined in the glossary in Appendix II (or any other index set forth in the related Offering Circular Supplement). Classes bearing interest by reference to the above-mentioned indices are called "LIBOR Classes," "COFI Classes," "Treasury Index Classes" and "Prime Rate Classes," respectively.

The Trustee will determine the applicable interest rate index level in accordance with the procedures described below and will compare its results with the interest rate index level posted by the Information Agent on e-Access. If there is a discrepancy, the Trustee and Information Agent will attempt to resolve it, but ultimately, absent clear error, the determination by the Trustee or its agent of the applicable interest rate index levels and its calculation

of the Interest Rates of the Floating Rate and Inverse Floating Rate Classes for each Accrual Period will be final and binding. Investors can obtain the rates for the current and preceding Accrual Periods on e-Access.

#### *Determination of LIBOR*

Unless otherwise provided in the applicable Offering Circular Supplement, the Trustee (or its agent) will calculate the Interest Rates of LIBOR Classes for each Accrual Period (after the initial Accrual Period) on the second Business Day before the Accrual Period begins (a “Floating Rate Adjustment Date”). On each Floating Rate Adjustment Date, the Trustee or its agent will determine the applicable LIBOR in accordance with one of the two following methods described below. The method that is used for determining LIBOR in a particular transaction will be specified in the related Offering Circular Supplement.

*BBA LIBOR.* If using this method of determining LIBOR, the Trustee or its agent will determine LIBOR on the basis of the British Bankers’ Association (“BBA”) “Interest Settlement Rate” for one-month deposits in U.S. Dollars as it appears on the Dow Jones Telerate Service page 3750 (or such other page as may replace page 3750 on that service) or such other service as may be nominated by the BBA for the purpose of displaying BBA Interest Settlement Rates as of 11:00 a.m. London time on the related Floating Rate Adjustment Date. BBA Interest Settlement Rates currently are based on rates quoted by nineteen BBA designated banks as being, in the view of such banks, the offered rate at which deposits are being quoted to prime banks in the London interbank market. BBA Interest Settlement Rates are calculated by eliminating the five highest rates and the five lowest rates, averaging the nine remaining rates, carrying the result (expressed as a percentage) out to six decimal places, and rounding to five decimal places.

If, on any Floating Rate Adjustment Date, the Trustee or its agent is unable to calculate LIBOR in accordance with the method set forth in the immediately preceding paragraph, LIBOR for the next Accrual Period will be calculated in accordance with the method described below under “— LIBO Method.”

*LIBO Method.* If using this method of determining LIBOR, the Trustee or its agent will determine LIBOR on the basis of the offered quotations of the Reference Banks, as those quotations appear on the Reuters Screen LIBO Page, to the extent available. If not available from the Reuters Screen LIBO Page, the Trustee or its agent will request the Reference Banks to provide the offered quotations to the Trustee as of 11:00 a.m. (London time) on that Floating Rate Adjustment Date, and will determine the applicable LIBOR based on those quotations.

On each Floating Rate Adjustment Date, the Trustee or its agent will determine LIBOR for the next Accrual Period as follows:

(i) If on any Floating Rate Adjustment Date two or more of the Reference Banks provide offered quotations of the applicable maturity, LIBOR for the next Accrual Period will be the arithmetic mean of those offered quotations (rounding that arithmetic mean upwards, if necessary, to the nearest whole multiple of 1/16%).

(ii) If on any Floating Rate Adjustment Date only one or none of the Reference Banks provides these offered quotations, LIBOR for the next Accrual Period will be whichever is the higher of (x) LIBOR as determined on the previous Floating Rate Adjustment Date and (y) the Reserve Interest Rate.

(iii) If on any Floating Rate Adjustment Date the Trustee is required but is unable to determine the Reserve Interest Rate, LIBOR for the next Accrual Period will be LIBOR as determined on the previous Floating Rate Adjustment Date, or, in the case of the first Floating Rate Adjustment Date, the level of LIBOR used to calculate the initial Interest Rate of the particular LIBOR Class.

#### *Determination of COFI*

Unless otherwise provided in the applicable Offering Circular Supplement, the Trustee (or its agent) will calculate the Interest Rates of COFI Classes for each Accrual Period (after the first) on the related Floating Rate Adjustment Date by reference to COFI as published most recently by the Federal Home Loan Bank of San Francisco (the “FHLB of San Francisco”). The FHLB of San Francisco currently publishes COFI on or about its last working



day of each month. COFI is designed to represent the monthly weighted average cost of funds for savings institutions in the Eleventh District (which consists of Arizona, California and Nevada) for the month prior to the month of publication. The FHLB of San Francisco computes COFI for each month by first dividing the cost of funds (that is, interest paid during the month by Eleventh District savings institutions on savings, advances and other borrowings) by the average of the total amount of these funds outstanding at the end of that month and the prior month and second annualizing and adjusting the result to reflect the actual number of days in the particular month. If necessary, before these calculations are made, the FHLB of San Francisco adjusts the component figures to neutralize the effect of events such as member institutions leaving the Eleventh District or acquiring institutions outside the Eleventh District. COFI has been reported each month since August 1981.

The FHLB of San Francisco has stated that it intends COFI to reflect the interest costs paid on all types of funds held by Eleventh District member savings associations and savings banks. COFI is weighted to reflect the relative amount of each type of funds held at the end of the relevant month. There are three major components of funds of Eleventh District member institutions: (i) savings deposits, (ii) Federal Home Loan Bank advances and (iii) all other borrowings, such as reverse repurchase agreements and mortgage-backed bonds. Unlike most other interest rate measures, COFI does not necessarily reflect current market rates because the component funds represent a variety of terms to maturity whose costs may react in different ways to changing conditions. The FHLB of San Francisco periodically prepares percentage breakdowns of the types of funds held by Eleventh District member institutions. Investors can obtain these breakdowns from the FHLB of San Francisco.

A number of factors affect the performance of COFI, which may cause COFI to move in a manner different from indices tied to specific interest rates, such as LIBOR or any Treasury Index. Because of the various terms to maturity of the liabilities upon which COFI is based, COFI may not necessarily reflect the average prevailing market interest rates on new liabilities of similar maturities. Additionally, COFI may not necessarily move in the same direction as market interest rates at all times because as longer term deposits or borrowings mature and are renewed at prevailing market interest rates, COFI is influenced by the differential between the prior and the new rates on those deposits or borrowings. Moreover, as stated above, COFI is designed to represent the average cost of funds for Eleventh District savings institutions for the month prior to the month in which COFI is published. Because COFI is based on a regional and not a national cost of funds, it may not behave as would a nationally based index. In addition, the movement of COFI, as compared to other indices tied to specific interest rates, may be affected by changes instituted by the FHLB of San Francisco in the method used to calculate COFI. Investors can order an informational brochure explaining COFI by writing or calling the FHLB of San Francisco's Marketing Department, P.O. Box 7948, San Francisco, California 94120, phone 415/616-2610. The current level of COFI can be obtained by calling the FHLB of San Francisco at 415/616-2600. An explanation of COFI and the current level of COFI can also be found on the FHLB of San Francisco's website at [www.FHLBSF.com](http://www.FHLBSF.com).

If the FHLB of San Francisco fails to publish COFI for a period of 65 calendar days (an event that will constitute an "Alternative Rate Event"), then the Trustee (or its agent) will calculate the Interest Rates of the COFI Classes for the subsequent Accrual Periods by using, in place of COFI, (i) the replacement index, if any, that the FHLB of San Francisco publishes or designates or (ii) if the FHLB of San Francisco does not publish or designate a replacement index, an alternative index selected by the Trustee (or its agent) and approved by Ginnie Mae that has performed, or that the Trustee expects to perform, in a manner substantially similar to COFI. At the time that the Trustee first selects an alternative index, the Trustee will determine the average number of basis points, if any, by which the alternative index differed from COFI for whatever period the Trustee, in its sole discretion, reasonably determines to reflect fairly the long-term difference between COFI and the alternative index, and will adjust the alternative index by that average. The Trustee (or its agent) will select a particular index as the alternative index only if it receives an Opinion of Counsel that the selection of that index will not cause the related Trust REMIC or Trust REMICs to lose their status as REMICs for United States federal income tax purposes.

If at any time after the occurrence of an Alternative Rate Event, the FHLB of San Francisco resumes publication of COFI, the Interest Rates of the COFI Classes for each subsequent Accrual Period will be calculated by reference to COFI.

### *Determination of the Treasury Index*

Unless otherwise provided in the applicable Offering Circular Supplement, the Trustee (or its agent) will calculate the Interest Rates of Treasury Index Classes for each Accrual Period (after the first) on the Floating Rate Adjustment Date. On each Floating Rate Adjustment Date, the Trustee will determine the applicable Treasury Index, which will be either (i) the weekly average yield, expressed as a per annum rate, on U.S. Treasury securities adjusted to a constant maturity of one, three, five, seven or ten years or to some other constant maturity (as specified in the applicable Offering Circular Supplement) as published by the Federal Reserve Board in the most recent edition of Federal Reserve Board Statistical Release No. H.15 (519) that is available to the Trustee or (ii) the weekly auction average (investment) yield, expressed as a per annum rate, on three-month or six-month U.S. Treasury bills that is available on the Treasury Public Affairs Information Line, an automated telephone system.

The Statistical Release No. H.15 (519) is published by the Federal Reserve on Monday or Tuesday of each week. Investors can order it from the Publications Department at the Board of Governors of the Federal Reserve System, 21<sup>st</sup> and C Streets, N.W., M.S. 138, Washington, D.C. 20551. The Trustee will consider a new value for the Treasury Index to have been available on the day following the date that Statistical Release No. H.15 (519) is released by the Federal Reserve Board or the Public Debt News is placed on the Treasury Public Affairs Public Information Line and available to the public.

The applicable auction average (investment) yield for a given week is the yield resulting from the auction of three-month or six-month U.S. Treasury bills held the preceding week. The weekly average yield reflects the average yields of the five calendar days ending on Friday of the previous week. Yields on Treasury securities at “constant maturity” are estimated from the Treasury’s daily yield curve. This curve, which relates the yield on a security to its time to maturity, is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. These market yields are calculated from composites of quotations reported by five leading U.S. Government securities dealers to the Federal Reserve Bank of New York. This method permits estimation of the yield for a given maturity even if no security with that exact maturity is outstanding.

