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SC Court of Appeals

THE STATE OF SOUTH CAROLINA

In the Court of Appeals

APPEAL FROM LEXINGTON COUNTY

James O. Spence, Master-in-Equity

Appellate Case No. 2026-001103

Trial Court Case No. 2024-CP-32-01094

The Bank of New York Mellon, f/k/a The Bank of New York as successor in interest to JP Morgan Chase Bank, N.A. as Trustee for NovaStar Mortgage Funding Trust, Series 2004-1, NovaStar Home Equity Loan Asset-Backed Certificates, Series 2004-1, Respondents,

v.

Timothy Allen Nunally, as Personal Representative for the Estate of Carl Alvin Nunally, Sr., deceased; Timothy Allen Nunally, as Trustee for the CAN Irrevocable Trust; Carl Alvin Nunally, Jr.; Mark Anthony Nunally; and Timothy Allen Nunally, Defendants,

of which Timothy Allen Nunally and Mark Anthony Nunally are the Appellants.

RECORD ON APPEAL

Volume 4 of 5 - Record pages 1441-1920

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REMIC III Interests(1)	Corresponding REMIC II Regular Interest (respectively)	Initial Principal Balances	REMIC III Pass- Through Rates
III-MMMM1b through III-MMMM22b	II-MMMM1 through II-MMMM22	(4)	(15)
III-MMMM1c through III-MMMM22c	II-MMMM1 through II-MMMM22	(6)	(16)
III-OOOO1a through III-OOOO31a	II-OOOO1 through II-OOOO31	(2)	(14)
III-OOOO1b through III-OOOO31b	II-OOOO1 through II-OOOO31	(4)	(15)
III-OOOO1c through III-OOOO31c	II-OOOO1 through II-OOOO31	(6)	(16)
III-QQQQ1a through III-QQQQ31a	II-QQQQ1 through II-QQQQ31	(2)	(14)
III-QQQQ1b through III-QQQQ31b	II-QQQQ1 through II-QQQQ31	(4)	(15)
III-QQQQ1c through III-QQQQ31c	II-QQQQ1 through II-QQQQ31	(6)	(16)
III-SSSS1a through III-SSSS32a	II-SSSS1 through II-SSSS32	(2)	(14)
III-SSSS1b through III-SSSS32b	II-SSSS1 through II-SSSS32	(4)	(15)
III-SSSS1c through III-SSSS32c	II-SSSS1 through II-SSSS32	(6)	(16)
III-TTTT1a through III-TTTT32a	II-TTTT1 through II-TTTT32	(2)	(14)
III-TTTT1b through III-TTTT32b	II-TTTT1 through II-TTTT32	(4)	(15)
III-TTTT1c through III-TTTT32c	II-TTTT1 through II-TTTT32	(6)	(16)
III-UUUU1a through III-UUUU32a	II-UUUU1 through II-UUUU32	(2)	(14)
III-UUUU1b through III-UUUU32b	II-UUUU1 through II-UUUU32	(4)	(15)
III-UUUU1c through III-UUUU32c	II-UUUU1 through II-UUUU32	(6)	(16)
III-VVVV1a through III-VVVV33a	II-VVVV1 through II-VVVV33	(2)	(14)
III-VVVV1b through III-VVVV33b	II-VVVV1 through II-VVVV33	(4)	(15)
III-VVVV1c through III-VVVV33c	II-VVVV1 through II-VVVV33	(6)	(16)

III-WWWW1a through III-WWWW33a	II-WWWW1 through II-WWWW33	(2)	(14)
III-WWWW1b through III-WWWW33b	II-WWWW1 through II-WWWW33	(4)	(15)
III-WWWW1c through III-WWWW33c	II-WWWW1 through II-WWWW33	(6)	(16)
III-XXXX1a through III-XXXX33a	II-XXXX1 through II-XXXX33	(2)	(14)

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REMIC III Interests(1)	Corresponding REMIC II Regular Interest (respectively)	Initial Principal Balances	REMIC III Pass- Through Rates
III-XXXX1b through III-XXXX33b	II-XXXX1 through II-XXXX33	(4)	(15)
III-XXXX1c through III-XXXX33c	II-XXXX1 through II-XXXX33	(6)	(16)
III-YYYY1a through III-YYYY34a	II-YYYY1 through II-YYYY34	(2)	(14)
III-YYYY1b through III-YYYY34b	II-YYYY1 through II-YYYY34	(4)	(15)
III-YYYY1c through III-YYYY34c	II-YYYY1 through II-YYYY34	(6)	(16)
III-ZZZZ1a through III-ZZZZ34a	II-ZZZZ1 through II-ZZZZ34	(2)	(14)
III-ZZZZ1b through III-ZZZZ34b	II-ZZZZ1 through II-ZZZZ34	(4)	(15)
III-ZZZZ1c through III-ZZZZ34c	II-ZZZZ1 through II-ZZZZ34	(6)	(16)
III-J1	II-J1	(17)	(18)
III-J2	II-J2	(17)	(19)
III-J3	II-J3	(17)	(20)
III-J4	II-J4	(17)	(21)
III-S1	II-J1	(22)	(18) (26)
III-S2	II-J2	(23)	(19) (26)
III-S3	II-J3	(24)	(20) (26)
III-S4	II-J4	(25)	(21) (26)
III-N	II-N	(27)	(28)
III-P	II-P	\$100	(29)

- (1) The first 252 rows each encompass anywhere from 19 to 34 regular interests in REMIC III.
- (2) These REMIC III Regular Interests will have an initial principal balance equal to the product of (i) the initial principal balance of the Corresponding REMIC II Regular Interest and (ii) two divided by three.
- (3) The pass-through rate for these REMIC III Regular Interests will be as follows: (i) for all Distribution Dates commencing on the Corresponding Distribution Date from the Swap Interest Rate Schedule through and including the Corresponding Maturity Date from the Swap Maturity Date Schedule, 1.5 multiplied by (Group IA REMIC III Net WAC minus the Corresponding Interest Rate from the Swap Interest Rate Schedule); (ii) for all other Distribution Dates, Group IA REMIC III Net WAC.
- (4) These REMIC III Regular Interests will have an initial principal balance equal to the initial principal balance of the Corresponding REMIC II Regular Interest divided by three.

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- (5) The pass-through rate for these REMIC III Regular Interests will be as follows: (i) for all Distribution Dates commencing on the Corresponding Distribution Date from the Swap Interest Rate Schedule through and including the Corresponding Maturity Date from the Swap Maturity Date Schedule, 3 multiplied by 1-month LIBOR, subject to a cap of 3 multiplied by the Corresponding Interest Rate from the Swap Interest Rate Schedule (ii) for all other Distribution Dates, Group IA REMIC III Net WAC.
- (6) These REMIC III Regular Interests will have a notional principal balance equal to the principal balance of the Corresponding REMIC II Regular Interest.
- (7) The pass-through rate for these REMIC III Regular Interests will be as follows: (i) for all Distribution Dates commencing on the Corresponding Distribution Date from the Swap Interest Rate Schedule through and including the Corresponding Maturity Date from the Swap Maturity Date Schedule, the Corresponding Interest Rate from the Swap Interest Rate Schedule minus 1-Month LIBOR, subject to a floor of zero; (ii) for all other Distribution Dates, zero.
- (8) The pass-through rate for these REMIC III Regular Interests will be as follows: (i) for all Distribution Dates commencing on the Corresponding Distribution Date from the Swap Interest Rate Schedule through and including the Corresponding Maturity Date from the Swap Maturity Date Schedule, 1.5 multiplied by (Group IB REMIC III Net WAC minus the Corresponding Interest Rate from the Swap Interest Rate Schedule); (ii) for all other Distribution Dates, Group IB REMIC III Net WAC.
- (9) The pass-through rate for these REMIC III Regular Interests will be as follows: (i) for all Distribution Dates commencing on the Corresponding Distribution Date from the Swap Interest Rate Schedule through and including the Corresponding Maturity Date from the Swap Maturity Date Schedule, 3 multiplied by 1-month LIBOR, subject to a cap of 3 multiplied by the Corresponding Interest Rate from the Swap Interest Rate Schedule (ii) for all other Distribution Dates, Group IB REMIC III Net WAC.
- (10) The pass-through rate for these REMIC III Regular Interests will be as follows: (i) for all Distribution Dates commencing on the Corresponding Distribution Date from the Swap Interest Rate Schedule through and including the Corresponding Maturity Date from the Swap Maturity Date Schedule, the Corresponding Interest Rate from the Swap Interest Rate Schedule minus 1-Month LIBOR, subject to a floor of zero; (ii) for all other Distribution Dates, zero.
- (11) The pass-through rate for these REMIC III Regular Interests will be as follows: (i) commencing on the first Distribution Date through and including the Corresponding Distribution Date from the Swap Interest Rate Schedule, 1.5 multiplied by (Group II REMIC III Net WAC minus the Corresponding Interest Rate from the Swap Interest Rate Schedule); (ii) for all Distribution Dates thereafter, Group II REMIC III Net WAC.
- (12) The pass-through rate for these REMIC III Regular Interests will be as follows: (i) commencing on the first Distribution Date through and including the Corresponding Distribution Date from the Swap Interest Rate Schedule, 3 multiplied by 1-month LIBOR, subject to a cap of 3 multiplied by the Corresponding Interest Rate from the

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Swap Interest Rate Schedule (ii) for all Distribution Dates thereafter, Group II REMIC III Net WAC.

- (13) The pass-through rate for these REMIC III Regular Interests will be as follows: (i) commencing on the first Distribution Date through and including the Corresponding Distribution Date from the Swap Interest Rate Schedule, the Corresponding Interest Rate from the Swap Interest Rate Schedule minus 1-Month LIBOR, subject to a floor of zero; (ii) for all Distribution Dates thereafter, zero.
- (14) The pass-through rate for these REMIC III Regular Interests will be as follows: (i) commencing on the first Distribution Date through and including the Corresponding Distribution Date from the Swap Interest Rate Schedule, 1.5 multiplied by (Group III REMIC III Net WAC minus the Corresponding Interest Rate from the Swap Interest Rate Schedule); (ii) for all Distribution Dates thereafter, Group III REMIC III Net WAC.
- (15) The pass-through rate for these REMIC III Regular Interests will be as follows: (i) commencing on the first Distribution Date through and including the Corresponding Distribution Date from the Swap Interest Rate Schedule, 3 multiplied by 1-month LIBOR, subject to a cap of 3 multiplied by the Corresponding Interest Rate from the Swap Interest Rate Schedule (ii) for all Distribution Dates thereafter, Group III REMIC III Net WAC.
- (16) The pass-through rate for these REMIC III Regular Interests will be as follows: (i) commencing on the first Distribution Date through and including the Corresponding Distribution Date from the Swap Interest Rate Schedule, the Corresponding Interest Rate from the Swap Interest Rate Schedule minus 1-Month LIBOR, subject to a floor of zero; (ii) for all Distribution Dates thereafter, zero.
- (17) These REMIC III Regular Interests will have an initial principal balance equal to the initial principal balance of the Corresponding REMIC II Regular Interest minus .01% of the Group IA Subordinated Amount, in the case of the Class III-J1 Interest, .01% of the Group IB Subordinated Amount, in the case of the Class III-J2 Interest, .01% of the Group II Subordinated Amount, in the case of the Class III-J3 Interest and .01% of the Group III Subordinated Amount in the case of the Class III-J4 Interest
- (18) The pass-through rate for these REMIC III Regular Interests will be equal to the Group IA REMIC III Net WAC.
- (19) The pass-through rate for these REMIC III Regular Interests will be equal to the Group IB REMIC III Net WAC.
- (20) The pass-through rate for these REMIC III Regular Interests will be equal to the Group II REMIC III Net WAC.
- (21) The pass-through rate for these REMIC III Regular Interests will be equal to the Group III REMIC III Net

WAC.

(22) The Class III-S1 Interest will have an initial principal balance equal to .01% of the Group IA Subordinated Amount.

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- (23) The Class III-S2 Interest will have an initial principal balance equal to .01% of the Group IB Subordinated Amount.
- (24) The Class III-S3 Interest will have an initial principal balance equal to .01% of the Group II Subordinated Amount.
- (25) The Class III-S4 Interest will have an initial principal balance equal to .01% of the Group III Subordinated Amount.
- (26) Interest on these REMIC III Regular Interests will accrue as principal to the extent needed to increase the principal balance for each of these classes to an amount equal to .01% of the Group IA Subordinated Amount, Group IB Subordinated Amount, Group II Subordinated Amount or Group III Subordinated Amount, as applicable.
- (27) The Class III-N Interest will have a notional principal balance equal to the notional principal balance of the Class II-N Interest.
- (28) The Class III-N Interest is entitled to all distributions on the Class II-N Interest.
- (29) The Class III-P Interest is entitled to all distributions on the Class II-P Interest.

On each Distribution Date, all Realized Losses, prepayments and payments of scheduled principal generated with respect to the Group IA Mortgage Loans shall be allocated in the following order: (i) first, (A) to the Class III-S1 Interest until the principal balance of such Class is reduced to .01% of the Group IA Subordinated Amount and (B) if necessary, to the Class III-S1 Interest until the ratio of the principal balance of the Class III-S1 Interest to the principal balance of the Class III-S2 Interest to the principal balance of the Class III-S3 Interest to the principal balance of the Class III-S4 Interest equals the Subordinated Amount Ratio; (ii) second, to the Class III-J1 Interest, until such class is paid in full or eliminated by such losses; (iii) third, to the Class III-A1a through Class III-A19a Interests and Class III-A1b through Class III-A19b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (iv) fourth, to the Class III-B1a through Class III-B19a Interests and Class III-B1b through Class III-B19b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (v) fifth, to the Class III-C1a through Class III-C20a Interests and Class III-C1b through Class III-C20b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (vi) sixth, to the Class III-D1a through Class III-D20a Interests and Class III-D1b through Class III-D20b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (vii) seventh, to the Class III-E1a through Class III-E20a Interests and Class III-E1b through Class III-E20b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (viii) eighth, to the Class III-F1a through Class III-F21a Interests and Class III-F1b through Class III-F21b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes

are paid in full or eliminated by such losses; (ix) ninth, to

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the Class III-G1a through Class III-G21a Interests and Class III-G1b through Class III-G21b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (x) tenth, to the Class III-H1a through Class III-H21a Interests and Class III-H1b through Class III-H21b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xi) eleventh, to the Class III-K1a through Class III-K21a Interests and Class III-K1b through Class III-K21b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xii) twelfth, to the Class III-L1a through Class III-L22a Interests and Class III-L1b through Class III-L22b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xiii) thirteenth, to the Class III-M1a through Class III-M22a Interests and Class III-M1b through Class III-M22b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xiv) fourteenth, to the Class III-O1a through Class III-O31a Interests and Class III-O1b through Class III-O31b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xv) fifteenth, to the Class III-Q1a through Class III-Q31a Interests and Class III-Q1b through Class III-Q31b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xvi) sixteenth, to the Class III-S1a through Class III-S32a Interests and Class III-S1b through Class III-S32b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xvii) seventeenth, to the Class III-T1a through Class III-T32a Interests and Class III-T1b through Class III-T32b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xviii) eighteenth, to the Class III-U1a through Class III-U32a Interests and Class III-U1b through Class III-U32b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xix) nineteenth, to the Class III-V1a through Class III-V33a Interests and Class III-V1b through Class III-V33b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xx) twentieth, to the Class III-W1a through Class III-W33a Interests and Class III-W1b through Class III-W33b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xxi) twenty-first, to the Class III-X1a through Class III-X33a Interests and Class III-X1b through Class III-X33b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xxii) twenty-second, to the Class III-Y1a through Class III-Y34a Interests and Class III-Y1b through Class III-Y34b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses and (xxiii) twenty-third, to the Class III-Z1a through Class III-Z34a Interests and Class III-Z1b through Class III-Z34b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses.

On each Distribution Date, all Realized Losses, prepayments and payments of scheduled principal generated with respect to the Group IB Mortgage Loans shall be allocated in the following order: (i) first, (A) to the Class III-S2 Interest until the principal balance of such Class is reduced to .01% of the Group IB Subordinated Amount and (B) if necessary, to the Class III-S2 Interest until the ratio of the principal balance of the Class III-S1 Interest to the principal balance of the Class III-S2 Interest to the principal balance of the Class III-S3 Interest to the principal balance of the Class III-S4 Interest equals the Subordinated Amount Ratio; (ii) second, to the Class III-J2 Interest, until such class is paid in full or eliminated by such losses; (iii) third, to the Class III-AA1a through Class III-AA19a Interests and Class III-AA1b through Class III-AA19b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (iv) fourth, to the Class III-BB1a through Class III-BB19a Interests and Class III-BB1b through Class III-BB19b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (v) fifth, to the Class III-CC1a through Class III-CC20a Interests and Class III-CC1b through Class III-CC20b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (vi) sixth, to the Class III-DD1a through Class III-DD20a Interests and Class III-DD1b through Class III-DD20b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (vii) seventh, to the Class III-EE1a through Class III-EE20a Interests and Class III-EE1b through Class III-EE20b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (viii) eighth, to the Class III-FF1a through Class III-FF21a Interests and Class III-FF1b through Class III-FF21b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (ix) ninth, to the Class III-GG1a through Class III-GG21a Interests and Class III-GG1b through Class III-GG21b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (x) tenth, to the Class III-HH1a through Class III-HH21a Interests and Class III-HH1b through Class III-HH21b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xi) eleventh, to the Class III-KK1a through Class III-KK21a Interests and Class III-KK1b through Class III-KK21b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xii) twelfth, to the Class III-LL1a through Class III-LL22a Interests and Class III-LL1b through Class III-LL22b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xiii) thirteenth, to the Class III-MM1a through Class III-MM22a Interests and Class III-MM1b through Class III-MM22b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xiv) fourteenth, to the Class III-OO1a through Class III-OO31a Interests and Class III-OO1b through Class III-OO31b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xv) fifteenth, to the Class III-QQ1a through Class III-QQ31a Interests and Class III-QQ1b through Class III-QQ31b Interests, first, pro rata

between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xvi) sixteenth, to the Class III-SS1a through Class III-SS32a Interests and Class III-SS1b through Class III-SS32b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xvii) seventeenth, to the Class III-TT1a through Class III-TT32a Interests and Class III-TT1b through Class III-TT32b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xviii) eighteenth, to the Class III-UU1a through Class III-UU32a Interests and Class III-UU1b through Class III-UU32b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xix) nineteenth, to the Class III-VV1a through Class III-VV33a Interests and Class III-VV1b through Class III-VV33b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xx) twentieth, to the Class III-WW1a through Class III-WW33a Interests and Class III-WW1b through Class III-WW33b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xxi) twenty-first, to the Class III-XX1a through Class III-XX33a Interests and Class III-XX1b through Class III-XX33b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xxii) twenty-second, to the Class III-YY1a through Class III-YY34a Interests and Class III-YY1b through Class III-YY34b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses and (xxiii) twenty-third, to the Class III-ZZ1a through Class III-ZZ34a Interests and Class III-ZZ1b through Class III-ZZ34b Interests, first, pro rata between the two sets of Interests, and second, in reverse numerical order among the subsets of Interests, until such classes are paid in full or eliminated by such losses; provided, however, that on the Class P Principal Distribution Date, \$100 shall be paid to the Class III-P Interest.

On each Distribution Date, all Realized Losses, prepayments and payments of scheduled principal generated with respect to the Group II Mortgage Loans shall be allocated in the following order: (i) first, (A) to the Class III-S3 Interest until the principal balance of such Class is reduced to .01% of the Group II Subordinated Amount and (B) if necessary, to the Class III-S3 Interest until the ratio of the principal balance of the Class III-S1 Interest to the principal balance of the Class III-S2 Interest to the principal balance of the Class III-S3 Interest to the principal balance of the Class III-S4 Interest equals the Subordinated Amount Ratio; (ii) second, to the Class III-J3 Interest, until such class is paid in full or eliminated by such losses; (iii) third, to the Class III-AAA1a through Class III-AAA19a Interests and Class III-AAA1b through Class III-AAA19b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (iv) fourth, to the Class III-BBB1a through Class III-BBB19a Interests and Class III-BBB1b through Class III-BBB19b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (v) fifth, to the Class III-CCC1a through Class III-CCC20a Interests and Class III-CCC1b through Class III-CCC20b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or

eliminated by such losses; (vi) sixth, to the Class III-DDD1a through Class III-DDD20a Interests and Class III-DDD1b through Class III-DDD20b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (vii) seventh, to the Class III-EEE1a through Class III-EEE20a Interests and Class III-EEE1b through Class III-EEE20b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (viii) eighth, to the Class III-FFF1a through Class III-FFF21a Interests and Class III-FFF1b through Class III-FFF21b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (ix) ninth, to the Class III-GGG1a through Class III-GGG21a Interests and Class III-GGG1b through Class III-GGG21b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (x) tenth, to the Class III-HHH1a through Class III-HHH21a Interests and Class III-HHH1b through Class III-HHH21b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xi) eleventh, to the Class III-KKK1a through Class III-KKK21a Interests and Class III-KKK1b through Class III-KKK21b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xii) twelfth, to the Class III-LLL1a through Class III-LLL22a Interests and Class III-LLL1b through Class III-LLL22b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xiii) thirteenth, to the Class III-MMM1a through Class III-MMM22a Interests and Class III-MMM1b through Class III-MMM22b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xiv) fourteenth, to the Class III-OOO1a through Class III-OOO31a Interests and Class III-OOO1b through Class III-OOO31b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xv) fifteenth, to the Class III-QQQ1a through Class III-QQQ31a Interests and Class III-QQQ1b through Class III-QQQ31b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xvi) sixteenth, to the Class III-SSS1a through Class III-SSS32a Interests and Class III-SSS1b through Class III-SSS32b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xvii) seventeenth, to the Class III-TTT1a through Class III-TTT32a Interests and Class III-TTT1b through Class III-TTT32b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xviii) eighteenth, to the Class III-UUU1a through Class III-UUU32a Interests and Class III-UUU1b through Class III-UUU32b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xix) nineteenth, to the Class III-VVV1a through Class III-VVV33a Interests and Class III-VVV1b through Class III-VVV33b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xx) twentieth, to the Class III-WWW1a through Class III-WWW33a Interests and Class III-WWW1b through Class III-WWW33b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses;

(xxi) twenty-first, to the Class III-XXX1a through Class III-XXX33a Interests and Class III-XXX1b through Class III-XXX33b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xxii) twenty-second, to the Class III-YYY1a through Class III-YYY34a Interests and Class III-YYY1b through Class III-YYY34b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses and (xxiii) twenty-third, to the Class III-ZZZ1a through Class III-ZZZ34a Interests and Class III-ZZZ1b through Class III-ZZZ34b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses.

On each Distribution Date, all Realized Losses, prepayments and payments of scheduled principal generated with respect to the Group III Mortgage Loans shall be allocated in the following order: (i) first, (A) to the Class III-S4 Interest until the principal balance of such Class is reduced to .01% of the Group III Subordinated Amount and (B) if necessary, to the Class III-S4 Interest until the ratio of the principal balance of the Class III-S1 Interest to the principal balance of the Class III-S2 Interest to the principal balance of the Class III-S3 Interest to the principal balance of the Class III-S4 Interest equals the Subordinated Amount Ratio; (ii) second, to the Class III-J4 Interest, until such class is paid in full or eliminated by such losses; (iii) third, to the Class III-AAAA1a through Class III-AAAA19a Interests and Class III-AAAA1b through Class III-AAAA19b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (iv) fourth, to the Class III-BBBB1a through Class III-BBBB19a Interests and Class III-BBBB1b through Class III-BBBB19b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (v) fifth, to the Class III-CCCC1a through Class III-CCCC20a Interests and Class III-CCCC1b through Class III-CCCC20b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (vi) sixth, to the Class III-DDDD1a through Class III-DDDD20a Interests and Class III-DDDD1b through Class III-DDDD20b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (vii) seventh, to the Class III-EEEE1a through Class III-EEEE20a Interests and Class III-EEEE1b through Class III-EEEE20b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (viii) eighth, to the Class III-FFFF1a through Class III-FFFF21a Interests and Class III-FFFF1b through Class III-FFFF21b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (ix) ninth, to the Class III-GGGG1a through Class III-GGGG21a Interests and Class III-GGGG1b through Class III-GGGG21b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (x) tenth, to the Class III-HHHH1a through Class III-HHHH21a Interests and Class III-HHHH1b through Class III-HHHH21b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xi) eleventh, to the Class III-KKKK1a through Class III-KKKK21a Interests and Class III-KKKK1b through Class III-KKKK21b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses;

(xii) twelfth, to the Class III-LLLL1a through Class III-LLLL22a Interests and Class III-LLLL1b through Class III-LLLL22b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xiii) thirteenth, to the Class III-MMMM1a through Class III-MMMM22a Interests and Class III-MMMM1b through Class III-MMMM22b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xiv) fourteenth, to the Class III-OOOO1a through Class III-OOOO31a Interests and Class III-OOOO1b through Class III-OOOO31b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xv) fifteenth, to the Class III-QQQQ1a through Class III-QQQQ31a Interests and Class III-QQQQ1b through Class III-QQQQ31b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xvi) sixteenth, to the Class III-SSSS1a through Class III-SSSS32a Interests and Class III-SSSS1b through Class III-SSSS32b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xvii) seventeenth, to the Class III-TTTT1a through Class III-TTTT32a Interests and Class III-TTTT1b through Class III-TTTT32b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xviii) eighteenth, to the Class III-UUUU1a through Class III-UUUU32a Interests and Class III-UUUU1b through Class III-UUUU32b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xix) nineteenth, to the Class III-VVVV1a through Class III-VVVV33a Interests and Class III-VVVV1b through Class III-VVVV33b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xx) twentieth, to the Class III-WWWW1a through Class III-WWWW33a Interests and Class III-WWWW1b through Class III-WWWW33b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xxi) twenty-first, to the Class III-XXXX1a through Class III-XXXX33a Interests and Class III-XXXX1b through Class III-XXXX33b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses; (xxii) twenty-second, to the Class III-YYYY1a through Class III-YYYY34a Interests and Class III-YYYY1b through Class III-YYYY34b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses and (xxiii) twenty-third, to the Class III-ZZZZ1a through Class III-ZZZZ34a Interests and Class III-ZZZZ1b through Class III-ZZZZ34b Interests, first, pro rata between the two sets of Interests, and second, sequentially among the subsets of Interests, until such classes are paid in full or eliminated by such losses.

The REMIC IV Regular Interests shall have the following principal balances, REMIC IV Pass-Through Rates and Corresponding Classes of Master REMIC Certificates, as set forth in the table below:

REMIC IV Interest	Initial Principal Balance	REMIC IV Pass-Through Rate	Corresponding Class of Master REMIC Certificates
IV-Accrual1	50% of the sum of the Group IA Pool Balance and related Pre-Funded Amount	(1)	N/A
IV-Accrual2	50% of the sum of the Group IB Pool Balance and related Pre-Funded Amount less \$100	(2)	N/A
IV-Accrual3	50% of the sum of the Group II Pool Balance and related Pre-Funded Amount	(3)	N/A
IV-Accrual4	50% of the sum of the Group III Pool Balance and related Pre-Funded Amount	(4)	N/A
IV-A1A	50% of the Corresponding Class Balance	(1)	A-1A
IV-A1B	50% of the Corresponding Class Balance	(2)	A-1B
IV-A2	50% of the Corresponding Class Balance	(3)	A-2
IV-A3A	50% of the Corresponding Class Balance	(4)	A-3A
IV-A3B	50% of the Corresponding Class Balance	(4)	A-3B
IV-M1	50% of the Corresponding Class Balance	(5)	M-1
IV-M2	50% of the Corresponding Class Balance	(5)	M-2
IV-M3	50% of the Corresponding Class Balance	(5)	M-3
IV-M4	50% of the Corresponding Class Balance	(5)	M-4
IV-M5	50% of the Corresponding Class Balance	(5)	M-5

IV-M6	50% of the Corresponding Class Balance	(5)	M-6
IV-B1	50% of the Corresponding Class Balance	(5)	B-1
IV-B2	50% of the Corresponding Class Balance	(5)	B-2
IV-B3	50% of the Corresponding Class Balance	(5)	B-3
IV-O	50% of the Corresponding Class Balance	(5)	O
IV-N	(6)	(7)	N/A
IV-P	\$100	(8)	P
IV-I	(9)	(9)	I

- (1) The pass-through rate for these REMIC IV Regular Interests will be the weighted average of the pass-through rates of the Class III-A1a through Class III-A19a, Class III-A1b through Class III-A19b, Class III-B1a through Class III-B19a, Class III-B1b through Class III-B19b, Class III-C1a through Class III-C20a, Class III-C1b through Class III-C20b, Class III-D1a through Class III-D20a, Class III-D1b through Class III-D20b, Class III-E1a through Class III-E20a, Class III-E1b through Class III-E20b, Class III-F1a through Class III-F21a, Class III-F1b through Class III-F21b, Class III-G1a through Class III-G21a, Class III-G1b through Class III-G21b, Class III-H1a through Class III-H21a, Class III-H1b through Class III-H21b, Class III-K1a through Class III-K21a, Class III-K1b through Class III-K21b, Class III-L1a through Class III-L22a, Class III-L1b through Class III-L22b, Class III-M1a through Class III-M22a, Class III-M1b through Class III-M22b, Class III-O1a through Class III-O31a, Class III-O1b through Class III-O31b, Class III-Q1a through Class III-Q31a, Class III-Q1b through Class III-Q31b, Class III-S1a through Class III-S32a, Class III-S1b through Class III-S32b, Class III-T1a through Class III-T32a, Class III-T1b through Class III-T32b, Class III-U1a through Class III-U32a, Class III-U1b through Class III-U32b, Class III-V1a through Class III-V33a, Class III-V1b through Class III-V33b, Class III-W1a through Class III-W33a, Class III-W1b through Class III-W33b, Class III-X1a through Class III-X33a, Class III-X1b through Class III-X33b, Class III-Y1a through Class III-Y34a, Class III-Y1b through Class III-Y34b, Class III-Z1a through Class III-Z34a, Class III-Z1b through Class III-Z341b, Class III-J1 and Class III-S1 Interests.
- (2) The pass-through rate for these REMIC IV Regular Interests will be the weighted average of the pass-through rates of the Class III-AA1a through Class III-AA19a, Class III-AA1b through Class III-AA19b, Class III-BB1a through Class III-BB19a, Class III-BB1b through Class III-BB19b, Class III-CC1a through Class III-CC20a, Class III-CC1b through Class III-CC20b, Class III-DD1a through Class III-DD20a, Class III-DD1b through Class III-DD20b, Class III-EE1a through Class III-EE20a, Class III-EE1b through Class III-EE20b,

Class III-FF1a through Class III-FF21a, Class III-FF1b through Class III-FF21b, Class III-GG1a through Class III-GG21a, Class III-GG1b through Class III-GG21b, Class III-HH1a through Class III-HH21a, Class III-HH1b through Class III-HH21b, Class III-KK1a through Class III-KK21a, Class III-KK1b

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through Class III-KK21b, Class III-LL1a through Class III-LL22a, Class III-LL1b through Class III-LL22b, Class III-MM1a through Class III-MM22a, Class III-MM1b through Class III-MM22b, Class III-OO1a through Class III-OO31a, Class III-OO1b through Class III-OO31b, Class III-QQ1a through Class III-QQ31a, Class III-QQ1b through Class III-QQ31b, Class III-SS1a through Class III-SS32a, Class III-SS1b through Class III-SS32b, Class III-TT1a through Class III-TT32a, Class III-TT1b through Class III-TT32b, Class III-UU1a through Class III-UU32a, Class III-UU1b through Class III-UU32b, Class III-VV1a through Class III-VV33a, Class III-VV1b through Class III-VV33b, Class III-WW1a through Class III-WW33a, Class III-WW1b through Class III-WW33b, Class III-XX1a through Class III-XX33a, Class III-XX1b through Class III-XX33b, Class III-YY1a through Class III-YY34a, Class III-YY1b through Class III-YY34b, Class III-ZZ1a through Class III-ZZ34a, Class III-ZZ1b through Class III-ZZ341b, Class III-J2 and Class III-S2 Interests.

