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THE FOLLOWING DOCUMENT INCLUDES BOTH THE COMPOSITE  
COPY OF THE TRUST INDENTURE AS SUPPLEMENTED AND  
AMENDED BY THE FIRST THROUGH EIGHTH SUPPLEMENTAL  
INDENTURES, AND THE NINTH SUPPLEMENTAL INDENTURE.

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**FEDERAL NATIONAL MORTGAGE ASSOCIATION  
("FNMA")**

**Issuer and Trustee**

**TRUST INDENTURE**

**for**

**GUARANTEED MORTGAGE  
PASS-THROUGH CERTIFICATES  
evidencing undivided beneficial interests in**

**POOLS OF FIXED RATE RESIDENTIAL MORTGAGE LOANS**

**[Authorized by Title III of the National Housing Act,  
12 U.S.C. 1719(d)]**

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**THIS DOCUMENT IS A COMPOSITE COPY OF THE TRUST INDENTURE AS SUPPLEMENTED AND AMENDED BY THE FIRST SUPPLEMENTAL INDENTURE, THE SECOND SUPPLEMENTAL INDENTURE, THE THIRD SUPPLEMENTAL INDENTURE, THE FOURTH SUPPLEMENTAL INDENTURE, THE FIFTH SUPPLEMENTAL INDENTURE, THE SIXTH SUPPLEMENTAL INDENTURE, THE SEVENTH SUPPLEMENTAL INDENTURE, AND THE EIGHTH SUPPLEMENTAL INDENTURE DATED AS OF FEBRUARY 15, 1982, OCTOBER 1, 1982, AUGUST 1, 1983, MAY 1, 1984, JULY 1, 1984, MAY 1, 1985, AUGUST 1, 1986, AND JANUARY 1, 1987, RESPECTIVELY. SEE THE EXPLANATORY STATEMENT FOR DETAILS. EXECUTED COPIES OF THE ORIGINAL INDENTURE AND EACH OF THE SUPPLEMENTAL INDENTURES ARE AVAILABLE FOR INSPECTION AT THE OFFICES OF FNMA.**

## **EXPLANATORY STATEMENT**

The Trust Indenture dated as of November 1, 1981 has been amended by a First Supplemental Indenture dated as of February 15, 1982, a Second Supplemental Indenture dated as of October 1, 1982, a Third Supplemental Indenture dated as of August 1, 1983, a Fourth Supplemental Indenture dated as of May 1, 1984, a Fifth Supplemental Indenture dated as of July 1, 1984, a Sixth Supplemental Indenture dated as of May 1, 1985, a Seventh Supplemental Indenture dated as of August 1, 1986, and an Eighth Supplemental Indenture dated as of January 1, 1987.

This Composite Copy of the Trust Indenture consolidates all of the substantive provisions included in the Trust Indenture as supplemented and amended through the Eighth Supplemental Indenture. It has not been executed in this form.

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**FEDERAL NATIONAL MORTGAGE ASSOCIATION  
GUARANTEED MORTGAGE PASS-THROUGH  
SECURITIES PROGRAM**

**(Fixed Rate Residential Mortgage Loans)**

**TRUST INDENTURE**

THIS TRUST INDENTURE made, executed and published this first day of November, 1981, at Washington, D.C., by the Federal National Mortgage Association (herein called "FNMA"), a body corporate organized and existing under the laws of the United States, in its corporate capacity and in its capacity as trustee;

**WITNESSETH:**

WHEREAS, FNMA has purchased and intends to purchase fixed rate residential mortgage loans and intends:

To assemble groups of such mortgage loans into separate pools bearing distinctive identification;

To set aside and hold the mortgage loans comprising each such pool in trust and service such mortgage loans;

To issue, sell and administer guaranteed mortgage pass-through certificates evidencing undivided beneficial interests in the mortgage loans comprising each separate, identified pool; and

To issue, sell and administer to the extent set forth in the related issue supplement guaranteed stripped mortgage-backed securities evidencing specified rights to distributions with respect to the mortgage loans comprising certain specified identified pools.

NOW, THEREFORE, the parties to this Trust Indenture, in the several capacities hereinabove set forth, do hereby declare and establish this Trust Indenture and do hereby undertake and otherwise agree as follows:



## ARTICLE I

## Defined Terms

Whenever used in this Trust Indenture, the following words and phrases shall have the following meanings:

**Accounting Records:** As to any particular issue of Certificates, the documentation necessary to account for the activity on the pooled Mortgage Loans.

**Aggregate Scheduled Principal:** With respect to any particular Pool and Distribution Date, the aggregate principal due on all Outstanding Mortgage Loans during the Due Period including, for this purpose, principal which would have been due during the Due Period in accordance with an amortization schedule but which has been deferred pursuant to an extension granted to the Mortgagor or otherwise.

**Authorized Officer:** The Chairman of the Board, the President or any Executive Vice President, Senior Vice President or Vice President of FNMA.

**Book-Entry Certificate:** A Guaranteed Mortgage Pass-Through Certificate representing a Fractional Undivided Interest in a Pool formed on or after May 1, 1985, which is issued in book-entry form and is maintained in the name of a record owner as an entry on the books of a Reserve Bank.

**Business Day:** Any day other than (i) a Saturday or a Sunday, or (ii) a day on which the Federal Reserve Bank of New York authorizes banking institutions in the Second Federal Reserve District to be closed.