In the event that the applicable Treasury Index becomes unavailable, the Trustee (or its agent) will designate a new index, approved by Ginnie Mae, based upon comparable information and methodology. The Trustee will select a particular index as the alternative index only if it receives an Opinion of Counsel that the selection of the alternative index will not cause the related Trust REMIC or Trust REMICs to lose their status as REMICs for United States federal income tax purposes.

If at any time after the applicable Treasury Index becomes unavailable it again becomes available, the Interest Rates for the related Treasury Index Classes for each subsequent Accrual Period will be calculated by reference to the applicable Treasury Index.

### *Determination of the Prime Rate*

Unless otherwise provided in the applicable Offering Circular Supplement, on each Floating Rate Adjustment Date, the Trustee (or its agent) will calculate the Interest Rates of Prime Rate Classes for the next Accrual Period by reference to the rate published as the “Prime Rate” in the “Money Rates” section or other comparable section of *The Wall Street Journal* on that Floating Rate Adjustment Date. If *The Wall Street Journal* publishes a prime rate range, then the average of that range, as determined by the Trustee, will be the Prime Rate. In the event *The Wall Street Journal* no longer publishes a “Prime Rate” entry, the Trustee (or its agent) will designate a new methodology for determining the Prime Rate based on comparable data. The Trustee (or its agent) will select a particular methodology as the alternative methodology only if it receives an Opinion of Counsel that the selection of that methodology will not cause the related Trust REMIC or Trust REMICs to lose their status as REMICs for United States federal income tax purposes.

If at any time after the Prime Rate becomes unavailable in *The Wall Street Journal* it again becomes available, the Trustee will calculate the Interest Rates for the Prime Rate Classes for each subsequent Accrual Period by reference to the Prime Rate published in *The Wall Street Journal*.

## Modification and Exchange

### *General*

Certain Series will provide for the issuance of one or more Classes of MX Securities. In any such Series, subject to the rules, regulations and procedures of the Book-Entry Depository, all or a portion of a specified Class or Classes of REMIC Securities will be delivered to a grantor trust that will issue Modifiable Securities that represent beneficial ownership of those REMIC Securities. All or a portion of the interests in such REMIC Securities may be exchanged for a proportionate interest in one or more related MX Classes, as provided in the applicable Offering Circular Supplement. Similarly, all or a portion of the related MX Class or Classes may be exchanged for proportionate interests in the related Class or Classes of REMIC Securities and, if so provided, in other related MX Classes. This process may occur repeatedly. For this purpose, “related” Classes are those within the same “Combination” shown in the Available Combinations Schedule in the applicable Offering Circular Supplement.

Each MX Security issued in an exchange will represent a beneficial ownership interest in, and will be entitled to receive a proportionate share of the distributions on, the related REMIC Securities (or the related MX Securities), and the Beneficial Owners of the MX Classes will be treated as the Beneficial Owners of proportionate interests in the related Class or Classes of REMIC Securities (or the related MX Securities).

In each Series that includes MX Securities, the Classes of REMIC Securities identified in the applicable Offering Circular Supplement will initially be issued. Certain of those Classes may be exchanged, in whole or in part, for MX Classes at any time on or after their date of issuance, unless otherwise provided in the applicable Offering Circular Supplement.

The Classes of REMIC Securities and MX Securities that are outstanding at any given time, and the outstanding Class Principal Balances or Class Notional Balances of such Classes, will depend upon principal distributions of such Classes as well as any exchanges that occur.

### *Exchanges*

Any exchange of related Classes within a Series will be permitted, so long as the following criteria are met:

- *The aggregate principal balance (exclusive of any notional balance) of the Securities received must equal that of the Securities surrendered (except for de minimis differences due to rounding).*
- *The aggregate monthly principal and interest entitlements on the Securities received must equal that of the Securities surrendered (except for de minimis differences due to rounding).*

In some cases, interests in a Class or Classes of REMIC Securities may be exchanged for proportionate interests in various subcombinations of MX Classes. Similarly, all or a portion of such MX Classes may be exchanged for proportionate interests in such REMIC Securities or in other subcombinations of such MX Classes. Each subcombination may be effected only in such proportions that result in the principal and interest entitlements of the Securities received being equal to such entitlements of the Securities surrendered. The following illustrates a Combination within which various subcombinations are permitted:

<u>Class</u>	<b>REMIC Securities</b>		<u>Class</u>	<b>MX Securities</b>	
	<u>Original Principal Interest Balance</u>	<u>Rate</u>		<u>Maximum Original Class Principal Balance or original Class Notional Balance</u>	<u>Interest Rate</u>
AB	\$10,000,000	7.00%	WI	\$10,000,000 (notional)	7.00%
			WA 1	0,000,000	6.00
			WB 1	0,000,000	6.25
			WC 1	0,000,000	6.50
			WD 1	0,000,000	6.75
			WE 9,	655,172	7.25
			WF 9,	333,333	7.50
			WG 9,	032,258	7.75
			WH 8,	750,000	8.00
			WP 1	0,000,000	0.00

Within the above Combination, a Beneficial Owner could, for example, exchange any one of the first four subcombinations of Classes shown in the following table for any other such subcombination, or any one of the last three subcombinations shown for any other such subcombination. Numerous subcombinations are possible.

<b>Subcombinations</b>				
<u>Subcombination</u>	<u>Class</u>	<u>Original Class Principal Balance or original Class Notional Balance</u>	<u>Interest Rate</u>	<u>Interest Entitlement</u>
1	AB	\$10,000,000	7.00%	\$700,000
2 W	I	\$10,000,000 (notional)	7.00%	\$700,000
	WP	10,000,000	0.00	0
		<u>\$10,000,000</u>		<u>\$700,000</u>
3 WI	WA	\$ 1,428,571 (notional)	7.00%	\$100,000
		10,000,000	6.00	600,000
		<u>\$10,000,000</u>		<u>700,000</u>
4 WB		\$ 1,600,000	6.25%	\$100,000
	WH 7,	500,000	8.00	600,000
	WP	900,000	0.00	0
		<u>\$10,000,000</u>		<u>\$700,000</u>
5	WF	\$ 5,000,000	7.50%	\$375,000
6 WH		\$ 4,687,500	8.00%	\$375,000
	WP	312,500	0.00	0
		<u>\$ 5,000,000</u>		<u>\$375,000</u>
7 WA		\$ 2,500,000	6.00%	\$150,000
	WB 2,	500,000	6.25	156,250
	WI	982,143 (notional)	7.00	68,750
		<u>\$ 5,000,000</u>		<u>\$375,000</u>

At any given time, a Beneficial Owner's ability to exchange REMIC Securities for MX Securities, MX Securities for REMIC Securities or MX Securities for other MX Securities will be limited by a number of factors. A Beneficial Owner must, at the time of the proposed exchange, own the appropriate Classes in the appropriate proportions in order to effect a desired exchange. A Beneficial Owner that does not own the appropriate Classes or the appropriate proportions of such Classes may not be able to obtain the necessary Class or Classes of REMIC Securities or MX Securities. The Beneficial Owner of a needed Class may refuse or be unable to sell at a reasonable price or any price, or certain Classes may have been purchased and placed into other financial structures. Principal distributions will, over time, diminish the amounts available for exchange. Only the combinations shown in the Available Combinations Schedule in each Offering Circular Supplement are permitted. In addition, REMIC Securities (which may include Increased Minimum Denomination Classes) issued in exchange for the related MX

Securities may be issued only in denominations not less than the minimum denominations specified in each Offering Circular Supplement.

A Beneficial Owner proposing to effect an exchange must so notify the Trustee through the Beneficial Owner's Book-Entry Depository participant. The procedures for effecting exchanges of MX Securities are described in "Description of the Securities-Modifications and Exchange" in the related Offering Circular Supplement.

The Securities to be exchanged must be in the correct exchange proportions. The Trustee will verify that the proposed proportions ensure that the principal and interest entitlements of the Securities received equal such entitlements of the Securities surrendered. If there is an error, the exchange will not occur until such error is corrected. Unless rejected for error, the notice of exchange will become irrevocable two Business Days prior to the proposed exchange.

The first distribution on a REMIC Security or an MX Security received in an exchange will be made on the Distribution Date in the month following the month of the exchange. Such distribution will be made to the Holder of record as of the Record Date in the month of exchange.

#### THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

The Government National Mortgage Association is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development. Section 306(g) of Title III of the National Housing Act of 1934, as amended (the "Housing Act"), authorizes Ginnie Mae to guarantee the timely payment of the principal of, and interest on, certificates or securities that are based on and backed by a pool of mortgage loans insured by the Federal Housing Administration under the Housing Act (each, an "FHA Loan"), Rural Development (formerly the Rural Housing Service and Farmers Home Administration) under Title V of the Housing Act of 1949 (each, an "RD Loan"), the U.S. Department of Veterans Affairs under the Servicemen's Readjustment Act of 1944, as amended, or HUD under Section 184 of the Housing and Community Development Act of 1992 (each, a "HUD Loan"), or guaranteed under Chapter 37 of Title 38, United States Code (each, a "VA Loan" and, together with FHA Loans, RD Loans and HUD Loans, "Government Loans").

Section 306(g) of the Housing Act provides that "the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection." To meet its obligations under its guaranties, Ginnie Mae is authorized, under section 306(d) of the Housing Act, to borrow from the U.S. Treasury with no limitations as to amount.

#### GINNIE MAE GUARANTY

Ginnie Mae guarantees the timely payment of principal and interest on each Class of Securities (in accordance with the terms of those Classes as specified in the related Offering Circular Supplement). The Ginnie Mae Guaranty is backed by the full faith and credit of the United States of America. The Ginnie Mae Guaranty will be set forth on the Certificated Securities.

#### THE GINNIE MAE CERTIFICATES

##### **General**

The Trust Assets for a Series of Securities may include Ginnie Mae Certificates conveyed by the Sponsor to a Trust pursuant to the terms and conditions of the Trust Agreement.

The Sponsor will represent and warrant in the Trust Agreement that the information set forth in the Offering Circular Supplement and Final Data Statement, if any, including the principal balance and Certificate Rate for each Trust MBS as of the Closing Date, is true and correct as of the Closing Date. If this representation and warranty is untrue for any Trust MBS, the Sponsor, at its option, may (a) cure the breach, (b) substitute another

Ginnie Mae Certificate for the affected Trust MBS, or (c) with Ginnie Mae's consent, repurchase the affected Trust MBS from the Trust, in each case only to the extent permitted under the Trust Agreement and REMIC Provisions.