- (3) The pass-through rate for these REMIC IV Regular Interests will be the weighted average of the pass-through rates of the Class III-AAA1a through Class III-AAA19a, Class III-AAA1b through Class III-AAA19b, Class III-BBB1a through Class III-BBB19a, Class III-BBB1b through Class III-BBB19b, Class III-CCC1a through Class III-CCC20a, Class III-CCC1b through Class III-CCC20b, Class III-DDD1a through Class III-DDD20a, Class III-DDD1b through Class III-DDD20b, Class III-EEE1a through Class III-EEE20a, Class III-EEE1b through Class III-EEE20b, Class III-FFF1a through Class III-FFF21a, Class III-FFF1b through Class III-FFF21b, Class III-GGG1a through Class III-GGG21a, Class III-GGG1b through Class III-GGG21b, Class III-HHH1a through Class III-HHH21a, Class III-HHH1b through Class III-HHH21b, Class III-KKK1a through Class III-KKK21a, Class III-KKK1b through Class III-KKK21b, Class III-LLL1a through Class III-LLL22a, Class III-LLL1b through Class III-LLL22b, Class III-MMM1a through Class III-MMM22a, Class III-MMM1b through Class III-MMM22b, Class III-OOO1a through Class III-OOO31a, Class III-OOO1b through Class III-OOO31b, Class III-QQQ1a through Class III-QQQ31a, Class III-QQQ1b through Class III-QQQ31b, Class III-SSS1a through Class III-SSS32a, Class III-SSS1b through Class III-SSS32b, Class III-TTT1a through Class III-TTT32a, Class III-TTT1b through Class III-TTT32b, Class III-UUU1a through Class III-UUU32a, Class III-UUU1b through Class III-UUU32b, Class III-VVV1a through Class III-VVV33a, Class III-VVV1b through Class III-VVV33b, Class III-WWW1a through Class III-WWW33a, Class III-WWW1b through Class III-WWW33b, Class III-XXX1a through Class III-XXX33a, Class III-XXX1b through Class III-XXX33b, Class III-YYY1a through Class III-YYY34a, Class III-YYY1b through Class III-YYY34b, Class III-ZZZ1a through Class III-ZZZ34a, Class III-ZZZ1b through Class III-ZZZ341b, Class III-J3 and Class III-S3 Interests.
- (4) The pass-through rate for these REMIC IV Regular Interests will be the weighted average of the pass-through rates of the Class III-AAAA1a through Class III-AAAA19a, Class III-AAAA1b through Class III-AAAA19b, Class III-BBBB1a through Class III-BBBB19a, Class III-BBBB1b through Class III-BBBB19b, Class III-CCCC1a through Class III-CCCC20a, Class III-CCCC1b through Class III-CCCC20b, Class III-DDDD1a through Class III-DDDD20a, Class III-DDDD1b through Class III-DDDD20b, Class III-EEEE1a through Class III-EEEE20a, Class III-EEEE1b through Class III-EEEE20b, Class III-FFFF1a through Class III-FFFF21a, Class III-FFFF1b through Class III-FFFF21b, Class III-GGGG1a through Class III-GGGG21a, Class III-GGGG1b through Class III-GGGG21b, Class III-HHHH1a through Class III-HHHH21a, Class III-HHHH1b through Class III-HHHH21b, Class III-KKKK1a through Class III-KKKK21a, Class III-KKKK1b through Class III-KKKK21b, Class III-LLLL1a through Class III-LLLL22a, Class III-LLLL1b through Class III-LLLL22b, Class III-MMMM1a through Class III-MMMM22a, Class III-MMMM1b through Class III-MMMM22b, Class III-OOOO1a through Class III-OOOO31a, Class III-OOOO1b through Class III-OOOO31b, Class III-QQQQ1a through Class III-QQQQ31a, Class III-QQQQ1b through Class III-QQQQ31b, Class III-SSSS1a through Class III-SSSS32a, Class III-SSSS1b through Class III-SSSS32b, Class III-TTTT1a through Class III-

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TTTT32a, Class III-TTTT1b through Class III-TTTT32b, Class III-UUUU1a through Class III-UUUU32a, Class III-UUUU1b through Class III-UUUU32b, Class III-VVVV1a through Class III-VVVV33a, Class III-VVVV1b through Class III-VVVV33b, Class III-WWWW1a through Class III-WWWW33a, Class III-WWWW1b through Class III-WWWW33b, Class III-XXXX1a through Class III-XXXX33a, Class III-XXXX1b through Class III-XXXX33b, Class III-YYYY1a through Class III-YYYY34a, Class III-YYYY1b through Class III-YYYY34b, Class III-ZZZZ1a through Class III-ZZZZ34a, Class III-ZZZZ1b through Class III-ZZZZ341b, Class III-J4 and Class III-S4 Interests.

- (5) The pass-through rate for these REMIC IV Regular Interests will be the weighted average of the pass-through rates of the Class III-S1, Class III-S2, Class III-S3 and Class III-S4 Interests.
- (6) The Class IV-N Interest will have a notional principal balance equal to the notional principal balance of the Class III-N Interest.
- (7) The Class IV-N Interest is entitled to all distributions on the Class III-N Interest.
- (8) The Class IV-P Interest is entitled to all distributions on the Class III-P Interest.
- (9) The Class IV-I Interest will be an interest only regular interest and will be entitled to receive on each Distribution Date the sum of the amounts distributable on the Class III-A1c through Class III-A19c, Class III-B1c through Class III-B19c, Class III-C1c through Class III-C20c, Class III-D1c through Class III-D20c, Class III-E1c through Class III-E20c, Class III-F1c through Class III-F21c, Class III-G1c through Class III-G21c, Class III-H1c through Class III-H21c, Class III-K1c through Class III-K21c, Class III-L1c through Class III-L22c, Class III-M1c through Class III-M22c, Class III-O1c through Class III-O31c, Class III-Q1c through Class III-Q31c, Class III-S1c through Class III-S32c, Class III-T1c through Class III-T32c, Class III-U1c through Class III-U32c, Class III-V1c through Class III-V33c, Class III-W1c through Class III-W33c, Class III-X1c through Class III-X33c, Class III-Y1c through Class III-Y34c, Class III-Z1c through Class III-Z34c, Class III-AA1c through Class III-AA19c, Class III-BB1c through Class III-BB19c, Class III-CC1c through Class III-CC20c, Class III-DD1c through Class III-DD20c, Class III-EE1c through Class III-EE20c, Class III-FF1c through Class III-FF21c, Class III-GG1c through Class III-GG21c, Class III-HH1c through Class III-HH21c, Class III-KK1c through Class III-KK21c, Class III-LL1c through Class III-LL22c, Class III-MM1c through Class III-MM22c, Class III-OO1c through Class III-OO31c, Class III-QQ1c through Class III-QQ31c, Class III-SS1c through Class III-SS32c, Class III-TT1c through Class III-TT32c, Class III-UU1c through Class III-UU32c, Class III-VV1c through Class III-VV33c, Class III-WW1c through Class III-WW33c, Class III-XX1c through Class III-XX33c, Class III-YY1c through Class III-YY34c, Class III-ZZ1c through Class III-ZZ34c, Class III-AAA1c through Class III-AAA19c, Class III-BBB1c through Class III-BBB19c, Class III-CCC1c through Class III-CCC20c, Class III-DDD1c through Class III-DDD20c, Class III-EEE1c through Class III-EEE20c, Class III-FFF1c through Class III-FFF21c, Class III-GGG1c through Class III-GGG21c, Class III-HHH1c through Class III-HHH21c, Class III-KKK1c through Class III-KKK21c, Class III-LLL1c through Class III-LLL22c, Class III-MMM1c through Class III-MMM22c, Class III-OOO1c through Class III-OOO31c, Class III-QQQ1c through Class III-QQQ31c, Class III-SSS1c through Class III-SSS32c, Class III-TTT1c through Class III-TTT32c, Class III-UUU1c through Class III-UUU32c, Class III-VVV1c through Class III-VVV33c, Class III-WWW1c through Class III-WWW33c, Class III-XXX1c through Class III-XXX33c, Class III-YYY1c through Class III-YYY34c, Class III-ZZZ1c through Class III-ZZZ34c, Class III-AAAA1c through Class III-AAAA19c, Class III-BBBB1c through Class III-BBBB19c, Class III-CCCC1c through Class III-CCCC20c, Class III-DDDD1c through Class III-DDDD20c, Class III-

EEEE1c through Class III-EEEE20c, Class III-FFFF1c through Class III-FFFF21c, Class III-GGGG1c through Class III-

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GGGG21c, Class III-HHHH1c through Class III-HHHH21c, Class III-KKKK1c through Class III-KKKK21c, Class III-LLLL1c through Class III-LLLL22c, Class III-MMMM1c through Class III-MMMM22c, Class III-OOOO1c through Class III-OOOO31c, Class III-QQQQ1c through Class III-QQQQ31c, Class III-SSSS1c through Class III-SSSS32c, Class III-TTTT1c through Class III-TTTT32c, Class III-UUUU1c through Class III-UUUU32c, Class III-VVVV1c through Class III-VVVV33c, Class III-WWWW1c through Class III-WWWW33c, Class III-XXXX1c through Class III-XXXX33c, Class III-YYYY1c through Class III-YYYY34c and Class III-ZZZZ1c through Class III-ZZZZ34c Interests on such Distribution Date.

On each Distribution Date, 50% of the increase in the Over-collateralization Amount will be payable as a reduction of the principal balances of the Class IV-A1A, Class IV-A1B, Class IV-A2, Class IV-A3A, Class IV-A3B, Class IV-M1, Class IV-M2, Class IV-M3, Class IV-M4, Class IV-M5, Class IV-M6, Class IV-B1, Class IV-B2, Class IV-B3 and Class IV-O Interests (in the order and relative amount of such reduction to the principal balance of each class's Corresponding Class of Master REMIC Certificates) and will be accrued and added to the principal balances of the Class IV-Accrual1, Class IV-Accrual2, Class IV-Accrual3 and Class IV-Accrual4 Interests (in the relative amount that such increase in the Overcollateralization Amount relates to the Group IA Mortgage Loans, Group IB Mortgage Loans, Group II Mortgage Loans and the Group III Mortgage Loans, respectively). On each Distribution Date, the increase in the principal balance of the Class IV-Accrual1, Class IV-Accrual2, Class IV-Accrual3 and Class IV-Accrual4 Interests may not exceed interest accruals for such Distribution Date for the respective Class IV-Accrual Interests. In the event that (i) 50% of the increase in the related Overcollateralization Amount exceeds (ii) interest accruals on the related Class IV-Accrual Interest for such Distribution Date, the excess for such Distribution Date (accumulated with all such excesses for all prior Distribution Dates) will be added to any increase in the Overcollateralization Amount for purposes of determining the amount of interest accrual on the related Class IV-Accrual Interest payable as principal on the related Class IV-Accrual Interest on the next Distribution Date pursuant to the first sentence of this paragraph.

All payments of scheduled principal and prepayments of principal with respect to the Group IA Mortgage Loans shall be allocated 50% to the Class IV-Accrual1 Interest and 50% to the Class IV-A1A, Class IV-M1, Class IV-M2, Class IV-M3, Class IV-M4, Class IV-M5, Class IV-M6, Class IV-B1, Class IV-B2, Class IV-B3 and Class IV-O Interests (to each such Class in an amount equal to 1/2 of the principal paid in reduction of the principal balance of the Corresponding Class of Master REMIC Certificates) until paid in full. Notwithstanding the above, principal payments allocated to the Class X Certificates that result in the reduction of the Overcollateralization Amount shall be allocated to the Class IV-Accrual1 Interest until paid in full. Realized Losses shall be applied so that after all distributions have been made on each Distribution Date the principal balances of the Class IV-A1A, Class IV-M1, Class IV-M2, Class IV-M3, Class IV-M4, Class IV-M5, Class IV-M6, Class IV-B1, Class IV-B2 and Class IV-B3 Interests are each equal to 50% of the principal balance of its Corresponding Class of Master REMIC Certificates and the Class IV-Accrual1 Interest is equal to 50% of the sum of the Group IA Pool Balance and the related Pre-Funded Amount.

All payments of scheduled principal and prepayments of principal with respect to the Group IB Mortgage Loans shall be allocated 50% to the Class IV-Accrual2 Interest and 50% to the Class IV-A1B, Class IV-M1, Class IV-M2, Class IV-M3, Class IV-M4, Class IV-M5, Class IV-M6, Class IV-B1, Class IV-B2, Class IV-B3 and Class IV-O Interests (to each such Class in an amount equal to 1/2 of the principal paid in reduction of the principal balance of the Corresponding Class of Master REMIC Certificates) until paid in full. Notwithstanding the above, principal payments allocated to the Class X Certificates that result in the reduction of the Overcollateralization Amount shall be allocated to the Class IV-Accrual2 Interest until paid in full. Realized Losses shall be applied so that after all distributions have been made on each Distribution Date the principal balances of the Class IV-A1B, Class IV-M1, Class IV-M2, Class IV-M3, Class IV-M4, Class IV-M5, Class IV-M6, Class IV-B1, Class IV-B2 and Class IV-B3 Interests are each equal to 50% of the principal balance of its Corresponding Class of Master REMIC

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Certificates and the Class IV-Accrual² Interest is equal to 50% of the sum of the Group IB Pool Balance and the related Pre-Funded Amount.

All payments of scheduled principal and prepayments of principal with respect to the Group II Mortgage Loans shall be allocated 50% to the Class IV-Accrual³ Interest and 50% to the Class IV-A2, Class IV-M1, Class IV-M2, Class IV-M3, Class IV-M4, Class IV-M5, Class IV-M6, Class IV-B1, Class IV-B2, Class IV-B3 and Class IV-O Interests (to each such Class in an amount equal to 1/2 of the principal paid in reduction of the principal balance of the Corresponding Class of Master REMIC Certificates) until paid in full. Notwithstanding the above, principal payments allocated to the Class X Certificates that result in the reduction of the Overcollateralization Amount shall be allocated to the Class IV-Accrual³ Interest until paid in full. Realized Losses shall be applied so that after all distributions have been made on each Distribution Date the principal balances of the Class IV-A2, Class IV-M1, Class IV-M2, Class IV-M3, Class IV-M4, Class IV-M5, Class IV-M6, Class IV-B1, Class IV-B2 and Class IV-B3 Interests are each equal to 50% of the principal balance of its Corresponding Class of Master REMIC Certificates and the Class IV-Accrual³ Interest is equal to 50% of the sum of the Group II Pool Balance and the related Pre-Funded Amount.

All payments of scheduled principal and prepayments of principal with respect to the Group III Mortgage Loans shall be allocated 50% to the Class IV-Accrual⁴ Interest and 50% to the Class IV-A3A, Class IV-A3B, Class IV-M1, Class IV-M2, Class IV-M3, Class IV-M4, Class IV-M5, Class IV-M6, Class IV-B1, Class IV-B2, Class IV-B3 and Class IV-O Interests (to each such Class in an amount equal to 1/2 of the principal paid in reduction of the principal balance of the Corresponding Class of Master REMIC Certificates) until paid in full. Notwithstanding the above, principal payments allocated to the Class X Certificates that result in the reduction of the Overcollateralization Amount shall be allocated to the Class IV-Accrual⁴ Interest until paid in full. Realized Losses shall be applied so that after all distributions have been made on each Distribution Date the principal balances of the Class IV-A3A, Class IV-A3B, Class IV-M1, Class IV-M2, Class IV-M3, Class IV-M4, Class IV-M5, Class IV-M6, Class IV-B1, Class IV-B2 and Class IV-B3 Interests are each equal to 50% of the principal balance of its Corresponding Class of Master REMIC Certificates and the Class IV-Accrual⁴ Interest is equal to 50% of the sum of the Group III Pool Balance and the related Pre-Funded Amount.

The following table sets forth characteristics of the Certificates, each of which (other than the Class R Certificates and, with respect to the Class A Certificates, Class M Certificates and Class B Certificates, other than its Cap Contract Rights) is hereby designated as a “regular interest” in the Master REMIC:

Class of Certificates	Initial Certificate Principal Balance	REMIC Pass-Through Rate
Class A-1A		the lesser of (i) 11% and (ii) LIBOR + Certificate Margin (1)
Class A-1B		the lesser of (i) 11% and (ii) LIBOR + Certificate Margin (2)
Class A-2		the lesser of (i) 11% and (ii) LIBOR + Certificate Margin (3)
Class A-3A		the lesser of (i) 11% and (ii) LIBOR + Certificate Margin (4)
Class A-3B		the lesser of (i) 11% and (ii) LIBOR + Certificate Margin (4)
Class M-1		the lesser of (i) 11% and (ii) LIBOR + Certificate Margin (5)

Class M-2	the lesser of (i) 11% and (ii) LIBOR + Certificate Margin (5)
Class M-3	the lesser of (i) 11% and (ii) LIBOR + Certificate Margin (5)
Class M-4	the lesser of (i) 11% and (ii) LIBOR + Certificate Margin (5)
Class M-5	the lesser of (i) 11% and (ii) LIBOR + Certificate Margin (5)
Class M-6	the lesser of (i) 11% and (ii) LIBOR + Certificate Margin (5)
Class B-1	the lesser of (i) 11% and (ii) LIBOR + Certificate Margin (5)

Class B-2		the lesser of (i) 11% and (ii)LIBOR + Certificate Margin (5)
Class B-3		the lesser of (i) 11% and (ii)LIBOR + Certificate Margin (5)
Class X-1 (6)	(7)	(7)
Class X-2 (6)	(8)	(9)
Class I	(10)	(11)
Class O		(12)
Class P	\$100	(13)
Class R	(14)	(14)

- (1) Subject to the Group IA REMIC Available Funds Cap.
- (2) Subject to the Group IB REMIC Available Funds Cap.
- (3) Subject to the Group II REMIC Available Funds Cap.
- (4) Subject to the Group III REMIC Available Funds Cap
- (5) Subject to the Subordinate REMIC Available Funds Cap.
- (6) The Class X Certificates will represent two regular interests in the Master REMIC, the Class X-1 and the Class X-2 Interest.
- (7) The Class X-1 Interest will have a notional principal balance equal to the aggregate principal balance of the Mortgage Loans plus any outstanding Pre-Funded Amount. The REMIC Pass-Through Rate for the Class X-1 Interest will be the excess of: (I) the weighted average of the pass-through rates on the REMIC IV Regular Interests (other than the Class IV-I and Class IV-N Interests) *over* (II) the product of: (A) two and (B) the weighted average pass-through rate of the REMIC IV Regular Interests (other than the Class IV-I and Class IV-N Interests) where the Class IV-Accrual Interests are subject to a cap equal to zero, and the remaining classes are subject to a cap equal to the REMIC Pass-Through Rates on their respective Corresponding Classes of Master REMIC Regular Interests.

- (8) The Class X-2 Interest will have a notional principal balance equal to the notional principal balance of the Class IV-N Interest.
- (9) The Class X-2 Interest is entitled to all distributions on the Class IV-N Interest.
- (10) The Class I Certificates will have a notional principal balance equal to the Class IV-I notional principal balance.
- (11) The REMIC Pass-Through Rate for the Class I Certificate shall be 100% of the pass-through rate on the Class IV-I Interest.
- (12) The Class O Certificate will not be entitled to any distributions of interest.
- (13) The Class P Certificates are entitled to distributions of all Prepayment Charges. Otherwise, the REMIC Pass-Through Rate is zero.
- (14) The Class R Certificates will represent the beneficial ownership of the R-I, R-II, R-III, R-IV and R-V Interests. On each Distribution Date, available funds, if any, remaining in any of the REMICs after payments of interest and principal, as designated above, will be distributed to the

Class R Certificate. It is expected that there shall not be any distributions on the Class R Certificate.

For federal income tax purposes, the “latest possible maturity date” for each of the REMIC I Regular Interests, REMIC II Regular Interests, REMIC III Regular Interests, REMIC IV Regular Interests and Master REMIC Regular Interests is hereby set to be the Distribution Date of June 2034.

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APPENDIX A

DEFINITIONS

“1933 Act”: The Securities Act of 1933, as amended.

“Account”: The Collection Account, the Pre-Funding Account, the Supplemental Interest Account, and the Distribution Account.

“Accrual Period”: With respect to each Distribution Date, the period commencing on the preceding Distribution Date (or in the case of the first Accrual Period, other than with respect to the Swap Amount due in April 2004, commencing on the Closing Date) and ending on the day preceding the applicable Distribution Date, or with respect to the Swap Amount due in April 2004, the period commencing on March 25, 2004 and ending on April 25, 2004.

“Addition Notice”: With respect to the transfer of Subsequent Mortgage Loans to the Trust Fund pursuant to Section 2.08, a notice of the Company’s designation of the Subsequent Mortgage Loans to be sold to the Trust Fund and the aggregate principal balance of such Subsequent Mortgage Loans as of the Subsequent Cut-off Date. The Addition Notice shall be given not later than four Business Days prior to the related Subsequent Transfer Date and shall be substantially in the form attached hereto as Exhibit C.

“Additional Mortgage Loan”: A Mortgage Loan, other than an Initial Mortgage Loan, added to the Trust Fund on the Closing Date as discussed in the Prospectus Supplement.

“Adjustable Rate Mortgage Loan”: A Mortgage Loan which provides at any period during the life of such loan for the adjustment of the Mortgage Rate payable in respect thereto. The Adjustable Rate Mortgage Loans are identified as such on the Mortgage Loan Schedule.

“Adjustment Date”: With respect to each Adjustable Rate Mortgage Loan, each adjustment date, on which the Mortgage Rate of such Mortgage Loan changes pursuant to the related Mortgage Note.

“Administrative Fee”: With respect to each Distribution Date, the sum of the MI Premium, the Servicing Fee, the Custodian Fee and the Trustee Fee with respect to such Distribution Date.

“Administrative Fee Rate”: As to each Distribution Date, the sum of (i) the Trustee Fee Rate, (ii) the Servicing Fee Rate, (iii) the Custodian Fee Rate and (iv) the total MI Premiums due during the related Due Period, expressed as an annual percentage rate of the Pool Balance as of the beginning of that Due Period.

“Advance”: As to any Mortgage Loan, any advance made by the Servicer in respect of any Distribution Date pursuant to Section 3.24.

“Adverse REMIC Event”: As defined in Section 10.01(f) hereof.

“Affiliate”: With respect to any Person, any other Person controlling, controlled by or under common control with such Person. For purposes of this definition, “control” means the power to direct the management and policies of a Person, directly or indirectly, whether through ownership of voting securities, by contract or otherwise and “controlling” and “controlled” shall have meanings correlative to the foregoing.

“Agreement”: This Pooling and Servicing Agreement and all amendments hereof and supplements hereto.

“Allocated Realized Loss Amount”: With respect to any Distribution Date and any Class A-1B Certificate, Class of Class B Certificates, Class of Mezzanine Certificates or the Class O Certificates, the Realized Losses allocated to such Class of Certificates on such Distribution Date.

“Applicable Regulations”: As to any Mortgage Loan, all federal and state laws, statutes, rules and regulations applicable thereto.

“Appraised Value”: The appraised value of a Mortgaged Property based upon the appraisal made at the time of the origination of the related Mortgage Loan. With respect to a Mortgage Loan the proceeds of which were used to refinance an existing Mortgage Loan, the appraised value of the Mortgaged Property based upon the appraisal with the lowest appraised value (as reviewed and approved by the Seller) obtained within 12 months of the time of refinancing.

“Assignment of Mortgage”: An assignment of Mortgage, notice of transfer or equivalent instrument, in recordable form, which is sufficient under the laws of the jurisdiction wherein the related Mortgaged Property is located to reflect of record the sale of the Mortgage, which assignment, notice of transfer or equivalent instrument may be in the form of one or more blanket assignments covering Mortgages secured by Mortgaged Properties located in the same county, if permitted by law.

“Assumed Final Maturity Date”: As to each Class of Certificates, the Distribution Date in June 2034.

“Available Funds”: As to each Distribution Date, an amount equal to the amount on deposit in the Distribution Account, representing the sum of (i) the aggregate amount of scheduled payments on the related Mortgage Loans due on the related Due Date and received on or prior to the related Determination Date, (ii) miscellaneous fees and collections, including prepayment penalties with respect to the Mortgage Loans (but excluding late fees), (iii) any unscheduled payments and receipts, including Mortgagor prepayments on the related Mortgage Loans, received during the related Prepayment Period and proceeds of repurchases, and adjustments in the case of substitutions and terminations, Net Liquidation Proceeds, Insurance Proceeds, MI Insurance Proceeds and proceeds from the sale of Converted Mortgage Loans, and (iv) all Advances made and Compensating Interest paid for such Distribution Date in respect of the related Mortgage Loans and (v) on the Distribution Date following the termination of the Pre-Funding Period, the remaining amount of the Original Pre-Funded Amount on deposit in the Pre-Funding Account at such time.

“Available Funds Cap”: With respect to each Distribution Date and (a) the Class A-1A Certificates, the Group IA Available Funds Cap, (b) the Class A-1B Certificates, the Group IB Available Funds Cap (c) the Class A-2 Certificates, the Group II Available Funds Cap, (d) the Class A-3 Certificates, the Group III Available Funds Cap and (e) the Class M and Class B Certificates, the Subordinate Available Funds Cap, each for such Distribution Date.

“Available Funds Cap Carryforward Amount”: With respect to any Class of Underwritten Certificates and any Distribution Date, the sum of (i) the positive excess, if any, of (x) the aggregate cumulative amount of Available Funds Cap Shortfall Amounts for such Class on all prior Distribution Dates over (y) the aggregate cumulative amount of Supplemental Interest Payments actually paid to the Holders of that Class on all prior Distribution Dates pursuant to those clauses of Section 4.04(c), which relate to payments to that Class, plus (ii) interest on the amount described in clause (i) at a rate equal to the related Formula Rate for such Class and Distribution Date.

“Available Funds Cap Shortfall Amount”: With respect to any Distribution Date and Class of Underwritten Certificates the excess, if any, of (1) the interest due on such Class calculated using the Formula Rate applicable to such Class over (2) the interest due on such Class, calculated using the Pass-Through Rate applicable to such Class.

“Balloon Mortgage Loan”: A Mortgage Loan that provides for the payment of the unamortized principal balance of such Mortgage Loan in a single payment at the maturity of such Mortgage Loan that is substantially greater than the preceding monthly payment.

“Balloon Payment”: A payment of the unamortized principal balance of a Mortgage Loan in a single payment at the maturity of such Mortgage Loan that is substantially greater than the preceding Monthly Payment.

“Bankruptcy Code”: The Bankruptcy Reform Act of 1978 (Title 11 of the United States Code), as amended.

“Base Prospectus”: The base Prospectus, dated March 3, 2004 with respect to the Offered Certificates.

“Basic Documents”: This Agreement, the Purchase Agreement, each Subsequent Transfer Instrument, the REMIC Interests Sale Agreement, the Converted Loan Purchase Agreement, the Underwriting Agreement, and the other documents and Certificates delivered in connection with any of the above.

“Book-Entry Certificates”: Any of the Certificates that shall be registered in the name of the Depository or its nominee, the ownership of which is reflected on the books of the Depository or on the books of a Person maintaining an account with the Depository (directly, as a Depository Participant, or indirectly, as an indirect participant in accordance with the rules of the Depository and as described in Section 5.02 hereof). On the Closing Date, the Class A Certificates, the Mezzanine Certificates, the Class B Certificates and the Class P Certificates shall be Book-Entry Certificates.

“Business Day”: Any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the City of New York, the State of Missouri or in the city in which the corporate trust office of the Trustee or Custodian are located, are required or authorized by law to be closed.

“Cap Contract Rights”: The rights of the Class A Certificates, Mezzanine Certificates and Class B Certificates to receive interest payments in excess of payments at the REMIC Pass Through Rate on the Master REMIC Regular Interest corresponding to such Class of Certificates as set forth in Exhibit K.

“Cash Liquidation”: As to any defaulted Mortgage Loan other than a Mortgage Loan as to which an REO Acquisition occurred, a determination by the Servicer that it has received all Liquidation Proceeds and other payments or cash recoveries which the Servicer reasonably and in good faith expects to be finally recoverable with respect to such Mortgage Loan.

“Certificate”: Any Regular Certificate or Class R Certificate.

“Certificateholder” or “Holder”: The Person in whose name a Certificate is registered in the Certificate Register, except that a Disqualified Organization or non-U.S. Person shall not be a Holder of a Residual Certificate for any purpose hereof.