**Certificate:** Any Definitive Certificate executed by FNMA and authenticated by the Certificate Registrar in substantially the form of Exhibit A annexed hereto or any Book-Entry Certificate.

**Certificateholder or Holder:** As to any Definitive Certificate, the person in whose name such Definitive Certificate is registered in the Certificate Register, except that, solely for the purposes of giving any consent pursuant to this Trust Indenture or any Issue Supplement, any Definitive Certificate registered in the name of FNMA, any Sub-Servicer of the related Pool or any affiliate of any such Sub-Servicer shall be deemed not to be outstanding and the Fractional Undivided Interest evidenced thereby shall not be taken into account in determining whether the requisite percentage of Fractional Undivided Interests necessary to effect any such consent has been obtained; provided, however, that any such Definitive Certificate or portion thereof

shall not be so disregarded if (i) FNMA or any such Sub-Servicer or affiliate is not the beneficial owner of such Definitive Certificate or portion thereof and (ii) such Definitive Certificate, or the applicable portion thereof, is voted in accordance with written instructions provided to the Holder thereof by some or all of the Persons owning such beneficial interests (if less than all of such Persons shall furnish such written instructions then such portion of such Definitive Certificate as to which instructions shall not have been furnished shall be deemed not to be outstanding for purposes of such vote). As to any Book-Entry Certificate, the record owner on the appropriate Reserve Bank's books.

**Certificate Principal Balance:** The portion of the Pool Principal Balance evidenced by a particular Certificate.

**Certificate Register and Certificate Registrar:** The register maintained and the registrar appointed pursuant to Section 7.02.

**Charter Act:** The Federal National Mortgage Association Charter Act (12 U.S.C. §1716 *et seq.*), as amended and in effect from time to time.

**Curtailment:** Any unscheduled partial payment or other recovery of principal on a Mortgage Loan (including, for this purpose, the difference between the Stated Principal Balance of any Replaced Defective Mortgage Loan and the Issue Date Principal Balance of any related Substitute Mortgage Loan) which is not accompanied by an amount representing scheduled interest due after the month of payment.

**Custodial Agreement:** An agreement substantially in the form attached hereto as Exhibit C pursuant to which Mortgage Notes and related documents specified in such agreement are deposited with an eligible custodian.

**Definitive Certificate:** Any Certificate which is not a Book-Entry Certificate.

**Distribution Date:** The 25th day of any month, beginning as to any particular Pool with the 25th day of the month following the month of the Issue Date, or, if such 25th day is not a Business Day, the Business Day immediately following.

**Due Period:** As to any Distribution Date, the period beginning on the second day of the month next preceding the month of such Distribution Date and ending on the first day of the month of such Distribution Date.

**Event of Default:** An event as described in Section 9.03.

**FHA:** Federal Housing Administration, an agency of the U.S. government.

**FHA/VA Mortgage Loan:** A Mortgage Loan that is insured by the FHA or guaranteed by the VA.

**FNMA:** Federal National Mortgage Association, a body corporate organized and existing under the laws of the United States, or its successor in interest or any successor appointed as herein provided. Unless the context requires otherwise, the term "FNMA" shall be deemed to refer to the Federal National Mortgage Association acting in its corporate capacity and not in its capacity as Trustee hereunder.

**Fractional Undivided Interest:** The fractional undivided interest in the related Trust Fund that is evidenced by a Certificate, such fractional undivided interest being equal (i) in the case of a Definitive Certificate, to the initial Certificate Principal Balance set forth on the face of such Certificate, divided by the Pool Principal Balance on the Issue Date and (ii) in the case of a Book-Entry Certificate, to the fractional undivided interest in the underlying Pool entered in the name of the Holder in, or derived from, the records of the appropriate Reserve Bank.

**Fully Prepaid Mortgage Loan:** Any Mortgage Loan (i) respecting which payment of the entire principal balance is made prior to the final maturity of such Mortgage Loan, (ii) respecting which cash is received in connection with the liquidation of such Mortgage Loan, whether through insurance or guaranty proceeds, condemnation awards, proceeds of any sale of the Mortgaged Property or otherwise (and whether or not such cash is equal to the unpaid principal amount thereof and all interest accrued thereon) in an amount determined by FNMA in its reasonable judgment to be the full amount finally recoverable on account of such Mortgage Loan, or (iii) which is deemed to be a Fully Prepaid Mortgage Loan pursuant to Section 4.02 or 5.03.

**GEM:** A Mortgage Loan which provides by its terms for periodic increases in the amount of each monthly payment of principal and interest, each such increase being applied toward the reduction of the unpaid principal balance of such Mortgage Loan.

**Issue Date:** As to any particular Pool, the first day of the month in which Certificates evidencing Fractional Undivided Interests in the related Trust Fund are issued.

**Issue Date Principal Balance:** The principal balance of a Mortgage Loan as reflected in the Mortgage Loan Schedule (or, in the case of any Substitute Mortgage Loan, the principal balance on the first day of the month of substitution after the application of all principal installments due on or prior to such first day of the month).

**Issue Supplement:** An instrument published by FNMA pursuant to Section 2.01 which supplements this Trust Indenture and identifies and establishes a particular Pool and a particular issue of Certificates related to such Pool.