With respect to any Trust MBS (other than HECM MBS), the Mortgage Loans underlying any Trust MBS will consist of Government Loans secured by first lien mortgages on single-family residential properties including condominiums, including level-payment mortgage loans and "buy down" mortgage loans. With respect to HECM MBS, the Mortgage Loans related to the Participations underlying any Trust MBS will consist of FHA loans secured by first lien home equity conversion mortgages on the principal residence of a borrower as further described under "*Federal Housing Administration (FHA) Guidelines Regarding Insurance of HECMs—Borrower and Mortgaged Property Eligibility Criteria*" in the HECM MBS Base Prospectus. All Mortgage Loans underlying or related to Participations underlying a particular Trust MBS must be of the same type (for example, all level-payment single-family mortgages).

Ginnie Mae will have guaranteed the timely payment of principal and interest on each Trust MBS in accordance with a Certificate Guaranty Agreement or a Ginnie Mae Platinum Guaranty Agreement, as the case may be.

Ginnie Mae guarantees the timely payment of principal and interest on each Trust MBS, and this obligation is backed by the full faith and credit of the United States. Each Trust MBS (other than HECM MBS) will have an original maturity of not more than 30 years. Each Ginnie Mae MBS Certificate (other than HECM MBS) (also referred to herein as "Non-HECM MBS Certificates") will be based on and backed by a pool of Government Loans and will provide for the payment to the registered holder of that Ginnie Mae MBS Certificate of monthly payments of principal and interest equal to the aggregate amount of the scheduled monthly principal and interest payments on the Government Loans underlying that Ginnie Mae MBS Certificate, less applicable servicing and guaranty fees totaling between 0.25% and 1.50% per annum of the outstanding principal balance. In addition, each payment will include any prepayments and other unscheduled recoveries of principal of the Government Loans underlying that Ginnie Mae MBS Certificate.

Each HECM MBS will have an original maturity of not more than 50 years. HECM MBS are based on or backed by Participations in respect of a home equity conversion mortgage loan (each, a "HECM") insured by FHA. Holders of HECM MBS are not entitled to scheduled monthly principal and interest payments. No interest or principal is required to be paid by the borrower in respect of any HECM as to which the Participations relate until maturity, which generally does not occur until after the occurrence of a Maturity Event. A "Maturity Event" generally occurs (i) if a borrower dies and the property is not the principal residence of at least one surviving borrower, (ii) if a borrower conveys all of his or her title in the mortgaged property and no other borrower retains title to the mortgaged property, (iii) if the mortgaged property ceases to be the principal residence of a borrower for reasons other than death and the mortgaged property is not the principal residence of at least one surviving borrower, (iv) if a borrower fails to occupy the mortgaged property for a period of longer than 12 consecutive months because of physical or mental illness and the mortgaged property is not the principal residence of at least one other borrower, or (v) if a borrower fails to perform any of its obligations under the HECM (for example, the failure of the borrower to make certain agreed upon repairs to the mortgaged property or the failure of the borrower to pay taxes and hazard insurance premiums). A borrower may, however, prepay in whole or in part the outstanding balance of a HECM at any time without penalty.

In addition, the Ginnie Mae Issuer is obligated to purchase (such obligation is referred to hereinafter as a "Mandatory Purchase Event") all Participations related to a HECM when the outstanding principal amount of the related HECM is equal to or greater than 98% of the "Maximum Claim Amount." Furthermore, a Ginnie Mae Issuer may, at its option, purchase all Participations related to any HECM (such option is referred to hereinafter as a "98% Optional Purchase Event") to the extent that any borrower's request for an additional advance in respect of any HECM, if funded, together with the outstanding principal amount of the related HECM is equal to or greater than 98% of the "Maximum Claim Amount." The "Maximum Claim Amount" of a HECM is the lesser of the appraised value of the property, the sales price of the property being purchased or the national mortgage limit, as determined in accordance with FHA guidelines. See "Financial Characteristics of HECMs—Obligation of Ginnie Mae Issuer to Purchase Participations Related to Mortgage Loans in Limited Circumstances" and "Optional Purchase of Participations Related to HECMs" in the HECM MBS Base Prospectus.

In addition, a Ginnie Mae Issuer may, at its option, purchase all Participations related to a HECM that becomes, and continues to be, due and payable in accordance with its terms (such option is referred to hereinafter as a “Due and Payable Purchase Event,” and collectively with the Mandatory Purchase Event and the 98% Optional Purchase Event, a “Ginnie Mae Issuer Purchase Event”). In connection with any Due and Payable Purchase Event or any 98% Optional Purchase Event (each referred to hereinafter as an “Optional Purchase Event”) a Ginnie Mae Issuer must purchase all of the Participations related to the affected HECM at the end of its reporting month (as such term is defined in the related Certificate Guaranty Agreement).

HECM MBS will accrue interest at the applicable interest rate (the “HECM MBS Rate”) specified in the related HECM MBS Prospectus Supplement. The accrued interest will not be paid to holders of the HECM MBS but will be added each month to the then outstanding principal amount of the HECM MBS, and will be payable together with the original principal amount of the HECM MBS as set forth in the related prospectus supplement to the extent such amount has not been paid prior to the final distribution date for the HECM MBS. In general, any payments received in respect of any HECMs prior to the final distribution date will be passed through pro rata to the respective holders of participation interests in outstanding advances made to a borrower relating to the HECM. The applicable servicing fee margin for HECM MBS may vary depending on the Issue Date of the HECM MBS and whether the servicing compensation for the HECM is paid on a flat monthly fee arrangement or as a portion of the mortgage interest rate in respect of the related HECM. See “—Ginnie Mae II Program—Interest Rates of Mortgage Loans and the Related Participations Underlying the HECM MBS” below.

Each Ginnie Mae Issuer will perform the routine functions required for servicing of Government Loans and, in the case of HECM MBS, the related Participations, and Ginnie Mae MBS Certificates for which it is responsible, including borrower billings, receipt and posting of payments, payment of property taxes and hazard insurance premiums, remittance, collections and customer service. Each Ginnie Mae Issuer will be obligated under its Certificate Guaranty Agreements with Ginnie Mae to service the pooled Government Loans in accordance with FHA, RD and VA requirements, as the case may be, and with generally accepted practices in the mortgage lending industry. Each Ginnie Mae Issuer’s responsibilities with respect to the pooled Government Loans will include, as applicable, collection of all principal and interest payments and payments made by borrowers toward escrows established for taxes and insurance premiums; maintenance of necessary hazard insurance policies, institution of all actions necessary to foreclose on, or take other appropriate action with respect to, loans in default; and collection of insurance and guaranty benefits.

The Trust Asset Depository or its nominees, as registered holder (on behalf of the Trustee) of the related Trust MBS, will have the right to proceed directly against Ginnie Mae under the terms of the related Trust MBS for any amounts that are not paid when due.

Ginnie Mae Certificates are issued under either the Ginnie Mae I Program, the Ginnie Mae II Program or the Ginnie Mae Platinum Program.

*Ginnie Mae I Program.* Under the Ginnie Mae I Program, Ginnie Mae I Certificates are issued and marketed by a single Ginnie Mae Issuer that has assembled a pool of current mortgage loans (within two years of issuance) to back those Ginnie Mae I Certificates. All mortgage loans underlying a particular Ginnie Mae I Certificate must have the same fixed annual interest rate. The per annum pass-through rate on each Ginnie Mae I Certificate is 50 basis points less than the annual interest rate on the mortgage loans included in the pool backing the Ginnie Mae I Certificate. Payments of principal and interest are made to holders of Ginnie Mae I Certificates on the 15<sup>th</sup> of each month (or the first Business Day thereafter).

*Ginnie Mae II Program.* Under the Ginnie Mae II Program, mortgage pools (other than HECM pools) may be formed by aggregating packages of current mortgage loans submitted by more than one Ginnie Mae Issuer for a particular issue date and pass-through rate. The resulting pool, which backs a single issue of Ginnie Mae II Certificates, is administered by each participating issuer to the extent of the mortgage loans contributed by it to the pool. Each Ginnie Mae II Certificate issued under a multiple issuer pool, however, is backed by a proportionate interest in the entire pool (and not just the mortgage loans contributed to the pool by any one Ginnie Mae Issuer). Ginnie Mae II Certificates may also be backed by a custom pool of current mortgage loans formed by a single Ginnie Mae Issuer. HECM MBS are backed by a custom pool of Participations in HECMs formed by a single Ginnie Mae Issuer. Payments of principal and interest are made to holders of Ginnie Mae II Certificates on the 20<sup>th</sup>

of each month or the first Business Day thereafter by The Bank of New York, the paying and transfer agent for Ginnie Mae II Certificates.

Each Ginnie Mae II Certificate pool consists entirely of fixed rate mortgage loans or entirely of adjustable rate mortgage loans.

*Interest Rates of Mortgage Loans Underlying Ginnie Mae II Certificates (other than HECM MBS)*. In the case of Ginnie Mae II Certificates, other than HECM MBS (also referred to hereinafter as “Non-HECM MBS Ginnie Mae II Certificates”), fixed rate mortgage loans underlying any particular Non-HECM MBS Ginnie Mae II Certificate may have annual interest rates that vary from each other by up to 1.00% per annum. The per annum pass-through rate on each Non-HECM MBS Ginnie Mae II Certificate will be between 0.50% and 1.50% per annum, in the case of Non-HECM MBS Ginnie Mae II Certificates issued prior to July 1, 2003, and will be between 0.25% and 0.75%, in the case of Non-HECM MBS Ginnie Mae II Certificates issued on or after July 1, 2003, less than the highest annual interest rate on any mortgage loan included in the pool of mortgage loans backing that Non-HECM MBS Ginnie Mae II Certificate.