“Certificate Margin”: With respect to the Class A-1A Certificates on each Distribution Date (A) prior to the Rate Step-Up Date 0.240% per annum and (B) on and after the Rate Step-Up Date, 0.4800% per annum. With respect to the Class A-1B Certificates on each Distribution Date (A) prior to the Rate Step-Up Date, 0.330% per annum and (B) on and after the Rate Step-Up Date, 0.6600% per annum. With respect to the Class A-2 Certificates on each Distribution Date (A) prior to the Rate Step-Up Date, 0.240% per annum and (B) on and after the Rate Step-Up Date, 0.4800% per annum. With respect to the Class A-3A Certificates on each Distribution Date (A) prior to the Rate Step-Up Date 0.090% per annum and (B) on and after the Rate Step-Up Date 0.1800% per annum. With respect to the Class A-3B Certificates on each Distribution Date (A) prior to the Rate Step-Up Date 0.260% per annum and (B) on and after the Rate Step-Up Date 0.5200% per annum. With respect to the Class M-1 Certificates on each Distribution Date (A) prior to the Rate Step-Up Date, 0.450% per annum and (B) on and after the Rate Step-Up Date, 0.6750% per annum. With respect to the Class M-2 Certificates on each Distribution Date (A) prior to the Rate Step-Up Date, 0.500% per annum and (B) on and after the Rate Step-Up Date, 0.7500% per annum. With respect to the Class M-3 Certificates on each Distribution Date (A) prior to the Rate Step-Up Date, 0.550% per annum and (B) on and after the Rate Step-Up Date, 0.8250% per annum. With respect to the Class M-4 Certificates on each Distribution Date (A) prior to the Rate Step-Up Date 0.975% per annum and (B) on and after the Rate Step-Up Date, 1.4625% per annum. With respect to the Class M-5 Certificates on each Distribution Date (A) prior to the Rate Step-Up Date 1.050% per annum and (B) on and after the Rate Step-Up Date, 1.5750% per annum. With respect to the Class M-6 Certificates on each Distribution Date (A) prior to the Rate Step-Up Date 1.250% per annum and (B) on and after the Rate Step-Up Date, 1.8750% per annum. With respect to the Class B-1 Certificates on each Distribution Date (A) prior to the Rate Step-Up Date 1.700% per annum and (B) on and after the Rate Step-Up Date, 2.5500% per annum. With respect to the Class B-2 Certificates on each Distribution Date (A) prior to the Rate Step-Up Date 1.800% per annum and (B) on and after the Rate Step-

Up Date, 2.7000% per annum. With respect to the Class B-3 Certificates on each Distribution Date (A) prior to the Rate Step-Up Date 2.950% per annum and (B) on and after the Rate Step-Up Date, 4.4250% per annum.

“Certificate Owner”: With respect to each Book-Entry Certificate, any beneficial owner thereof.

“Certificate Principal Balance”: With respect to any Class of Regular Certificates (other than the Class X Certificates and the Class I Certificates) immediately prior to any Distribution Date, an amount equal to the Initial Certificate Principal Balance thereof reduced by the sum of all amounts actually distributed in respect of principal of such Class and, in the case of a Mezzanine Certificate, a Class B Certificate and a Class A-1B Certificate, Allocated Realized Loss Amounts applied with respect to that Class on all prior Distribution Dates. The Class X Certificates and the Class I Certificates will not have a Certificate Principal Balance.

“Certificate Register”: The register maintained by the Certificate Registrar in which the Certificate Registrar shall provide for the registration of Certificates and of transfers and exchanges of Certificates.

“Certificate Registrar”: Initially, the Trustee, in its capacity as Certificate Registrar, or any successor to the Trustee in such capacity.

“Class”: Collectively, Certificates which have the same priority of payment and bear the same Class designation and the form of which is identical except for variation in the Percentage Interest evidenced thereby.

“Class A Certificate”: Any Class A-1A Certificate, Class A-1B Certificate, Class A-2 Certificate or Class A-3 Certificate.

“Class A Principal Distribution Amount”: For any Distribution Date, the sum of the Class A-1A Principal Distribution Amount, Class A-1B Principal Distribution Amount, Class A-2 Principal Distribution Amount and the Class A-3 Principal Distribution Amount for such Distribution Date.

“Class A-1A Allocation Percentage” for any Distribution Date is the percentage equivalent of a fraction, the numerator of which is (i) the Group IA Principal Remittance Amount for such Distribution Date and the denominator of which is (ii) the Principal Remittance Amount for such Distribution Date.

“Class A-1A Certificate”: Any one of the Class A-1A Certificates executed, authenticated and delivered pursuant to Section 5.01, substantially in the form annexed hereto as Exhibit A-1, representing the right to distributions as set forth herein and therein and evidencing a regular interest in the Master REMIC.

“Class A-1A Principal Distribution Amount”: For any Distribution Date, an amount equal to the excess of (x) the aggregate Certificate Principal Balance of the Class A-1A Certificates immediately prior to that Distribution Date over (y) the lesser of (A) the product of (i) 66.00% and (ii) the aggregate principal balance of the Group IA Mortgage Loans as of the last

day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) and (B) the aggregate principal balance of the Group IA Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) minus \$2,439,759.

“Class A-1B Principal Distribution Amount”: For any Distribution Date, an amount equal to the excess of (x) the aggregate Certificate Principal Balance of the Class A-1B Certificates immediately prior to that Distribution Date over (y) the lesser of (A) the product of (i) 66.00% and (ii) the aggregate principal balance of the Group IB Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) and (B) the aggregate principal balance of the Group IB Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) minus \$271,084.

“Class A-2 Allocation Percentage” for any Distribution Date is the percentage equivalent of a fraction, the numerator of which is (i) the Group II Principal Remittance Amount for such Distribution Date and the denominator of which is (ii) the Principal Remittance Amount for such Distribution Date.

“Class A-2 Principal Distribution Amount”: For any Distribution Date, an amount equal to the excess of (x) the aggregate Certificate Principal Balance of the Class A-2 Certificates immediately prior to that Distribution Date over (y) the lesser of (A) the product of (i) 66.00% and (ii) the aggregate principal balance of the Group II Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) and (B) the aggregate principal balance of the Group II Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) minus \$2,409,639.

“Class A-1B Allocation Percentage” for any Distribution Date is the percentage equivalent of a fraction, the numerator of which is (i) the Group IB Principal Remittance Amount for such Distribution Date and the denominator of which is (ii) the Principal Remittance Amount for such Distribution Date.

“Class A-1B Certificate”: Any one of the Class A-1B Certificates executed, authenticated and delivered pursuant to Section 5.01, substantially in the form annexed hereto as Exhibit A-2, representing the right to distributions as set forth herein and therein and evidencing a regular interest in the Master REMIC.

“Class A-2 Certificate”: Any one of the Class A-2 Certificates executed, authenticated and delivered pursuant to Section 5.01, substantially in the form annexed hereto as Exhibit A-3, representing the right to distributions as set forth herein and therein and evidencing a regular interest in the Master REMIC.

“Class A-3 Certificate”: Any Class A-3A Certificate or Class A-3B Certificate.

“Class A-3A Certificate”: Any one of the Class A-3A Certificates executed, authenticated and delivered pursuant to Section 5.01, substantially in the form annexed hereto as Exhibit A-4, representing the right to distributions as set forth herein and therein and evidencing a regular interest in the Master REMIC.

“Class A-3B Certificate”: Any one of the Class A-3B Certificates executed, authenticated and delivered pursuant to Section 5.01, substantially in the form annexed hereto as Exhibit A-5, representing the right to distributions as set forth herein and therein and evidencing a regular interest in the Master REMIC.

“Class A-3 Allocation Percentage”: For any Distribution Date is the percentage equivalent of a fraction, the numerator of which is (i) the Group III Principal Remittance Amount for such Distribution Date and the denominator of which is (ii) the Principal Remittance Amount for such Distribution Date.

“Class A-3 Principal Distribution Amount”: For any Distribution Date, an amount equal to the excess of (x) the aggregate Certificate Principal Balance of the Class A-3 Certificates immediately prior to that Distribution Date over (y) the lesser of (A) the product of (i) 66.00% and (ii) the aggregate principal balance of the Group III Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) and (B) the aggregate principal balance of the Group III Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) minus \$3,629,518.

“Class B Certificate”: Any Class B-1 Certificate, Class B-2 Certificate or Class B-3 Certificate.

“Class B Principal Distribution Amount”: The sum of the Class B-1 Principal Distribution Amount, the Class B-2 Principal Distribution Amount and the Class B-3 Principal Distribution Amount.

“Class B-1 Certificate”: Any one of the Class B-1 Certificates executed, authenticated and delivered pursuant to Section 5.01, substantially in the form annexed hereto as Exhibit A-12, representing the right to distributions as set forth herein and therein and evidencing a regular interest in the Master REMIC.

“Class B-1 Principal Distribution Amount”: For any Distribution Date, is an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Principal Balance of the Class

A Certificates (after taking into account the payment of the Class A-1A Principal Distribution Amount, the Class A-1B Principal Distribution Amount, the Class A-2 Principal Distribution Amount and the Class A-3 Principal Distribution Amount on such Distribution Date), (ii) the Certificate Principal Balance of the Class M-1 Certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such Distribution Date), (iii) the Certificate Principal Balance of the Class M-2 Certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such Distribution Date), (iv) the Certificate Principal Balance of the Class M-3 Certificates (after taking into account the payment of the Class M-3 Principal Distribution Amount on such Distribution Date), (v) the Certificate Principal Balance of the Class M-4 Certificates (after taking into account the payment of the Class M-4 Principal Distribution Amount on such Distribution Date), (vi) the Certificate Principal Balance of the Class M-5 Certificates (after taking into account the payment of the Class M-5 Principal Distribution Amount on such Distribution Date), (vii) the Certificate Principal Balance of the Class M-6 Certificates (after taking into account the payment of the Class M-6 Principal Distribution Amount on such Distribution Date), and (viii) the Certificate Principal Balance of the Class B-1 Certificates immediately prior to that Distribution Date over (y) the lesser of (A) the product of (i) 92.40% and (ii) the aggregate principal balance of the Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) and (B) the aggregate principal balance of the Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) minus \$8,750,000.

“Class B-2 Certificate”: Any one of the Class B-2 Certificates executed, authenticated and delivered pursuant to Section 5.01, substantially in the form annexed hereto as Exhibit A-13, representing the right to distributions as set forth herein and therein and evidencing a regular interest in the Master REMIC.

“Class B-2 Principal Distribution Amount”: For any Distribution Date, is an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Principal Balance of the Class A Certificates (after taking into account the payment of the Class A-1A Principal Distribution Amount, the Class A-1B Principal Distribution Amount, the Class A-2 Principal Distribution Amount and the Class A-3 Principal Distribution Amount on such Distribution Date), (ii) the Certificate Principal Balance of the Class M-1 Certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such Distribution Date), (iii) the Certificate Principal Balance of the Class M-2 Certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such Distribution Date), (iv) the Certificate Principal Balance of the Class M-3 Certificates (after taking into account the payment of the Class M-3 Principal Distribution Amount on such Distribution Date), (v) the Certificate Principal Balance of the Class M-4 Certificates (after taking into account the payment of the Class M-4 Principal Distribution Amount on such Distribution Date), (vi) the Certificate Principal Balance of the Class M-5 Certificates (after taking into account the payment of the Class M-5 Principal Distribution Amount on such Distribution Date), (vii) the Certificate Principal Balance of the Class M-6 Certificates (after taking into account the payment of the Class M-6 Principal Distribution Amount on such Distribution Date), (viii) the Certificate Principal Balance of the

Class B-1 Certificates, (after taking into account the payment of the Class B-1 Principal Distribution Amount on such Distribution Date) and (ix) the Certificate Principal Balance of the Class B-2 Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (i) 94.90% and (ii) the aggregate principal balance of the Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) and (B) the aggregate principal balance of the Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) minus \$8,750,000.

“Class B-3 Certificate”: Any one of the Class B-3 Certificates executed, authenticated and delivered pursuant to Section 5.01, substantially in the form annexed hereto as Exhibit A-14, representing the right to distributions as set forth herein and therein and evidencing a regular interest in the Master REMIC.

“Class B-3 Principal Distribution Amount”: For any Distribution Date, is an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Principal Balance of the Class A Certificates (after taking into account the payment of the Class A-1A Principal Distribution Amount, the Class A-1B Principal Distribution Amount, the Class A-2 Principal Distribution Amount and the Class A-3 Principal Distribution Amount on such Distribution Date), (ii) the Certificate Principal Balance of the Class M-1 Certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such Distribution Date), (iii) the Certificate Principal Balance of the Class M-2 Certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such Distribution Date), (iv) the Certificate Principal Balance of the Class M-3 Certificates (after taking into account the payment of the Class M-3 Principal Distribution Amount on such Distribution Date), (v) the Certificate Principal Balance of the Class M-4 Certificates (after taking into account the payment of the Class M-4 Principal Distribution Amount on such Distribution Date), (vi) the Certificate Principal Balance of the Class M-5 Certificates (after taking into account the payment of the Class M-5 Principal Distribution Amount on such Distribution Date), (vii) the Certificate Principal Balance of the Class M-6 Certificates (after taking into account the payment of the Class M-6 Principal Distribution Amount on such Distribution Date), (viii) the Certificate Principal Balance of the Class B-1 Certificates (after taking into account the payment of the Class B-1 Principal Distribution Amount on such Distribution Date), (ix) the Certificate Principal Balance of the Class B-2 Certificates (after taking into account the payment of the Class B-2 Principal Distribution Amount on such Distribution Date) and (x) the Certificate Principal Balance of the Class B-3 Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (i) 97.40% and (ii) the aggregate principal balance of the Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) and (B) the aggregate principal balance of the Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) minus \$8,750,000.

“Class I Certificate”: Any one of the Class I Certificates executed, authenticated and delivered pursuant to Section 5.01, substantially in the form annexed hereto as Exhibit A-15, representing the right to distributions as set forth herein and therein and evidencing a regular interest in the Master REMIC.

“Class I Monthly Interest Distributable Amount”: For any Distribution Date, shall mean the sum of (i) the Group IA Class I Monthly Interest Distributable Amount, (ii) the Group IB Class I Monthly Interest Distributable Amount, (iii) the Group II Class I Monthly Interest Distributable Amount and (iv) the Group III Class I Monthly Interest Distributable Amount, each for such Distribution Date.

“Class IV-Accrual Interest”: Either the Class IV-Accrual1, Class IV-Accrual2, Class IV-Accrual3 or Class IV-Accrual4 Interest as applicable.

“Class I Termination Date”: The Distribution Date occurring in January 2007.

“Class M Certificate”: Any Class M-1 Certificate, Class M-2 Certificate, Class M-3 Certificate, Class M-4 Certificate, Class M-5 Certificate or Class M-6 Certificate.

“Class M-1 Certificate”: Any one of the Class M-1 Certificates executed, authenticated and delivered pursuant to Section 5.01, substantially in the form annexed hereto as Exhibit A-6, representing the right to distributions as set forth herein and therein and evidencing a regular interest in the Master REMIC.

“Class M-1 Principal Distribution Amount”: For any Distribution Date, an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Principal Balance of the Class A Certificates (after taking into account the payment of the Class A-1A Principal Distribution Amount, the Class A-1B Principal Distribution Amount, the Class A-2 Principal Distribution Amount and the Class A-3 Principal Distribution Amount on such Distribution Date) and (ii) the Certificate Principal Balance of the Class M-1 Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (i) 70.90% and (ii) the aggregate principal balance of the Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) and (B) the aggregate principal balance of the Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) minus \$8,750,000.

“Class M-2 Certificate”: Any one of the Class M-2 Certificates executed, authenticated and delivered pursuant to Section 5.01, substantially in the form annexed hereto as Exhibit A-7, representing the right to distributions as set forth herein and therein and evidencing a regular interest in the Master REMIC.

“Class M-2 Principal Distribution Amount”: For any Distribution Date, an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Principal Balance of the Class A Certificates (after taking into account the payment of the Class A-1A Principal Distribution Amount, the Class A-1B Principal Distribution Amount, the Class A-2 Principal Distribution

Amount and the Class A-3 Principal Distribution Amount on such Distribution Date), (ii) the Certificate Principal Balance of the Class M-1 Certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such Distribution Date) and (iii) the Certificate Principal Balance of the Class M-2 Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (i) 76.90% and (ii) the aggregate principal balance of the Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) and (B) the aggregate principal balance of the Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) minus \$8,750,000.

“Class M-3 Certificate”: Any one of the Class M-3 Certificates executed, authenticated and delivered pursuant to Section 5.01, substantially in the form annexed hereto as Exhibit A-8, representing the right to distributions as set forth herein and therein and evidencing a regular interest in the Master REMIC.

“Class M-3 Principal Distribution Amount”: For any Distribution Date, an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Principal Balance of the Class A Certificates (after taking into account the payment of the Class A-1A Principal Distribution Amount, the Class A-1B Principal Distribution Amount, the Class A-2 Principal Distribution Date and the Class A-3 Principal Distribution Amount on such Distribution Date), (ii) the Certificate Principal Balance of the Class M-1 Certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such Distribution Date), (iii) the Certificate Principal Balance of the Class M-2 Certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such Distribution Date) and (iv) the Certificate Principal Balance of the Class M-3 Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (i) 80.40% and (ii) the aggregate principal balance of the Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) and (B) the aggregate principal balance of the Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) minus \$8,750,000.

“Class M-4 Certificate”: Any one of the Class M-4 Certificates executed, authenticated and delivered pursuant to Section 5.01, substantially in the form annexed hereto as Exhibit A-9, representing the right to distributions as set forth herein and therein and evidencing a regular interest in the Master REMIC.

“Class M-4 Principal Distribution Amount”: For any Distribution Date, an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Principal Balance of the Class A Certificates (after taking into account the payment of the Class A-1A Principal Distribution Amount, the Class A-1B Principal Distribution Amount, the Class A-2 Principal Distribution Amount and the Class A-3 Principal Distribution Amount on such Distribution Date) (ii) the

Certificate Principal Balance of the Class M-1 Certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such Distribution Date), (iii) the Certificate Principal Balance of the Class M-2 Certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such Distribution Date), (iv) the Certificate Principal Balance of the Class M-3 Certificates (after taking into account the payment of the Class M-3 Principal Distribution Amount on such Distribution Date), and (v) the Certificate Principal Balance of the Class M-4 Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (i) 83.40% and (ii) the aggregate principal balance of the Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) and (B) the aggregate principal balance of the Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) minus \$8,750,000.

“Class M-5 Certificate”: Any one of the Class M-5 Certificates executed, authenticated and delivered pursuant to Section 5.01, substantially in the form annexed hereto as Exhibit A-10, representing the right to distributions as set forth herein and therein and evidencing a regular interest in the Master REMIC.

“Class M-5 Principal Distribution Amount”: For any Distribution Date, an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Principal Balance of the Class A Certificates (after taking into account the payment of the Class A-1A Principal Distribution Amount, the Class A-1B Principal Distribution Amount, the Class A-2 Principal Distribution Amount and the Class A-3 Principal Distribution Amount on such Distribution Date), (ii) the Certificate Principal Balance of the Class M-1 Certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such Distribution Date) (iii) the Certificate Principal Balance of the Class M-2 Certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such date), (iv) the Certificate Principal Balance of the Class M-3 Certificates (after taking into account the payment of the Class M-3 Principal Distribution Amount on such Distribution Date), (v) the Certificate Principal Balance of the Class M-4 Certificates (after taking into account the payment of the Class M-4 Principal Distribution Amount on such Distribution Date) and (vi) the Certificate Principal Balance of the Class M-5 Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (i) 86.90% and (ii) the aggregate principal balance of the Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) and (B) the aggregate principal balance of the Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) minus \$8,750,000.

“Class M-6 Certificate”: Any one of the Class M-6 Certificates executed, authenticated and delivered pursuant to Section 5.01, substantially in the form annexed hereto as Exhibit A-11,

representing the right to distributions as set forth herein and therein and evidencing a regular interest in the Master REMIC.

“Class M-6 Principal Distribution Amount”: For any Distribution Date, an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Principal Balance of the Class A Certificates (after taking into account the payment of the Class A-1A Principal Distribution Amount, the Class A-1B Principal Distribution Amount, the Class A-2 Principal Distribution Date and the Class A-3 Principal Distribution Amount on such Distribution Date), (ii) the Certificate Principal Balance of the Class M-1 Certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such Distribution Date), (iii) the Certificate Principal Balance of the Class M-2 Certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such Distribution Date) (iv) the Certificate Principal Balance of the Class M-3 Certificates (after taking into account the payment of the Class M-3 Principal Distribution Amount on such Distribution Date), (v) the Certificate Principal Balance of the Class M-4 Certificates (after taking into account the payment of the Class M-4 Principal Distribution Amount on such Distribution Date), (vi) the Certificate Principal Balance of the Class M-5 Certificates (after taking into account the payment of the Class M-5 Principal Distribution Amount on such Distribution Date) and (vii) the Certificate Principal Balance of the Class M-6 Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (i) 89.40% and (ii) the aggregate principal balance of the Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) and (B) the aggregate principal balance of the Mortgage Loans as of the last day of the related Due Period (after giving effect to scheduled payments of principal due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) minus \$8,750,000.

“Class O Certificate”: Any one of the Class O Certificates executed, authenticated and delivered pursuant to Section 5.01, substantially in the form annexed hereto as Exhibit A-18, representing the right to distributions as set forth herein and therein and evidencing a regular interest in the Master REMIC.

“Class P Certificate”: Any one of the Class P Certificates executed, authenticated and delivered pursuant to Section 5.01, substantially in the form annexed hereto as Exhibit A-17, representing the right to distributions as set forth herein and therein and evidencing a regular interest in the Master REMIC.

“Class P Monthly Distribution Amount”: An amount equal to all prepayment penalties on a Distribution Date received on the Mortgage Pool during the prior Prepayment Period.

“Class P Principal Distribution Date”: The earlier of (i) the 35th Distribution Date and (ii) the Distribution Date on which the Certificate Principal Balances for all of the Class A Certificates are reduced to zero.

“Class R Certificate”: Any one of the Class R Certificates executed, authenticated and delivered pursuant to Section 5.01, substantially in the form annexed hereto as Exhibit A-19,

representing the right to distributions as set forth herein, and evidencing the R-I Interest, the R-II Interest, the R-III Interest, the R-IV Interest and the R-V Interest, each the sole “residual interest” in REMIC I, REMIC II, REMIC III, REMIC IV and the Master REMIC, respectively.

“Class X Certificate”: Any one of the Class X Certificates executed, authenticated and delivered pursuant to Section 5.01, substantially in the form annexed hereto as Exhibit A-16, representing the right to distributions as set forth herein and therein and evidencing one or more regular interests in the Master REMIC.

“Close of Business”: As used herein, with respect to any Business Day, 5:00 p.m. (New York time).

“Closing Date”: March 11, 2004.

“Closing Date Mortgage Loans”: The Mortgage Loans included in the Trust Fund as of the Closing Date identified in the Mortgage Loan Schedule in Exhibit B.

“Code”: The Internal Revenue Code of 1986 as it may be amended from time to time.

“Collection Account”: The account or accounts created and maintained by the Servicer pursuant to Section 3.06(d) hereof, which must be an Eligible Account.

“Commission”: The Securities and Exchange Commission.

“Company”: NovaStar Mortgage Funding Corporation, a Delaware corporation, and its successors and assigns.

“Compensating Interest”: With respect to any Determination Date, an amount equal to the lesser of (i) the aggregate amount of Prepayment Interest Shortfalls for the related Prepayment Period and (ii) the Servicing Fee for the related Distribution Date.

“Conversion Date”: The date on which a Convertible Mortgage Loan becomes a Converted Mortgage Loan according to the terms of the related Mortgage Note.

“Converted Loan Purchase Agreement”: The Converted Loan Purchase Agreement, dated as of March 1, 2004, among the Converted Loan Purchaser, the Custodian, the Trustee and the Servicer.

“Converted Loan Purchaser”: NovaStar Capital, Inc., a Delaware corporation, and any successor thereto.

“Converted Mortgage Loan”: Any Convertible Mortgage Loan as to which the Mortgagor has exercised the option to convert to a fixed Mortgage Rate and satisfied all of the conditions to conversion set forth in the Mortgage Note.

“Convertible Mortgage Loans”: Any Mortgage Loan evidenced by a Mortgage Note that according to its terms is convertible at the option of the Mortgagor from a variable Mortgage Rate to a fixed Mortgage Rate, subject to satisfaction of the conditions set forth in such note.

“Corporate Trust Office”: With respect to the Trustee, the Paying Agent and the Certificate Registrar, the principal corporate trust office at which at any particular time its corporation trust business shall be administered, which office at the date of execution of this Agreement is located at 4 New York Plaza, 6th Floor, New York, New York 10004-2477, Attention: Institutional Trust Services/Global Debt, NovaStar Mortgage Funding Trust, Series 2004-1.

“Corresponding Class of Master REMIC Certificates”: As defined in Exhibit K hereof.

“Corresponding Distribution Date”: As set forth in the Swap Interest Rate Schedule.

“Corresponding Interest Rate”: As set forth in the Swap Interest Rate Schedule.

“Corresponding Maturity Date”: As set forth in the Swap Maturity Date Schedule.

“Corresponding REMIC II Regular Interest”: As defined in Exhibit K hereof.

“Credit Enhancement Percentage”: For any Distribution Date, is equal to (i) the sum of the aggregate Certificate Principal Balances of the Mezzanine Certificates, the Class B Certificates and the Class O Certificates, divided by (ii) the Pool Balance, in each case calculated prior to taking into account the distribution of the Principal Distribution Amount to the Holders of the Certificates then entitled to distributions of principal on such Distribution Date and prior to taking into account distributions of principal on the Mortgage Loans on such Distribution Date.

“Crossover Date”: The earlier to occur of (i) the Distribution Date on which the aggregate Certificate Principal Balance of the Class A Certificates is reduced to zero; and (ii) the later to occur of (x) the Distribution Date occurring in April 2007 and (y) the first Distribution Date on which the Credit Enhancement Percentage (calculated for this purpose only after taking into account distributions of principal on the Mortgage Loans but prior to the principal distributions to the certificates) is greater than or equal to 34.00%.

“Cumulative Loss Percentage”: As to any Distribution Date, the percentage equivalent of the fraction obtained by dividing (i) the aggregate amount of Realized Losses on the Mortgage Loans (after giving effect to coverage provided by any MI Policy) from the Cut-off Date through such Distribution Date by (ii) the sum of the aggregate Principal Balance of the Closing Date Mortgage Loans as of the Cut-off Date plus the Original Pre-Funded Amount.

“Current Interest”: For any Distribution Date and each Class of Underwritten Certificates the amount of interest accrued during the related Accrual Period at the related Pass-Through Rate on the Certificate Principal Balance of such Class immediately prior to such Distribution Date, in each case, reduced by any Net Prepayment Interest Shortfalls and any Relief Act Shortfalls allocated to that Class (allocated to each Certificate based on its respective entitlements to interest irrespective of any Net Prepayment Interest Shortfalls or Relief Act Shortfalls for that Distribution Date).

“Custodian”: Wachovia Bank, National Association, a national banking association, and any successor thereto.

“Custodian Fee”: With respect to each Distribution Date, the product of (i) \$0.20 and (ii) the number of Mortgage Loans.

“Custodian Fee Rate”: The percentage equivalent expressed as a fraction, the numerator of which is (i) the product of (a) the Custodian Fee and (b) 12 and the denominator of which is (ii) the aggregate principal balance of the Mortgage Loans as of the beginning of the Due Period.

“Cut-off Date”: With respect to each Initial Mortgage Loan and Additional Mortgage Loan, the later of (i) March 1, 2004 and (ii) the date of origination of such Initial Mortgage Loan or Additional Mortgage Loan. With respect to each Subsequent Mortgage Loan, the later of (i) the first day of the month in which such Subsequent Mortgage Loan is acquired by the Trust and (ii) the date of origination of such Subsequent Mortgage Loan.

“Cut-off Date Aggregate Principal Balance”: With respect to the Mortgage Pool, the aggregate of the Cut-off Date Principal Balances of the Initial Mortgage Loans of \$676,277,012 consisting of \$188,565,187.23 related to Group IA, \$20,951,794.17 related to Group IB, \$186,237,110.71 related to Group II and \$280,522,920.19 related to Group III.

“Cut-off Date Principal Balance”: With respect to any Mortgage Loan, the unpaid principal balance thereof as of the applicable Cut-off Date or Subsequent Cut-off Date, as the case may be (or as of the applicable date of substitution with respect to an Eligible Substitute Mortgage Loan).

“Debt Service Reduction”: With respect to any Mortgage Loan, a reduction in the scheduled Monthly Payment for such Mortgage Loan by a court of competent jurisdiction in a proceeding under the Bankruptcy Code, except such a reduction resulting from a Deficient Valuation.

“Deferred Interest”: With respect to any REO Property, the current portion of interest not currently paid by the Mortgagor that is added to the principal balance of such REO Property.

“Deficient Valuation”: With respect to any Mortgage Loan, a valuation of the related Mortgaged Property by a court of competent jurisdiction in an amount less than the then outstanding principal balance of the Mortgage Loan, which valuation results from a proceeding initiated under the Bankruptcy Code.

“Definitive Certificates”: The Class O, Class I, Class X and Class R Certificates, and such other Classes of Certificates as become Definitive Certificates pursuant to Section 5.02(c) hereof.

“Deleted Mortgage Loan”: A Mortgage Loan replaced or to be replaced by one or more Eligible Substitute Mortgage Loans.

“30-Day Delinquency Percentage”: As of the last day of any Due Period, the percentage equivalent of a fraction, (i) the numerator of which equals the aggregate Principal Balance of the Mortgage Loans that are 30 or more days delinquent, in foreclosure or converted to REO Properties as of such last day of such Due Period, and (ii) the denominator of which is the Pool Balance as of the last day of such Due Period.

“60-Day Delinquency Percentage”: As of the last day of any Due Period, the percentage equivalent of a fraction, (i) the numerator of which equals the aggregate Principal Balance of the Mortgage Loans that are 60 or more days delinquent, in foreclosure or converted to REO Properties as of such last day of such Due Period, and (ii) the denominator of which is the Pool Balance as of the last day of such Due Period.

“90-Day Delinquency Percentage”: As of the last day of any Due Period, the percentage equivalent of a fraction, (i) the numerator of which equals the aggregate Principal Balance of the Mortgage Loans that are 90 or more days delinquent, in foreclosure or converted to REO Properties as of such last day of such Due Period, and (ii) the denominator of which is the Pool Balance as of the last day of such Due Period.

“Delinquent”: Any Mortgage Loan, the Monthly Payment due on a Due Date which is not made by the Close of Business on the next scheduled Due Date for such Mortgage Loan.

“Depository”: The initial Depository shall be The Depository Trust Company, whose nominee is Cede & Co., or any other organization registered as a “clearing agency” pursuant to Section 17A of the Securities Exchange Act of 1934, as amended. The Depository shall initially be the registered Holder of the Book-Entry Certificates. The Depository shall at all times be a “clearing corporation” as defined in Section 8-102(3) of the Uniform Commercial Code of the State of New York.

“Depository Participant”: A broker, dealer, bank or other financial institution or other person for whom from time to time a Depository effects book-entry transfers and pledges of securities deposited with the Depository.

“Determination Date”: With respect to any Distribution Date, the 15th day of the calendar month in which such Distribution Date occurs or, if such 15th day is not a Business Day, the Business Day immediately preceding such 15th day.

“Determination Date Report”: The meaning specified in Section 3.23 hereof.

“Disqualified Organization”: “Disqualified Organization” shall have the meaning set forth from time to time in the definition thereof at Section 860E(e)(5) of the Code and applicable to the Trust.