**Mortgage:** The mortgage, deed of trust or other instrument creating a first lien on the real property securing a Mortgage Note.

**Mortgage Interest Rate:** The annual interest rate required to be paid by a Mortgagor under the terms of the related Mortgage Note.

**Mortgage Loan:** Each of the mortgage loans identified in the Mortgage Loan Schedule attached to an Issue Supplement as from time to time is held as a part of the related Trust Fund, together with any Substitute Mortgage Loan; however, in the case of Pools comprised of Participation Certificate(s), the term "Mortgage Loan" means the beneficial interest in each mortgage loan represented thereby, as specified in the Mortgage Loan Schedule, (i) for purposes of the following definitions: "Aggregate Scheduled Principal," "Curtailement," "Issue Date Principal Balance," "Pool," "Pool Principal Balance," "Pool Proceeds," "Replaced Defective Mortgage Loan," "Stated Principal Balance" and "Substitute Mortgage Loan" and (ii) otherwise as the context requires in order to effectuate the purposes of this Trust Indenture.

**Mortgage Loan Schedule:** The schedule of Mortgage Loans attached to each Issue Supplement pursuant to Section 2.01.

**Mortgage Note:** The note or other evidence of indebtedness evidencing the indebtedness of a Mortgagor under a Mortgage Loan.

**Mortgaged Property:** The real property and all improvements thereon and appurtenant thereto which secure a Mortgage Loan.

**Mortgagor:** The obligor on a Mortgage Note.

**Officer's Certificate:** A certificate signed by the Chairman of the Board, the President or any Executive Vice President, Senior Vice President or Vice President of FNMA.

**Opinion of Counsel:** A written opinion of counsel, who may be counsel for FNMA.

**Outstanding Mortgage Loan:** As to any Distribution Date, any Mortgage Loan (including a Mortgage Loan which has been foreclosed or comparably converted) which is not (i) a Fully Prepaid Mortgage Loan respecting which the final distribution to Certificateholders has been made prior to, or will be made on, such Distribution Date or (ii) a Replaced Defective Mortgage Loan.

**Participation Certificate:** A certificate issued by a Sub-Servicer evidencing a specified beneficial interest in the mortgage loans described therein.

**Pass-Through Rate:** An annual rate of interest equal, as to any particular issue of Certificates, to the rate per annum specified in the related Issue Supplement.

**Paying Agent:** Any paying agent appointed by FNMA pursuant to Section 7.05.

**Person:** Any legal person, including any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

**Pool:** All of the Mortgage Loans held as part of a particular Trust Fund.

**Pool Principal Balance:** The aggregate Stated Principal Balances of the Mortgage Loans.

**Pool Proceeds:** As to a particular Pool, all payments and other recoveries received on account of the Mortgage Loans in such Pool, including, without limitation, any insurance or guaranty proceeds, other than (i) any payments due on or before the Issue Date for such Pool or, in the case of any Substitute Mortgage Loan, due on or before the first day of the month of the related substitution, (ii) that portion of each payment of interest on a particular Mortgage Loan which, when deducted, will make the remaining portion of such payment equal to interest at the Pass-Through Rate on the principal balance of such Mortgage Loan outstanding over the period respecting which such interest payment was paid and (iii) any amount received upon the final payment or other liquidation of a Mortgage Loan which is in excess of the Stated Principal Balance of such Mortgage

Loan together with interest on such Stated Principal Balance at the Pass-Through Rate to the first day of the month following such final payment or liquidation.

*Prospectus:* The general form of prospectus in use at the time of the offering of an issue of Certificates, together with the final supplement thereto applicable specifically to such issue.

*Record Date:* The last day of the month immediately preceding the month of the related Distribution Date.

*Replaced Defective Mortgage Loan:* Any Mortgage Loan which is withdrawn from the related Pool and is replaced by a Substitute Mortgage Loan pursuant to Section 4.02 or Section 5.03.

*Reserve Bank:* Any Federal Reserve Bank, including its branches.

*Servicing Contract:* The agreement between FNMA and any Sub-Servicer relating to the direct servicing by such Sub-Servicer of Mortgage Loans for a particular Pool.

*Stated Principal Balance:* At the time of any determination, the Issue Date Principal Balance of a Mortgage Loan reduced by all amounts distributed to Certificateholders in respect of principal of such Mortgage Loan.

*Sub-Servicer:* Any Person which shall at the time be directly servicing any Mortgage Loans pursuant to a Servicing Contract.

*Substitute Mortgage Loan:* Any Mortgage Loan which is substituted for a Replaced Defective Mortgage Loan pursuant to Section 4.02 or Section 5.03.

*Supplemental Indenture:* Any supplemental indenture entered into pursuant to Article XI.

*Trustee:* Federal National Mortgage Association, in its capacity as trustee hereunder, or its successor in interest in such capacity, or any successor trustee appointed as herein provided.

*Trust Fund:* As to any particular issue of Certificates, the corpus of the trust created by this Trust Indenture and the Issue Supplement applicable thereto, consisting of (a) the related Pool, (b) such Pool Proceeds as from time to time may be considered to be held by FNMA for Certificateholders pursuant to Section 5.04, (c) any Mortgaged Property or interest in any Mortgaged Property represented by a Participation Certificate which has been acquired by foreclosure or deed in lieu of foreclosure and which has

not been withdrawn from the Trust Fund, and (d) the interest of the Certificateholders in the obligation of FNMA to supplement Pool Proceeds to the extent necessary to make distributions in the amounts required by the form of Certificate hereinafter set forth.