The adjustable rate mortgage loans underlying any particular Non-HECM MBS Ginnie Mae II Certificate will have interest rates that adjust annually based on the One-Year Treasury Index or the One-Year LIBOR Index, as applicable. Ginnie Mae pooling specifications require that all adjustable rate mortgage loans in a given pool have an identical first interest adjustment date, annual interest adjustment date, first payment adjustment date, annual payment adjustment date, index reference date and means of adjustment. With respect to mortgage loans underlying Non-HECM MBS Ginnie Mae II Certificates issued prior to July 1, 2003, the mortgage loans must have initial interest rates that are at least 0.50% but not more than 1.50% per annum above the interest rate of the related Non-HECM MBS Ginnie Mae II Certificate. In addition, the mortgage loan margin with respect to those mortgage loans must be at least 0.50% but not more than 1.50% per annum greater than the margin for the related Non-HECM MBS Ginnie Mae II Certificate. With respect to mortgage loans underlying Non-HECM MBS Ginnie Mae II Certificates issued on or after July 1, 2003, the mortgage loans must have initial interest rates that are at least 0.25% but not more than 0.75% per annum above the interest rate of the related Non-HECM MBS Ginnie Mae II Certificates. In addition, the mortgage margin with respect to those mortgage loans must be at least 0.25% but not more than 0.75% per annum greater than the margin for the related Non-HECM MBS Ginnie Mae II Certificate. Non-HECM MBS Ginnie Mae II Certificates and the related mortgage loans will be subject to an annual adjustment cap of 1.00% per annum above or below the interest rate being adjusted and a lifetime cap of 5.00% per annum above or below the initial interest rate; provided however, that with respect to Non-HECM MBS Ginnie Mae II Certificates issued on or after October 1, 2003 and backed by 7-year and 10-year hybrid adjustable rate mortgages, these Non-HECM MBS Ginnie Mae II Certificates and the related mortgage loans will be subject to an annual adjustment cap of 2.00% per annum above or below the interest rate being adjusted and a lifetime cap of 6.00% per annum above or below the initial interest rate. Thirty days after each annual interest adjustment date, the payment amount of an adjustable rate mortgage loan will be reset so that the remaining principal balance of that mortgage loan would fully amortize in equal monthly payments over its remaining term to maturity, assuming its interest rate were to remain constant at the new rate.

*Interest Rates of Mortgage Loans and the Related Participations Underlying HECM MBS*.

The HECM MBS Rate is generally equal to the weighted average of the interest rates on the underlying Participations (each, a “Participation Interest Rate”). With respect to each Participation, the Participation Interest Rate generally equals the interest rate of the related HECM less the Servicing Fee Margin. The Servicing Fee Margin generally represents the amount of the servicing compensation payable to the Ginnie Mae Issuer and the Ginnie Mae guaranty fee. However, the Servicing Fee Margin may vary depending on the Issue Date of the HECM MBS and whether the servicing compensation for the HECM is paid on a flat monthly fee arrangement or as a portion of the mortgage interest rate. With respect to a HECM for which the servicing compensation is based on a flat, monthly fee arrangement, the Servicing Fee Margin (i) for a Participation backing a HECM MBS issued prior to July 1, 2011 cannot be less than a per annum rate of 0.06% or more than 0.75%, and (ii) for a Participation backing a HECM MBS issued on or after July 1, 2011 cannot be less than a per annum rate of 0.36% or more than 1.50%. With respect to a



HECM for which the servicing compensation is based on a portion of the mortgage interest rate, the Servicing Fee Margin (i) for a Participation backing a HECM MBS issued prior to July 1, 2011 cannot be less than a per annum rate of 0.25% or more than 0.75%, and (ii) for a Participation backing a HECM MBS issued on or after July 1, 2011 cannot be less than a per annum rate of 0.36% or more than 1.50%.

The HECMs as to which the Participations relate may either be fixed or adjustable rate loans. The available indices for a HECM with a monthly adjustment date are (1) the weekly average yield of the U.S. Treasury Securities adjusted to a constant maturity of one year (“one-year CMT”), (2) the average of the LIBOR for one month U.S. dollar deposits (“one-month LIBOR”), or (3) as described in the related HECM prospectus supplement. The available indices for a HECM with an annual adjustment date are (1) one-year CMT, (2) the average of the LIBOR for twelve-month U.S. dollar deposits (“one-year LIBOR”), or (3) as described in the related HECM prospectus supplement. If any such index ceases to be available for any reason, then the rate will be based upon a new index selected by the lender from the list of indices approved for use with HUD-insured HECMs, which will be announced as soon as it is available. With respect to an adjustable rate HECM with an annual adjustment date, the HECM is subject to a periodic and lifetime interest rate cap. With respect to an adjustable rate HECM with a monthly adjustment date, the HECM is subject to a maximum stated interest rate established by the lender in the HECM note.

*Ginnie Mae Platinum Program.* Under the Ginnie Mae Platinum Program, a holder of a number of Ginnie Mae I Certificates with identical Certificate Rates may deposit them into a trust, and the holder of a number of fixed-rate Ginnie Mae II Certificates with identical Certificate Rates may deposit them into a trust, and in each case the depositor will receive a larger denominated Ginnie Mae Platinum Certificate with the same fixed coupon rate as the underlying Ginnie Mae Certificates. For purposes of this Base Offering Circular, (a) the term “Ginnie Mae I Certificate” means a Ginnie Mae I MBS Certificate or a Ginnie Mae Platinum Certificate backed by Ginnie Mae I MBS Certificates, and (b) the term “Ginnie Mae II Certificate” means a Ginnie Mae II MBS Certificate or a Ginnie Mae Platinum Certificate backed by fixed-rate Ginnie Mae II MBS Certificates.

### **The VA Loan Program**

VA is an Executive Branch Department of the United States, headed by the Secretary of Veterans Affairs. VA currently administers a variety of federal assistance programs on behalf of eligible veterans and their dependents and beneficiaries. VA administers a loan guaranty program pursuant to which VA guarantees a portion of loans made to eligible veterans.

Under the VA loan guaranty program, a VA Loan may be made to any eligible veteran by an approved private sector mortgage lender. VA guarantees payment to the holder of that loan of a fixed percentage of the loan indebtedness, up to a maximum dollar amount, in the event of default by the veteran borrower. When a delinquency is reported to VA and no realistic alternative to foreclosure is developed by the loan holder or through VA’s supplemental servicing of the loan, VA determines, through an economic analysis, whether VA will (a) authorize the holder to convey the property securing the VA Loan to the Secretary of Veterans Affairs following termination or (b) pay the loan guaranty amount to the holder. The decision as to disposition of properties securing defaulted VA Loans is made on a case-by-case basis using the procedures set forth in 38 U.S.C. section 3732(c), as amended.

### **The FHA Insurance Programs**

FHA is an organizational unit within the United States Department of Housing and Urban Development. FHA was established to encourage improvement in housing standards and conditions, to provide an adequate home financing system by insuring housing mortgages and credit and to exert a stabilizing influence on the mortgage market. FHA provides insurance for private lenders against loss on eligible mortgages.

Under the FHA mortgage insurance program, an FHA home mortgage may be made to borrowers meeting certain credit standards by an approved mortgage lender. FHA insures payment to the holder of that loan in the event of default by the borrower. Upon default, the lender, depending upon the circumstances and the guidelines of the related FHA mortgage insurance program, may (a) assign the mortgage to FHA, (b) acquire (through foreclosure or deed in lieu of foreclosure) and convey title to FHA or (c) work with the borrower to sell the property before the foreclosure sale. In general, the lender will receive insurance benefits equal to the unpaid principal balance of the

loan, plus approved expenses. See “Federal Housing Administration (FHA) Guidelines Regarding Insurance of HECMs” in the HECM MBS Base Prospectus for an overview of the guidelines regarding FHA’s insurance of HECMs as authorized pursuant to Section 255 of the National Housing Act.

### **The RD Loan Program**

RD is a unit within the United States Department of Agriculture, authorized to insure loans made by private sector mortgage lenders to low and moderate-income rural families in an amount equal to 90% of the loan. Less than 1% of Ginnie Mae Certificates are backed by RD-insured loans.

### **The HUD Loan Program**

HUD guarantees loans to construct, acquire or rehabilitate one-to-four family dwellings that are located on trust land in an Indian or Alaska Native area made by lenders approved by FHA, authorized by VA, approved by the United States Department of Agriculture to make guaranteed loans under the Housing Act of 1949, and lenders that are supervised, approved, regulated or insured by any agency of the United States Government. Upon default, the lender, depending upon the circumstances, may (a) assign the mortgage to the Secretary, (b) acquire (through foreclosure or deed in lieu of foreclosure) and convey the obligation and security to the Secretary, or (c) work with the borrower to sell the property. The lender will receive guaranty benefits equal to the unpaid balance of the loan, plus approved expenses.

## **UNDERLYING CERTIFICATES**

The Trust Assets for a Series of Securities may include one or more Underlying Certificates. Any such Underlying Certificate will evidence a direct or indirect beneficial ownership interest in a separate pool of Ginnie Mae Certificates and will have been issued and guaranteed as described in the related Underlying Certificate Disclosure Documents. Each Offering Circular Supplement will include a general description of the characteristics of each Underlying Certificate and will incorporate by reference the related Underlying Certificate Disclosure Documents. In the event that any issue arises under the trust agreement that governs the Underlying Trust, which requires a vote of the holders of the Underlying Certificates, the related Trustee will vote the Underlying Certificates in a manner that, in its sole judgment, is consistent with the best interests of the holders of such Underlying Certificates.

Investors in any Security representing an interest in one or more Underlying Certificates are urged to review, in particular, the related Underlying Certificate Disclosure Documents, which may be obtained from the Information Agent as described in the related Offering Circular Supplement.

## **UNDERLYING CALLABLE SECURITIES**

The Trust Assets for a Series of Securities may include one or more Underlying Callable Securities. Any such Underlying Callable Security will evidence a direct beneficial ownership interest in the related Ginnie Mae Platinum Certificates, Ginnie Mae II Certificates or Underlying Certificates, as applicable. Underlying Callable Securities are subject to redemption by the Holders of the related Call Class on any distribution date on or after an initial redemption date. The occurrence of the redemption of any Underlying Callable Securities will result in the prepayment of the related Securities. **In the event that any issue arises under the trust agreement that governs the Callable Trust, which requires a vote of the holders of the Underlying Certificates, the Trustee will vote the Underlying Certificates in a manner that, in its sole judgment, is consistent with the best interests of the holders of such Underlying Certificates.**

Investors in any Security representing an interest in one or more Underlying Callable Securities are urged to review the related Offering Circular included as an exhibit to the Offering Circular Supplement and the offering circular supplement related to the Underlying Certificates or the Ginnie Mae Platinum Certificates, as applicable, which may be obtained from the Information Agent.