“Distribution Account”: The trust account or accounts created and maintained by the Trustee pursuant to Section 4.02 hereof, which must be an Eligible Account.

“Distribution Date”: The 25th day of any calendar month, or if such 25th day is not a Business Day, the Business Day immediately following such 25th day, commencing in April 2004.

“Due Date”: The first day of the month of the related Distribution Date.

“Due Period”: With respect to any Mortgage Loan and Due Date, the period commencing on the second day of the month preceding the month of such Distribution Date and ending on the related Due Date.

“Eligible Account”: An account that is either: (A) a segregated account or accounts maintained with an institution whose deposits are insured by the FDIC, the unsecured and uncollateralized long-term debt obligations of which institution shall be rated AA or higher by Standard & Poor’s and Aa2 or higher by Moody’s and in the highest short-term rating category by each of the Rating Agencies, and which is (i) a federal savings and loan association duly organized, validly existing and in good standing under the federal banking laws, (ii) an institution duly organized, validly existing and in good standing under the applicable banking laws of any state, (iii) a national banking association duly organized, validly existing and in good standing under the federal banking laws, or (iv) a principal subsidiary of a bank holding company or (B) a segregated trust account or accounts maintained with the trust department of a federal or state chartered depository institution acceptable to each Rating Agency, having capital and surplus of not less than \$100,000,000, acting in its fiduciary capacity.

“Eligible Investments”: One or more of the following:

(i) direct obligations of, and obligations fully guaranteed by, the United States of America, any of the Federal Home Mortgage Corporation, the Federal National Mortgage Association, the Federal Home Loan Banks or any agency or instrumentality of the United States of America the obligations of which are backed by the full faith and credit of the United States of America;

(ii) (A) demand and time deposits in, Certificates of deposit of, banker’s acceptances issued by or federal funds sold by any depository institution or trust company (including the Trustee or its agents acting in their respective commercial capacities) incorporated under the laws of the United States of America or any State thereof and subject to supervision and examination by federal and/or state authorities, so long as at the time of such investment or contractual commitment providing for such investment, such depository institution or trust company has a short-term unsecured debt rating in the highest available rating category of each of the Rating Agencies and provided that each such investment has an original maturity of no more than 365 days, and (B) any other demand or time deposit or deposit which is fully insured by the Federal Deposit Insurance Corporation;

(iii) repurchase obligations with a term not to exceed 30 days with respect to any security described in clause (i) above and entered into with a depository institution or trust company (acting as a principal) rated “A-1+” or higher by S&P and A2 or higher by Moody’s; provided, however, that collateral transferred pursuant to such repurchase obligation must (A) be valued daily at current market price plus accrued interest, (B) pursuant to such valuation, equal, at all times, 105% of the cash transferred in exchange for such collateral and (C) be delivered in such a manner as to accomplish perfection of a security interest in the collateral by possession of certificated securities;

(iv) securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States of America or any State thereof which has a long-term unsecured debt rating in the highest available rating category of each of the Rating Agencies at the time of such investment;

(v) commercial paper having an original maturity of less than 365 days and issued by an institution having a short-term unsecured debt rating in the highest available rating category of each of the Rating Agencies at the time of such investment;

(vi) a guaranteed investment contract approved by each of the Rating Agencies and issued by an insurance company or other corporation having a long-term unsecured debt rating in the highest available rating category of each of the Rating Agencies at the time of such investment; and

(vii) money market funds having ratings in the highest available long-term rating category of each of the Rating Agencies at the time of such investment; any such money market funds which provide for demand withdrawals being conclusively deemed to satisfy any maturity requirement for Eligible Investments set forth in the Agreement;

provided, however, that each such instrument shall be acquired in an arm's-length transaction and no such instrument shall be an Eligible Investment if it represents, either (1) the right to receive only interest payments with respect to the underlying debt instrument or (2) the right to receive both principal and interest payments derived from obligations underlying such instrument and the principal and interest payments with respect to such instrument provide a yield to maturity greater than 120% of the yield to maturity at par of such underlying obligations; provided, further, however, that each such instrument acquired shall not be acquired at a price in excess of par. The Trustee may purchase from or sell to itself or an affiliate, as principal or agent, the Eligible Investments listed above.

"Eligible Substitute Mortgage Loan": A Mortgage Loan substituted by the Seller for a Deleted Mortgage Loan which must, on the date of such substitution, as confirmed in an Officer's Certificate delivered to the Trustee, (i) have an outstanding principal balance, after deduction of the principal portion of the monthly payment due in the month of substitution (or in the case of a substitution of more than one Mortgage Loan for a Deleted Mortgage Loan, an aggregate outstanding principal balance, after such deduction), not in excess of the outstanding principal balance of the Deleted Mortgage Loan (the amount of any shortfall to be deposited by the Seller in the Collection Account in the month of substitution); (ii) comply in all material respects with each representation and warranty set forth in clauses (ii) through (lxviii) of Section 3.01(b) of the Purchase Agreement other than clauses (iii), (v)-(xiv), (xli), (lv) and (lvi); (iii) have a Mortgage Rate and, with respect to an Adjustable Rate Mortgage Loan, a Gross Margin no lower than and not more than 1% per annum higher than the Mortgage Rate and Gross Margin, respectively, of the Deleted Mortgage Loan as of the date of substitution; (iv) have a Loan-to-Value Ratio, at the time of substitution no higher than that of the Deleted Mortgage Loan at the time of substitution; (v) have a remaining term to stated maturity not greater than (and not more than one year less than) that of the Deleted Mortgage Loan; (vi) not be 30 days or more delinquent; (vii) not be a negative amortization loan; (viii) have a lien priority equal to or superior to the lien priority of the Deleted Mortgage Loan; and (ix) be a Qualified Replacement Mortgage.

"ERISA": The Employee Retirement Income Security Act of 1974, as amended.

“Excess Cashflow”: For any Distribution Date, the sum of (i) the Overcollateralization Release Amount and (ii) the excess of (a) the Interest Remittance Amount over (b) the sum of (w) the Monthly Interest Distributable Amounts for the Class A Certificates, the Mezzanine Certificates and the Class B Certificates, (x) the Class I Monthly Interest Distributable Amount and (y) the Administrative Fees, each for such Distribution Date.

“Extra Principal Distribution Amount”: For any Distribution Date, is the lesser of (x) the Excess Cashflow for such Distribution Date and (y) the Overcollateralization Deficiency Amount for such Distribution Date.

“Expense Adjusted Mortgage Rate”: With respect to any Mortgage Loan, as of any date of determination, a per annum rate of interest equal to the then applicable Mortgage Rate for such Mortgage Loan minus the Administrative Fee Rate.

“Fannie Mae”: Federal National Mortgage Association or any successor thereto.

“FDIC”: Federal Deposit Insurance Corporation or any successor thereto.

“Fixed Rate Mortgage Loan”: A first-lien or second-lien Mortgage Loan which provides for a fixed Mortgage Rate payable with respect thereto. The Fixed Rate Mortgage Loans are identified as such on the Mortgage Loan Schedule.

“Foreclosure Profit”: With respect to a Liquidated Mortgage Loan, the amount, if any, by which (i) the aggregate of its Net Liquidation Proceeds exceeds (ii) the related Principal Balance (plus accrued and unpaid interest thereon at the applicable Mortgage Rate from the date interest was last paid through the date of receipt of the final Liquidation Proceeds) of such Liquidated Mortgage Loan immediately prior to the final recovery of its Liquidation Proceeds.

“Formula Rate”: For any Distribution Date and the Class A Certificates, the Mezzanine Certificates and Class B Certificates the lesser of (i) LIBOR plus the related Certificate Margin and (ii) 11%.

“Freddie Mac”: The Federal Home Loan Mortgage Corporation, or any successor thereto.

“Gross Margin”: With respect to each Adjustable Rate Mortgage Loan, the fixed percentage set forth in the related Mortgage Note that is added to the Index on each Adjustment Date in accordance with the terms of the related Mortgage Note used to determine the Mortgage Rate for such Mortgage Loan.

“Group”: Any of the Group IA Mortgage Loans, the Group IB Mortgage Loans, the Group II Mortgage Loans and the Group III Mortgage Loans.

“Group IA Available Funds Cap”: For each Distribution Date, the percentage equivalent of a fraction equal to (a) an amount equal to (i) the aggregate Interest Remittance Formula Amount for the Group IA Mortgage Loans, less (ii) the Administrative Fees allocable to the Group IA Mortgage Loans, and less (iii) the Group IA Class I Monthly Interest Distributable Amount, divided by (b) the product of (i) the actual number of days in the related Accrual Period

divided by 360 and (ii) the aggregate principal balance of the Group IA Mortgage Loans plus any related amounts on deposit in the Pre-Funding Account.

“Group IA Basic Principal Distribution Amount”: For any Distribution Date, an amount equal to the excess of (i) the Group IA Principal Remittance Amount for such Distribution Date, over (ii) the Overcollateralization Release Amount, if any, for such Distribution Date multiplied by the Class A-1A Allocation Percentage.

“Group IA Class I Monthly Interest Distributable Amount” shall mean, on each Distribution Date up to and including the Distribution Date in January 2007, the following: Commencing on the first Distribution Date through and including the Distribution Date in October 2005, an amount equal to the sum of

(I) the product of (x) the excess, if any, of 2.0575% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$965,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date and (b) \$65,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date; and

(II) the product of (x) the excess, if any, of 2.1950% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$905,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date; and

(III) the product of (x) the excess, if any, of 2.1425% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$845,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date; and

(IV) the product of (x) the excess, if any, of 2.2700% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$785,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date; and

(V) the product of (x) the excess, if any, of 2.3900% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$725,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date; and

(VI) the product of (x) the excess, if any, of 2.0925% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$665,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date; and

(VII) the product of (x) the excess, if any, of 2.2475% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$605,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date; and

(VIII) the product of (x) the excess, if any, of 2.4640% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$545,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date; and

(IX) the product of (x) the excess, if any, of 2.5100% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$515,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date and (b) \$30,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date; and

(X) the product of (x) the excess, if any, of 1.9600% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$445,000,000, multiplied by the Group IA Class I Percentage for such Distribution Date and (b) \$70,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date; and

(XI) the product of (x) the excess, if any, of 2.2800% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$375,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date and (b) \$70,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date; and

(XII) the product of (x) the excess, if any, of 2.6788% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$340,000,000 multiplied by the Group IA Class I Percentage for such

Distribution Date and (b) \$35,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date; and

(XIII) the product of (x) the excess, if any, of 2.8000% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$300,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date; and

(XIV) the product of (x) the excess, if any, of 2.7425% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$260,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date; and

(XV) the product of (x) the excess, if any, of 2.8800% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$220,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date; and

(XVI) the product of (x) the excess, if any, of 3.0275% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$180,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date; and

(XVII) the product of (x) the excess, if any, of 2.6675% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$140,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date; and

(XVIII) the product of (x) the excess, if any, of 2.8275% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$100,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date; and

(XIX) the product of (x) the excess, if any, of 3.0470% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$60,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date; and

(XX) the product of (x) the excess, if any, of 2.5350% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$30,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date and (b) \$30,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date; and

(XXI) the product of (x) the excess, if any, of 2.8800% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date and (b) \$30,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date.

For the Distribution Date in November 2005 an amount equal to the sum of the amounts described in (III) through (XXI) above.

For the Distribution Date in December 2005 an amount equal to the sum of the amounts described in (VI) through (XXI) above.

For the Distribution Date in January 2006 an amount equal to the sum of the amounts described in (X) through (XXI) above.

For the Distribution Dates commencing in February 2006 through and including the Distribution Date in October 2006 an amount equal to the sum of the amounts described in (XII) through (XXI) above.

For the Distribution Date in November 2006 an amount equal to the sum of the amounts described in (XIV) through (XXI) above.

For the Distribution Date in December 2006 an amount equal to the sum of the amounts described in (XVII) through (XXI) above.

For the Distribution Date in January 2007 an amount equal to the sum of the amounts described in (XX) through (XXI) above.

For the Distribution Date in February 2007 and each Distribution Date thereafter, the Group IA Class I Monthly Interest Distributable Amount shall be zero.

“Group IA Class I Percentage”; For each Distribution Date is as set forth below:

Distribution Date	Group IA Class I Percentage
April 2004	27.882960413%
May 2004	27.885015892%
June 2004	27.887936489%
July 2004	27.890694906%
August 2004	27.893275799%
September 2004	27.895663911%
October 2004	27.897844002%
November 2004	27.899801142%
December 2004	27.901520584%
January 2005	27.902987944%
February 2005	27.904304568%
March 2005	27.905545611%
April 2005	27.906798850%
May 2005	27.908064426%
June 2005	27.909342484%
July 2005	27.910633170%
August 2005	27.911936631%
September 2005	27.913253020%
October 2005	27.914582488%

November 2005	27.915925193%
December 2005	27.917280791%
January 2006	27.918647116%
February 2006	27.920028092%
March 2006	27.921354065%
April 2006	27.922695462%
May 2006	27.923997162%
June 2006	27.925255016%
July 2006	27.926527512%
August 2006	27.927814837%
September 2006	27.929117181%
October 2006	27.930434733%
November 2006	27.931767691%
December 2006	27.933116251%
January 2007	27.934478632%

“Group IA Cross Collateralization Amount”: For any Distribution Date, the portion of the Group IA Interest Remittance Amount remaining after payment of the Monthly Interest Distributable Amount on the Class A-1A Certificates, the Group IA Class I Monthly Interest Distributable Amount and the related proportional amount of the Administrative Fees.

“Group IA Interest Remittance Amount”: For any Distribution Date, the portion of the Interest Remittance Amount that was collected or advanced on the Group IA Mortgage Loans.

“Group IA Mortgage Loans”: The Mortgage Loans allocated to Group IA which primarily support the Class A-1A Certificates.

“Group IA Pool Balance”: The Pool Balance relating to the Group IA Mortgage Loans.

“Group IA Principal Distribution Amount” with respect to any Distribution Date is the sum of (i) the Group IA Basic Principal Distribution Amount for such Distribution Date and (ii) the Extra Principal Distribution Amount for such Distribution Date multiplied by the Class A-1A Allocation Percentage.

“Group IA Principal Remittance Amount”: For any Distribution Date, the portion of the Principal Remittance Amount that was collected or advanced on the Group IA Mortgage Loans plus, following the Pre-Funding Period, any remaining Pre-Funded Amounts related to the Group IA Mortgage Loans.

“Group IA REMIC Available Funds Cap”: The weighted average of the pass-through rates on the Class IV-Accrual and Class IV-AIA Interests.

“Group IA REMIC III Net WAC”: The weighted average of the pass-through rates on the Class II-A1 through Class II-A19, Class II-B1 through Class II-B19, Class II-C1 through Class II-C20, Class II-D1 through Class II-D20, Class II-E1 through Class II-E20, Class II-F1 through Class II-F21, Class II-G1 through Class II-G21, Class II-H1 through Class II-H21, Class II-K1 through Class II-K21, Class II-L1 through Class II-L22, Class II-M1 through Class II-M22, Class II-O1 through Class II-O31, Class II-Q1 through Class II-Q31, Class II-S1 through Class II-S32, Class II-T1 through Class II-T32, Class II-U1 through Class II-U32, Class II-V1 through Class II-V33, Class II-W1 through Class II-W33, Class II-X1 through Class II-X33, Class II-Y1 through Class II-Y34, Class II-Z1 through Class II-Z34 and Class II-J1 Interests.

“Group IA Schedule”: As set forth in Appendix B.

“Group IA Subordinated Amount”: For any Distribution Date, the excess, if any, of the Group IA Pool Balance plus any related Pre-Funded Amount over the aggregate Certificate Principal Balance of the Class A-1A Certificates, for such Distribution Date.

“Group IB Available Funds Cap”: For each Distribution Date, the percentage equivalent of a fraction equal to (a) an amount equal to (i) the aggregate Interest Remittance Formula Amount for the Group IB Mortgage Loans, less (ii) the Administrative Fees allocable to the Group IB Mortgage Loans, and less (iii) the Group IB Class I Monthly Interest Distributable Amount, divided by (b) the product of (i) the actual number of days in the related Accrual Period divided by 360 and (ii) the aggregate principal balance of the Group IB Mortgage Loans plus any related amounts on deposit in the Pre-Funding Account.

“Group IB Basic Principal Distribution Amount”: For any Distribution Date, an amount equal to the excess of (i) the Group IB Principal Remittance Amount for such Distribution Date, over (ii) the Overcollateralization Release Amount, if any, for such Distribution Date multiplied by the Class A-1B Allocation Percentage.

“Group IB Class I Monthly Interest Distributable Amount” shall mean, on each Distribution Date up to and including the Distribution Date in January 2007, the following: Commencing on the first Distribution Date through and including the Distribution Date in October 2005, an amount equal to the sum of

(I) the product of (x) the excess, if any, of 2.0575% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$965,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date and (b) \$65,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date; and

(II) the product of (x) the excess, if any, of 2.1950% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$905,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date; and

(III) the product of (x) the excess, if any, of 2.1425% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$845,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date; and

(IV) the product of (x) the excess, if any, of 2.2700% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$785,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date; and

(V) the product of (x) the excess, if any, of 2.3900% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$725,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date; and

(VI) the product of (x) the excess, if any, of 2.0925% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$665,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date; and

(VII) the product of (x) the excess, if any, of 2.2475% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$605,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date; and

(VIII) the product of (x) the excess, if any, of 2.4640% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$545,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date; and

(IX) the product of (x) the excess, if any, of 2.5100% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$515,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date and (b) \$30,000,000 multiplied by the Group IA Class I Percentage for such Distribution Date; and

(X) the product of (x) the excess, if any, of 1.9600% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$445,000,000, multiplied by the Group IB Class I Percentage for such Distribution Date and (b) \$70,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date; and

(XI) the product of (x) the excess, if any, of 2.2800% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$375,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date and (b) \$70,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date; and

(XII) the product of (x) the excess, if any, of 2.6788% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$340,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date and (b) \$35,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date; and

(XIII) the product of (x) the excess, if any, of 2.8000% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$300,000,000 multiplied by the Group IB Class I Percentage for such

Distribution Date and (b) \$40,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date; and

(XIV) the product of (x) the excess, if any, of 2.7425% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$260,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date; and

(XV) the product of (x) the excess, if any, of 2.8800% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$220,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date; and

(XVI) the product of (x) the excess, if any, of 3.0275% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$180,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date; and

(XVII) the product of (x) the excess, if any, of 2.6675% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$140,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date; and

(XVIII) the product of (x) the excess, if any, of 2.8275% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$100,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date; and

(XIX) the product of (x) the excess, if any, of 3.0470% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$60,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date; and

(XX) the product of (x) the excess, if any, of 2.5350% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal

Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$30,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date and (b) \$30,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date; and

(XXI) the product of (x) the excess, if any, of 2.8800% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date and (b) \$30,000,000 multiplied by the Group IB Class I Percentage for such Distribution Date.

For the Distribution Date in November 2005 an amount equal to the sum of the amounts described in (III) through (XXI) above.

For the Distribution Date in December 2005 an amount equal to the sum of the amounts described in (VI) through (XXI) above.

For the Distribution Date in January 2006 an amount equal to the sum of the amounts described in (X) through (XXI) above.

For the Distribution Dates commencing in February 2006 through and including the Distribution Date in October 2006 an amount equal to the sum of the amounts described in (XII) through (XXI) above.

For the Distribution Date in November 2006 an amount equal to the sum of the amounts described in (XIV) through (XXI) above.

For the Distribution Date in December 2006 an amount equal to the sum of the amounts described in (XVII) through (XXI) above.

For the Distribution Date in January 2007 an amount equal to the sum of the amounts described in (XX) through (XXI) above.

For the Distribution Date in February 2007 and each Distribution Date thereafter, the Group IB Class I Monthly Interest Distributable Amount shall be zero.

“Group IB Class I Percentage”; For each Distribution Date is as set forth below:

<u>Distribution Date</u>	<u>Group IB Class I Percentage</u>
April 2004	3.098106713%
May 2004	3.113801604%
June 2004	3.136292933%
July 2004	3.157441370%

August 2004	3.177130445%
September 2004	3.195245062%
October 2004	3.211671827%
November 2004	3.226299504%
December 2004	3.239019321%
January 2005	3.249725397%
February 2005	3.259169162%
March 2005	3.267963731%
April 2005	3.276807243%
May 2005	3.285699733%
June 2005	3.294641232%
July 2005	3.303631765%
August 2005	3.312671356%
September 2005	3.321760022%
October 2005	3.330897779%
November 2005	3.340084637%
December 2005	3.349320542%
January 2006	3.358605213%
February 2006	3.367938946%
March 2006	3.377341309%
April 2006	3.386792638%
May 2006	3.396307620%
June 2006	3.405887342%

July 2006	3.415515936%
August 2006	3.425193367%
September 2006	3.434919598%
October 2006	3.444694589%
November 2006	3.454518291%
December 2006	3.464390652%
January 2007	3.474311368%

“Group IB Cross Collateralization Amount”: For any Distribution Date, the portion of the Group IB Interest Remittance Amount remaining after payment of the Monthly Interest Distributable Amount on the Class A-1B Certificates, the Group IB Class I Monthly Interest Distributable Amount and the related proportional amount of the Administrative Fees.

“Group IB Interest Remittance Amount”: For any Distribution Date, the portion of the Interest Remittance Amount that was collected or advanced on the Group IB Mortgage Loans.

“Group IB Mortgage Loans”: The Mortgage Loans allocated to Group IB which primarily support the Class A-1B Certificates.

“Group IB Pool Balance”: The Pool Balance relating to the Group IB Mortgage Loans.

“Group IB Principal Distribution Amount” with respect to any Distribution Date is the sum of (i) the Group IB Basic Principal Distribution Amount for such Distribution Date and (ii) the Extra Principal Distribution Amount for such Distribution Date multiplied by the Class A-1B Allocation Percentage.

“Group IB Principal Remittance Amount”: For any Distribution Date, the portion of the Principal Remittance Amount that was collected or advanced on the Group IB Mortgage Loans

plus, following the Pre-Funding Period, any remaining Pre-Funded Amounts related to the Group IB Mortgage Loans.

“Group IB REMIC III Net WAC”: The weighted average of the pass-through rates on the Class II-AA1 through Class II-AA19, Class II-BB1 through Class II-BB19, Class II-CC1 through Class II-CC20, Class II-DD1 through Class II-DD20, Class II-EE1 through Class II-EE20, Class II-FF1 through Class II-FF21, Class II-GG1 through Class II-GG21, Class II-HH1 through Class II-HH21, Class II-KK1 through Class II-KK21, Class II-LL1 through Class II-LL22, Class II-MM1 through Class II-MM22, Class II-OO1 through Class II-OO31, Class II-QQ1 through Class II-QQ31, Class II-SS1 through Class II-SS32, Class II-TT1 through Class II-TT32, Class II-UU1 through Class II-UU32, Class II-VV1 through Class II-VV33, Class II-WW1 through Class II-WW33, Class II-XX1 through Class II-XX33, Class II-YY1 through Class II-YY34, Class II-ZZ1 through Class II-ZZ34 and Class II-J2 Interests.

“Group IB REMIC Available Funds Cap”: The weighted average of the pass-through rates on the Class IV-Accrual2 and Class IV-A1B Interests.

“Group IB Schedule”: As set forth in Appendix B.

“Group IB Subordinated Amount”: For any Distribution Date, the excess, if any, of the Group IB Pool Balance plus any related Pre-Funded Amount over the aggregate Certificate Principal Balance of the Class A-1B Certificates, for such Distribution Date.

“Group II Available Funds Cap”: For each Distribution Date, the percentage equivalent of a fraction equal to (a) an amount equal to (i) the aggregate Interest Remittance Formula Amount for the Group II Mortgage Loans, less (ii) the Administrative Fees allocable to the Group II Mortgage Loans, and less (iii) the Group II Class I Monthly Interest Distributable Amount, divided by (b) the product of (i) the actual number of days in the related Accrual Period divided by 360 and (ii) the aggregate principal balance of the Group II Mortgage Loans plus any related amounts on deposit in the Pre-Funding Account.

“Group II Basic Principal Distribution Amount” means with respect to any Distribution Date, the excess of (i) the Group II Principal Remittance Amount for such Distribution Date over (ii) the Overcollateralization Release Amount, if any, for such Distribution Date multiplied by the Class A-2 Allocation Percentage.

“Group II Class I Monthly Interest Distributable Amount”: shall mean, on each Distribution Date up to and including the Distribution Date in January 2007, the following: Commencing on the first Distribution Date through and including the Distribution Date in October 2005, an amount equal to the sum of

(I) the product of (x) the excess, if any, of 2.0575% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$965,000,000 multiplied by the Group II Class I Percentage for such Distribution Date and (b) \$65,000,000 multiplied by the Group II Class I Percentage for such Distribution Date; and

(II) the product of (x) the excess, if any, of 2.1950% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$905,000,000 multiplied by the Group II Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group II Class I Percentage for such Distribution Date; and

(III) the product of (x) the excess, if any, of 2.1425% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$845,000,000 multiplied by the Group II Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group II Class I Percentage for such Distribution Date; and

(IV) the product of (x) the excess, if any, of 2.2700% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$785,000,000 multiplied by the Group II Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group II Class I Percentage for such Distribution Date; and

(V) the product of (x) the excess, if any, of 2.3900% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$725,000,000 multiplied by the Group II Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group II Class I Percentage for such Distribution Date; and

(VI) the product of (x) the excess, if any, of 2.0925% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$665,000,000 multiplied by the Group II Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group II Class I Percentage for such Distribution Date; and

(VII) the product of (x) the excess, if any, of 2.2475% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$605,000,000 multiplied by the Group II Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group II Class I Percentage for such Distribution Date; and

(VIII) the product of (x) the excess, if any, of 2.4640% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$545,000,000 multiplied by the Group II Class I Percentage for such

Distribution Date and (b) \$60,000,000 multiplied by the Group II Class I Percentage for such Distribution Date; and

(IX) the product of (x) the excess, if any, of 2.5100% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$515,000,000 multiplied by the Group II Class I Percentage for such Distribution Date and (b) \$30,000,000 multiplied by the Group II Class I Percentage for such Distribution Date; and

(X) the product of (x) the excess, if any, of 1.9600% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$445,000,000, multiplied by the Group II Class I Percentage for such Distribution Date and (b) \$70,000,000 multiplied by the Group II Class I Percentage for such Distribution Date; and

(XI) the product of (x) the excess, if any, of 2.2800% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$375,000,000 multiplied by the Group II Class I Percentage for such Distribution Date and (b) \$70,000,000 multiplied by the Group II Class I Percentage for such Distribution Date; and

(XII) the product of (x) the excess, if any, of 2.6788% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$340,000,000 multiplied by the Group II Class I Percentage for such Distribution Date and (b) \$35,000,000 multiplied by the Group II Class I Percentage for such Distribution Date; and

(XIII) the product of (x) the excess, if any, of 2.8000% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$300,000,000 multiplied by the Group II Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group II Class I Percentage for such Distribution Date; and

(XIV) the product of (x) the excess, if any, of 2.7425% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$260,000,000 multiplied by the Group II Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group II Class I Percentage for such Distribution Date; and

(XV) the product of (x) the excess, if any, of 2.8800% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal

Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$220,000,000 multiplied by the Group II Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group II Class I Percentage for such Distribution Date; and

(XVI) the product of (x) the excess, if any, of 3.0275% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$180,000,000 multiplied by the Group II Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group II Class I Percentage for such Distribution Date; and

(XVII) the product of (x) the excess, if any, of 2.6675% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$140,000,000 multiplied by the Group II Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group II Class I Percentage for such Distribution Date; and

(XVIII) the product of (x) the excess, if any, of 2.8275% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$100,000,000 multiplied by the Group II Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group II Class I Percentage for such Distribution Date; and

(XIX) the product of (x) the excess, if any, of 3.0470% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$60,000,000 multiplied by the Group II Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group II Class I Percentage for such Distribution Date; and

(XX) the product of (x) the excess, if any, of 2.5350% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$30,000,000 multiplied by the Group II Class I Percentage for such Distribution Date and (b) \$30,000,000 multiplied by the Group II Class I Percentage for such Distribution Date; and

(XXI) the product of (x) the excess, if any, of 2.8800% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date and (b) \$30,000,000 multiplied by the Group II Class I Percentage for such Distribution Date.

For the Distribution Date in November 2005 an amount equal to the sum of the amounts described in (III) through (XXI) above.

For the Distribution Date in December 2005 an amount equal to the sum of the amounts described in (VI) through (XXI) above.

For the Distribution Date in January 2006 an amount equal to the sum of the amounts described in (X) through (XXI) above.

For the Distribution Dates commencing in February 2006 through and including the Distribution Date in October 2006 an amount equal to the sum of the amounts described in (XII) through (XXI) above.

For the Distribution Date in November 2006 an amount equal to the sum of the amounts described in (XIV) through (XXI) above.

For the Distribution Date in December 2006 an amount equal to the sum of the amounts described in (XVII) through (XXI) above.

For the Distribution Date in January 2007 an amount equal to the sum of the amounts described in (XX) through (XXI) above.

For the Distribution Date in February 2007 and each Distribution Date thereafter, the Group II Class I Monthly Interest Distributable Amount shall be zero.

“Group II Class I Percentage”; For each Distribution Date is as set forth below:

<u>Distribution Date</u>	<u>Group II Class I Percentage</u>
April 2004	27.538726334%
May 2004	27.534289786%
June 2004	27.527993833%
July 2004	27.522087077%
August 2004	27.516604761%
September 2004	27.511581822%
October 2004	27.507053449%
November 2004	27.503053468%
December 2004	27.499615256%
January 2005	27.496770831%

February 2005	27.494283520%
March 2005	27.491980263%
April 2005	27.489658724%
May 2005	27.487318827%
June 2005	27.484960496%
July 2005	27.482583656%
August 2005	27.480188231%
September 2005	27.477774149%
October 2005	27.475341334%
November 2005	27.472889713%
December 2005	27.470420512%

January 2006	27.467939499%
February 2006	27.465439098%
March 2006	27.463019895%
April 2006	27.460580992%
May 2006	27.458206021%
June 2006	27.455901592%
July 2006	27.453577710%
August 2006	27.451234297%
September 2006	27.448871275%
October 2006	27.446488568%
November 2006	27.444086101%
December 2006	27.441663797%
January 2007	27.439224058%

“Group II Cross Collateralization Amount”: For any Distribution Date, the portion of the Group II Interest Remittance Amount remaining after payment of the Monthly Interest Distributable Amounts on the Class A-2 Certificates, the Group II Class I Monthly Distributable Amount and the related proportional amount of the Administrative Fees.

“Group II Interest Remittance Amount”: For any Distribution Date, the portion of the Interest Remittance Amount that was collected or advanced on the Group II Mortgage Loans.

“Group II Mortgage Loans”: The Mortgage Loans allocated to Group II which primarily support the Class A-2 Certificates.