*Trust Indenture:* This Trust Indenture, dated November 1, 1981, by and between FNMA, in its corporate capacity, and FNMA, in its capacity as Trustee, as the same is originally executed, or as modified, amended or supplemented in accordance with the applicable provisions hereof.

*VA:* Veterans Administration, an agency of the U.S. government.

*Withdrawable Mortgage Loan:* Any Mortgage Loan respecting which the underlying Mortgaged Property is transferred, or proposed to be transferred, under circumstances in which FNMA is legally permitted or reasonably believes that it is legally permitted to accelerate the maturity of such Mortgage Loan pursuant to the terms of any "due-on-sale" clause contained therein.

## ARTICLE II

### Applicable Documentation

*Section 2.01. Issue Supplement.* An Issue Supplement establishing a Pool and creating the Certificates evidencing Fractional Undivided Interests therein (or separate classes of guaranteed stripped mortgage-backed securities which, together, evidence a Fractional Undivided Interest in a Pool) shall be substantially in the form annexed hereto as Exhibit B (with such changes thereto as FNMA in its sole discretion shall determine) and shall be executed by FNMA, in its corporate capacity, and by FNMA, acting in its capacity as Trustee, and filed pursuant to Section 3.02 in the office of the Corporate Secretary of FNMA at the time of the issuance of Certificates related to such Pool. Each Issue Supplement shall be executed on behalf of FNMA in its corporate capacity and in its capacity as Trustee by an Authorized Officer, under its seal affixed by impression, printing or rubber stamp duly attested by the Corporate Secretary or an Assistant Corporate Secretary. Any attestation of the Corporate Secretary or an Assistant Corporate Secretary may be by manual or facsimile signature.

Each Issue Supplement shall identify and relate to a particular Pool and a particular issue of Certificates evidencing Fractional Undivided Interests in such Pool, and shall have attached thereto a Mortgage Loan Schedule dated

as of the date thereof. Such Mortgage Loan Schedule shall list all Mortgage Loans comprising the Pool and shall show as to each Mortgage Loan: (a) the address of the Mortgaged Property, (b) the first payment date and original term, (c) the original principal amount, (d) the Issue Date Principal Balance, (e) the Mortgage Interest Rate, (f) whether such Mortgage Loan is insured by the FHA or guaranteed by the VA, (g) whether such Mortgage Loan is a GEM and, if so, the dates when adjustments are effective and the percentage amount thereof, and (h) any other information as shall be appropriate for a particular Pool.

In the event that an Issue Supplement establishing a Pool creates separate classes of guaranteed stripped mortgage-backed securities which, together, evidence Fractional Undivided Interests therein, all references herein to Certificates, Certificateholders and/or the Fractional Undivided Interest in the Trust Fund evidenced thereby shall, as the context requires, be deemed to refer to such guaranteed stripped mortgage-backed securities, the Holders thereof and/or the Fractional Undivided Interest which they collectively represent.

*Section 2.02. Certificates.* Each Definitive Certificate shall be in substantially the form attached hereto as Exhibit A and shall be executed on behalf of FNMA in its corporate capacity and in its capacity as Trustee by manual or facsimile signature of an Authorized Officer under its seal imprinted thereon, duly attested by the Corporate Secretary or an Assistant Corporate Secretary. Each Definitive Certificate may contain such material modifications or variations from such form as shall be specified in the applicable Issue Supplement.

*Section 2.03. Issue Supplement and Trust Indenture.* With respect to each Pool established by an Issue Supplement and the related Certificates, the collective terms of this Trust Indenture and such Issue Supplement shall govern the servicing of Mortgage Loans comprising such Pool, the issuance and administration of all Certificates related to such Pool, and all matters related thereto, and shall have no applicability to any other Pool or Certificates. As applied to each Pool established by an Issue Supplement, and the related Certificates, the collective terms of such instruments shall constitute an agreement relating exclusively to such Pool and Certificates, to like effect as if the collective terms of all such instruments were set forth in a separate instrument, duly executed and delivered by FNMA in its corporate capacity and in its capacity as Trustee.



**Section 2.04. Authorized Officers.** The manual or facsimile signature of any individual appearing on an Issue Supplement or Definitive Certificate, designated as the signature of an Authorized Officer of FNMA, shall constitute conclusive evidence that such individual is, in fact, authorized by FNMA to execute such Issue Supplement or Definitive Certificate on behalf of FNMA in its corporate capacity and in its capacity as Trustee, notwithstanding that such authorization may have lapsed prior to the effective date of such Issue Supplement or Definitive Certificate, or delivery thereof.

**Section 2.05. Delivery of Instruments.** FNMA shall furnish to each Certificateholder, upon request, copies of this Trust Indenture and the Issue Supplement, without attachments, applicable to the Certificate or Certificates held by such Holder.

### ARTICLE III

#### Declaration of Trust

**Section 3.01. Declaration.** By the act of issuing a Certificate hereunder, FNMA shall be deemed to have declared that (a) FNMA, acting in its capacity as Trustee, is holding all of the related Trust Fund (including the Mortgage Loans, or a Participation Certificate(s) evidencing specified beneficial interests therein, comprising the related Pool) in trust for the exclusive benefit of the Holders of all Certificates evidencing Fractional Undivided Interests in such Trust Fund, and (b) FNMA will issue the Certificates, will service all such Mortgage Loans and will administer all such Certificates in accordance with the terms of this Trust Indenture and the applicable Issue Supplement.