## UNDERLYING SMBS SECURITIES

The Trust Assets for a Series of Securities may include one or more Underlying SMBS Securities. Any such Underlying SMBS Security will evidence a direct or indirect beneficial ownership interest in a separate pool of Ginnie Mae Certificates, Underlying Certificates or Underlying SMBS Securities and will have been issued and guaranteed as described in the Underlying SMBS Security Disclosure Document. Each Offering Circular Supplement will include a general description of the characteristics of each Underlying SMBS Security and will incorporate by reference the related Underlying SMBS Security Disclosure Documents. In the event that any issue arises under the trust agreement that governs the Underlying Trust, which requires a vote of the holders of the Underlying SMBS Securities, the related trustee will vote the Underlying SMBS Securities in a manner that, in its sole judgment, is consistent with the best interests of the holders of such Underlying SMBS Securities.

Investors in any Security representing an interest in one or more Underlying SMBS Securities are urged to review, in particular, the related Underlying SMBS Security Disclosure Documents, which may be obtained from the Information Agent as described in the related Offering Circular Supplement.

## YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS

### General

The prepayment experience of the Mortgage Loans underlying (or related to the Participations underlying) the related Trust Assets will affect the Weighted Average Life of and the yield realized by investors in the related Securities. Borrowers may voluntarily prepay their Mortgage Loan in full or in part at any time without penalty. The rate of principal payments (including prepayments and payments in respect of liquidations) on the Mortgage Loans generally depends on a variety of economic, geographic, social and other factors, including prevailing market interest rates and general economic factors. The rate of prepayments on conventional mortgage loans has fluctuated significantly in recent years. There is no assurance, however, that prepayment patterns for the Mortgage Loans will conform to patterns for more traditional types of conventional fixed-rate or adjustable rate mortgage loans. In general, if prevailing mortgage interest rates fall materially below the Mortgage Rates on the Mortgage Loans (giving consideration to the cost of refinancing), the rate of prepayment of the Mortgage Loans would be expected to increase. If mortgage interest rates rise materially above the Mortgage Rates on the Mortgage Loans, the rate of prepayment of the Mortgage Loans would be expected to decrease. There can be no assurance, however, that prepayments will occur in accordance with these patterns.

If the prepayment rate on the Mortgage Loans increases during a period of declining interest rates, investors may receive increased principal distributions at a time when those investors are unable to reinvest at interest rates as favorable as the Interest Rates of the applicable Classes of Securities. If the prepayment rate on the Mortgage Loans decreases during a period of rising interest rates, investors may receive declining principal distributions when those investors otherwise may have been able to reinvest at higher interest rates than the Interest Rates of the applicable Classes of Securities.

In general, changes in the rate of prepayments on the Mortgage Loans, whether as a result of borrower prepayments, payments in respect of liquidations, or cash payments by the Sponsor as a result of the Sponsor's breach of a representation or warranty, will have a greater effect on the yield of a Class of Securities having an earlier Final Distribution Date than for any Class having a later Final Distribution Date.

Special Prepayment and Yield Considerations for Classes of Securities Backed by HECM MBS. The yield for Classes of Securities backed in whole or in part by HECM MBS will depend in large part on the occurrence of Maturity Events generally, and specifically, the mobility, health and mortality of the borrowers or the likelihood that a borrower would fail to abide by certain mortgage covenants. The rate and timing of Maturity Events, and therefore the yields on and weighted average lives of the Securities, may differ substantially from an investor's expectation. In addition, the yield to maturity will be affected by voluntary prepayments in whole or in part by the borrowers.

The yield to investors may also be affected by the Ginnie Mae Issuer's obligation to purchase all Participations related to a HECM upon the occurrence of a Ginnie Mae Issuer Purchase Event. See *"The Ginnie Mae Certificates—General"* and *"Financial Characteristics of HECMs—Obligation of Ginnie Mae Issuer to Purchase Participations Related to Mortgage Loans in Limited Circumstances"* and *"—Optional Purchase of Participations Related to HECMs"* in the HECM MBS Base Prospectus.

### **Payment Delay**

Distributions of interest on the Securities on any Distribution Date will include interest accrued thereon through the Accounting Date, which for Fixed-Rate Classes and Delay Classes is the last day of the month preceding the month in which such Distribution Date occurs. The effective yield to the Holders of such Securities will be lower than the yield otherwise produced by the applicable Interest Rate and purchase price because interest will not be distributed on such Securities that are Book-Entry Securities until the Distribution Date in the month following the month in which such interest accrues on the Trust Assets, and interest will not be distributed on Certificated Securities until the Business Day after such Distribution Date.

### **Assumability of Government Loans**

All Government Loans (except for HECMs) may be assumed upon the sale of the related Mortgaged Property, subject generally to the purchaser's compliance with certain then-existing credit requirements and underwriting guidelines. The Weighted Average Lives of the Securities may be increased to the extent that the Mortgage Loans are assumed by purchasers of the Mortgaged Properties in connection with the sales of such Mortgaged Properties.

### **Weighted Average Life**

The Weighted Average Life of a security refers to the average amount of time that will elapse from the date of its issuance until each dollar of principal of that security will be repaid to the investor. As a result, any projection of the Weighted Average Life of and yield on any Class of the Securities must include an assumption about the anticipated timing and amount of payments on those Securities, which will depend upon the rate of prepayments of the Mortgage Loans, including optional borrower prepayments and prepayments resulting from liquidation of defaulted Mortgage Loans, and in the case of HECMs, the occurrence of Maturity Events and any Ginnie Mae Issuer Purchase Events. In general, prepayments of principal and defaults on the Mortgage Loans will shorten the Weighted Average Life and term to maturity of each related Class of Securities.

The Weighted Average Life of a Class is determined by (a) multiplying the amount of the net reduction, if any, of the Class Principal Balance (or Class Notional Balance) of such Class from one Distribution Date to the next Distribution Date by the number of years from the Closing Date to such next Distribution Date, (b) summing the results and (c) dividing the sum by the aggregate amount of the net reductions in Class Principal Balance (or Class Notional Balance) of such Class referred to in clause (a).

The Weighted Average Lives of the Securities will be influenced by, among other things, the rate at which principal is paid on the Mortgage Loans (or, in the case of a Security Group, on the Mortgage Loans underlying the related Trust Asset Group). In general, the Weighted Average Lives of the Securities will be shortened if the rate of prepayments of principal of the Mortgage Loans increases. However, the Weighted Average Lives will depend upon a variety of other factors, including the timing of changes in such rate of principal prepayments. Accordingly, no assurance can be given as to the Weighted Average Life of any Class. Further, to the extent the prices of the Securities represent discounts or premiums to their respective original principal balances, variability in the Weighted Average Lives of such Classes could result in variability in the related yields to maturity.

### **Standard Prepayment Assumption Models**

Prepayments of Mortgage Loans are commonly measured by a prepayment standard or model. The models used in the Offering Circular Supplement are the standard prepayment assumption model of The Securities Industry and Financial Markets Association ("PSA"), the constant prepayment rate ("CPR") model or with respect to the

related Classes of Securities backed in whole or in part by HECM MBS, such other model as may be described in the Offering Circular Supplement.

CPR represents a constant rate of prepayment on the Mortgage Loans each month relative to the then outstanding aggregate principal balance of the Mortgage Loans for the life of those Mortgage Loans.

PSA represents an assumed rate of prepayment each month relative to the then outstanding principal balance of the Mortgage Loans to which the model is applied. A prepayment assumption of 100% PSA assumes prepayment of the then aggregate outstanding principal balances of the Mortgage Loans in the month following their origination at an annual rate of 0.2% and an additional 0.2% in each month after that (for example, at an annual rate of 0.4% in the second month) until the thirtieth month. Beginning in the thirtieth month, and in each month after that until all of the Mortgage Loans are paid in full, 100% PSA assumes that the rate of prepayment remains constant at 6% per annum. A prepayment assumption of 0% PSA assumes no prepayments, and a prepayment assumption of 200% PSA assumes prepayment rates equal to the product of 2.0 and the 100% PSA assumed prepayment rates. PSA does not purport to be an historical description of prepayment experience or a prediction of the anticipated rate of prepayment of any of the Mortgage Loans.

The Offering Circular Supplement for each Series will contain a table setting forth (i) the weighted average life of each related Class of Securities and (ii) the percentage of the initial Class Principal Balance (or Class Notional Balance) of each related Class of Securities that would be outstanding on specified Distribution Dates for the related Series, in each case, based on the assumption that prepayments on the related Mortgage Loans are made at specified constant rates and based on such other assumptions as may be specified in such Offering Circular Supplement. The actual final distribution on each Class is likely to be made earlier, and could be made significantly earlier, than its Final Distribution Date because (i) the rate of distributions on the Securities of the related Series will be affected by the actual rate of payment (including prepayments) of principal on the related Mortgage Loans and (ii) some of the related Mortgage Loans have stated maturities prior to the dates assumed and may have interest rates lower than those assumed. However, there can be no assurance that the final distribution of principal of any Class will be earlier than the Final Distribution Date specified for such Class in the related Offering Circular Supplement.

No representation is made about the anticipated rate of prepayments or foreclosures on the Mortgage Loans underlying the Trust Assets or about the anticipated yield to maturity of any Class of Securities. Investors are urged to base their decisions whether to invest in any Class of Securities upon a comparison of desired yield to maturity with the yield to maturity that would result based on the price that the investor pays for the Securities and upon the investor's own determinations about anticipated rates of prepayments, foreclosures, substitutions and cash payments by the Sponsor with respect to the Mortgage Loans, and in the case of HECMs, the occurrence of Maturity Events or Ginnie Mae Issuer Purchase Events.

## THE TRUSTS

### **Certain Policies of the Trusts**

No Trust Agreement will authorize a Trust to engage in any activities other than the issuance of the related Securities (or Pooling REMIC Interests) and the purchase, servicing and disposition of the related Trust Assets and certain related activities. Each Trust Agreement may be amended only as set forth below under “— Amendment.”

### **Voting Rights**

Except as otherwise provided in any Trust Agreement, no Holder shall have any right to vote or to control the administration of any Trust or the management of any Trust Assets, provided that Holders of 25% of the Voting Rights may require the Trustee to enforce the Ginnie Mae Guaranty on behalf of all Holders. To the extent of any Ginnie Mae Guaranty Payments, Ginnie Mae shall be subrogated to all rights, remedies, powers and privileges of Holders.