“Group II Principal Distribution Amount” with respect to any Distribution Date is the sum of (i) the Group II Basic Principal Distribution Amount for such Distribution Date and (ii) the Extra Principal Distribution Amount for such Distribution Date multiplied by the Class A-2 Allocation Percentage.

“Group II Principal Remittance Amount”: For any Distribution Date, the portion of the Principal Remittance Amount that was collected or advanced on the Group II Mortgage Loans plus, following the Pre-Funding Period,

any remaining Pre-Funded Amounts related to the Group II Mortgage Loans.

“Group II REMIC III Net WAC”: The weighted average of the pass-through rates on the Class II-AAA1 through Class II-AAA19, Class II-BBB1 through Class II-BBB19, Class II-CCC1 through Class II-CCC20, Class II-DDD1 through Class II-DDD20, Class II-EEE1 through Class II-EEE20, Class II-FFF1 through Class II-FFF21, Class II-GGG1 through Class II-GGG21, Class II-HHH1 through Class II-HHH21, Class II-KKK1 through Class II-KKK21, Class II-LLL1 through Class II-LLL22, Class II-MMM1 through Class II-MMM22, Class II-OOO1 through Class II-OOO31, Class II-QQQ1 through Class II-QQQ31, Class II-SSS1 through Class II-SSS32, Class II-TTT1 through Class II-TTT32, Class II-UUU1 through Class II-UUU32, Class II-VVV1 through Class II-VVV33, Class II-WWW1 through Class II-WWW33, Class II-XXX1 through Class II-XXX33, Class II-YYY1 through Class II-YYY34, Class II-ZZZ1 through Class II-ZZZ34 and Class II-J3 Interests.

“Group II REMIC Available Funds Cap”: The weighted average of the pass-through rates on the Class IV-Accrual3 and Class IV-A2 Interests.

“Group II Schedule”: As set forth in Appendix B.

“Group II Subordinated Amount”: For any Distribution Date, the excess, if any, of the Group II Pool Balance plus any related Pre-Funded Amount over the aggregate Certificate Principal Balance of the Class A-2 Certificates, for such Distribution Date.

“Group III Available Funds Cap”: For each Distribution Date, the percentage equivalent of a fraction equal to (a) an amount equal to (i) the aggregate Interest Remittance Formula Amount for the Group III Mortgage Loans, less (ii) the Administrative Fees allocable to the Group III Mortgage Loans, and less (iii) the Group III Class I Monthly Interest Distributable Amount, divided by (b) the product of (i) the actual number of days in the related Accrual Period divided by 360 and (ii) the aggregate principal of the Group III Mortgage Loans plus any related amounts on deposit in the Pre-Funding Account.

“Group III Basic Principal Distribution Amount”: For any Distribution Date, an amount equal to the excess of (i) the Group III Principal Remittance Amount for such Distribution Date, over (ii) the Overcollateralization Release Amount, if any, for such Distribution Date multiplied by the Class A-3 Allocation Percentage.

“Group III Class I Monthly Interest Distributable Amount” shall mean, on each Distribution Date up to and including the Distribution Date in January 2007, the following: Commencing on the first Distribution Date through and including the Distribution Date in October 2005, an amount equal to the sum of

(I) the product of (x) the excess, if any, of 2.0575% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$965,000,000 multiplied by the Group III Class I Percentage for such Distribution Date and (b) \$65,000,000 multiplied by the Group III Class I Percentage for such Distribution Date; and

(II) the product of (x) the excess, if any, of 2.1950% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$905,000,000 multiplied by the Group III Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group III Class I Percentage for such Distribution Date; and

(III) the product of (x) the excess, if any, of 2.1425% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$845,000,000 multiplied by the Group III Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group III Class I Percentage for such Distribution Date; and

(IV) the product of (x) the excess, if any, of 2.2700% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$785,000,000 multiplied by the Group III Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group III Class I Percentage for such Distribution Date; and

(V) the product of (x) the excess, if any, of 2.3900% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$725,000,000 multiplied by the Group III Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group III Class I Percentage for such Distribution Date; and

(VI) the product of (x) the excess, if any, of 2.0925% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$665,000,000 multiplied by the Group III Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group III Class I Percentage for such Distribution Date; and

(VII) the product of (x) the excess, if any, of 2.2475% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$605,000,000 multiplied by the Group III Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group III Class I Percentage for such Distribution Date; and

(VIII) the product of (x) the excess, if any, of 2.4640% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$545,000,000 multiplied by the Group III Class I Percentage for such Distribution Date and (b) \$60,000,000 multiplied by the Group III Class I Percentage for such Distribution Date; and

(IX) the product of (x) the excess, if any, of 2.5100% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$515,000,000 multiplied by the Group III Class I Percentage for such Distribution Date and (b) \$30,000,000 multiplied by the Group III Class I Percentage for such Distribution Date; and

(X) the product of (x) the excess, if any, of 1.9600% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$445,000,000, multiplied by the Group III Class I Percentage for such

Distribution Date and (b) \$70,000,000 multiplied by the Group III Class I Percentage for such Distribution Date; and

(XI) the product of (x) the excess, if any, of 2.2800% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$375,000,000 multiplied by the Group III Class I Percentage for such Distribution Date and (b) \$70,000,000 multiplied by the Group III Class I Percentage for such Distribution Date; and

(XII) the product of (x) the excess, if any, of 2.6788% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$340,000,000 multiplied by the Group III Class I Percentage for such Distribution Date and (b) \$35,000,000 multiplied by the Group III Class I Percentage for such Distribution Date; and

(XIII) the product of (x) the excess, if any, of 2.8000% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$300,000,000 multiplied by the Group III Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group III Class I Percentage for such Distribution Date; and

(XIV) the product of (x) the excess, if any, of 2.7425% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$260,000,000 multiplied by the Group III Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group III Class I Percentage for such Distribution Date; and

(XV) the product of (x) the excess, if any, of 2.8800% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$220,000,000 multiplied by the Group III Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group II Class I Percentage for such Distribution Date; and

(XVI) the product of (x) the excess, if any, of 3.0275% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$180,000,000 multiplied by the Group III Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group III Class I Percentage for such Distribution Date; and

(XVII) the product of (x) the excess, if any, of 2.6675% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal

Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$140,000,000 multiplied by the Group III Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group III Class I Percentage for such Distribution Date; and

(XVIII) the product of (x) the excess, if any, of 2.8275% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$100,000,000 multiplied by the Group III Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group III Class I Percentage for such Distribution Date; and

(XIX) the product of (x) the excess, if any, of 3.0470% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$60,000,000 multiplied by the Group III Class I Percentage for such Distribution Date and (b) \$40,000,000 multiplied by the Group III Class I Percentage for such Distribution Date; and

(XX) the product of (x) the excess, if any, of 2.5350% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the excess of (i) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date, over (ii) \$30,000,000 multiplied by the Group III Class I Percentage for such Distribution Date and (b) \$30,000,000 multiplied by the Group III Class I Percentage for such Distribution Date; and

(XXI) the product of (x) the excess, if any, of 2.8800% (on a 30/360 basis) over LIBOR (on an actual/360 basis) and (y) the lesser of (a) the aggregate unpaid Principal Balance of the Mortgage Loans plus any related amount in the Pre-Funding Account, for such Distribution Date and (b) \$30,000,000 multiplied by the Group III Class I Percentage for such Distribution Date.

For the Distribution Date in November 2005 an amount equal to the sum of the amounts described in (III) through (XXI) above.

For the Distribution Date in December 2005 an amount equal to the sum of the amounts described in (VI) through (XXI) above.

For the Distribution Date in January 2006 an amount equal to the sum of the amounts described in (X) through (XXI) above.

For the Distribution Dates commencing in February 2006 through and including the Distribution Date in October 2006 an amount equal to the sum of the amounts described in (XII) through (XXI) above.

For the Distribution Date in November 2006 an amount equal to the sum of the amounts described in (XIV) through (XXI) above.

For the Distribution Date in December 2006 an amount equal to the sum of the amounts described in (XVII) through (XXI) above.

For the Distribution Date in January 2007 an amount equal to the sum of the amounts described in (XX) through (XXI) above.

For the Distribution Date in February 2007 and each Distribution Date thereafter, the Group III Class I Monthly Interest Distributable Amount shall be zero.

“Group III Class I Percentage”: For each Distribution Date is as set forth below:

<u>Distribution Date</u>	<u>Group III Class I Percentage</u>
April 2004	41.480206541%
May 2004	41.466892719%
June 2004	41.447776745%
July 2004	41.429776648%
August 2004	41.412988995%
September 2004	41.397509206%
October 2004	41.383430721%
November 2004	41.370845886%
December 2004	41.359844839%
January 2005	41.350515827%
February 2005	41.342242750%
March 2005	41.334510396%
April 2005	41.326735183%
May 2005	41.318917013%
June 2005	41.311055788%

July 2005	41.303151409%
August 2005	41.295203781%
September 2005	41.287212809%
October 2005	41.279178399%
November 2005	41.271100457%
December 2005	41.262978156%
January 2006	41.254808172%
February 2006	41.246593863%
March 2006	41.238284729%
April 2006	41.229930908%
May 2006	41.221489197%
June 2006	41.212956050%
July 2006	41.204378843%
August 2006	41.195757499%
September 2006	41.187091946%
October 2006	41.178382109%
November 2006	41.169627918%
December 2006	41.160829301%
January 2007	41.151985943%

“Group III Cross Collateralization Amount”: For any Distribution Date, the portion of the Group III Interest Remittance Amount remaining after payment of the Monthly Interest Distributable Amount on the Class A-3 Certificates, the Group III Class I Monthly Distributable Amount and the related proportional amount of the Administrative Fees.

“Group III Interest Remittance Amount”: For any Distribution Date, the portion of the Interest Remittance Amount that was collected or advanced on the Group III Mortgage Loans.

“Group III Mortgage Loans”: The Mortgage Loans allocated to Group III which primarily support the Class A-3 Certificates.

“Group III Pool Balance”: The Pool Balance relating to the Group III Mortgage Loans.

“Group III Principal Distribution Amount” with respect to any Distribution Date is the sum of (i) the Group III Basic Principal Distribution Amount for such Distribution Date and (ii) the Extra Principal Distribution Amount for such Distribution Date multiplied by the Class A-3 Allocation Percentage.

“Group III Principal Remittance Amount”: For any Distribution Date, the portion of the Principal Remittance Amount that was collected or advanced on the Group III Mortgage Loans plus, following the Pre-Funding Period, any remaining Pre-Funded Amounts related to the Group III Mortgage Loans.

“Group III REMIC III Net WAC”: The weighted average of the pass-through rates on the Class II-AAAA1 through Class II-AAAA19, Class II-BBBB1 through Class II-BBBB19, Class II-CCCC1 through Class II-CCCC20, Class II-DDDD1 through Class II-DDDD20, Class II-EEEE1 through Class II-EEEE20, Class II-FFFF1 through Class II-FFFF21, Class II-GGGG1 through Class II-GGGG21, Class II-HHHH1 through Class II-HHHH21, Class II-KKKK1 through Class II-KKKK21, Class II-LLLL1 through Class II-LLLL22, Class II-MMMM1 through Class II-MMMM22, Class II-OOOO1 through Class II-OOOO31, Class II-QQQQ1 through Class II-QQQQ31, Class II-SSSS1 through Class II-SSSS32, Class II-TTTT1 through Class II-TTTT32, Class II-UUUU1 through Class II-UUUU32, Class II-VVVV1 through Class II-VVVV33, Class II-WWWW1 through Class II-WWWW33, Class II-XXXX1 through Class II-XXXX33, Class II-YYYY1 through Class II-YYYY34, Class II-ZZZZ1 through Class II-ZZZZ34 and Class II-J4 Interests.

“Group III REMIC Available Funds Cap”: The weighted average of the pass-through rates on the Class IV-Accrual4, Class IV-A3A and Class IV-A3B Interests.

“Group III Schedule”: As set forth in Appendix B.

“Group III Subordinated Amount”: For any Distribution Date, the excess, if any, of the Group III Pool Balance plus any related Pre-Funded Amount over the aggregate Certificate Principal Balance of the Class A-3 Certificates, for such Distribution Date.

“Indenture” An indenture relating to the issuance of net interest margin notes secured by the Class O Certificates, the Class P Certificates and the Class X Certificates.

“Independent”: When used with respect to any specified Person, any such Person who (a) is in fact independent of the Company, the Servicer and their respective Affiliates, (b) does not have any direct financial interest in or any material indirect financial interest in the Company or the Servicer or any Affiliate thereof, and (c) is not connected with the Company or the Servicer or any Affiliate thereof as an officer, employee, promoter, underwriter, trustee, partner, director or Person performing similar functions; provided, however, that a Person shall not fail to be Independent of the Company or the Servicer or any Affiliate thereof merely because such Person is the beneficial owner of 1% or less of any Class of securities issued by the Company or the Servicer or any Affiliate thereof, as the case may be.

“Index”: With respect to each Adjustable Rate Mortgage Loan and with respect to each related Adjustment Date, the index as specified in the related Mortgage Note.

“Initial Certificate Principal Balance”: With respect to any Regular Certificate (other than a Class X Certificate or Class I Certificate), the amount designated “Initial Certificate Principal Balance” on the face thereof.

“Initial Mortgage Loan”: The Mortgage Loans which are described (with complete statistical information included) in the Prospectus Supplement and which are included in the Trust Fund on the Closing Date.

“Initial Swap Amount”: Shall mean a payment in the amount of \$1,187,114.24.

“Insurance Proceeds”: Proceeds paid by any insurer pursuant to any insurance policy covering a Mortgage Loan which are required to be remitted to the Servicer, including MI Insurance Proceeds in the case of Mortgage Loans covered under a MI Policy, or amounts required to be paid by the Servicer hereunder, net of any component thereof (i) covering any expenses incurred by or on behalf of the Servicer in connection with obtaining such proceeds, (ii) that is applied to the restoration or repair of the related Mortgaged Property or (iii) released to the Mortgagor in accordance with the Servicer’s normal servicing procedures.

“Interest Determination Date”: With respect to each Accrual Period, the second LIBOR Business Day preceding the commencement of such Accrual Period.

“Interest Remittance Amount”: With respect to any Distribution Date, that portion of the Available Funds for such Distribution Date allocable to interest (excluding Prepayment Charges).

“Interest Remittance Formula Amount”: As of any Distribution Date and any Group is an amount equal to (1) the product of (x) 1/12 of the Weighted Average Mortgage Rate of the related Group as of the beginning of the prior Due Period and (y) the Pool Balance related to that Group as of the beginning of the prior Due Period minus (2) the aggregate amount of Relief Act Shortfalls and Net Prepayment Interest Shortfalls for such Group for the prior period.

“Lender Letter”: The lender letter #LL03-00 dated April 11, 2000 for Fannie Mae Sellers.

“LIBOR”: All references to LIBOR herein are references to LIBOR. With respect to any Accrual Period, the rate determined by the Trustee on the related Interest Determination Date on the basis of the offered rates of the Reference Banks for one-month United States dollar deposits, as such rates appear on the Telerate Page 3750, as of 11:00 a.m. (London time) on such Interest Determination Date. If such rate does not appear on Telerate Page 3750, the rate for that day will be determined on the basis of the rates at which deposits in United States dollars are offered by the Reference Banks at approximately 11:00 a.m., London time, on that day to prime banks in the London interbank market for a period equal to the relevant Accrual Period (commencing on the first day of such Accrual Period). The Trustee will request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the rate for that day will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for that day will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Trustee, at approximately 11:00 a.m., New York City time, on that day for loans in United States dollars to leading European banks for a period equal to the relevant Accrual Period (commencing on the first day of such Accrual Period).

The establishment of LIBOR on each Interest Determination Date by the Trustee and the Trustee’s calculation of the rate of interest applicable to the Certificates for the related Accrual Period shall (in the absence of manifest error) be final and binding.

“LIBOR Business Day”: Any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the State of New York or in the city of London, England are required or authorized by law to be closed.

“Lifetime Rate Cap”: With respect to each Adjustable Rate Mortgage Loan with respect to which the related Mortgage Note provides for a lifetime rate cap, the maximum Mortgage Rate permitted over the life of such Mortgage Loan under the terms of such Mortgage Note, as set forth on the Mortgage Loan Schedule.

“Liquidated Mortgage Loan”: With respect to any Distribution Date, any Mortgage Loan in respect of which the Servicer has determined, in accordance with the servicing procedures specified in Article III hereof, as of the end of the related Prepayment Period that substantially all Liquidation Proceeds which it reasonably expects to recover with respect to the disposition of the related Mortgaged Property or REO Property have been recovered.

“Liquidation Expenses”: Out-of-pocket expenses (exclusive of overhead) which are incurred by or on behalf of the Servicer in connection with the liquidation of any Mortgage Loan and not recovered under any insurance policy, such expenses, including, without limitation, legal fees and expenses, any unreimbursed amount expended respecting the related Mortgage Loan and any related and unreimbursed expenditures for real estate property taxes or for property restoration, preservation or insurance against casualty loss or damage.

“Liquidation Proceeds”: Proceeds (including Insurance Proceeds) received in connection with the liquidation of any Mortgage Loan or related REO Property.

“Loan-to-Value Ratio”: With respect to any Mortgage Loan, as of any date of determination, a fraction expressed as a percentage, the numerator of which is the then current principal amount of the Mortgage Loan, and the denominator of which is the lesser of the purchase price or the Appraised Value of the related Mortgaged Property.

“Loan Year”: With respect to any Mortgage Loan, the one year period commencing on the day succeeding the origination of such Mortgage Loan and ending on the anniversary date of such Mortgage Loan, and each annual period thereafter.

“Majority Certificateholders”: The Holders of Certificates evidencing at least 51% of the Voting Rights.

“Master REMIC”: The REMIC established pursuant to Exhibit K hereof. The assets of the Master REMIC shall be the REMIC IV Regular Interests.

“Master REMIC Regular Interests”: As defined in Exhibit K hereof.

“Maximum Collateral Amount”: The sum of the Principal Balance as of the Cut-off Date of the Closing Date Mortgage Loans and the Original Pre-Funded Amount.

“Maximum Mortgage Rate”: With respect to each Adjustable Rate Mortgage Loan, the percentage set forth in the related Mortgage Note as the maximum Mortgage Rate thereunder.

“MERS”: Mortgage Electronic Registration Systems, Inc., a corporation organized and existing under the laws of the State of Delaware, or any successor thereto.

“MERS System”: The system of recording transfers of Mortgages electronically maintained by MERS.

“Mezzanine Certificate”: Any Class M-1 Certificate, Class M-2 Certificate, Class M-3 Certificate, Class M-4 Certificate, Class M-5 Certificate or Class M-6 Certificate.

“MI Insurance Agreement”: A private mortgage insurance agreement issued by the MI Insurer pursuant to which MI Policies are issued on individual Mortgage Loans.

“MI Insurance Proceeds”: Proceeds paid by the MI Insurer pursuant to an MI Policy.

“MI Insurer”: Each of (i) PMI Mortgage Insurance Co., an Arizona mortgage insurance company, and (ii) Mortgage Guaranty Insurance Corporation, a Wisconsin private mortgage insurance company and their successors and assigns.

“MI Insurer Insolvency Event”: (A) The determination by the applicable regulatory or supervisory agency having jurisdiction over the MI Insurer that such MI Insurer is insolvent or unable to pay its obligations as they mature, (B) following the failure of the MI Insurer to pay under the related MI Policy, the determination by the Servicer that such MI Insurer is insolvent or unable to pay its obligations as they become due, (C) the long-term rating on the claims paying ability of the MI Insurer shall be lowered by Moody’s below A-2, if such MI Insurer is

then rated by Moody's, or shall be lowered by S&P below AA, if such MI Insurer is then rated by S&P.

"MI Policy": A private mortgage insurance policy underwritten by the MI Insurer with respect to an individual Mortgage Loan, issued pursuant to the MI Insurance Agreement.

"MI Premium": The primary mortgage insurance premium for each MI Policy, payable annually to an MI Insurer, as specified in the MI Insurance Agreement, and with respect to each monthly premium payment, 1/12 of the annual premium.

"MIN": The Mortgage Identification Number for Mortgage Loans registered with MERS on the MERS System.

"Minimum Mortgage Rate": With respect to each Adjustable Rate Mortgage Loan, the percentage set forth in the related Mortgage Note as the minimum Mortgage Rate thereunder.

"MOM Loan": With respect to any Mortgage Loan, MERS acting as the mortgagee of such Mortgage Loan, solely as nominee for the originator of such Mortgage Loan and its successors and assigns, at the origination thereof.

"Monthly Interest Distributable Amount": For any Distribution Date and any Class of Underwritten Certificates, the sum of (1) the Unpaid Interest Shortfall Amount for that Class and Distribution Date and (2) the Current Interest for that Class and Distribution Date. In the event of a shortfall in the full amount necessary to pay both the Unpaid Interest Shortfall Amount and the Current Interest for a Class, the money will first be applied to the Unpaid Interest Shortfall Amount and then to the Current Interest.

"Monthly Payment": With respect to any Mortgage Loan (including any REO Property) and any Due Date, the payment of principal and interest due thereon in accordance with the amortization schedule at the time applicable thereto (after adjustment, if any, for partial Principal Prepayments and for Deficient Valuations occurring prior to such Due Date but before any adjustment to such amortization schedule by reason of any bankruptcy, other than a Deficient Valuation, or similar proceeding or any moratorium or similar waiver or grace period).

"Moody's": Moody's Investors Service, Inc. or its successor in interest.

"Mortgage": The mortgage, deed of trust or other instrument creating a first lien on an estate or fee simple interest in real property securing a Mortgage Note.

"Mortgage File": The mortgage documents listed in Section 2.01 pertaining to a particular Mortgage Loan and any additional documents required to be added to the Mortgage File pursuant to this Agreement.

"Mortgage Loan Schedule": With respect to any date, the schedule of Mortgage Loans subject to this Agreement on such date. The schedule of Initial Mortgage Loans as of the Cut-off Date is the schedule set forth in Exhibit B hereto and the schedule or schedules of Subsequent Mortgage Loans, if any, as of the Subsequent Cut-off Date, which schedules set forth as to each Mortgage Loan:

(i) the loan number and name of the Mortgagor;

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- (ii) the street address, city, state and zip code of the Mortgaged Property;
 - (iii) the Mortgage Rate at origination;
 - (iv) with respect to an Adjustable Rate Mortgage Loan, the Maximum Rate and the Minimum Rate;
 - (v) the maturity date;
 - (vi) the original Principal Balance;
 - (vii) the first due date;
 - (viii) the type of Mortgaged Property;
 - (ix) the Monthly Payment in effect as of the Cut-off Date (with respect to an Initial Mortgage Loan or Additional Mortgage Loan) or Subsequent Cut-off Date (with respect to a Subsequent Mortgage Loan);
 - (x) the Principal Balance as of the Cut-off Date (with respect to an Initial Mortgage Loan or Additional Mortgage Loan) or Subsequent Cut-off Date (with respect to a Subsequent Mortgage Loan);
 - (xi) with respect to an Adjustable Rate Mortgage Loan, the Index, the Gross Margin; the Lifetime Rate Cap and the Periodic Rate Cap;
 - (xii) with respect to an Adjustable Rate Mortgage Loan, the first Adjustment Date and next Adjustment Date, if any;
 - (xiii) with respect to an Adjustable Rate Mortgage Loan, the Adjustment Date frequency and Distribution Date frequency;
 - (xiv) the occupancy status;
 - (xv) the purpose of the Mortgage Loan;
 - (xvi) the Appraised Value of the Mortgaged Property;
 - (xvii) the original term to maturity;
 - (xviii) the paid-through date of the Mortgage Loan;
 - (xix) the Loan-to-Value Ratio;
 - (xx) whether the Mortgage Loan is an Adjustable Rate Mortgage Loan or a Fixed Rate Mortgage Loan;

(xxi) whether or not the Mortgage Loan was underwritten pursuant to a limited documentation program;

(xxii) whether or not the Mortgage Loan is a Convertible Mortgage Loan;

(xxiii) whether the Mortgage Loan is covered by an MI Policy;

(xxiv) if the Mortgage Loan is registered with MERS on the MERS System, the MIN; and

(xxv) whether the Mortgage Loan is in Group IA, Group IB, Group II or Group III.

The Mortgage Loan Schedule shall set forth the total of the amounts described under (x) above for all of the Mortgage Loans.

“Mortgage Loans”: At any time, collectively, all Mortgage Loans that have been transferred and conveyed to the Trust, in each case together with the Related Documents, and that remain subject to the terms of the Agreement. As applicable, Mortgage Loan shall be deemed to refer to the related REO Property and both Initial Mortgage Loans and Subsequent Mortgage Loans.

“Mortgage Note”: The original executed note or other evidence of indebtedness evidencing the indebtedness of a Mortgagor under a Mortgage Loan.

“Mortgage Rate”: With respect to any Mortgage Loan, the annual rate at which interest accrues on such Mortgage Loan.

“Mortgage Pool”: The pool of Mortgage Loans, identified on Exhibit B from time to time, and any REO Properties acquired in respect thereof and as supplemented by any Subsequent Mortgage Loans identified on each schedule of Subsequent Mortgage Loans attached to a Subsequent Transfer Instrument.

“Mortgaged Property”: The underlying property, including real property and improvements thereon, securing a Mortgage Loan.

“Mortgagor”: The obligor on a Mortgage Note.

“Net Liquidation Proceeds”: With respect to any Liquidated Mortgage Loan, Liquidation Proceeds net of Liquidation Expenses.

“Net Mortgage Rate”: With respect to any Mortgage Loan and any day, the related Mortgage Rate less the Administrative Fee Rate.

“Net Prepayment Interest Shortfall”: On any Distribution Date, the excess, if any of (i) any Prepayment Interest Shortfall and (ii) any payments of Compensating Interest made by the Servicer.

“Net WAC”: With respect to any Distribution Date, the weighted average of the Net Mortgage Rates on the Mortgage Loans (weighted by the Principal Balances of the Mortgage Loans).

“NCFC”: NovaStar Certificates Financing Corporation, a Delaware corporation, and its successors and assigns.

“NFI”: NovaStar Financial, Inc., a Maryland corporation, and its successors and assigns.

“Non-REMIC Accounts”: The Pre-Funding Account and the Supplemental Interest Account held by the Supplemental Interest Trust.

“Nonrecoverable Advance”: With respect to any Mortgage Loan, any Advance (i) which was previously made or is proposed to be made by the Servicer; and (ii) which, in the good faith judgment of the Servicer, will not or, in the case of a proposed Advance, would not, be ultimately recoverable by the Servicer from Liquidation Proceeds, Repurchase Price or future payments on such Mortgage Loan.

“Notional Amount Test Event”: Occurs when the Trustee determines, pursuant to Section 4.03(f), that the related scheduled notional amount that would be used to calculate the Group IA Class I Monthly Interest Distributable Amount, Group IB Class I Monthly Interest Distributable Amount, Group II Class I Monthly Interest Distributable Amount or the Group III Class I Monthly Interest Distributable Amount exceeds the portion of the aggregate Certificate Principal Balance of the Underwritten Certificates on such Distribution Date related to such Group or Groups.

“Novation Agreements”: The Novation Agreement, dated as of March 11, 2004, among NovaStar Mortgage, Inc., the Trustee on behalf of the Supplemental Interest Trust and Wachovia Bank, N.A. and the Novation Agreement, dated as of March 11, 2004 among Greenwich Capital Derivatives, Inc., the Trustee, on behalf of the Supplemental Interest Trust and NovaStar Financial, Inc.

“Offered Certificates”: Collectively, the Class A Certificates, the Mezzanine Certificates, the Class B Certificates, and the Class P Certificates.

“Officer’s Certificate”: A Certificate signed by the Chairman of the Board, the Vice Chairman of the Board, the President or any vice president (however denominated), and by the Treasurer, the Secretary, or any assistant treasurer or assistant secretary of the applicable Person.

“Opinion of Counsel”: A written opinion of counsel, who may, without limitation, be a salaried counsel for the Company or the Servicer, acceptable to the Trustee, except that any opinion of counsel relating to (a) the qualification of any REMIC as a REMIC or (b) compliance with the REMIC Provisions which must be an opinion of Independent counsel.

“Optional Termination Date”: The first Distribution Date on which the Servicer may opt to terminate the Trust Fund pursuant to Section 11.01.

“Original Pre-Funded Amount”: The amount deposited by the Company in the Pre-Funding Account on the Closing Date, which amount is \$527,152,648 (\$146,985,717 related to the Group IA Mortgage Loans, \$16,331,187 related to the Group IB Mortgage Loans \$145,171,287 related to the Group II Mortgage Loans and \$218,664,457 related to the Group III Mortgage Loans).

“Original Value”: Except in the case of a refinanced Mortgage Loan, the lesser of the Appraised Value or sales price of the Mortgaged Property at the time a Mortgage Loan is closed, and for a refinanced Mortgage Loan, the Original Value is the value of such property set forth in an appraisal acceptable to the Servicer.

“Ownership Interest”: As to any Certificate, any ownership or security interest in such Certificate, including any interest in such Certificate as the Holder thereof and any other interest therein, whether direct or indirect, legal or beneficial, as owner or as pledgee.

“Overcollateralization Amount”: For any Distribution Date, is equal to (a) the sum of (i) the Pool Balance, after giving effect to distributions of principal on the Mortgage Loans, and (ii) any outstanding Pre-Funded Amount, minus (b) the aggregate Certificate Principal Balance of the Offered Certificates, after giving effect to principal distributions to be made on the Offered Certificates on such Distribution Date.

“Overcollateralization Deficiency Amount”: With respect to any Distribution Date equals the amount, if any, by which the Required Overcollateralization Amount exceeds the Overcollateralization Amount on such Distribution Date (after giving effect to distributions in respect of the Group IA Basic Principal Distribution Amount, the Group IB Basic Principal Distribution Amount, the Group II Basic Principal Distribution Amount and the Group III Basic Principal Distribution Amount on such Distribution Date).

“Overcollateralization Release Amount”: With respect to any Distribution Date, the lesser of (x) the Principal Remittance Amount for such Distribution Date and (y) the excess, if any, of (i) the Overcollateralization Amount for such Distribution Date (assuming that 100% of the Principal Remittance Amount is applied as a principal payment on such Distribution Date) over (ii) the Required Overcollateralization Amount for such Distribution Date.

“Pass-Through Rate”: For any Distribution Date and any of the Class A, Class M and Class B Certificates, the lesser of (1) the Formula Rate for such Class for such Distribution Date and (2) the related Available Funds Cap for such Distribution Date.

“Paying Agent”: Any paying agent appointed pursuant to Section 5.05.