**Section 3.02. Notice.** An original counterpart of this Trust Indenture is filed, and an original counterpart of each Issue Supplement, along with a microfiche copy of the applicable Mortgage Loan Schedule, shall be filed, in the office of the Corporate Secretary of FNMA, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016, and shall be available for inspection by any Holder of a Certificate in the related Pool upon request and during normal business hours.

### ARTICLE IV

#### Mortgage Loans

**Section 4.01. Conveyance of Mortgage Loans.** Concurrently with the execution and delivery of an Issue Supplement, FNMA shall transfer, assign,

set over and otherwise convey to the Trustee, on behalf of Holders of Certificates evidencing Fractional Undivided Interests therein, all of FNMA's right, title and interest in and to the Mortgage Loans identified in the attached Mortgage Loan Schedule, including all payments of principal and interest thereon received after the respective date or dates on which the Issue Date Principal Balance was determined (other than payments permitted to be retained by FNMA by the terms hereof, including payments of principal and interest due on or before the Issue Date).

In connection with any such transfer (other than pursuant to a Participation Certificate) of a Mortgage Loan evidenced by a Mortgage Note not held by FNMA, FNMA shall cause to be delivered to a custodian under a Custodial Agreement the related Mortgage Note endorsed in blank by the seller thereof, together with such other related documents as shall be specified in the Custodial Agreement. In the case of Mortgage Loans evidenced by a Participation Certificate, FNMA shall denote on the face of such Participation Certificate that it has been assigned to the Trustee for the exclusive benefit of Holders of Certificates evidencing Fractional Undivided Interests in the related Trust Fund.

In the event that FNMA shall discover subsequent to the transfer and assignment of a Mortgage Loan to the Trustee that the actual principal balance of such Mortgage Loan at the date such Mortgage Loan's principal balance was calculated was different from such Mortgage Loan's Issue Date Principal Balance as specified in the Mortgage Loan Schedule, FNMA may make such adjustments as shall be necessary to bring such actual balance and stated principal balance into agreement.

*Section 4.02. Representations and Warranties.* In connection with any such transfer and assignment of Mortgage Loans in trust backing Certificates with Issue Dates before May 1, 1984, FNMA shall be deemed to have represented and warranted to the Trustee for the benefit of Holders of Certificates (other than any Holder which originated the related Mortgage Loan or is acting Sub-Servicer of such Mortgage Loan) evidencing Fractional Undivided Interests therein that:

- (i) Each Mortgage Loan is documented by appropriate FNMA/FHLMC Uniform Instruments in effect at the time of origination, FHA or VA mortgage instruments or other instruments approved by FNMA;

(ii) The Mortgaged Property securing each Mortgage Loan is improved with a one- to four-family dwelling unit (including units in a condominium project, a planned unit development or a *de minimis* planned unit development);

(iii) Each Mortgage Loan at the time it was made complied in all material respects with applicable state and federal laws, including usury, equal opportunity and disclosure laws;

(iv) Each Mortgage Loan conforms, and all such Mortgage Loans in the aggregate conform, to the applicable description thereof set forth in the Prospectus;

(v) Each Mortgage Loan at the time it was made had an original term not exceeding thirty years and each Mortgage Loan bears interest at a constant annual rate and, except for any GEM, provides for payment of equal monthly installments;

(vi) The information set forth in the Mortgage Loan Schedule was true and correct in all material respects at the date or dates respecting which such information was furnished;

(vii) Immediately prior to the transfer of each Mortgage Loan other than pursuant to a Participation Certificate, FNMA had good and indefeasible title to such Mortgage Loan and, immediately upon the assignment thereof, the Trustee will have good and indefeasible title to such Mortgage Loan;

(viii) The original Mortgage was recorded and, in the case of any Mortgage Note delivered to a custodian, an assignment in recordable form of the related Mortgage to FNMA was delivered to the custodian;

(ix) Each Mortgage and Mortgage Note is the legal, valid and binding obligation of the maker thereof and is enforceable in accordance with its terms, except only as such enforcement may be limited by laws affecting the enforcement of creditors' rights generally;

(x) Each Mortgage Loan is secured by a first and paramount lien on the Mortgaged Property, subject only to (1) the liens of current real property taxes and assessments, and (2) covenants, conditions and restrictions, rights of way, easements and other matters of public record which are customarily acceptable to mortgage lending institutions

generally or to which like properties are commonly subject and which do not materially affect the value or marketability of the Mortgaged Property;

(xi) No Mortgage Loan is delinquent on the Issue Date to the extent of more than the monthly installment of principal and interest due after the first day of the month prior to the month of the Issue Date; and

(xii) Each Mortgage Loan identified in the Mortgage Loan Schedule as being insured by the FHA or guaranteed by the VA is so insured or guaranteed on the Issue Date by a valid and subsisting policy or guaranty in full force and effect on such date.