## **Amendment**

Subject to the limitations set forth below, the Sponsor and the Trustee (with Ginnie Mae's consent) may amend any Trust Agreement for any purpose, without the consent of any Holder, provided the Trustee receives one or more Opinions of Counsel that (i) the proposed amendment is permitted by such Trust Agreement and (ii) the proposed amendment will not adversely affect the status of any related Trust REMIC as a REMIC or result in the imposition of any United States federal or applicable state tax upon the Trust or any related Trust REMIC or Asset Pool. The Sponsor and the Trustee may not amend any Trust Agreement, however, if the effect of that amendment would be to alter the timing or amount of any required distribution of principal or interest (including distributions made pursuant to the Ginnie Mae Guaranty) to any Holder, or the right of any Holder to institute suit for the enforcement of any payment, without the consent of each affected Holder.

## **The Trustee**

The Trustee may resign at any time by giving written notice to Ginnie Mae. Upon notice of the Trustee's resignation, Ginnie Mae will appoint a successor Trustee. Ginnie Mae also may remove the Trustee and appoint a successor if the Trustee breaches its obligations under the Trust Agreement, if the Trustee ceases to be eligible to continue as the Trustee under the related Trust Agreement or if the Trustee becomes incapable of acting, or is adjudged as bankrupt or becomes insolvent, or a receiver for the Trustee or its property is appointed, or any public officer takes control of the Trustee or its property for the purpose of rehabilitation, conservation or liquidation of that property. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon the acceptance of the appointment by a successor Trustee.

## **Tax Matters Person**

The Tax Administrator will serve as the agent for the Tax Matters Person of each related Trust REMIC. Each Holder of a Residential Security, by its acquisition of such Security, consents to the appointment of the Tax Administrator as such agent on behalf of such Holder if that Holder would by virtue of its ownership percentage be treated as the Tax Matters Person for the related Trust REMIC. No successor agent may be appointed without the consent of Ginnie Mae.

## **Tax Administrator**

The Tax Administrator, which may be the same person as the Trustee, generally is responsible for the United States federal and state tax administration of the Trust and the related Trust REMIC or Trust REMICs. Foremost among the Tax Administrator's duties will be the preparation of the income tax returns and reports of the Trust and the related Trust REMIC or Trust REMICs and the related underlying tax accounting. Additional information about the duties and activities of the Tax Administrator is set forth in "Certain United States Federal Income Tax Consequences."

## **REMIC Reporting**

Each Trust Agreement will require the Tax Administrator to undertake the following responsibilities, among others, in respect of the related Trust:

- (a) to cause an election to be made with respect to each related Asset Pool to be treated as a REMIC;
- (b) to prepare and cause to be timely filed a Form 8811 and to prepare and cause to be filed annually, on a calendar year basis, Form 1066, U.S. Real Estate Mortgage Investment Conduit Income Tax Return and any other required United States federal or state tax returns with respect to each related Trust REMIC and the related Trust;
- (c) to prepare all information reports and returns required to be provided to Holders under federal or state tax provisions concerning REMICs, including Schedule Q to Form 1066, and to forward their reports and returns to the appropriate Holders; and

(d) to pay when due, on behalf of the affected Trust REMIC or the Trust, the amount of any United States federal, state and local taxes imposed thereon, which amount generally will be paid from assets of the related Trust. Ginnie Mae does not guarantee the accuracy or timeliness of the tax administration and reporting.

## CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

### U.S. Treasury Circular 230 Notice

**The discussion contained in this Base Offering Circular and the related Offering Circular Supplement as to certain United States federal tax consequences is not intended or written to be used, and cannot be used, for the purpose of avoiding United States federal tax penalties. Such discussion is written to support the promotion or marketing of the transactions or matters addressed in this Base Offering Circular and the related Offering Circular Supplement. Each taxpayer to whom such transactions or matters are being promoted, marketed or recommended should seek advice based on its particular circumstances from an independent tax advisor.**

The following discussion, prepared by Ginnie Mae's Legal Advisor, is a summary of the anticipated material United States federal income tax consequences of the purchase, ownership, and disposition of the Securities. The summary is based upon laws, regulations, rulings, and decisions now in effect, all of which are subject to change. The discussion does not purport to deal with the United States federal income tax consequences to all categories of investors, some of which may be subject to special rules. The discussion focuses primarily on investors who will hold the Securities as "capital assets" (generally, property held for investment) within the meaning of section 1221 of the Code, although much of the discussion is applicable to other investors as well. Investors should note that, although final regulations under the REMIC Provisions of the Code (the "REMIC Regulations") have been issued by the U.S. Treasury, no currently effective regulations or other administrative guidance has been issued with respect to certain provisions of the Code that are or may be applicable to Holders, particularly the provisions dealing with market discount and stripped debt instruments. Although the Treasury issued final regulations dealing with original issue discount ("OID") and premium (such regulations, the "OID Regulations"), the OID Regulations do not address directly the treatment of "Regular Securities" (as defined below). Furthermore, the REMIC Regulations do not address all of the issues that arise in connection with the formation and operation of a REMIC. Hence, definitive guidance cannot be provided with respect to many aspects of the tax treatment of Holders. Moreover, there can be no assurance that the United States Internal Revenue Service (the "Service") will not take positions that would be materially adverse to investors. Finally, the summary does not purport to address the anticipated state, local or foreign income tax consequences to investors of owning and disposing of the Securities. Consequently, investors should consult their own tax advisors in determining the United States federal, state, local, foreign, and any other tax consequences to them of the purchase, ownership, and disposition of the Securities.

### General

With respect to each Trust, counsel to the Trust ("Trust Counsel") will deliver a separate opinion generally to the effect that, assuming timely filing of a REMIC election and compliance with all provisions of the related Trust Agreement and the other issuance and closing documents, the Trust, or one or more segregated pools of Trust Assets (each, an "Asset Pool"), will qualify as one or more REMICs (each, a "Trust REMIC") for United States federal income tax purposes. Trust Counsel also will deliver its opinion that the discussion set forth in this Offering Circular under "Certain United States Federal Income Tax Consequences," as amplified or modified by Trust Counsel in the related Offering Circular Supplement, is correct and complete in all material respects. The foregoing opinions will be based on existing law, but there can be no assurance that the law will not change or that contrary positions will not be taken by the Service.

The Securities (other than any Movable or MX Securities) will be designated either as one or more classes of "regular interests" in a Trust REMIC ("Regular Securities"), which generally are treated as debt for United States federal income tax purposes, or the "residual interest" in one or more Trust REMICs ("Residual Securities"), which generally are not treated as debt for such purposes, but rather as representing rights and responsibilities with respect to the taxable income or loss of the related Trust REMIC. The Offering Circular

Supplement for each Trust will indicate which of the Securities in the Trust will be designated as Regular Securities and which will be designated as Residual Securities. In certain cases, a single Residual Security may represent the residual interest in more than one of the Trust REMICs relating to a particular Series. In such cases, the discussion of Residual Securities set forth below should be interpreted as applying to each residual interest separately.

Securities held by a “domestic building and loan association” (a “DB&L”) will constitute assets described in section 7701(a)(19)(C)(xi) of the Code; Securities held by a real estate investment trust (“REIT”) will constitute “real estate assets” within the meaning of section 856(c)(4)(A) of the Code; and interest on such Securities will be considered “interest on obligations secured by mortgages on real property” within the meaning of section 856(c)(3)(B), all in the same proportion that the related Trust REMIC’s assets would so qualify. If 95% or more of the assets of a given Trust REMIC constitute qualifying assets for DB&Ls and REITs, the related Securities and the income thereon will be treated entirely as qualifying assets and income for DB&Ls and REITs. In the case of a Trust that issues a Double REMIC Series, the Trust REMICs related to such Double REMIC Series will be treated as a single REMIC for purposes of determining the extent to which the related Securities and the income thereon will be treated as such assets and income. Regular and Residual Securities held by a financial institution to which section 585 of the Code applies will be treated as evidences of indebtedness for purposes of section 582(c)(1) of the Code. Regular Securities also will be “qualified mortgages” within the meaning of section 860G(a)(3) of the Code with respect to other REMICs.

## **Tax Treatment of Regular Securities**

### *General*

Except as described below for Regular Securities issued with OID or acquired with market discount or premium, interest paid or accrued on a Regular Security will be treated as ordinary income to the Holder and a principal payment on such Security will be treated as a return of capital to the extent that the Holder’s basis in the Security is allocable to that payment. Holders of Regular Securities must report income from such Securities under an accrual method of accounting, even if they otherwise would have used the cash receipts and disbursements method. The Tax Administrator will report annually to the Service and to Holders of record with respect to interest paid or accrued and OID, if any, accrued on the Securities.

### *Single Class REMICs*

In the case of certain Trust REMICs that are considered to be “single-class REMICs” under temporary Treasury regulations, Holders of Regular Securities who are individuals, trusts, estates, or pass-through entities in which such persons hold interests may be required to recognize certain amounts of income in addition to interest and discount income. A single-class REMIC, in general, is a REMIC that (i) would be classified as an investment trust in the absence of a REMIC election or (ii) is substantially similar to an investment trust and was structured with the principal purpose of avoiding the allocation of “allocable investment expenses” (*i.e.*, expenses normally allowable under section 212 of the Code, which may include servicing and administrative fees and the guarantee fee with respect to the Trust Assets) to Holders of Regular Securities. Under the temporary Treasury regulations, each Holder of a regular or residual interest in a single-class REMIC is allocated (i) a share of the REMIC’s allocable investment expenses and (ii) a corresponding amount of additional income. Section 67 of the Code permits an individual, trust or estate to deduct miscellaneous itemized expenses (including section 212 expenses) only to the extent that such expenses, in the aggregate, exceed 2% of its adjusted gross income. Consequently, an individual, trust or estate that holds a regular interest in a single-class REMIC (either directly or through a pass-through entity) will recognize additional income with respect to such regular interest to the extent that its share of allocable investment expenses, when combined with its other miscellaneous itemized deductions for the taxable year, is less than 2% of its adjusted gross income. Any such additional income will be treated as interest income. In addition, Code section 68 currently provides that the amount of itemized deductions otherwise allowable for the taxable year for an individual whose adjusted gross income exceeds a certain amount will be reduced. The amount of such additional taxable income recognized by Holders who are subject to the limitations of either section 67 or section 68 may be substantial and may reduce the after-tax yield to such Holders of an investment in the Securities of an affected Trust. Non-corporate Holders of Regular Securities evidencing an interest in a single-class REMIC also should be aware that miscellaneous itemized deductions, including allocable investment expenses attributable to such REMIC, are not deductible for purposes of the alternative minimum tax (“AMT”). Although the law is not



entirely clear, unless every Security Group related to a Trust REMIC would be classified as an investment trust in the absence of the REMIC election, the Trustee will not treat the Trust REMIC as a single-class REMIC.