“Percentage Interest”: With respect to any Underwritten Certificate, a fraction, expressed as a percentage, the numerator of which is the Initial Certificate Principal Balance represented by such Certificate and the denominator of which is the Initial Certificate Principal Balance of the related Class. With respect to a Class I Certificate, Class X Certificate, Class P Certificate, Class O Certificate or Residual Certificate, the portion of the Class evidenced thereby, expressed as a percentage, as stated on the face of such Certificate; provided, however, that the sum of all such percentages for each such Class totals 100%.

“Periodic Rate Cap”: With respect to each Adjustable Rate Mortgage Loan and any Adjustment Date therefor, the fixed percentage set forth in the related Mortgage Note, which is the maximum amount by which the Mortgage Rate for such Mortgage Loan may increase or decrease (without regard to the Maximum Mortgage Rate or the Minimum Mortgage Rate) on such Adjustment Date from the Mortgage Rate in effect immediately prior to such Adjustment Date.

“Permitted Transferee”: Any transferee of a Residual Certificate other than a Disqualified Organization or a non-U.S. Person.

“Person”: Any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Plan”: Either (i) an employee benefit plan (as defined in section 3(3) of ERISA) that is subject to the provisions of Title I of ERISA or (ii) a plan (as defined in section 4975(e)(1) of the Code) that is subject to Section 4975 of the Code.

“Plan Assets” As defined in Section 5.02(d) hereof.

“Pool Balance”: As of any date of determination, the aggregate unpaid Principal Balance of the related Mortgage Loans as of such date.

“Pre-Funded Amount”: With respect to any date of determination, the amount on deposit in the Pre-Funding Account.

“Pre-Funding Account”: The account established and maintained pursuant to Section 4.05, as defined herein, and which must be an Eligible Account.

“Pre-Funding Period”: The period beginning on the Closing Date and ending on the earlier to occur of (a) the date upon which (a) the date on which the amount on deposit in the Pre-Funding Account is less than \$10,000 and (b) June 9, 2004.

“Prepayment Assumption”: As defined in the Prospectus Supplement.

“Prepayment Charge”: With respect to any Mortgage Loan, the charges or premiums, if any, due in connection with a full or partial Principal Prepayment of such Mortgage Loan in accordance with the terms thereof.

“Prepayment Interest Shortfall”: As to any Distribution Date and any Mortgage Loan (other than a Mortgage Loan relating to an REO Property) that was the subject of (a) a Principal Prepayment in full during the related Prepayment Period, but in the prior calendar month an amount equal to the excess of interest accrued during the prior calendar month at the Mortgage Rate (net of the Servicing Fee) on the Principal Balance of such Mortgage Loan over the amount of interest (adjusted to the Mortgage Rate (net of the Servicing Fee)) paid by the Mortgagor for such Prepayment Period to the date of such Principal Prepayment in full or (b) a partial Principal Prepayment during the prior calendar month, an amount equal to interest accrued during the

related prior calendar month at the Mortgage Rate (net of the Servicing Fee) on the amount of such partial Principal Prepayment.

“Prepayment Period”: For any Distribution Date, the period commencing on the day after the Determination Date in the month preceding the month in which such Distribution Date falls (or, in the case of the first Distribution Date, from the Cut-off Date) and ending on the Determination Date of the calendar month in which such Distribution Date falls.

“Principal Balance”: With respect to any Mortgage Loan or related REO Property, at any given time, (i) the Principal Balance of the Mortgage Loan as of the Cut-off Date or Subsequent Cut-off Date, as applicable, minus (ii) the sum of (a) the principal portion of the Monthly Payments due with respect to such Mortgage Loan or REO Property during each Due Period ending prior to the most recent Distribution Date which were received or with respect to which an Advance was made, and (b) all Principal Prepayments with respect to such Mortgage Loan or REO Property, and all Insurance Proceeds, Liquidation Proceeds and REO Proceeds, to the extent applied by the Servicer as recoveries of principal in accordance with Section 3.13 hereof with respect to such Mortgage Loan or REO Property, and (c) the principal portion of any Realized Loss with respect thereto for any previous Distribution Date.

“Principal Prepayment”: Any payment of principal made by the Mortgagor on a Mortgage Loan which is received in advance of its scheduled Due Date and which is not accompanied by an amount of interest representing the full amount of scheduled interest due on any Due Date in any month or months subsequent to the month of prepayment.

“Principal Remittance Amount”: With respect to any Distribution Date, the sum of (i) each scheduled payment of principal collected or advanced on the Mortgage Loans by the Servicer that were due during the related Due Period, (ii) the principal portion of all partial and full Principal Prepayments of the Mortgage Loans applied by the Servicer during the related Prepayment Period, (iii) the principal portion of all related Net Liquidation Proceeds and Insurance Proceeds received during such Prepayment Period, (iv) that portion of the Repurchase Price, representing principal of any repurchased Mortgage Loan, deposited to the Collection Account during such Prepayment Period, (v) the principal portion of any related Substitution Adjustment Amounts deposited in the Collection Account during such Prepayment Period, (vi) in the case of the Distribution Date immediately following the end of the Pre-Funding Period, any remaining amounts of the Original Pre-Funded Amount on deposit in the Pre-Funding Account, and (vii) on the Distribution Date on which the Trust Fund is to be terminated pursuant to Section 11.01, that portion of the Termination Price, in respect of principal.

“Prospectus”: The Prospectus Supplement together with the Base Prospectus attached thereto with respect to the Offered Certificates.

“Prospectus Supplement”: That certain Prospectus Supplement dated March 3, 2004 relating to the public offering of the Offered Certificates.

“Purchase Agreement”: The agreement, dated as of March 1, 2004, between the Seller, the Company, the Trustee and the Custodian, regarding the transfer of the Mortgage Loans by the Seller to or at the direction of the Company.

“Qualified Liquidation”: The meaning set forth from time to time in the definition thereof at Section 860F(a)(4) of the Code and applicable to the Trust.

“Qualified Mortgage”: The meaning set forth from time to time in the definition thereof at Section 860G(a)(3) of the Code and applicable to the Trust.

“Qualified Replacement Mortgage”: A Mortgage Loan substituted for another pursuant to Section 3.01 of the Purchase Agreement and that satisfies all of the criteria set forth from time to time in the definition thereof at Section 860G(a)(4) of the Code and applicable to the Trust, all as evidenced by an Officer’s Certificate of the Seller delivered to the Trustee prior to any such substitution.

“Rate Step-up Date”: The first Distribution Date to occur after the Optional Termination Date has occurred.

“Rating Agency”: Any nationally recognized statistical rating organization, or its successor, that rated the Offered Certificates at the request of the Company at the time of the initial issuance of the Offered Certificates. Initially such rating agencies shall consist of Moody’s and Standard & Poor’s. If such organization or a successor is no longer in existence, “Rating Agency” shall be such nationally recognized statistical rating organization, or other comparable Person, designated by the Company, notice of which designation shall be given to the Trustee. References herein to the highest short-term unsecured rating category of a Rating Agency shall mean A-1 or better in the case of Standard & Poor’s, P-1 or better in the case of Moody’s and in the case of any other Rating Agency shall mean such equivalent rating. References herein to the highest long-term rating category of a Rating Agency shall mean “AAA” in the case of Standard & Poor’s and “Aaa” in the case of Moody’s and in the case of any other Rating Agency, such equivalent rating.

“Realized Loss”: With respect to each Mortgage Loan (or REO Property) as to which a Cash Liquidation or REO Disposition has occurred, an amount (not less than zero) equal to (i) the Principal Balance of the Mortgage Loan (or REO Property) as of the date of Cash Liquidation or REO Disposition, plus (ii) interest (and REO Imputed Interest, if any) at the Net Mortgage Rate from the Due Date as to which interest was last paid or advanced to Certificateholders up to the last day of the month in which the Cash Liquidation (or REO Disposition) occurred on the Principal Balance of such Mortgage Loan (or REO Property) outstanding during each Due Period that such interest was not paid or advanced, minus (iii) Net Liquidation Proceeds (after giving effect to coverage provided by any MI policy), if any, received with respect to such Cash Liquidation (or REO Disposition), minus the portion thereof reimbursable to the Servicer or any Subservicer with respect to related Advances or expenses as to which the Servicer or Subservicer is entitled to reimbursement thereunder but which have not been previously reimbursed. With respect to each Mortgage Loan which has become the subject of a Deficient Valuation, the difference between the Principal Balance of the Mortgage Loan outstanding immediately prior to such Deficient Valuation and the Principal Balance of the Mortgage Loan as reduced by the Deficient Valuation. With respect to each Mortgage Loan which has become the object of a Debt Service Reduction, the amount of such Debt Service Reduction.

“Record Date”: For as long as there are no definitive notes, with respect to each Distribution Date, the Close of Business on the Business Day immediately preceding the related Distribution Date. If definitive notes have been issued, the Record Date is the last business day of the month prior to the related Distribution Date.

“Reference Banks”: Deutsche Bank, Barclay’s Bank PLC, The Bank of Tokyo-Mitsubishi, LTD. and National Westminster Bank PLC and their successors in interest; provided that if any of the foregoing banks are not suitable to serve as a Reference Bank, then any leading banks selected by the Trustee which are engaged in transactions in Eurodollar deposits in the international Eurocurrency market (i) with an established place of business in London, (ii) not controlling, under the control of or under common control with the Seller or any Affiliate thereof, (iii) whose quotations appear on the Reuters Screen LIBOR Page on the relevant Interest Determination Date and (iv) which have been designated as such by the Trustee.

“Regular Certificate”: Any of the Class A Certificates, Mezzanine Certificates, Class B Certificates, Class I Certificates, Class O Certificates, Class X Certificates or Class P Certificates.

“Related Documents”: With respect to each Mortgage Loan, the documents specified in Section 2.01 hereof and any documents required to be added to such documents pursuant to this Agreement, the Purchase Agreement or any Subsequent Transfer Instrument.

“Relief Act”: The Servicemembers Civil Relief Act.

“Relief Act Shortfall”: As to any Distribution Date and any Mortgage Loan (other than a Mortgage Loan relating to an REO Property), any shortfalls relating to the Relief Act or similar legislation or regulations.

“REMIC”: A “real estate mortgage investment conduit” within the meaning of Section 860D of the Code.

“REMIC Interests Sale Agreement”: The REMIC Interests Sale Agreement, dated as March 1, 2004, between the Company and NCFC.

“REMIC Pass-Through Rate”: As defined in Exhibit K hereof.

“REMIC I Pass-Through Rate”: As to each of the respective REMIC I Regular Interests, the applicable “REMIC I Pass-Through Rate” set forth in Exhibit K hereof.

“REMIC II Pass-Through Rate”: As to each of the respective REMIC II Regular Interests, the applicable “REMIC II Pass-Through Rate” set forth in Exhibit K hereof.

“REMIC III Pass-Through Rate”: As to each of the respective REMIC III Regular Interests, the applicable “REMIC III Pass-Through Rate” set forth in Exhibit K hereof.

“REMIC IV Pass-Through Rate”: As to each of the respective REMIC IV Regular Interests, the applicable “REMIC IV Pass-Through Rate” set forth in Exhibit K hereof.

“REMIC Provisions”: Provisions of the federal income tax law relating to real estate mortgage investment conduits which appear at Section 860A through 860G of Subchapter M of Chapter 1 of the Code, and related provisions, and regulations and rulings promulgated thereunder, as the foregoing may be in effect from time to time.

“REMIC Regular Interests”: The REMIC I Regular Interests, the REMIC II Regular Interests, the REMIC III Regular Interests, the REMIC IV Regular Interests and the Master REMIC Regular Interests.

“REMIC I Regular Interests”: As defined in Exhibit K hereof.

“REMIC II Regular Interests”: As defined in Exhibit K hereof.

“REMIC III Regular Interests”: As defined in Exhibit K hereof.

“REMIC IV Regular Interests”: As defined in Exhibit K hereof.

“REO Acquisition”: The acquisition by the Servicer on behalf of the Trustee for the benefit of the Certificateholders of any REO Property pursuant to Section 3.13 hereof.

“REO Disposition”: As to any REO Property, a determination by the Servicer that it has received substantially all Insurance Proceeds, Liquidation Proceeds, REO Proceeds and other payments and recoveries (including proceeds of a final sale) which the Servicer expects to be finally recoverable from the sale or other disposition of the REO Property.

“REO Imputed Interest”: As to any REO Property, for any period, an amount equivalent to interest (at the Net Mortgage Rate that would have been applicable to the related Mortgage Loan had it been outstanding net, with respect to a negative amortization loan, of amounts that would have been Deferred Interest, if any) on the unpaid Principal Balance of the Mortgage Loan as of the date of acquisition thereof for such period as such balance is reduced pursuant to Section 3.13 hereof by any income from the REO Property treated as a recovery of principal and with respect to a negative amortization loan, as such balance is increased by the addition of Deferred Interest.

“REO Proceeds”: Proceeds, net of expenses, received in respect of any REO Property (including, without limitation, proceeds from the rental of the related Mortgaged Property), which proceeds are required to be deposited into the Collection Account within two days of receipt by the Servicer.

“REO Property”: A Mortgaged Property that is acquired by the Trust by foreclosure or by deed in lieu of foreclosure.

“Repurchase Event”: With respect to any Mortgage Loan, either (i) a discovery that, as of the Closing Date the related Mortgage was not a valid lien on the related Mortgaged Property subject only to (A) the lien of real property taxes and assessments not yet due and payable, (B) covenants, conditions, and restrictions, rights of way, easements and other matters of public record as of the date of recording of such Mortgage and such other permissible title exceptions as are permitted and (C) other matters to which like properties are commonly subject which do not

materially adversely affect the value, use, enjoyment or marketability of the related Mortgaged Property or (ii) with respect to any Mortgage Loan as to which the Seller delivers an affidavit certifying that the original Mortgage Note has been lost or destroyed, a subsequent default on such Mortgage Loan if the enforcement thereof or of the related Mortgage is materially and adversely affected by the absence of such original Mortgage Note.

“Repurchase Price”: With respect to any Mortgage Loan (i) required to be repurchased on any date by the Seller pursuant to the Purchase Agreement, (ii) permitted to be purchased by the Servicer pursuant to Article III hereof or (iii) required to be purchased by the Converted Loan Purchaser pursuant to the Converted Loan Purchase Agreement, an amount equal to the sum, without duplication, of (i) 100% of the Principal Balance thereof (without reduction for any amounts charged off) and (ii) unpaid accrued interest at the Mortgage Rate on the outstanding principal balance thereof from the Due Date to which interest was last paid by the Mortgagor (or with respect to which an Advance was last made by the Servicer) to the first day of the month following the month of purchase plus (iii) the amount of any unreimbursed Servicing Advances or unreimbursed Advances made with respect to such Mortgage Loan plus (iv) any other amounts owed to the Servicer or the Subservicer pursuant to Section 3.07 hereof and not included in clause (iii) of this definition plus (v) any costs and damages incurred by the Trust Fund in connection with any violation by any Mortgage Loan of any predatory or abusive lending law.

“Request for Release”: A request for release in substantially the form of Exhibit E hereto.

“Required Overcollateralization Amount”: For any Distribution Date is equal to:

(i) prior to the Crossover Date, 1.30% of the sum of (i) the Pool Balance of the Closing Date Mortgage Loans as of the Cut-Off Date, and (ii) the Original Pre-Funded Amount.

(ii) on or after the Crossover Date, the greater of:

a. 0.50% of the sum of (x) the Pool Balance of the Closing Date Mortgage Loans as of the Cut-Off Date and (y) the Original Pre-Funded Amount; and

b. the lesser of:

(1) 1.30% of the sum of (x) the Pool Balance of the Closing Date Mortgage Loans as of the related Cut-Off Date and (y) the Original Pre-Funded Amount; and

(2) 2.60% of the current Pool Balance (after giving effect to distributions of principal on the Mortgage Loans) as of the end of the related Due Period.

On any Distribution Date on which a Trigger Event is in effect, the Required Overcollateralization Amount will be equal to the Required Overcollateralization Amount as of the preceding Distribution Date.

“Residual Certificate”: The Class R Certificates representing beneficial ownership of the Class R-I, Class R-II, Class R-III, Class R-IV and Class R-V Interests.

“Residual Interest”: The sole Class of “residual interests” in a REMIC within the meaning of Section 860G(a)(2) of the Code.

“Responsible Officer”: With respect to the Trustee, any officer working in the Corporate Trust Office with direct responsibility for the administration of this Agreement and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer’s knowledge of and familiarity with the particular subject.

“Retained Certificates”: The Class I Certificates, Class O Certificates, the Class P Certificates, the Class R Certificates and the Class X Certificates.

“Rolling 60-Day Delinquency Percentage”: For any Distribution Date, the average of the 60-Day Delinquency Percentages for the Mortgage Loans as of the last day of each of the three (or 1 and 2 in the case of the first two Distribution Dates, as applicable) most recently ended Due Periods.

“Rolling 90-Day Delinquency Percentage”: For any Distribution Date, the average of the 90-Day Delinquency Percentages for the Mortgage Loans as of the last day of each of the three (or 1 and 2 in the case of the first two Distribution Dates, as applicable) most recently ended Due Periods.

“Scheduled Principal Payment”: Any scheduled payment of principal made on a scheduled Due Date.

“Seller”: NovaStar Mortgage, Inc., a Virginia corporation, and its successors and assigns.

“Servicer”: NovaStar Mortgage, Inc., a Virginia corporation, and its successors and assigns.

“Servicer Remittance Date”: The third Business Day prior to each Distribution Date.

“Servicing Account”: The separate trust account created and maintained by the Servicer or each Subservicer with respect to the Mortgage Loans or REO Property, which shall be an Eligible Account, for collection of taxes, assessments, insurance premiums and comparable items as described in Section 3.08 hereof.

“Servicing Advances”: All customary, reasonable and necessary “out of pocket” costs and expenses incurred in connection with a default, delinquency or other unanticipated event in the performance by the Servicer of its servicing obligations, including, without duplication, but not limited to, the cost of (i) the preservation, restoration and protection of a Mortgaged Property, (ii) any enforcement or judicial proceedings, including foreclosures, (iii) the management and liquidation of any REO Property, (iv) compliance with the obligations under Section 3.13 hereof, and (v) expenses incurred in connection with any Mortgage Loan being registered on the MERS System.

“Servicing Default”: The meaning assigned in Section 7.01 hereof.

“Servicing Fee”: With respect to the Mortgage Loans and any Distribution Date, the product of (i) the Servicing Fee Rate divided by 12 and (ii) the Pool Balance as of the first day of the related Due Period.

“Servicing Fee Rate”: With respect to any Mortgage Loan, 0.50% per annum.

“Servicing Officer”: Any officer of the Servicer involved in, or responsible for, the administration and servicing of the Mortgage Loans whose name and specimen signature appear on a list of servicing officers furnished to the Trustee by the Servicer or a Subservicer, as such list may be amended from time to time.

“Servicing Transfer Costs”: Reasonable and necessary costs and expenses incurred, by or on behalf of the Trustee or successor Servicer in connection with the transfer of servicing in the event of termination of the Servicer as servicer hereunder and the resulting transfer to the successor Servicer.

“Standard & Poor’s”: Standard & Poor’s Ratings Services, a division of The McGraw Hill Companies, Inc., or its successor in interest.

“Startup Day”: As defined in Section 10.01(a) hereof.

“Subordinate Available Funds Cap”: For each Distribution Date, a rate equal to the weighted average of (1) the Group IA Available Funds Cap (2) the Group IB Available Funds Cap, (3) the Group II Available Funds Cap and (4) the Group III Available Funds Cap, weighted on the basis of the related Subordinated Amount, all for such Distribution Date.

“Subordinate REMIC Available Funds Cap”: The weighted average of the pass-through rates on the Class IV-M1, Class IV-M2, Class IV-M3, Class IV-M4, Class IV-M5, Class IV-M6, Class IV-B1, Class IV-B2, Class IV-B3 and Class IV-O Interests.

“Subordinated Amount”: For each Distribution Date, either (i) the Group IA Subordinated Amount (ii) the Group IB Subordinated Amount, (iii) the Group II Subordinated Amount, or (iv) the Group III Subordinated Amount, as applicable.

“Subordinated Amount Ratio” The ratio of the Group IA Subordinated Amount to the Group IB Subordinated Amount to the Group II Subordinated Amount to the Group III Subordinated Amount.

“Subsequent Cut-off Date”: With respect to those Subsequent Mortgage Loans which are sold to the Trust pursuant to a Subsequent Transfer Instrument, the later of (i) the first day of the month in which such Subsequent Mortgage Loan was acquired by the Trust and (ii) the date of origination of such Subsequent Mortgage Loan.

“Subsequent Mortgage Loan”: A Mortgage Loan sold by the Company to the Trust Fund pursuant to Section 2.08, such Mortgage Loan being identified on the Mortgage Loan Schedule attached to a Subsequent Transfer Instrument.

“Subsequent Recovery”: With respect to any Mortgage Loan that had previously been the subject of a realized loss, any principal amount subsequently received in connection with such Mortgage Loan.

“Subsequent Transfer Date”: With respect to each Subsequent Transfer Instrument, the date on which the related Subsequent Mortgage Loans are sold to the Trust Fund.

“Subsequent Transfer Instrument”: Each Subsequent Transfer Instrument, dated as of a Subsequent Transfer Date, executed by the Trustee and the Company substantially in the form attached hereto as Exhibit D, by which Subsequent Mortgage Loans are transferred to the Trust Fund.

“Subservicer”: Any Person with which either Servicer has entered into a Subservicing Agreement and which meets the qualifications of a Subservicer pursuant to Section 3.02 hereof.

“Subservicing Account”: An account established by a Subservicer which meets the requirements set forth in Section 3.06(e) and is otherwise acceptable to the Servicer.

“Subservicing Agreement”: The written contract between either Servicer and a Subservicer relating to servicing and administration of certain Mortgage Loans as provided in Section 3.02 hereof.

“Subservicing Fee”: With respect to each Mortgage Loan and any Distribution Date, the portion of the Servicing Fee paid to a Subservicer.

“Substitution Adjustment Amount”: As defined in Section 2.03 hereof.

“Supplemental Interest Account”: An account established by the Trustee pursuant to Section 4.04 and is otherwise acceptable to the applicable Servicer.

“Supplemental Interest Amount Due”: With respect to any Class of Underwritten Certificates and any Distribution Date, the sum of (x) the Available Funds Cap Shortfall Amount for such Class of Certificates and such Distribution Date and (y) the Available Funds Cap Carryforward Amount for such Class and Distribution Date.

“Supplemental Interest Payment”: With respect to any Distribution Date:

(i) for the Class A-1A Certificates, the lesser of (x) the Supplemental Interest Amount Due for the Class A-1A Certificates and (y) the amounts on deposit and available for distribution to the Class A-1A Certificates from the Supplemental Interest Trust on that Distribution Date;

(ii) for the Class A-1B Certificates, the lesser of (x) the Supplemental Interest Amount Due for the Class A-1B Certificates and (y) the amounts on deposit and available for distribution to the Class A-1B Certificates from the Supplemental Interest Trust on that Distribution Date;

(iii) for the Class A-2 Certificates, the lesser of (x) the Supplemental Interest Amount Due for the Class A-2 Certificates and (y) the amounts on deposit and available for distribution to the Class A-2 Certificates from the Supplemental Interest Trust on that Distribution Date;

(iv) for the Class A-3A Certificates, the lesser of (x) the Supplemental Interest Amount Due for the Class A-3A Certificates and (y) the amounts on deposit and available for distribution to the Class A-3A Certificates from the Supplemental Interest Trust on that Distribution Date;

(v) for the Class A-3B Certificates, the lesser of (x) the Supplemental Interest Amount Due for the Class A-3B Certificates and (y) the amounts on deposit and available for distribution to the Class A-3B Certificates from the Supplemental Interest Trust on that Distribution Date;

(vi) for the Class M-1 Certificates, the lesser of (x) the Supplemental Interest Amount Due for the Class M-1 Certificates and (y) the amounts on deposit and available for distribution to the Class M-1 Certificates from the Supplemental Interest Trust on that Distribution Date;

(vii) for the Class M-2 Certificates, the lesser of (x) the Supplemental Interest Amount Due for the Class M-2 Certificates and (y) the amounts on deposit and available for distribution to the Class M-2 Certificates from the Supplemental Interest Trust on that Distribution Date;

(viii) for the Class M-3 Certificates, the lesser of (x) the Supplemental Interest Amount Due for the Class M-3 Certificates and (y) the amounts on deposit and available for distribution to the Class M-3 Certificates from the Supplemental Interest Trust on that Distribution Date;

(ix) for the Class M-4 Certificates, the lesser of (x) the Supplemental Interest Amount Due for the Class M-4 Certificates and (y) the amounts on deposit and available for distribution to the Class M-4 Certificates from the Supplemental Interest Trust on that Distribution Date;

(x) for the Class M-5 Certificates, the lesser of (x) the Supplemental Interest Amount Due for the Class M-5 Certificates and (y) the amounts on deposit and available for distribution to the Class M-5 Certificates from the Supplemental Interest Trust on that Distribution Date;

(xi) for the Class M-6 Certificates, the lesser of (x) the Supplemental Interest Amount Due for the Class M-6 Certificates and (y) the amounts on deposit and available for distribution to the Class M-6 Certificates from the Supplemental Interest Trust on that Distribution Date;

(xii) for the Class B-1 Certificates, the lesser of (x) the Supplemental Interest Amount Due for the Class B-1 Certificates and (y) the amounts on deposit and available for distribution to the Class B-1 Certificates from the Supplemental Interest Trust on that Distribution Date;

(xiii) for the Class B-2 Certificates, the lesser of (x) the Supplemental Interest Payment Amount Due for the Class B-2 Certificates and (y) the amounts on deposit and available for distribution to the Class B-2 Certificates from the Supplemental Interest Trust on that Distribution Date; and

(xiv) for the Class B-3 Certificates, the lesser of (x) the Supplemental Interest Payment Amount due for the Class B-3 Certificates and (y) the amounts on deposit and available for distribution to the Class B-3 Certificates from the Supplemental Interest Trust on that Distribution Date.

“Supplemental Interest Trust”: The supplemental interest trust established and maintained pursuant to Section 4.04 and designated as such.

“Swap Agreement”: Any of the twenty-one interest rate Swap Agreements between the Trustee, on behalf of the Trust and a Swap Counterparty which are deemed to be assets of the Supplemental Interest Trust and not an asset of any one of the REMICs created hereunder.

“Swap Amount”: The calculation of the Swap Amount is subject to the verification and confirmation of the Swap Counterparties who are calculation agents for the Swap Agreements. Swap Amount shall mean, on each Distribution Date on or prior to the Class I Termination Date, the excess of (x) the product of (i) the related fixed rate of interest, (ii) 30 divided by 360 and (iii) the related notional amount over (y) the product of (i) LIBOR, (ii) the actual number of days elapsed in the related Accrual Period divided by 360 and (iii) the related notional amount (so long as such calculation results in a positive number) which after the occurrence of a Notional Amount Test Event, shall be calculated pursuant to Section 4.03(f).

“Swap Counterparty”: Greenwich Capital Derivatives, Inc. or Wachovia Bank, N.A., as applicable.

“Swap Interest Rate Schedule”: As set forth in Appendix B.

“Swap Maturity Date Schedule”: As set forth in Appendix B.

“Swap Termination Payment”: The termination payment pursuant to a Swap Agreement, which would be payable out of the Supplemental Interest Trust if the Supplemental Interest Trust fails to pay the related Swap Amount on a prior Distribution Date.

“Tax Matters Person”: The tax matters person appointed pursuant to Section 10.01(e) hereof.

“Tax Returns”: The federal income tax return on Internal Revenue Service Form 1066, U.S. Real Estate Mortgage Investment Conduit (REMIC) Income Tax Return, including Schedule Q thereto, Quarterly Notice to Residual Interest Holders of REMIC Taxable Income or Net Loss Allocation, or any successor forms, to be filed by the Trustee, on behalf of each REMIC, together with any and all other information reports, forms or returns that may be required to be furnished to the Certificateholders or filed with the Internal Revenue Service or any other governmental taxing authority under any applicable provisions of federal, state or local tax laws.

“Termination Price”: As defined in Section 11.01(a) hereof.

“Telerate Page 3750”: The display page currently so designated on the Moneyline Telerate Service (or such other page as may replace that page on that service for the purpose of displaying comparable rates or prices).

“Treasury Regulations”: Regulations, including proposed or temporary Regulations, promulgated under the Code. References herein to specific provisions of proposed or temporary regulations shall include analogous provisions of final Treasury Regulations or other successor Treasury Regulations.

“Trigger Event”: A Trigger Event is in effect with respect to any Distribution Date, on or after the Crossover Date, if either (i) the Rolling 60-Day Delinquency Percentage exceeds 17% of the Pool Balance at the end of the related Due Period, or (ii) the Cumulative Loss Percentage for such Distribution Date is greater than the applicable percentage set forth below with respect to such Distribution Date:

<u>Distribution Date Occurring In:</u>	<u>Percentage</u>
April 2007	3.75%
May 2007	3.85%
June 2007	3.96%
July 2007	4.06%
August 2007	4.17%
September 2007	4.27%
October 2007	4.38%
November 2007	4.48%
December 2007	4.58%
January 2008	4.69%
February 2008	4.79%
March 2008	4.90%
April 2008	5.00%
May 2008	5.10%
June 2008	5.21%

July 2008	5.31%
August 2008	5.42%
September 2008	5.52%
October 2008	5.63%
November 2008	5.73%
December 2008	5.83%
January 2009	5.94%
February 2009	6.04%
March 2009	6.15%
April 2009	6.25%
May 2009	6.30%
June 2009	6.34%
July 2009	6.39%
August 2009	6.43%
September 2009	6.48%
October 2009	6.52%
November 2009	6.57%
December 2009	6.61%
January 2010	6.66%
February 2010	6.70%
March 2010 and thereafter	6.75%

“Trust”: NovaStar Mortgage Funding Trust 2004-1, the trust created hereunder.

“Trust Fund”: All of the assets of the Trust, which is the trust created hereunder consisting of the REMIC I, REMIC II, REMIC III, REMIC IV, the Master REMIC, the Pre-Funding Account and the Supplemental Interest Trust.

“Trustee”: JPMorgan Chase Bank, a New York banking corporation, and its successors and assigns or any successor Agreement trustee appointed pursuant to the terms of the Agreement.

“Trustee Fee”: With respect to each Distribution Date, the product of (i) the Trustee Fee Rate divided by 12 and (ii) the sum of the Principal Balance of the Mortgage Loans and the Pre-Funded Amount as of the first day of the related Due Period.

“Trustee Fee Rate”: 0.0035% per annum.

“Underwriters”: Wachovia Capital Markets, LLC, Greenwich Capital Markets, Inc., Deutsche Bank Securities Inc., Morgan Stanley & Co. Incorporated, and their successors and assigns.