It is understood and agreed that the representations and warranties set forth in this Section 4.02 or any additional representations and warranties set forth in the related Issue Supplement shall survive assignment of the respective Mortgage Loans to the Trustee. Upon discovery by FNMA of a material breach of the representation and warranty set forth in (iv) above or a breach of any other representation and warranty which materially and adversely affects the interests of Certificateholders in the related Mortgage Loan (disregarding, for the purpose of any such determination, the obligation of FNMA to supplement Pool Proceeds), FNMA shall, within 60 days of such discovery, either cure such breach in all material respects or shall withdraw such Mortgage Loan from the Trust Fund, whereupon such Mortgage Loan shall be deemed to be a Fully Prepaid Mortgage Loan for all purposes hereof. It is understood and agreed that the obligation of FNMA to treat any such Mortgage Loan as a Fully Prepaid Mortgage Loan shall constitute the sole remedy respecting such breach available to Certificateholders or the Trustee on behalf of Certificateholders.

The foregoing notwithstanding, in the event that FNMA shall be obligated to treat a Mortgage Loan as a Fully Prepaid Mortgage Loan pursuant to the preceding paragraph, it may, at its option and in lieu thereof, substitute an additional mortgage loan for such Mortgage Loan so long as any such substitution takes place within 120 days of the original issuance of Certificates evidencing Fractional Undivided Interests in the related Pool. Any Substitute Mortgage Loan shall (i) have an Issue Date Principal Balance which is not greater than the Stated Principal Balance of the Replaced Defective Mortgage Loan (the amount of any difference being

deemed to be a Curtailment as hereinbefore provided), (ii) have a Mortgage Interest Rate which is at least .50% (or such lesser percentage as shall be set forth in the related Issue Supplement) in excess of the applicable Pass-Through Rate, (iii) have a final maturity not later than the final maturity of any Mortgage Loan in the Pool and not earlier than two years prior to the final maturity of the related Replaced Defective Mortgage Loan, (iv) be secured by Mortgaged Property located in the same state as the Mortgaged Property securing the Replaced Defective Mortgage Loan, such Mortgaged Property being of the same type as the Mortgaged Property securing such Replaced Defective Mortgage Loan (such as single-family detached home, unit in a condominium project, unit in a planned unit development, etc.), (v) be a GEM if the Replaced Defective Mortgage Loan was a GEM and provide for a similar percentage and frequency of adjustment effective on similar dates as the Replaced Defective Mortgage Loan, (vi) be insured by the FHA if the Replaced Defective Mortgage Loan was insured by the FHA and (vii) be guaranteed by the VA if the Replaced Defective Mortgage Loan was guaranteed by the VA, any such guaranty having a percentage coverage of the unpaid principal balance which is not less than the corresponding coverage of the unpaid principal balance of the Replaced Defective Mortgage Loan. In connection with any such substitution, FNMA shall amend the Mortgage Loan Schedule to reflect the withdrawal of the Replaced Defective Mortgage Loan and the assignment to FNMA, in its capacity as Trustee, of the Substitute Mortgage Loan and, upon such amendment, shall be deemed to have made as to such Substitute Mortgage Loan the representations and warranties set forth in Section 4.02 hereof (other than the representation and warranty set forth in subclause (iv) and except that all representations and warranties made as of the Issue Date shall be deemed made as of the first day of the month of any such substitution). If FNMA's interest in a Replaced Defective Mortgage Loan is evidenced by a Participation Certificate, the assignment to FNMA of the Substitute Mortgage Loan may be evidenced by a Participation Certificate.

## ARTICLE V

### Servicing of Mortgage Loans

*Section 5.01. General.* FNMA shall service the Mortgage Loans comprising each Pool, and shall have full power and authority to do or cause

to be done any and all things in connection therewith as it may deem necessary or appropriate in its sole discretion, in its own name and right, and without disclosure of the existence or terms of this Trust Indenture or the applicable Issue Supplement; provided, however, that FNMA shall have no authority to sell or hypothecate, or, subject to Section 4.02 and Section 5.03, make any substitution for, any Mortgage Loan.

FNMA in its discretion shall foreclose upon or otherwise comparably convert the ownership of the Mortgaged Property securing any Mortgage Loan as to which a default occurs. Subject to Section 5.02 and to the extent consistent with then-current policies of FNMA respecting comparable mortgage loans held in its own portfolio, FNMA in its discretion may enforce or waive enforcement of any of the terms of any Mortgage Loan or enter into an agreement for the modification of any of the terms of any Mortgage Loan (other than a reduction in the Mortgage Interest Rate or an extension of the final maturity), or take any action or refrain from taking any action in servicing any Mortgage Loan. In such connection, FNMA may waive any prepayment charge, assumption fee or late payment charge or may exercise or refrain from exercising any "call option rider"; provided, however, that any decision to exercise or refrain from exercising any "call option rider" shall be consistent with then-current policies or practices employed by FNMA respecting comparable mortgage loans held in its own portfolio and shall be without consideration of the ownership status of the related Mortgage Loan.

If any Mortgage Loan is insured by the FHA pursuant to the National Housing Act or guaranteed by the VA under the Servicemen's Readjustment Act of 1944 (collectively, the "Acts"), FNMA shall cause such insurance or guaranty to be maintained and shall comply with the Acts and regulations thereunder, including the giving of all notices required to be sent to the FHA or the VA, to assure that the full benefit of the contract of insurance or guaranty will inure to the benefit of the Certificateholders.