### *Original Issue Discount*

*Overview.* Certain Classes of Regular Securities may be issued with OID within the meaning of section 1273(a) of the Code. In general, such OID will equal the difference between the “stated redemption price at maturity” of the Regular Security and its issue price. Holders of Regular Securities as to which there is OID should be aware that they generally must include OID in income for United States federal income tax purposes on an annual basis under a constant yield accrual method that reflects compounding. In general, OID is treated as ordinary interest income and must be included in income in advance of the receipt of the cash to which it relates.

The amount of OID required to be included in a Regular Holder’s income in any taxable year will be computed in accordance with section 1272(a)(6) of the Code, which provides for the accrual of OID under a constant yield method on regular interests in a REMIC. Under section 1272(a)(6), as elaborated by the related legislative history, the amount and the rate of accrual of OID generally is to be calculated based on the prepayment rate for the REMIC’s mortgage collateral and the reinvestment rate on amounts held pending distribution that were assumed in pricing the Regular Securities (the “Pricing Prepayment Assumptions”). The OID Regulations do not address directly the treatment of instruments that are subject to section 1272(a)(6). However, until the Treasury issues guidance to the contrary, the Tax Administrator, in its capacity as party responsible for computing the amount of OID to be reported to a Regular Holder each taxable year, will base its computations on Code section 1272(a)(6) and the OID Regulations as described below. Prospective investors should be aware that because no regulatory guidance currently exists under Code section 1272(a)(6), there can be no complete assurance that the methodology described below represents the correct manner of calculating OID on the Regular Securities.

*Amount of Original Issue Discount.* The amount of OID on a Regular Security equals the excess, if any, of the Security’s “stated redemption price at maturity” over its “issue price.” Under the OID Regulations, a debt instrument’s stated redemption price at maturity is the sum of all payments provided by the instrument other than “qualified stated interest” (such payments, “Deemed Principal Payments”). Qualified stated interest, in general, is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at (i) a single fixed rate or (ii) a variable rate that meets certain requirements set out in the OID Regulations. See “— Variable Rate Securities” below. Because an Accrual Security generally does not require unconditional payments of interest at least annually, all payments due thereon, whether designated as principal, accrued interest, or current interest will constitute Deemed Principal Payments. A portion of interest accrued on a Security of a Partial Accrual Class will also constitute Deemed Principal Payments because payments of such amounts would not be required at least annually. In addition, it is possible that all or a portion of interest payable on a HMBS-Backed Class may constitute Deemed Principal Payments in a manner similar to interest payable on an Accrual Security or a Partial Accrual Security depending on the circumstances surrounding such HMBS-Backed Class as described in the related Offering Circular Supplement. Consequently, all Accrual Securities will, and some or all HMBS-Backed Classes of a particular series may, be considered to be issued with OID for United States federal income tax purposes. The issue price of a Regular Security generally will equal the initial price at which a substantial amount of Securities of the same Class is sold to the public (including any amounts paid for interest accrued as of the Closing Date under the terms of the Security).

Under a *de minimis* rule, a Regular Security will be considered to have no OID if the amount of OID is less than 0.25% of the Security’s stated redemption price at maturity multiplied by its weighted average maturity (“WAM”). For that purpose, the WAM of a Regular Security is the sum of the amounts obtained by multiplying the amount of each Deemed Principal Payment by a fraction, the numerator of which is the number of complete years from the Security’s issue date until the payment is made, and the denominator of which is the Security’s stated redemption price at maturity. Although no guidance has been issued regarding the application of the *de minimis* rule to REMIC regular interests, it is expected that the WAM of a Regular Security will be computed using the Pricing Prepayment Assumptions. A Regular Holder will include *de minimis* OID in income on a *pro rata* basis as stated principal payments on the Security are received or, if earlier, upon disposition of the Security, unless the Holder makes the “Constant Yield Election” (as defined below).

Regular Securities may bear interest under terms that provide for a teaser rate period, interest holiday, or other period (a “Teaser Period”) during which the rate of interest payable on the Securities is lower than the rate payable during the remainder of the life of the Securities (“Teaser Securities”). The OID Regulations provide an alternative test under which a Teaser Security may be considered to have a *de minimis* amount of OID (the “Alternative *De Minimis* Amount”) even though the amount of OID on such Security would be more than *de minimis* as determined under the regular test. The Alternative *De Minimis* Amount applies only if the stated interest on a Teaser Security would be qualified stated interest but for the fact that the interest rate effective in the Teaser Period or Periods is below the rate applicable for the remainder of its term. Under the alternative test, the amount of OID on a Teaser Security that is measured against the Alternative *De Minimis* Amount is the greater of (i) the excess of the stated principal amount of the Security over its issue price (“True Discount”) and (ii) the amount of interest that would be necessary to be payable on the Security in order for all stated interest to be qualified stated interest (the “Additional Interest Amount”). If the amount of OID on a Teaser Security eligible for the alternative test exceeds the Alternative *De Minimis* Amount, the Security will be treated as issued with OID. In that case, the stated redemption price at maturity of such Security would be deemed to include either (i) all of the stated interest on the Security or (ii) all stated interest on the Security in excess of the lowest effective interest rate on such Security in any Teaser Period. Consequently, the Holder of such a Security would be required to recognize in the Teaser Period ordinary income arising from OID in addition to any qualified stated interest for such Period.

If the period between the Closing Date and the first Distribution Date (the “Initial Distribution Period”) of a Current Interest Class is shorter than the interval between subsequent Distribution Dates, the effective rate of interest payable on a Security during the Initial Distribution Period will be higher than the stated rate of interest if a Holder receives interest on the initial Distribution Date based on a full accrual period. To the extent that the interest payment due on the first Distribution Date exceeds the amount that would have been payable had the effective rate for that period been equal to the stated interest rate, that payment (an “Excess Interest Payment”) will be treated as a Deemed Principal Payment. Consequently, a Security having an Excess Interest Payment may have OID, although the determination of whether such a Security has OID will also take into account (i) the fact that the Security’s issue price includes any interest accrued as of the Closing Date (which may equal or exceed the amount of the Excess Interest Payment) and (ii) the *de minimis* rules described above. In the absence of further guidance, the Tax Administrator will treat all interest payable on such Security other than the Excess Interest Payment as qualified stated interest, to the extent it otherwise would so qualify.

*Accrual of Original Issue Discount.* The Holder of a Regular Security generally must include in gross income the sum, for all days during his taxable year on which he holds the Regular Security, of the “daily portions” of the OID on such Security. In the case of an original Holder of a Regular Security, the daily portions of OID with respect to such Security generally will be determined by allocating to each day in any accrual period the Security’s ratable portion of the excess, if any, of (i) the sum of (a) the present value of all projected payments under the Security yet to be received as of the close of such period plus (b) the amount of Deemed Principal Payments received on the Security during such period over (ii) the Security’s “adjusted issue price” at the beginning of such period. The accrual period that will be used by the Tax Administrator for purposes of computing the daily portions on a Regular Security will be the one month (or shorter period) ending on each Payment Date. The present value of projected payments yet to be received on a Regular Security is to be computed using the Pricing Prepayment Assumptions and the Security’s original yield to maturity (adjusted to take into account the length of the particular accrual period), and taking into account Deemed Principal Payments actually received on the Security prior to the close of the accrual period. The adjusted issue price of a Regular Security at the beginning of the first accrual period is its issue price. The adjusted issue price at the beginning of each subsequent period is the adjusted issue price of the Security at the beginning of the preceding period increased by the amount of OID allocable to that period and reduced by the amount of any Deemed Principal Payments received during that period. Thus, an increased (or decreased) rate of prepayments received with respect to a Regular Security will be accompanied by a correspondingly increased (or decreased) rate of recognition of OID by the Holder of such Security.

The yield to maturity of a Regular Security is calculated based on the Pricing Prepayment Assumptions. Contingencies, such as the exercise of “mandatory redemptions,” that are taken into account by the parties in pricing the Regular Security typically will be subsumed in the Pricing Prepayment Assumptions and thus will be reflected in the Security’s yield to maturity.

If a subsequent Holder's adjusted basis in the Security immediately after the acquisition exceeds the adjusted issue price of the Security, but is less than or equal to the sum of the Deemed Principal Payments to be received under the Security after the acquisition date, the amount of OID on the Security will be reduced by a fraction, the numerator of which is the excess of the Security's adjusted basis immediately after its acquisition over the adjusted issue price of the Security and the denominator of which is the excess of the sum of all Deemed Principal Payments to be received on the Security after the acquisition date over the adjusted issue price of the Security. For that purpose, the adjusted basis of a Regular Security generally is reduced by the amount of any qualified stated interest that is accrued but unpaid as of the acquisition date. Alternatively, the subsequent Holder of a Regular Security having OID may make a Constant Yield Election with respect to the Security, as described below. If the subsequent Holder's adjusted basis in a Regular Security, immediately after its acquisition, exceeds the sum of all Deemed Principal Payments to be received on the Security after the acquisition date, the Holder will no longer be required to accrue OID on the Security, and the Holder can elect to reduce the amount of interest income recognized on the Security by the amount of amortizable premium. See "— Amortizable Premium" below.

*Special Rules and Considerations.* If the amount of OID computed for a Regular Security during an accrual period is negative ("Negative OID"), the amount of OID on such Security will be treated as zero for that period, and the Holder generally will be entitled to offset the Negative OID only against future positive OID on the Security. Although the law is unclear in some respects, a corporate Holder whose Regular Security has Negative OID may be entitled to deduct a loss when and to the extent that its adjusted basis in the Regular Security exceeds the maximum amount of future payments to which the Regular Security entitles it. Similarly, certain non-corporate Holders may be entitled to the same treatment if their Regular Securities are involved in their trade or business. It is unclear whether other non-corporate Holders may claim any tax benefit related to a Regular Security with Negative OID (other than an offset against future positive OID generated by such Security) prior to its maturity. Prospective Holders should consult their own tax advisors with respect to the tax consequences to them of Negative OID.