“Underwriting Agreement”: The Underwriting Agreement dated March 4, 2004 among the Underwriters, the Company and the Seller with respect to the offer and sale of the Underwritten Certificates, as the same may be amended from time to time.

“Underwriting Guidelines”: The underwriting guidelines set forth in the Prospectus Supplement under the heading “Description of the Mortgage Pool—Underwriting Standards for Mortgage Loans”.

“Underwritten Certificates” means, collectively, the Class A Certificates, the Class B Certificates and the Mezzanine Certificates.

“United States Person” or “U.S. Person”: A citizen or resident of the United States, a corporation, partnership or other entity treated as a corporation or partnership for federal income tax purposes (other than a partnership that is not treated as a U.S. Person pursuant to any applicable Treasury regulations) created or organized in, or under the laws of, the United States, any state thereof or the District of Columbia, or an estate the income of which from sources without the United States is includible in gross income for United States federal income tax purposes regardless of its connection with the conduct of a trade or business within the United States, or a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have authority to control all substantial decisions of the trust.

“Unpaid Interest Shortfall Amount”: With respect to each Class of Underwritten Certificates and (i) the first Distribution Date, zero, and (ii) any Distribution Date after the first Distribution Date, the sum of (a) the Unpaid Interest Shortfall Amount for that Class as of the prior Distribution Date, (b) the excess of the amount of the Current Interest due with respect to that Class on the prior Distribution Date over the amount actually distributed to the Holders of that Class on account of the Current Interest on the prior Distribution Date and (c) interest on the sum of (a) and (b) to the extent permitted by law, at the Pass-Through Rate for such Class for the related Accrual Period.

“Voting Rights”: The portion of the voting rights of all of the Certificates which is allocated to any Certificate. At all times the Class A Certificates, the Mezzanine Certificates and the Class B Certificates shall have 95% of the Voting Rights (allocated among the Holders of the Class A Certificates, the Mezzanine Certificates and the Class B Certificates in proportion to the then outstanding Certificate Principal Balances of their respective Certificates), the Class X Certificates shall have 1% of the Voting Rights, the Class O Certificates shall have 1% of the Voting Rights, the Class I Certificates shall have 1% of the Voting Rights, the Class P Certificates shall have 1% of the Voting Rights and the Class R Certificates shall have 1% of the Voting Rights. The Voting Rights allocated to any Class of Certificates (other than the Class X Certificates, Class O Certificates, Class P Certificates, Class I Certificates and the Class R Certificates) shall be allocated among all Holders of each such Class in proportion to the outstanding Certificate Principal Balance of such Certificates and the Voting Rights allocated to the Class X Certificates, Class O Certificates, Class I Certificates, Class P Certificates and the Class R Certificates shall be allocated among all Holders of each such Class in proportion to such Holders’ respective Percentage Interest; provided, however that when none of the Regular Certificates are outstanding, 100% of the Voting Rights shall be allocated among Holders of the Class R Certificates in accordance with such Holders’ respective Percentage Interests in the Certificates of such Class.

“Weighted Average Mortgage Rate”: With respect to any Distribution Date, the weighted average of the Mortgage Rates of the Mortgage Loans (weighted by the Principal Balances of the Mortgage Loans).

APPENDIX B

Group I-A Schedule

Corresponding Number	Group I-A%
1	27.882960413142 9
2	0.0020554788524
3	0.0029205968870
4	0.0027584166362
5	0.0025808937161
6	0.0023881112959
7	0.0021800918699
8	0.0019571397032
9	0.0017194423053
10	0.0014673595050
11	0.0013166241114
12	0.0012410430961
13	0.0012532387958
14	0.0012655759765
15	0.0012780582722
16	0.0012906854680
17	0.0013034614113
18	0.0013163888899

19	0.0013294683973
20	0.0013427043034
21	0.0013555984034
22	0.0013663245951
23	0.0013809761440
24	0.0013259735808
25	0.0013413971081
26	0.0013016999517
27	0.0012578531299
28	0.0012724962828
29	0.0012873256368
30	0.0013023434524
31	0.0013175521560
32	0.0013329581545
33	0.0013485593836
34	0.0013623816349

Group I-B Schedule

<u>Corresponding Interest</u>	<u>Group I-B%</u>
1	3.098106712571 4
2	0.015694891178 7
3	0.022491329321 4
4	0.021148436696 4
5	0.019689075071 9
6	0.018114617392 9
7	0.016426764827 3
8	0.014627676738 3
9	0.012719817376 3
10	0.010706075381 2
11	0.009443765142 3
12	0.008794568866 5
13	0.008843512262 8
14	0.008892490160 6
15	0.008941498597

	8
16	0.008990533768 3
17	0.009039590964 5
18	0.009088666122 6
19	0.009137756734 5
20	0.009186857551 6
21	0.009235904821 5
22	0.009284671888 9
23	0.009333732356 2
24	0.009402362918 7
25	0.009451329345 2
26	0.009514981763 5
27	0.009579722558 9
28	0.009628594082 9
29	0.009677430599 8
30	0.009726230812 7
31	0.009774990826 7
32	0.009823702075

	7
33	0.009872361287
	4
34	0.009920716282
	3

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Group II Schedule

Correspondin g Number	Group II%
1	0.0044365476658
2	0.0062959529488
3	0.0059067565230
4	0.0054823151890
5	0.0050229393456
6	0.0045283726463
7	0.0039999816290
8	0.0034382118340
9	0.0028444245880
10	0.0024873114506
11	0.0023032572915
12	0.0023215385367
13	0.0023398970727
14	0.0023583305085
15	0.0023768404381
16	0.0023954245554
17	0.0024140826013
18	0.0024328149798

19	0.0024516209978 (except 27.4753413339103 for the AAA and BBB Interests)
20	0.0024692013538 (except 27.4728897129125 for the CCC, DDD and EEE Interests)
21	0.0024810125028 (except 27.4704205115586 for the FFF, GGG, HHH, and KKK Interests)
22	0.0025004005985 (except 27.4679394990558 for the LLL and MMM Interests)
23	0.0024192029591
24	0.0024389038587
25	0.0023749704259
26	0.0023044288537
27	0.0023238820053
28	0.0023434130775
29	0.0023630222911
30	0.0023827068386
31	0.0024024672283 (except 27.4464885681474 for the OOO and QQQ Interests)
32	0.0024223042434 (except 27.4440861009191 for the SSS, TTT and UUU Interests)
33	0.0024397385168 (except 27.4416637966757 for the VVV, WWW and XXX Interests)
34	27.4392240581589

Group III Schedule

Correspondin g Interest	Group III %
1	0.0133138217839
2	0.0191159738409
3	0.0180000968096
4	0.0167876535989
5	0.0154797886983
6	0.0140784846959
7	0.0125848348124
8	0.0110010471478
9	0.0093290117179
10	0.0082730770833
11	0.0077323546711
12	0.0077752125220
13	0.0078181698713
14	0.0078612255547
15	0.0079043787982
16	0.0079476278204
17	0.0079909724111
18	0.0080344101520

19	0.0080779418149 (except 41.2791783985814 for the AAAA and BBBB Interests)
20	0.0081223009134 (except 41.2711004567665 for the CCCC, DDDD and EEEE Interests)
21	0.0081699839812 (except 41.2629781558532 for the FFFF, GGGG, HHHH and KKKK Interests)
22	0.0082143089450 (except 41.2548081718719 for the LLLL and MMMM Interests)
23	0.0083091335707
24	0.0083538215211
25	0.0084417112894
26	0.0085331468351
27	0.0085772071573
28	0.0086213431244
29	0.0086655532119
30	0.0087098374544
31	0.0087541903434 (except 41.1783821087628 for the OOOO and QQQQ Interests)
32	0.0087986177757 (except 41.1696279184195 for the SSSS, TTTT and UUUU Interests)
33	0.0088433579733 (except 41.1608293006437 for the VVVV, WWWW and XXXX Interests)
34	41.1519859426705

Swap Interest Rate Schedule

Corresponding Distribution Date	Corresponding REMIC III Regular Interest			
	Corresponding Interest Rate 2.0575%	Corresponding Interest Rate 2.1950%	Corresponding Interest Rate 2.1425%	Corresponding Interest Rate 2.2700%
April 2004	All A1, AA1, AAA1 and AAAA1 Interests	All B1, BB1, BBB1 and BBBB1 Interests	All C1, CC1, CCC1 and CCCC1 Interests	All D1, DD1, DDD1 and DDDD1 Interests
May 2004	All A2, AA2, AAA2 and AAAA2 Interests	All B2, BB2, BBB2 and BBBB2 Interests	All C2, CC2, CCC2 and CCCC2 Interests	All D2, DD2, DDD2 and DDDD2 Interests
June 2004	All A3, AA3, AAA3 and AAAA3 Interests	All B3, BB3, BBB3 and BBBB3 Interests	All C3, CC3, CCC3 and CCCC3 Interests	All D3, DD3, DDD3 and DDDD3 Interests
July 2004	All A4, AA4, AAA4 and AAAA4 Interests	All B4, BB4, BBB4 and BBBB4 Interests	All C4, CC4, CCC4 and CCCC4 Interests	All D4, DD4, DDD4 and DDDD4 Interests
August 2004	All A5, AA5, AAA5 and AAAA5 Interests	All B5, BB5, BBB5 and BBBB5 Interests	All C5, CC5, CCC5 and CCCC5 Interests	All D5, DD5, DDD5 and DDDD5 Interests
September 200 4	All A6, AA6, AAA6 and AAAA6 Interests	All B6, BB6, BBB6 and BBBB6 Interests	All C6, CC6, CCC6 and CCCC6 Interests	All D6, DD6, DDD6 and DDDD6 Interests
October 2004	All A7, AA7, AAA7 and AAAA7 Interests	All B7, BB7, BBB7 and BBBB7 Interests	All C7, CC7, CCC7 and CCCC7 Interests	All D7, DD7, DDD7 and DDDD7 Interests
November 2004	All A8, AA8, AAA8 and AAAA8 Interests	All B8, BB8, BBB8 and BBBB8 Interests	All C8, CC8, CCC8 and CCCC8 Interests	All D8, DD8, DDD8 and DDDD8 Interests
December 2004	All A9, AA9, AAA9 and AAAA9 Interests	All B9, BB9, BBB9 and BBBB9 Interests	All C9, CC9, CCC9 and CCCC9 Interests	All D9, DD9, DDD9 and DDDD9 Interests
January 2005	All A10, AA10, AAA10 and AAAA10 Interests	All B10, BB10, BBB10 and BBBB10 Interests	All C10, CC10, CCC10 and CCCC10 Interests	All D10, DD10, DDD10 and DDDD10 Interests
February 2005	All A11, AA11, AAA11 and AAAA11 Interests	All B11, BB11, BBB11 and BBBB11 Interests	All C11, CC11, CCC11 and CCCC11 Interests	All D11, DD11, DDD11 and DDDD11 Interests
March 2005	All A12, AA12, AAA12 and AAAA12 Interests	All B12, BB12, BBB12 and BBBB12 Interests	All C12, CC12, CCC12 and CCCC12 Interests	All D12, DD12, DDD12 and DDDD12 Interests
April 2005	All A13, AA13,	All B13, BB13,	All C13, CC13,	All D13, DD13,

	AAA13 and AAAA13 Interests	BBB13 and BBBB13 Interests	CCC13 and CCCC13 Interests	DDD13 and DDDD13 Interests
May 2005	All A14, AA14, AAA14 and AAAA14 Interests	All B14, BB14, BBB14 and BBBB14 Interests	All C14, CC14, CCC14 and CCCC14 Interests	All D14, DD14, DDD14 and DDDD14 Interests
June 2005	All A15, AA15, AAA15 and AAAA15 Interests	All B15, BB15, BBB15 and BBBB15 Interests	All C15, CC15, CCC15 and CCCC15 Interests	All D15, DD15, DDD15 and DDDD15 Interests
July 2005	All A16, AA16, AAA16 and AAAA16 Interests	All B16, BB16, BBB16 and BBBB16 Interests	All C16, CC16, CCC16 and CCCC16 Interests	All D16, DD16, DDD16 and DDDD16 Interests
August 2005	All A17, AA17, AAA17 and AAAA17 Interests	All B17, BB17, BBB17 and BBBB17 Interests	All C17, CC17, CCC17 and CCCC17 Interests	All D17, DD17, DDD17 and DDDD17 Interests
September 2005	All A18, AA18, AAA18 and AAAA18 Interests	All B18, BB18, BBB18 and BBBB18 Interests	All C18, CC18, CCC18 and CCCC18 Interests	All D18, DD18, DDD18 and DDDD18 Interests
October 2005	All A19, AA19, AAA19 and AAAA19 Interests	All B19, BB19, BBB19 and BBBB19 Interests	All C19, CC19, CCC19 and CCCC19 Interests	All D19, DD19, DDD19 and DDDD19 Interests
November 2005			All C20, CC20, CCC20 and CCCC20 Interests	All D20, DD20, DDD20 and DDDD20 Interests

Swap Interest Rate Schedule - Continued

Corresponding Distribution Date	Corresponding REMIC III Regular Interest			
	Corresponding Interest Rate 2.3900%	Corresponding Interest Rate 2.0925%	Corresponding Interest Rate 2.2475%	Corresponding Interest Rate 2.4640%
April 2004	All E1, EE1, EEE1 and EEEE1 Interests	All F1, FF1, FFF1 and FFFF1 Interests	All G1, GG1, GGG1 and GGGG1 Interests	All H1, HH1, HHH1 and HHHH1 Interests
May 2004	All E2, EE2, EEE2 and EEEE2 Interests	All F2, FF2, FFF2 and FFFF2 Interests	All G2, GG2, GGG2 and GGGG2 Interests	All H2, HH2, HHH2 and HHHH2 Interests
June 2004	All E3, EE3, EEE3 and EEEE3 Interests	All F3, FF3, FFF3 and FFFF3 Interests	All G3, GG3, GGG3 and GGGG3 Interests	All H3, HH3, HHH3 and HHHH3 Interests
July 2004	All E4, EE4, EEE4 and EEEE4 Interests	All F4, FF4, FFF4 and FFFF4 Interests	All G4, GG4, GGG4 and GGGG4 Interests	All H4, HH4, HHH4 and HHHH4 Interests
August 2004	All E5, EE5, EEE5 and EEEE5 Interests	All F5, FF5, FFF5 and FFFF5 Interests	All G5, GG5, GGG5 and GGGG5 Interests	All H5, HH5, HHH5 and HHHH5 Interests
September 2004	All E6, EE6, EEE6 and EEEE6 Interests	All F6, FF6, FFF6 and FFFF6 Interests	All G6, GG6, GGG6 and GGGG6 Interests	All H6, HH6, HHH6 and HHHH6 Interests
October 2004	All E7, EE7, EEE7 and EEEE7 Interests	All F7, FF7, FFF7 and FFFF7 Interests	All G7, GG7, GGG7 and GGGG7 Interests	All H7, HH7, HHH7 and HHHH7 Interests
November 2004	All E8, EE8, EEE8 and EEEE8 Interests	All F8, FF8, FFF8 and FFFF8 Interests	All G8, GG8, GGG8 and GGGG8 Interests	All H8, HH8, HHH8 and HHHH8 Interests
December 2004	All E9, EE9, EEE9 and EEEE9 Interests	All F9, FF9, FFF9 and FFFF9 Interests	All G9, GG9, GGG9 and GGGG9 Interests	All H9, HH9, HHH9 and HHHH9 Interests
January 2005	All E10, EE10, EEE10 and EEEE10 Interests	All F10, FF10, FFF10 and FFFF10 Interests	All G10, GG10, GGG10 and GGGG10 Interests	All H10, HH10, HHH10 and HHHH10 Interests
February 2005	All E11, EE11, EEE11 and EEEE11 Interests	All F11, FF11, FFF11 and FFFF11 Interests	All G11, GG11, GGG11 and GGGG11 Interests	All H11, HH11, HHH11 and HHHH11 Interests
March 2005	All E12, EE12, EEE12 and EEEE12 Interests	All F12, FF12, FFF12 and FFFF12 Interests	All G12, GG12, GGG12 and GGGG12 Interests	All H12, HH12, HHH12 and HHHH12 Interests
April 2005	All E13, EE13,	All F13, FF13, FFF13	All G13, GG13,	All H13, HH13,

	EEE13 and EEEE13 Interests	and FFFF13 Interests	GGG13 and GGGG13 Interests	HHH13 and HHHH13 Interests
May 2005	All E14, EE14, EEE14 and EEEE14 Interests	All F14, FF14, FFF14 and FFFF14 Interests	All G14, GG14, GGG14 and GGGG14 Interests	All H14, HH14, HHH14 and HHHH14 Interests
June 2005	All E15, EE15, EEE15 and EEEE15 Interests	All F15, FF15, FFF15 and FFFF15 Interests	All G15, GG15, GGG15 and GGGG15 Interests	All H15, HH15, HHH15 and HHHH15 Interests
July 2005	All E16, EE16, EEE16 and EEEE16 Interests	All F16, FF16, FFF16 and FFFF16 Interests	All G16, GG16, GGG16 and GGGG16 Interests	All H16, HH16, HHH16 and HHHH16 Interests
August 2005	All E17, EE17, EEE17 and EEEE17 Interests	All F17, FF17, FFF17 and FFFF17 Interests	All G17, GG17, GGG17 and GGGG17 Interests	All H17, HH17, HHH17 and HHHH17 Interests
September 2005	All E18, EE18, EEE18 and EEEE18 Interests	All F18, FF18, FFF18 and FFFF18 Interests	All G18, GG18, GGG18 and GGGG18 Interests	All H18, HH18, HHH18 and HHHH18 Interests
October 2005	All E19, EE19, EEE19 and EEEE19 Interests	All F19, FF19, FFF19 and FFFF19 Interests	All G19, GG19, GGG19 and GGGG19 Interests	All H19, HH19, HHH19 and HHHH19 Interests
November 2005	All E20, EE20, EEE20 and EEEE20 Interests	All F20, FF20, FFF20 and FFFF20 Interests	All G20, GG20, GGG20 and GGGG20 Interests	All H20, HH20, HHH20 and HHHH20 Interests
December 2005		All F21, FF21, FFF21 and FFFF21 Interests	All G21, GG21, GGG21 and GGGG21 Interests	All H21, HH21, HHH21 and HHHH21 Interests

Swap Interest Rate Schedule - Continued

Corresponding Distribution Date	Corresponding REMIC III Regular Interest		
	Corresponding Interest Rate 2.5100%	Corresponding Interest Rate 1.9600%	Corresponding Interest Rate 2.2800%
April 2004	All K1, KK1, KKK1 and KKKK1 Interests	All L1, LL1, LLL1 and LLLL1 Interests	All M1, MM1, MMM1 and MMMM1 Interests
May 2004	All K2, KK2, KKK2 and KKKK2 Interests	All L2, LL2, LLL2 and LLLL2 Interests	All M2, MM2, MMM2 and MMMM2 Interests
June 2004	All K3, KK3, KKK3 and KKKK3 Interests	All L3, LL3, LLL3 and LLLL3 Interests	All M3, MM3, MMM3 and MMMM3 Interests
July 2004	All K4, KK4, KKK4 and KKKK4 Interests	All L4, LL4, LLL4 and LLLL4 Interests	All M4, MM4, MMM4 and MMMM4 Interests
August 2004	All K5, KK5, KKK5 and KKKK5 Interests	All L5, LL5, LLL5 and LLLL5 Interests	All M5, MM5, MMM5 and MMMM5 Interests
September 2004	All K6, KK6, KKK6 and KKKK6 Interests	All L6, LL6, LLL6 and LLLL6 Interests	All M6, MM6, MMM6 and MMMM6 Interests
October 2004	All K7, KK7, KKK7 and KKKK7 Interests	All L7, LL7, LLL7 and LLLL7 Interests	All M7, MM7, MMM7 and MMMM7 Interests
November 2004	All K8, KK8, KKK8 and KKKK8 Interests	All L8, LL8, LLL8 and LLLL8 Interests	All M8, MM8, MMM8 and MMMM8 Interests
December 2004	All K9, KK9, KKK9 and KKKK9 Interests	All L9, LL9, LLL9 and LLLL9 Interests	All M9, MM9, MMM9 and MMMM9 Interests
January 2005	All K10, KK10, KKK10 and KKKK10 Interests	All L10, LL10, LLL10 and LLLL10 Interests	All M10, MM10, MMM10 and MMMM10 Interests
February 2005	All K11, KK11, KKK11 and KKKK11 Interests	All L11, LL11, LLL11 and LLLL11 Interests	All M11, MM11, MMM11 and MMMM11 Interests
March 2005	All K12, KK12, KKK12 and KKKK12 Interests	All L12, LL12, LLL12 and LLLL12 Interests	All M12, MM12, MMM12 and MMMM12 Interests
April 2005	All K13, KK13, KKK13 and KKKK13 Interests	All L13, LL13, LLL13 and LLLL13 Interests	All M13, MM13, MMM13 and MMMM13 Interests
May 2005	All K14, KK14, KKK14 and	All L14, LL14, LLL14 and	All M14, MM14, MMM14

	KKKK14 Interests	LLLL14 Interests	and MMMM14 Interests
June 2005	All K15, KK15, KKK15 and KKKK15 Interests	All L15, LL15, LLL15 and LLLL15 Interests	All M15, MM15, MMM15 and MMMM15 Interests
July 2005	All K16, KK16, KKK16 and KKKK16 Interests	All L16, LL16, LLL16 and LLLL16 Interests	All M16, MM16, MMM16 and MMMM16 Interests
August 2005	All K17, KK17, KKK17 and KKKK17 Interests	All L17, LL17, LLL17 and LLLL17 Interests	All M17, MM17, MMM17 and MMMM17 Interests
September 200 5	All K18, KK18, KKK18 and KKKK18 Interests	All L18, LL18, LLL18 and LLLL18 Interests	All M18, MM18, MMM18 and MMMM18 Interests
October 2005	All K19, KK19, KKK19 and KKKK19 Interests	All L19, LL19, LLL19 and LLLL19 Interests	All M19, MM19, MMM19 and MMMM19 Interests
November 2005	All K20, KK20, KKK20 and KKKK20 Interests	All L20, LL20, LLL20 and LLLL20 Interests	All M20, MM20, MMM20 and MMMM20 Interests
December 2005	All K21, KK21, KKK21 and KKKK21 Interests	All L21, LL21, LLL21 and LLLL21 Interests	All M21, MM21, MMM21 and MMMM21 Interests
January 2006		All L22, LL22, LLL22 and LLLL22 Interests	All M22, MM22, MMM22 and MMMM22 Interests

Swap Interest Rate Schedule - Continued

Corresponding Distribution Date	Corresponding REMIC III Regular Interest			
	Corresponding Interest Rate 2.6788%	Corresponding Interest Rate 2.8000%	Corresponding Interest Rate 2.7425%	Corresponding Interest Rate 2.8800%
April 2004	All O1, OO1, OOO1 and OOOO1 Interests	All Q1, QQ1, QQQ1 and QQQQ1 Interests	All S1, SS1, SSS1 and SSSS1 Interests	All T1, TT1, TTT1 and TTTT1 Interests
May 2004	All O2, OO2, OOO2 and OOOO2 Interests	All Q2, QQ2, QQQ2 and QQQQ2 Interests	All S2, SS2, SSS2 and SSSS2 Interests	All T2, TT2, TTT2 and TTTT2 Interests
June 2004	All O3, OO3, OOO3 and OOOO3 Interests	All Q3, QQ3, QQQ3 and QQQQ3 Interests	All S3, SS3, SSS3 and SSSS3 Interests	All T3, TT3, TTT3 and TTTT3 Interests
July 2004	All O4, OO4, OOO4 and OOOO4 Interests	All Q4, QQ4, QQQ4 and QQQQ4 Interests	All S4, SS4, SSS4 and SSSS4 Interests	All T4, TT4, TTT4 and TTTT4 Interests
August 2004	All O5, OO5, OOO5 and OOOO5 Interests	All Q5, QQ5, QQQ5 and QQQQ5 Interests	All S5, SS5, SSS5 and SSSS5 Interests	All T5, TT5, TTT5 and TTTT5 Interests
September 2004	All O6, OO6, OOO6 and OOOO6 Interests	All Q6, QQ6, QQQ6 and QQQQ6 Interests	All S6, SS6, SSS6 and SSSS6 Interests	All T6, TT6, TTT6 and TTTT6 Interests
October 2004	All O7, OO7, OOO7 and OOOO7 Interests	All Q7, QQ7, QQQ7 and QQQQ7 Interests	All S7, SS7, SSS7 and SSSS7 Interests	All T7, TT7, TTT7 and TTTT7 Interests
November 2004	All O8, OO8, OOO8 and OOOO8 Interests	All Q8, QQ8, QQQ8 and QQQQ8 Interests	All S8, SS8, SSS8 and SSSS8 Interests	All T8, TT8, TTT8 and TTTT8 Interests
December 2004	All O9, OO9, OOO9 and OOOO9 Interests	All Q9, QQ9, QQQ9 and QQQQ9 Interests	All S9, SS9, SSS9 and SSSS9 Interests	All T9, TT9, TTT9 and TTTT9 Interests
January 2005	All O10, OO10, OOO10 and OOOO10 Interests	All Q10, QQ10, QQQ10 and QQQQ10 Interests	All S10, SS10, SSS10 and SSSS10 Interests	All T10, TT10, TTT10 and TTTT10 Interests
February 2005	All O11, OO11, OOO11 and OOOO11 Interests	All Q11, QQ11, QQQ11 and QQQQ11 Interests	All S11, SS11, SSS11 and SSSS11 Interests	All T11, TT11, TTT11 and TTTT11 Interests
March 2005	All O12, OO12, OOO12 and OOOO12 Interests	All Q12, QQ12, QQQ12 and QQQQ12 Interests	All S12, SS12, SSS12 and SSSS12 Interests	All T12, TT12, TTT12 and TTTT12 Interests
April 2005	All O13, OO13,	All Q13, QQ13,	All S13, SS13, SSS13	All T13, TT13,

	OOO13 and OOOO13 Interests	QQQ13 and QQQQ13 Interests	and SSSS13 Interests	TTT13 and TTTT13 Interests
May 2005	All O14, OO14, OOO14 and OOOO14 Interests	All Q14, QQ14, QQQ14 and QQQQ14 Interests	All S14, SS14, SSS14 and SSSS14 Interests	All T14, TT14, TTT14 and TTTT14 Interests
June 2005	All O15, OO15, OOO15 and OOOO15 Interests	All Q15, QQ15, QQQ15 and QQQQ15 Interests	All S15, SS15, SSS15 and SSSS15 Interests	All T15, TT15, TTT15 and TTTT15 Interests
July 2005	All O16, OO16, OOO16 and OOOO16 Interests	All Q16, QQ16, QQQ16 and QQQQ16 Interests	All S16, SS16, SSS16 and SSSS16 Interests	All T16, TT16, TTT16 and TTTT16 Interests
August 2005	All O17, OO17, OOO17 and OOOO17 Interests	All Q17, QQ17, QQQ17 and QQQQ17 Interests	All S17, SS17, SSS17 and SSSS17 Interests	All T17, TT17, TTT17 and TTTT17 Interests
September 200 5	All O18, OO18, OOO18 and OOOO18 Interests	All Q18, QQ18, QQQ18 and QQQQ18 Interests	All S18, SS18, SSS18 and SSSS18 Interests	All T18, TT18, TTT18 and TTTT18 Interests
October 2005	All O19, OO19, OOO19 and OOOO19 Interests	All Q19, QQ19, QQQ19 and QQQQ19 Interests	All S19, SS19, SSS19 and SSSS19 Interests	All T19, TT19, TTT19 and TTTT19 Interests
November 2005	All O20, OO20, OOO20 and OOOO20 Interests	All Q20, QQ20, QQQ20 and QQQQ20 Interests	All S20, SS20, SSS20 and SSSS20 Interests	All T20, TT20, TTT20 and TTTT20 Interests
December 2005	All O21, OO21, OOO21 and OOOO21 Interests	All Q21, QQ21, QQQ21 and QQQQ21 Interests	All S21, SS21, SSS21 and SSSS21 Interests	All T21, TT21, TTT21 and TTTT21 Interests
January 2006	All O22, OO22, OOO22 and OOOO22 Interests	All Q22, QQ22, QQQ22 and QQQQ22 Interests	All S22, SS22, SSS22 and SSSS22 Interests	All T22, TT22, TTT22 and TTTT22 Interests

February 2006	All O23, OO23, OOO23 and OOOO23 Interests	All Q23, QQ23, QQQ23 and QQQQ23 Interests	All S23, SS23, SSS23 and SSSS23 Interests	All T23, TT23, TTT23 and TTTT23 Interests
March 2006	All O24, OO24, OOO24 and OOOO24 Interests	All Q24, QQ24, QQQ24 and QQQQ24 Interests	All S24, SS24, SSS24 and SSSS24 Interests	All T24, TT24, TTT24 and TTTT24 Interests
April 2006	All O25, OO25, OOO25 and OOOO25 Interests	All Q25, QQ25, QQQ25 and QQQQ25 Interests	All S25, SS25, SSS25 and SSSS25 Interests	All T25, TT25, TTT25 and TTTT25 Interests
May 2006	All O26, OO26, OOO26 and OOOO26 Interests	All Q26, QQ26, QQQ26 and QQQQ26 Interests	All S26, SS26, SSS26 and SSSS26 Interests	All T26, TT26, TTT26 and TTTT26 Interests
June 2006	All O27, OO27, OOO27 and OOOO27 Interests	All Q27, QQ27, QQQ27 and QQQQ27 Interests	All S27, SS27, SSS27 and SSSS27 Interests	All T27, TT27, TTT27 and TTTT27 Interests
July 2006	All O28, OO28, OOO28 and OOOO28 Interests	All Q28, QQ28, QQQ28 and QQQQ28 Interests	All S28, SS28, SSS28 and SSSS28 Interests	All T28, TT28, TTT28 and TTTT28 Interests
August 2006	All O29, OO29, OOO29 and OOOO29 Interests	All Q29, QQ29, QQQ29 and QQQQ29 Interests	All S29, SS29, SSS29 and SSSS29 Interests	All T29, TT29, TTT29 and TTTT29 Interests
September 200 6	All O30, OO30, OOO30 and OOOO30 Interests	All Q30, QQ30, QQQ30 and QQQQ30 Interests	All S30, SS30, SSS30 and SSSS30 Interests	All T30, TT30, TTT30 and TTTT30 Interests
October 2006	All O31, OO31, OOO31 and OOOO31 Interests	All Q31, QQ31, QQQ31 and QQQQ31 Interests	All S31, SS31, SSS31 and SSSS31 Interests	All T31, TT31, TTT31 and TTTT31 Interests
November 2006			All S32, SS32, SSS32 and SSSS32 Interests	All T32, TT32, TTT32 and TTTT32 Interests