FNMA in its discretion may conduct such servicing through the facilities of agents or independent contractors but shall not thereby be released from any of its duties or responsibilities hereunder or under the applicable Issue Supplement.

Any Servicing Contract and any other transactions or services relating to the Mortgage Loans involving a Sub-Servicer shall be deemed to be

between the Sub-Servicer and FNMA alone and the Trustee and Certificateholders shall not be deemed parties thereto and shall have no claims, rights, obligations, duties or liabilities with respect to any Sub-Servicer.

*Section 5.02. Transfers of Mortgaged Property.* In connection with the transfer, or prospective transfer, of title to a Mortgaged Property, FNMA shall, unless it shall elect to withdraw such Mortgage Loan pursuant to Section 5.03, accelerate the maturity of the related Mortgage Loan where such Mortgage Loan contains a "due-on-sale" clause permitting acceleration under such a circumstance; provided, however, that FNMA shall not be required to accelerate the maturity of the Mortgage Loan pursuant to the "due-on-sale" clause or to withdraw such Mortgage Loan pursuant to Section 5.03 if FNMA is restricted by law from accelerating such Mortgage Loan, for any reason whatever. In the event that, for any reason, FNMA cannot accelerate the maturity of a Mortgage Loan upon the transfer, or prospective transfer, of title to the underlying Mortgaged Property, FNMA may enter into a transaction by which the obligor is released from liability on the related Mortgage Loan and the transferee assumes such liability; provided, however, that no such transaction shall (i) be entered into which would not have been entered into had the Mortgage Loan been held in FNMA's own portfolio or (ii) provide for reduction of the Mortgage Interest Rate.

*Section 5.03. Optional Withdrawal of Delinquent Mortgage Loans, Mortgaged Property or Withdrawable Mortgage Loans; Substitution or Repurchase of Defective Mortgage Loans.* FNMA shall have the right and option, without obligation and in its discretion, to withdraw from the related Pool, upon appropriate entry in the Accounting Records, any Mortgage Loan at any time after such Mortgage Loan becomes delinquent, in whole or in part, as to four consecutive monthly installments of principal and interest. FNMA shall likewise have the right and option, without obligation and in its discretion, to withdraw from the related Pool, upon appropriate entry in the Accounting Records, any Withdrawable Mortgage Loan and any and all Mortgaged Property received in connection with the foreclosure or comparable conversion of any Mortgage Loan. Any such withdrawn Mortgage Loan or any Mortgage Loan secured by any such withdrawn Mortgaged Property shall be deemed to be a Fully Prepaid Mortgage Loan.

In connection with Mortgage Loans backing Certificates with Issue Dates on and after May 1, 1984, FNMA may, in the case of a material breach of warranty by a seller of any such Mortgage Loan or a material defect in documentation, (i) withdraw such Mortgage Loan from the Trust Fund, whereupon such Mortgage Loan shall be deemed to be a Fully Prepaid Mortgage Loan for all purposes hereof or (ii) in case the Mortgaged Property securing such Mortgage Loan consists of less than five dwelling units, substitute an additional Mortgage Loan for such Mortgage Loan as long as any such substitution takes place within two years of the original issuance of Certificates evidencing Fractional Undivided Interests in the related Pool. Any Substitute Mortgage Loan shall (i) have an Issue Date Principal Balance which is not greater than the Stated Principal Balance of the Replaced Defective Mortgage Loan (the amount of any difference being deemed to be a Curtailment as hereinbefore provided), (ii) have a Mortgage Interest Rate which is at least .50% in excess of the Pass-Through Rate, (iii) have a final maturity not later than the final maturity of any Mortgage Loan in the Pool and not earlier than two years prior to the final maturity of the related Replaced Defective Mortgage Loan, (iv) be a GEM if the Replaced Defective Mortgage Loan was a GEM and provide for a similar percentage and frequency of adjustment effective on similar dates as the Replaced Defective Mortgage Loan, and (v) be an FHA/VA Mortgage Loan if the Replaced Defective Mortgage Loan was an FHA/VA Mortgage Loan. In connection with any such substitution, FNMA shall amend the Mortgage Loan Schedule to reflect the withdrawal of the Replaced Defective Mortgage Loan and the assignment to FNMA, in its capacity as Trustee, of the Substitute Mortgage Loan. If FNMA's interest in a Replaced Defective Mortgage Loan is evidenced by a Participation Certificate, the assignment to FNMA of the Substitute Mortgage Loan may be evidenced by a Participation Certificate.

*Section 5.04. Accounting Records.* FNMA shall establish and maintain, as to each Pool, Accounting Records in which Pool Proceeds and distributions to Certificateholders shall be recorded and in which a record of Fully Prepaid Mortgage Loans and Curtailments shall be kept.

At any particular time the aggregate of the amount of Pool Proceeds entered in the Accounting Records (as reduced by any distributions made in respect of and from such Pool Proceeds) shall be considered to be held by FNMA for Certificateholders, it being understood, however, that FNMA



shall have no liability to Certificateholders for the payment of interest on any such amounts so held by it for their account and that, so long as an Event of Default shall not have occurred and be continuing, FNMA's obligation to remit any such amounts to Certificateholders shall be through monthly distributions in amounts computed in accordance with this Trust Indenture and any Issue Supplement.