The OID Regulations contain an aggregation rule (the "Aggregation Rule") under which two or more debt instruments issued in connection with the same transaction (or related transactions in certain circumstances) generally are treated as a single debt instrument for United States federal income tax accounting purposes if issued by a single issuer to a single Holder. The Aggregation Rule, however, does not apply if the debt instrument is part of an issue (i) a substantial portion of which is traded on an established market or (ii) a substantial portion of which is issued for cash (or property traded on an established market) to parties who are not related to the issuer or Holder and who do not purchase other debt instruments of the same issuer in connection with the same transaction or related transactions. In most cases, the Aggregation Rule will not apply to Regular Securities of different Classes that are sold to the public because one or both of the exceptions to the Aggregation Rule will have been met. Although the Tax Administrator will apply the Aggregation Rule to all regular interests in a Trust REMIC that are held by a related Trust REMIC, it generally will not apply the Aggregation Rule to Regular Securities for purposes of reporting to Holders unless a single Regular Security represents two or more regular interests in a Trust REMIC, in which case the Trustee generally will treat such Regular Security as a single debt instrument. The OID Regulations provide that a Holder generally may make an election (a "Constant Yield Election") to include in gross income all stated interest, OID, *de minimis* OID, market discount (as described below under "— Market Discount"), and *de minimis* market discount that accrues on a Regular Security (as reduced by any amortizable premium, as described below under "— Amortizable Premium" or acquisition premium, as described below) under the constant yield method used to account for OID. To make the Constant Yield Election, the Holder of the Security must attach a statement to its timely filed United States federal income tax return for the taxable year in which the Holder acquired the Security. The statement must identify the instruments to which the election applies. A Constant Yield Election is irrevocable unless the Holder obtains the consent of the Service. In general, the Constant Yield Election may be made on an obligation-by-obligation basis. If, however, a Constant Yield Election is made for a debt instrument with market discount, the Holder is deemed to have made an election to include in income currently the market discount on all debt instruments with market discount subsequently acquired during the same tax year or thereafter by the Holder, as described in "— Market Discount" below. In addition, if a Constant Yield Election is made for a debt instrument with amortizable premium, the Holder is deemed to have made an election to amortize the premium on all of the Holder's other debt instruments with amortizable premium under the constant yield method. See "— Amortizable Premium" below.

The United States federal income tax treatment of income on a Regular Security, the payments on which consist entirely or primarily of a specified nonvarying portion of the interest payable on one or more of the qualified

mortgages held by the Trust REMIC (an “Interest Weighted Security”), is unclear. Until the Service provides contrary administrative guidance on the income tax treatment of an Interest Weighted Security, the Tax Administrator intends to take the position that an Interest Weighted Security does not bear qualified stated interest and will account for the income thereon as described in “Certain United States Federal Income Tax Consequences — Original Issue Discount — Interest Weighted Securities and Non-VRDI Securities” herein. Some Interest Weighted Securities may provide for a relatively small amount of principal and for interest that can be expressed as qualified stated interest at a very high fixed rate with respect to that principal (“Superpremium Securities”). Superpremium Securities technically are issued with amortizable premium. However, because of their close similarity to other Interest Weighted Securities, it appears more appropriate to account for Superpremium Securities in the same manner as for other Interest Weighted Securities. Consequently, in the absence of further administrative guidance, the Tax Administrator intends to account for Superpremium Securities in the same manner as other Interest Weighted Securities. However, there can be no assurance that the Service will not assert a position contrary to that taken by the Tax Administrator, and, therefore, Holders of Superpremium Securities should consider making a protective election to amortize premium on such Securities.

The OID Regulations provide that if a principal purpose in structuring a debt instrument, engaging in a transaction, or applying the OID Regulations is to achieve a result that is unreasonable in light of the purposes of the applicable statutes, the Service can apply or depart from the OID Regulations as necessary or appropriate to achieve a reasonable result. A result is not considered unreasonable, however, in the absence of a substantial effect on the present value of a taxpayer’s tax liability.

In view of the complexities and current uncertainties as to the manner of inclusion in income of OID on Regular Securities, each investor should consult his own tax advisor to determine the appropriate amount and method of inclusion in income of OID on such Securities for United States federal income tax purposes.

#### *Variable Rate Securities*

A Regular Security may pay interest at a variable rate (a “Variable Rate Security”). The rules applicable to variable rate debt instruments, as defined in the OID Regulations (“VRDIs”), apply to a Variable Rate Security only if: (i) such Security is not issued at a premium to its noncontingent principal amount in excess of the lesser of (a) .015 multiplied by the product of such noncontingent principal amount and the WAM (as that term is defined above in the discussion of the *de minimis* rule) of the Security or (b) 15% of such noncontingent principal amount (an “Excess Premium”); (ii) stated interest on the Security compounds or is payable unconditionally at least annually at (a) one or more “qualified floating rates,” (b) a single fixed rate and one or more qualified floating rates, (c) a single “objective rate,” or (d) a single fixed rate and a single objective rate that is a “qualified inverse floating rate”; and (iii) the qualified floating rate or the objective rate in effect during an accrual period is set at a current value of that rate (*i.e.*, the value of the rate on any day occurring during the interval that begins three months prior to the first day on which that value is in effect under the Security and ends one year following that day). However, if the Variable Rate Security provides for any contingent payments (which do not include qualified stated interest), the Tax Administrator will account for the Variable Rate Security as described in “Certain United States Federal Income Tax Consequences — Original Issue Discount — Interest Weighted Securities and Non-VRDI Securities” herein.

A rate is a qualified floating rate if variations in the rate reasonably can be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the debt instrument is denominated. A qualified floating rate may measure contemporaneous variations in borrowing costs for the issuer of the debt instrument or for issuers in general. A multiple of a qualified floating rate is considered a qualified floating rate only if the rate is equal to either (a) the product of a qualified floating rate and a fixed multiple that is greater than .65 but not more than 1.35 or (b) the product of a qualified floating rate and a fixed multiple that is greater than .65 but not more than 1.35, increased or decreased by a fixed rate. If a Security provides for two or more qualified floating rates that reasonably can be expected to have approximately the same values throughout the term of the Security, the qualified floating rates together will constitute a single qualified floating rate. Two or more qualified floating rates conclusively will be presumed to have approximately the same values throughout the term of a Security if the values of all such rates on the issue date of the Security are within 25 basis points of each other.

A variable rate will be considered a qualified floating rate if it is subject to a restriction or restrictions on the maximum stated interest rate (a “Cap”), a restriction or restrictions on the minimum stated interest rate

(a “Floor”), a restriction or restrictions on the amount of increase or decrease in the stated interest rate (a “Governor”), or other similar restriction only if: (a) the Cap, Floor, or Governor is fixed throughout the term of the related Security or (b) the Cap, Floor, or Governor, or similar restriction is not reasonably expected, as of the issue date, to cause the yield on the Security to be significantly less or significantly more than the expected yield on the Security determined without such Cap, Floor, Governor, or similar restriction, as the case may be. Although the OID Regulations are unclear, it appears that a VRDI, the primary rate on which is subject to a Cap, Floor, or Governor that itself is a qualified floating rate, bears interest at an objective rate and not at a qualified floating rate.

An objective rate is a rate (other than a qualified floating rate) that (i) is determined using a single fixed formula, (ii) is based on objective financial or economic information, and (iii) is not based on information that is within the control of the issuer (or a related party) or that is unique to the circumstances of the issuer (or a related party), such as the level of the issuer’s dividends, profits, or stock value. The definition includes, for example, a rate that is based on changes in a general inflation index and a “qualified inverse floating rate” (generally a fixed rate minus a qualified floating rate). A variable rate is not an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of the term will be either significantly less than or greater than the average value for the second half of the term.

If interest on a Variable Rate Security is stated at a fixed rate for an initial period of less than one year followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period, and the value of the variable rate on the issue date approximates the fixed rate, the fixed rate and the variable rate together constitute a single qualified floating rate or objective rate. A variable rate conclusively will be presumed to approximate an initial fixed rate if the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points.

Under the OID Regulations, all stated interest on a Variable Rate Security that qualifies as a VRDI and provides for stated interest unconditionally payable in cash or property at least annually at a single qualified floating rate or a single objective rate, including a qualified inverse floating rate (a “Single Rate VRDI Security”) is treated as qualified stated interest. The amount and accrual of OID on a Single Rate VRDI Security is determined, in general, by converting such Security into a hypothetical fixed rate security and applying the rules applicable to fixed rate securities described under “Original Issue Discount” above to the hypothetical fixed rate security. A Single Rate VRDI Security that provides for a qualified floating rate or a qualified inverse floating rate is converted to a hypothetical fixed rate security by assuming that the qualified floating rate or qualified inverse floating rate will remain at its value as of the issue date. A Single Rate VRDI Security that provides for an objective rate other than a qualified inverse floating rate is converted to a hypothetical fixed rate security by substituting for the objective rate a fixed rate that reflects the yield that reasonably is expected for the Single Rate VRDI Security. Qualified stated interest or OID allocable to an accrual period with respect to a Single Rate VRDI Security must be increased (or decreased) if the interest actually accrued or paid during such accrual period exceeds (or is less than) the interest assumed to be accrued or paid during such accrual period under the related hypothetical fixed rate security.

Except as provided below, the amount and accrual of OID on a Variable Rate Security that qualifies as a VRDI but is not a Single Rate VRDI Security (a “Multiple Rate VRDI Security”) is determined by converting such Security into a hypothetical equivalent fixed rate security that has terms that are identical to those provided under the Multiple Rate VRDI Security, except that such hypothetical equivalent fixed rate security will provide for fixed rate substitutes in lieu of each qualified floating rate, qualified inverse floating rate or objective rate provided for under the Multiple Rate VRDI Security in the manner described above for Single Rate VRDI Securities. Qualified stated interest or OID allocable to an accrual period with respect to a Multiple Rate VRDI Security must be increased (or decreased) if the interest actually accrued or paid during such accrual period exceeds (or is less than) the interest assumed to be accrued or paid during such accrual period under the hypothetical equivalent fixed rate security.

Under the OID Regulations, the amount and accrual of OID on a Multiple Rate VRDI Security that provides for stated interest at either one or more qualified floating rates or at a qualified inverse floating rate and in addition provides for stated interest at a single fixed rate (other than an initial fixed rate that is intended to approximate the subsequent variable rate) is determined using the method described above for all other Multiple Rate VRDI Securities except that prior to its conversion to a hypothetical equivalent fixed rate security, such Multiple Rate VRDI Security is treated as if it provided for a qualified floating rate (or a qualified inverse floating











































































