*Section 5.05. Maintenance of Hazard Insurance and Flood Insurance.* FNMA shall cause to be maintained for each Mortgage Loan fire insurance with extended coverage. Where the property securing a Mortgage Loan is located in a designated flood area, FNMA shall cause to be maintained flood insurance in those areas where flood insurance has been made available (and to the extent such insurance is available) under the National Flood Insurance Act of 1968, as amended. Such fire insurance with extended coverage and flood insurance shall be maintained at least to the extent required by the related Servicing Contract. The foregoing is qualified to the extent that, if a Mortgage Loan is an FHA/VA Mortgage Loan, FNMA is obligated only to cause to be maintained such hazard and flood insurance as shall be required by the applicable contract of insurance or guaranty.

*Section 5.06. Servicing Compensation; Payment of Certain Expenses by FNMA.* As compensation for its activities and obligations hereunder, FNMA shall be entitled to retain the amounts received on account of the Mortgage Loans which are not considered to be Pool Proceeds pursuant to (ii) and (iii) of the definition thereof hereinbefore set forth. FNMA shall pay all expenses incurred by it hereunder in connection with its servicing activities and shall not be entitled to reimbursement therefor out of Pool Proceeds.

Additional servicing compensation in the form of prepayment charges, assumption fees, late payment charges or otherwise shall be retained by FNMA.

*Section 5.07. Annual Statement as to Compliance.* FNMA shall, as to each Pool backing Certificates with Issue Dates before May 1, 1984 (except that any Officer's Certificate hereinafter provided for in this Section 5.07 may, to the extent it so specifies, cover more than one Pool), deliver to the Trustee and file with the Office of the Corporate Secretary, on or before March 31 of each year beginning with the year which is at least six months

subsequent to the related Issue Date, an Officer's Certificate stating (i) that a review of the activities of FNMA during the preceding calendar year and of performance under this Trust Indenture and the related Issue Supplement has been made under such officer's supervision, and (ii) that, to the best of such officer's knowledge based on such review, FNMA has fulfilled all its obligations throughout such year under this Trust Indenture and the related Issue Supplement, unless there shall have been a default as to any such obligations, in which case the certificate shall specify each default known to such officer and the nature and status thereof. In the event any such Officer's Certificate shall specify any such default that has a material and adverse effect on Certificateholders, Holders of Certificates in the related Pool shall be promptly informed of such default.

## ARTICLE VI

### Distributions to Certificateholders

*Section 6.01. Distributions.* On each Distribution Date FNMA or the Paying Agent shall distribute to each Certificateholder of record on the preceding Record Date (other than as provided in Section 10.01 respecting the final distribution), by mail to each Holder of a Definitive Certificate at the address of such Holder appearing in the Certificate Register and in Federal Funds to each Holder of a Book-Entry Certificate, such Certificateholder's pro rata share (based on the aggregate Fractional Undivided Interest represented by Certificates held by such Holder) of all amounts which represent payments of the nature required to be distributed on such Distribution Date pursuant to the third paragraph of the form of Definitive Certificate set forth as Exhibit A hereto; provided, however, that FNMA may, in calculating such amount to be distributed on any Distribution Date, make such adjustment in the distribution of unscheduled principal only as shall be necessary to correct prior errors.

*Section 6.02. Statements to Certificateholders.* With or prior to each distribution, FNMA shall forward, with respect to the Certificate(s) representing a Fractional Undivided Interest(s) in a Pool, to the Certificateholder holding the same, a statement setting forth:

- (i) the amount due on such Certificate(s) on the related Distribution Date on account of total scheduled and unscheduled principal;

(ii) the amount due on such Certificate(s) on the related Distribution Date on account of interest;

(iii) the total of the cash distribution on such Certificate(s) on the related Distribution Date; and

(iv) in the case of a Definitive Certificate, the Certificate Principal Balance(s) of such Certificate(s) on the related Distribution Date after giving effect to the distribution made on such date.

Within a reasonable period of time after the end of each calendar year, FNMA shall furnish to each Person who at any time during the calendar year was a Certificateholder a statement containing the information set forth in subclauses (i)—(ii) above, aggregated for such calendar year or applicable portion thereof during which such Person was a Certificateholder. Such obligation of FNMA shall be deemed to have been satisfied to the extent that substantially comparable information shall be provided or made available by FNMA pursuant to any requirements imposed under the Internal Revenue Code of 1986 and interpretations thereof as from time to time in force.

## ARTICLE VII

### The Certificates

*Section 7.01. The Certificates.* The Certificates shall be executed as provided in Section 2.02. The Definitive Certificates shall be issued in denominations initially evidencing a Certificate Principal Balance which is not less than \$25,000, and in integral multiples of \$5,000 in excess of \$25,000, with the exception of one odd denomination that may be issued for each Pool. No Definitive Certificate shall be entitled to any benefit under this Trust Indenture or the related Issue Supplement, or be valid for any purpose, unless there appears on such Definitive Certificate a certificate of authentication, substantially in the form provided for herein, executed by the Certificate Registrar by manual signature, and such certificate upon any Definitive Certificate shall be conclusive evidence, and the only evidence, that such Definitive Certificate has been duly authenticated and delivered hereunder. All Definitive Certificates shall be dated the date of their authentication.

*Section 7.02. Registration of Transfer and Exchange of Definitive Certificates.* FNMA shall cause to be kept at the office or agency to be