Swap Interest Rate Schedule - Continued

Corresponding Distribution Date	Corresponding REMIC III Regular Interest		
	Corresponding Interest Rate 3.0275%	Corresponding Interest Rate 2.6675%	Corresponding Interest Rate 2.8275%
April 2004	All U1, UU1, UUU1 and UUUU1 Interests	All V1, VV1, VVV1 and VVVV1 Interests	All W1, WW1, WWW1 and WWWW1 Interests
May 2004	All U2, UU2, UUU2 and UUUU2 Interests	All V2, VV2, VVV2 and VVVV2 Interests	All W2, WW2, WWW2 and WWWW2 Interests
June 2004	All U3, UU3, UUU3 and UUUU3 Interests	All V3, VV3, VVV3 and VVVV3 Interests	All W3, WW3, WWW3 and WWWW3 Interests
July 2004	All U4, UU4, UUU4 and UUUU4 Interests	All V4, VV4, VVV4 and VVVV4 Interests	All W4, WW4, WWW4 and WWWW4 Interests
August 2004	All U5, UU5, UUU5 and UUUU5 Interests	All V5, VV5, VVV5 and VVVV5 Interests	All W5, WW5, WWW5 and WWWW5 Interests
September 2004	All U6, UU6, UUU6 and UUUU6 Interests	All V6, VV6, VVV6 and VVVV6 Interests	All W6, WW6, WWW6 and WWWW6 Interests
October 2004	All U7, UU7, UUU7 and UUUU7 Interests	All V7, VV7, VVV7 and VVVV7 Interests	All W7, WW7, WWW7 and WWWW7 Interests
November 2004	All U8, UU8, UUU8 and UUUU8 Interests	All V8, VV8, VVV8 and VVVV8 Interests	All W8, WW8, WWW8 and WWWW8 Interests
December 2004	All U9, UU9, UUU9 and UUUU9 Interests	All V9, VV9, VVV9 and VVVV9 Interests	All W9, WW9, WWW9 and WWWW9 Interests
January 2005	All U10, UU10, UUU10 and UUUU10 Interests	All V10, VV10, VVV10 and VVVV10 Interests	All W10, WW10, WWW10 and WWWW10 Interests
February 2005	All U11, UU11, UUU11 and UUUU11 Interests	All V11, VV11, VVV11 and VVVV11 Interests	All W11, WW11, WWW11 and WWWW11 Interests
March 2005	All U12, UU12, UUU12 and UUUU12 Interests	All V12, VV12, VVV12 and VVVV12 Interests	All W12, WW12, WWW12 and WWWW12 Interests
April 2005	All U13, UU13, UUU13 and UUUU13 Interests	All V13, VV13, VVV13 and VVVV13 Interests	All W13, WW13, WWW13 and WWWW13 Interests
May 2005	All U14, UU14, UUU14 and	All V14, VV14, VVV14 and	All W14, WW14, WWW14

	UUUU14 Interests	VVVV14 Interests	and WWWW14 Interests
June 2005	All U15, UU15, UUU15 and UUUU15 Interests	All V15, VV15, VVV15 and VVVV15 Interests	All W15, WW15, WWW15 and WWWW15 Interests
July 2005	All U16, UU16, UUU16 and UUUU16 Interests	All V16, VV16, VVV16 and VVVV16 Interests	All W16, WW16, WWW16 and WWWW16 Interests
August 2005	All U17, UU17, UUU17 and UUUU17 Interests	All V17, VV17, VVV17 and VVVV17 Interests	All W17, WW17, WWW17 and WWWW17 Interests
September 2005	All U18, UU18, UUU18 and UUUU18 Interests	All V18, VV18, VVV18 and VVVV18 Interests	All W18, WW18, WWW18 and WWWW18 Interests
October 2005	All U19, UU19, UUU19 and UUUU19 Interests	All V19, VV19, VVV19 and VVVV19 Interests	All W19, WW19, WWW19 and WWWW19 Interests
November 2005	All U20, UU20, UUU20 and UUUU20 Interests	All V20, VV20, VVV20 and VVVV20 Interests	All W20, WW20, WWW20 and WWWW20 Interests
December 2005	All U21, UU21, UUU21 and UUUU21 Interests	All V21, VV21, VVV21 and VVVV21 Interests	All W21, WW21, WWW21 and WWWW21 Interests
January 2006	All U22, UU22, UUU22 and UUUU22 Interests	All V22, VV22, VVV22 and VVVV22 Interests	All W22, WW22, WWW22 and WWWW22 Interests

February 2006	All U23, UU23, UUU23 and UUUU23 Interests	All V23, VV23, VVV23 and VVVV23 Interests	All W23, WW23, WWW23 and WWWW23 Interests
March 2006	All U24, UU24, UUU24 and UUUU24 Interests	All V24, VV24, VVV24 and VVVV24 Interests	All W24, WW24, WWW24 and WWWW24 Interests
April 2006	All U25, UU25, UUU25 and UUUU25 Interests	All V25, VV25, VVV25 and VVVV25 Interests	All W25, WW25, WWW25 and WWWW25 Interests
May 2006	All U26, UU26, UUU26 and UUUU26 Interests	All V26, VV26, VVV26 and VVVV26 Interests	All W26, WW26, WWW26 and WWWW26 Interests
June 2006	All U27, UU27, UUU27 and UUUU27 Interests	All V27, VV27, VVV27 and VVVV27 Interests	All W27, WW27, WWW27 and WWWW27 Interests
July 2006	All U28, UU28, UUU28 and UUUU28 Interests	All V28, VV28, VVV28 and VVVV28 Interests	All W28, WW28, WWW28 and WWWW28 Interests
August 2006	All U29, UU29, UUU29 and UUUU29 Interests	All V29, VV29, VVV29 and VVVV29 Interests	All W29, WW29, WWW29 and WWWW29 Interests
September 2006	All U30, UU30, UUU30 and UUUU30 Interests	All V30, VV30, VVV30 and VVVV30 Interests	All W30, WW30, WWW30 and WWWW30 Interests
October 2006	All U31, UU31, UUU31 and UUUU31 Interests	All V31, VV31, VVV31 and VVVV31 Interests	All W31, WW31, WWW31 and WWWW31 Interests
November 2006	All U32, UU32, UUU32 and UUUU32 Interests	All V32, VV32, VVV32 and VVVV32 Interests	All W32, WW32, WWW32 and WWWW32 Interests
December 2006		All V33, VV33, VVV33 and VVVV33 Interests	All W33, WW33, WWW33 and WWWW33 Interests

Swap Interest Rate Schedule - Continued

Corresponding Distribution Date	Corresponding REMIC III Regular Interest		
	Corresponding Interest Rate 3.0470%	Corresponding Interest Rate 2.5350%	Corresponding Interest Rate 2.8800%
April 2004	All X1, XX1, XXX1 and XXXX1 Interests	All Y1, YY1, YYY1 and YYYY1 Interests	All Z1, ZZ1, ZZZ1 and ZZZZ1 Interests
May 2004	All X2, XX2, XXX2 and XXXX2 Interests	All Y2, YY2, YYY2 and YYYY2 Interests	All Z2, ZZ2, ZZZ2 and ZZZZ2 Interests
June 2004	All X3, XX3, XXX3 and XXXX3 Interests	All Y3, YY3, YYY3 and YYYY3 Interests	All Z3, ZZ3, ZZZ3 and ZZZZ3 Interests
July 2004	All X4, XX4, XXX4 and XXXX4 Interests	All Y4, YY4, YYY4 and YYYY4 Interests	All Z4, ZZ4, ZZZ4 and ZZZZ4 Interests
August 2004	All X5, XX5, XXX5 and XXXX5 Interests	All Y5, YY5, YYY5 and YYYY5 Interests	All Z5, ZZ5, ZZZ5 and ZZZZ5 Interests
September 2004	All X6, XX6, XXX6 and XXXX6 Interests	All Y6, YY6, YYY6 and YYYY6 Interests	All Z6, ZZ6, ZZZ6 and ZZZZ6 Interests
October 2004	All X7, XX7, XXX7 and XXXX7 Interests	All Y7, YY7, YYY7 and YYYY7 Interests	All Z7, ZZ7, ZZZ7 and ZZZZ7 Interests
November 2004	All X8, XX8, XXX8 and XXXX8 Interests	All Y8, YY8, YYY8 and YYYY8 Interests	All Z8, ZZ8, ZZZ8 and ZZZZ8 Interests
December 2004	All X9, XX9, XXX9 and XXXX9 Interests	All Y9, YY9, YYY9 and YYYY9 Interests	All Z9, ZZ9, ZZZ9 and ZZZZ9 Interests
January 2005	All X10, XX10, XXX10 and XXXX10 Interests	All Y10, YY10, YYY10 and YYYY10 Interests	All Z10, ZZ10, ZZZ10 and ZZZZ10 Interests
February 2005	All X11, XX11, XXX11 and XXXX11 Interests	All Y11, YY11, YYY11 and YYYY11 Interests	All Z11, ZZ11, ZZZ11 and ZZZZ11 Interests
March 2005	All X12, XX12, XXX12 and XXXX12 Interests	All Y12, YY12, YYY12 and YYYY12 Interests	All Z12, ZZ12, ZZZ12 and ZZZZ12 Interests
April 2005	All X13, XX13, XXX13 and XXXX13 Interests	All Y13, YY13, YYY13 and YYYY13 Interests	All Z13, ZZ13, ZZZ13 and ZZZZ13 Interests
May 2005	All X14, XX14, XXX14 and	All Y14, YY14, YYY14 and	All Z14, ZZ14, ZZZ14 and

	XXXX14 Interests	YYYY14 Interests	ZZZZ14 Interests
June 2005	All X15, XX15, XXX15 and XXXX15 Interests	All Y15, YY15, YYY15 and YYYY15 Interests	All Z15, ZZ15, ZZZ15 and ZZZZ15 Interests
July 2005	All X16, XX16, XXX16 and XXXX16 Interests	All Y16, YY16, YYY16 and YYYY16 Interests	All Z16, ZZ16, ZZZ16 and ZZZZ16 Interests
August 2005	All X17, XX17, XXX17 and XXXX17 Interests	All Y17, YY17, YYY17 and YYYY17 Interests	All Z17, ZZ17, ZZZ17 and ZZZZ17 Interests
September 200 5	All X18, XX18, XXX18 and XXXX18 Interests	All Y18, YY18, YYY18 and YYYY18 Interests	All Z18, ZZ18, ZZZ18 and ZZZZ18 Interests
October 2005	All X19, XX19, XXX19 and XXXX19 Interests	All Y19, YY19, YYY19 and YYYY19 Interests	All Z19, ZZ19, ZZZ19 and ZZZZ19 Interests
November 200 5	All X20, XX20, XXX20 and XXXX20 Interests	All Y20, YY20, YYY20 and YYYY20 Interests	All Z20, ZZ20, ZZZ20 and ZZZZ20 Interests
December 2005	All X21, XX21, XXX21 and XXXX21 Interests	All Y21, YY21, YYY21 and YYYY21 Interests	All Z21, ZZ21, ZZZ21 and ZZZZ21 Interests
January 2006	All X22, XX22, XXX22 and XXXX22 Interests	All Y22, YY22, YYY22 and YYYY22 Interests	All Z22, ZZ22, ZZZ22 and ZZZZ22 Interests

February 2006	All X23, XX23, XXX23 and XXXX23 Interests	All Y23, YY23, YYY23 and YYYY23 Interests	All Z23, ZZ23, ZZZ23 and ZZZZ23 Interests
March 2006	All X24, XX24, XXX24 and XXXX24 Interests	All Y24, YY24, YYY24 and YYYY24 Interests	All Z24, ZZ24, ZZZ24 and ZZZZ24 Interests
April 2006	All X25, XX25, XXX25 and XXXX25 Interests	All Y25, YY25, YYY25 and YYYY25 Interests	All Z25, ZZ25, ZZZ25 and ZZZZ25 Interests
May 2006	All X26, XX26, XXX26 and XXXX26 Interests	All Y26, YY26, YYY26 and YYYY26 Interests	All Z26, ZZ26, ZZZ26 and ZZZZ26 Interests
June 2006	All X27, XX27, XXX27 and XXXX27 Interests	All Y27, YY27, YYY27 and YYYY27 Interests	All Z27, ZZ27, ZZZ27 and ZZZZ27 Interests
July 2006	All X28, XX28, XXX28 and XXXX28 Interests	All Y28, YY28, YYY28 and YYYY28 Interests	All Z28, ZZ28, ZZZ28 and ZZZZ28 Interests
August 2006	All X29, XX29, XXX29 and XXXX29 Interests	All Y29, YY29, YYY29 and YYYY29 Interests	All Z29, ZZ29, ZZZ29 and ZZZZ29 Interests
September 200 6	All X30, XX30, XXX30 and XXXX30 Interests	All Y30, YY30, YYY30 and YYYY30 Interests	All Z30, ZZ30, ZZZ30 and ZZZZ30 Interests
October 2006	All X31, XX31, XXX31 and XXXX31 Interests	All Y31, YY31, YYY31 and YYYY31 Interests	All Z31, ZZ31, ZZZ31 and ZZZZ31 Interests
November 2006	All X32, XX32, XXX32 and XXXX32 Interests	All Y32, YY32, YYY32 and YYYY32 Interests	All Z32, ZZ32, ZZZ32 and ZZZZ32 Interests
December 2006	All X33, XX33, XXX33 and XXXX33 Interests	All Y33, YY33, YYY33 and YYYY33 Interests	All Z33, ZZ33, ZZZ33 and ZZZZ33 Interests
January 2007		All Y34, YY34, YYY34 and YYYY34 Interests	All Z34, ZZ34, ZZZ34 and ZZZZ34 Interests

Swap Maturity Date Schedule

Corresponding REMIC III Regular Interest	Corresponding Maturity Date
All A and AA Interests	October 2005
All B and BB Interests	October 2005
All C and CC Interests	November 2005
All D and DD Interests	November 2005
All E and EE Interests	November 2005
All F and FF Interests	December 2005
All G and GG Interests	December 2005
All H and HH Interests	December 2005
All K and KK Interests	December 2005
All L and LL Interests	January 2006
All M and MM Interests	January 2006
All O and OO Interests	October 2006
All Q and QQ Interests	October 2006
All S and SS Interests	November 2006
All T and TT Interests	November 2006
All U and UU Interests	November 2006
All V and VV Interests	December 2006
All W and WW Interests	December 2006
All X and XX Interests	December 2006

All Y and YY Interests

January 2007

All Z and ZZ Interests

January 2007

EX-10.1 8 dex101.htm MORTGAGE LOAN PURCHASE AGREEMENT DATED AS OF
MARCH 1, 2004

Exhibit 10.1

EXECUTION COPY

NOVASTAR MORTGAGE, INC.
as Seller,

NOVASTAR MORTGAGE FUNDING CORPORATION
as Company,

WACHOVIA BANK, NATIONAL ASSOCIATION
as Custodian

and

JPMORGAN CHASE BANK
as Trustee

MORTGAGE LOAN PURCHASE AGREEMENT

Dated as of March 1, 2004

Fixed and Adjustable Rate Mortgage Loans

NovaStar Mortgage Funding Trust, Series 2004-1
NovaStar Home Equity Loan Asset-Backed Certificate, Series 2004-1

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THIS MORTGAGE LOAN PURCHASE AGREEMENT (this “Purchase Agreement”), dated as of March 1, 2004, is made among NovaStar Mortgage, Inc. (the “Seller”), NovaStar Mortgage Funding Corporation (the “Company”), Wachovia Bank, National Association (the “Custodian”) and JPMorgan Chase Bank (the “Trustee”).

W I T N E S S E T H T H A T:

WHEREAS, pursuant to the terms of this Purchase Agreement, the Seller will sell the Closing Date Mortgage Loans and the related MI Policies to the Company on the Closing Date;

WHEREAS, pursuant to the terms of the Pooling and Servicing Agreement, the Company will transfer the Closing Date Mortgage Loans and the related MI Policies, and assign all of its rights under the Purchase Agreement, to the Trustee, without recourse, on the Closing Date;

WHEREAS, pursuant to the terms of the Pooling and Servicing Agreement, the Trustee will issue the Certificates;

WHEREAS, pursuant to the terms of the Pooling and Servicing Agreement, the Trustee will transfer to the Company the Certificates;

WHEREAS, pursuant to the terms of the Underwriting Agreement, the Company will sell the Underwritten Certificates to the Underwriters;

WHEREAS, pursuant to the terms of the REMIC Interests Sale Agreement, the Company will sell the Class X Certificates (including the net value represented by the Class I Certificates), Class O Certificates, the Class P Certificates and the Residual Certificates to NovaStar Certificates Financing Corporation (“NCFC”);

WHEREAS, pursuant to the terms of the Pooling and Servicing Agreement, the Servicer will service the Mortgage Loans; and

WHEREAS, pursuant to the terms of the Converted Loan Purchase Agreement, the Converted Loan Purchaser will purchase the Converted Mortgage Loans from the Trustee.

ARTICLE I

DEFINITIONS

Section 1.01 Definitions.

For all purposes of this Purchase Agreement, except as otherwise expressly provided herein or unless the context otherwise requires, capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Definitions contained in Appendix A to the Pooling and Servicing Agreement, dated as of March 1, 2004, among the Custodian, the Trustee, the Company and NovaStar Mortgage, Inc. as seller and servicer (the “Servicer”) which

is incorporated by reference herein. All other capitalized terms used herein shall have the meanings specified herein.

ARTICLE II

SALE OF MORTGAGE LOANS AND RELATED PROVISIONS

Section 2.01 Sale of Closing Date Mortgage Loans and MI Policies.

(a) The Seller hereby sells, and the Company hereby purchases on the Closing Date the Closing Date Mortgage Loans identified (and the related MI Policies) on the Mortgage Loan Schedule annexed hereto as Exhibit 1, the proceeds thereof and all rights under the Related Documents (including the related Mortgage Files). The Closing Date Mortgage Loans consist of a pool of three groups of conventional, residential first lien mortgage loans with fixed and adjustable interest rates, the Group IA Mortgage Loans, the Group II Mortgage Loans and the Group III Mortgage Loans, and a group of residential first and second lien mortgage loans with fixed and adjustable interest rates, the Group IB Mortgage Loans. The Closing Date Mortgage Loans will have a Principal Balance as of the close of business on the Cut-off Date, after giving effect to any payments due on or before such date whether or not received, of approximately \$1,200,000,000. The sale of the Closing Date Mortgage Loans will take place on the Closing Date, subject to and simultaneously with the deposit of the Closing Date Mortgage Loans and the Original Pre-Funded Amount into the Trust Fund, the issuance of the Certificates by the Trustee and the sale of the Underwritten Certificates pursuant to the Underwriting Agreement. The purchase price (the "Purchase Price") for the Closing Date Mortgage Loans to be paid by the Company to the Seller on the Closing Date is the unpaid principal balance of the Closing Date Mortgage Loans less any unreimbursed advances plus accrued and unpaid interest plus any costs and damages incurred in connection with the violation of any Closing Date Mortgage Loan of any predatory or abusive lending law. The Purchase Price shall consist of the following:

(i) a payment in an amount equal to \$1,722,281,981 representing the net proceeds of the sale of the Underwritten Certificates, which payment shall be paid to the Seller by wire transfer in immediately available funds on the Closing Date by or on behalf of the Company, or as otherwise agreed by the Company; and

(ii) a payment in an amount equal to \$17,500,000 representing the proceeds of the sale of the Class O Certificates, the Class P and Class X Certificates (including the net value represented by the Class I Certificates) by the Company to NCFC pursuant to the REMIC Interests Sale Agreement, which payment shall be paid to the Seller by wire transfer in immediately available funds on the Closing Date by or on behalf of the Company, or as otherwise agreed by the Company.

(b) [Reserved]

(c) In connection with such conveyances by the Seller, the Seller shall on behalf of and at the direction of the Company deliver to, and deposit with the Custodian on behalf of the Trustee, on or before the Closing Date in the case of a Closing Date Mortgage Loan and two Business Days prior to the related Subsequent Transfer Date in the case of a Subsequent

Mortgage Loan, the following documents or instruments with respect to each Mortgage Loan (the “Mortgage File”):

(i) the original Mortgage Note endorsed to “JPMorgan Chase Bank, as Trustee of the NovaStar Mortgage Funding Trust, Series 2004-1, relating to the NovaStar Home Equity Loan Asset-Backed Certificates, Series 2004-1”;

(ii) the original Mortgage with evidence of recording thereon, or, if the original Mortgage has not yet been returned from the public recording office, a copy of the original Mortgage certified by the Seller or the public recording office in which such original Mortgage has been recorded and if the Mortgage Loan is registered on the MERS System, such Mortgage shall include thereon a statement that it is a MOM Loan and shall include the MIN for such Mortgage Loan;

(iii) unless the Mortgage Loan is registered on the MERS System, an original assignment (which may be included in one or more blanket assignments if permitted by applicable law) of the Mortgage endorsed to “JPMorgan Chase Bank, as Trustee of the NovaStar Mortgage Funding Trust, Series 2004-1, relating to the NovaStar Home Equity Loan Asset-Backed Certificates, Series 2004-1”, and otherwise in recordable form;

(iv) originals of any intervening assignments of the Mortgage showing an unbroken chain of title from the originator thereof to the Person assigning it to the Trustee (or to MERS, if the Mortgage Loan is registered on the MERS System, and noting the presence of a MIN, if the Mortgage Loan is registered on the MERS System), with evidence of recording thereon, or, if the original of any such intervening assignment has not yet been returned from the public recording office, a copy of such original intervening assignment certified by the Seller or the public recording office in which such original intervening assignment has been recorded;

(v) the original policy of title insurance (or a commitment for title insurance, if the policy is being held by the title insurance company pending recordation of the Mortgage);

(vi) true and correct copy of each assumption, modification, consolidation or substitution agreement, if any, relating to the Mortgage Loan; and

(vii) an executed copy of the notice of assignment and acknowledgement of assignment with respect to the Mortgage Loans covered by the MI Policies.

If a material defect in any Mortgage File is discovered which may materially and adversely affect the value of the related Mortgage Loan, or the interests of the Trustee (as pledgee of the Mortgage Loans), or the Certificateholders in such Mortgage Loan, including if any document required to be delivered to the Custodian has not been delivered (provided that a Mortgage File will not be deemed to contain a defect for an unrecorded assignment under clause (i) above for 180 days following submission of the assignment if the Seller has submitted such assignment for recording pursuant to the terms of the following paragraph), the Seller shall cure such defect, repurchase the related Mortgage Loan at the Repurchase Price or substitute an Eligible Substitute Mortgage Loan for the related Mortgage Loan upon the same terms and conditions set forth in Section 3.01 hereof as to the Closing Date Mortgage Loans and the

Subsequent Mortgage Loans and Section 2.02(c) hereof as to the Subsequent Mortgage Loans for breaches of representations and warranties.

Promptly after the Closing Date in the case of a Closing Date Mortgage Loan or, in the case of a Subsequent Mortgage Loan, promptly after the Subsequent Transfer Date (or after the date of transfer of any Eligible Substitute Mortgage Loan), the Seller at its own expense shall complete and submit for recording in the appropriate public office for real property records each of the assignments referred to in clause (i) above, with such assignment completed in favor of the Trustee, excluding any Mortgage Loan that is registered on the MERS System if MERS is identified on the Mortgage or on a properly recorded assignment of Mortgage as the mortgagee of record. While such assignment to be recorded is being recorded, the Custodian shall retain a photocopy of such assignment. If any assignment is lost or returned unrecorded to the Custodian because of any defect therein, the Seller is required to prepare a substitute assignment or cure such defect, as the case may be, and the Seller shall cause such substitute assignment to be recorded in accordance with this paragraph.

In instances where an original Mortgage or any original intervening assignment of Mortgage is not, in accordance with clause (ii) or (iv) above, delivered by the Seller to the Custodian, on behalf of the Trustee, prior to or on the Closing Date in the case of a Closing Date Mortgage Loan or, in the case of a Subsequent Mortgage Loan, prior to or on the Subsequent Transfer Date, the Seller will deliver or cause to be delivered the originals of such documents to the Custodian, on behalf of the Trustee, promptly upon receipt thereof.

In connection with the assignment of any Closing Date Mortgage Loan registered on the MERS System, promptly after the Closing Date, the Seller further agrees that it will cause, at the Seller's own expense, the MERS System to indicate that such Closing Date Mortgage Loan has been assigned by the Seller to the Trustee in accordance with this Agreement for the benefit of the Certificateholders by including in such computer files (a) the applicable Trustee code in the field "Trustee" which identifies the Trustee and (b) the code "NovaStar 2004-1" (or its equivalent) in the field "Pool Field" which identifies the series of the Certificates issued in connection with such Mortgage Loans.

Effective on the Closing Date, the Company hereby acknowledges its acceptance of all right, title and interest to the Closing Date Mortgage Loans and other property, existing on the Closing Date and thereafter created and conveyed to it pursuant to this Section 2.01.

The Trustee, as assignee or transferee of the Company, shall be entitled to all scheduled principal payments due after the Cut-off Date, all other payments of principal due and collected after the Cut-off Date, and all payments of interest on the Closing Date Mortgage Loans. No scheduled payments of principal due on or before the Cut-off Date and collected after the Cut-off Date shall belong to the Company pursuant to the terms of this Purchase Agreement. The Pooling and Servicing Agreement shall provide that any late payment charges collected in connection with a Mortgage Loan shall be paid to the Servicer as provided therein.

(d) The parties hereto intend that the transactions set forth herein constitute a sale by the Seller to the Company on the Closing Date of all the Seller's right, title and interest in and to the Closing Date Mortgage Loans and other property as and to the extent described above.

In the event the transactions set forth herein shall be deemed not to be a sale, the Seller hereby grants to the Company as of the Closing Date a security interest in all of the Seller's right, title and interest in, to and under the Closing Date Mortgage Loans and such other property, to secure all of the Seller's obligations hereunder and this Purchase Agreement shall constitute a security agreement under applicable law and in such event, the parties hereto acknowledge that the Custodian, in addition to holding the Closing Date Mortgage Loans on behalf of the Trustee for the benefit of the Certificateholders, holds the Closing Date Mortgage Loans as designee of the Company. The Seller agrees to take or cause to be taken such actions and to execute such documents, including without limitation the filing of all necessary UCC-1 financing statements filed in the Commonwealth of Virginia (which shall have been submitted for filing as of the Closing Date and each Subsequent Transfer Date, as applicable), any continuation statements with respect thereto and any amendments thereto required to reflect a change in the name or corporate structure of the Seller, as are necessary to perfect and protect the interests of the Company and their respective assignees in each Closing Date Mortgage Loan and the proceeds thereof and the interests of the Trustee and its assignees in each Subsequent Mortgage Loan and the proceeds thereof. The Company agrees to take or cause to be taken such actions and to execute such documents, including without limitation the filing of all necessary UCC-1 financing statements, and continuation statements with respect thereto and any amendments thereto as are necessary to perfect and protect the interests of the Trustee and its assignees in each Closing Date Mortgage Loan.

Section 2.02 Conveyance of the Subsequent Mortgage Loans.

(a) Subject to the conditions set forth in paragraph (b) below in consideration of the Trustee's delivery on the related Subsequent Transfer Dates of all or a portion of the balance of funds in the Pre-Funding Account, the Seller shall on any Subsequent Transfer Date sell, transfer, assign, set over and convey, without recourse, to the Company, who shall then sell, transfer, assign, set over and convey, without recourse, to the Trustee, but subject to the other terms and provisions of this Purchase Agreement, all of the right, title and interest of the Seller in and to (i) the Subsequent Mortgage Loans (and the related MI Policies) identified on the related Mortgage Loan Schedule attached to the related Subsequent Transfer Instrument delivered by the Seller on such Subsequent Transfer Date, (ii) principal due and interest accruing on the Subsequent Mortgage Loans after the related Subsequent Cut-off Date and (i) with respect to such Subsequent Mortgage Loans all items to be delivered pursuant to Section 2.01(c) above and the other items in the related Mortgage Files; provided, however, that the Seller reserves and retains all right, title and interest in and to principal received and interest accruing on the Subsequent Mortgage Loans prior to the related Subsequent Cut-off Date. The transfer by the Seller to the Company, and by the Company to the Trustee, of the Subsequent Mortgage Loans identified on each Mortgage Loan Schedule attached to the related Subsequent Transfer Instrument shall be absolute and is intended by the Trustee, the Company and the Seller to constitute and to be treated as a sale of the Subsequent Mortgage Loans by the Seller to the Company, and a sale of the Subsequent Mortgage Loans by the Company to the Trustee.

In the event such transactions shall be deemed not to be a sale, the Seller hereby grants to the Company as of each Subsequent Transfer Date a security interest in all of the Seller's right, title and interest in, to and under the related Subsequent Mortgage Loans and such other property, to secure all of the Seller's obligations hereunder, and this Purchase Agreement

shall constitute a security agreement under applicable law, and in such event, the parties hereto acknowledge that the Custodian, in addition to holding the Subsequent Mortgage Loans and the related MI Policies on behalf of the Trustee for the benefit of the Certificateholders, holds the Subsequent Mortgage Loans and the related MI Policies as designee of the Company. The Seller agrees to take or cause to be taken such actions and to execute such documents, including without limitation the filing of all necessary UCC-1 financing statements filed in the Commonwealth of Virginia (which shall be submitted for filing as of the related Subsequent Transfer Date), any continuation statements with respect thereto and any amendments thereto required to reflect a change in the name or corporate structure of the Seller or the filing of any additional UCC-1 financing statements due to a change in the state of incorporation of the Seller as are necessary to perfect and protect the interests of the Company and its assignees in the Subsequent Mortgage Loans.

In the event such transactions shall be deemed not to be a sale, the Company hereby grants to the Trustee as of each Subsequent Transfer Date a security interest in all of the Company's right, title and interest in, to and under the related Subsequent Mortgage Loans and such other property, to secure all of the Company's obligations hereunder, and this Purchase Agreement shall constitute a security agreement under applicable law, and in such event, the parties hereto acknowledge that the Custodian, in addition to holding the Subsequent Mortgage Loans and the related MI Policies on behalf of the Trustee for the benefit of the Certificateholders, holds the Subsequent Mortgage Loans and the related MI Policies as designee of the Trustee. The Company agrees to take or cause to be taken such actions and to execute such documents, including without limitation, the filing of all necessary UCC-1 financing statements filed in the State of Delaware (which shall be submitted for filing as of the related Subsequent Transfer Date), any continuation statements with respect thereto and any amendments thereto required to reflect a change in the name or corporate structure of the Company or the filing of any additional UCC-1 financing statements due to a change in the state of incorporation of the Company as are necessary to perfect and protect the interests of the Trustee and its assignees in Subsequent Mortgage Loans.

The related Mortgage File for each Subsequent Mortgage Loan shall be delivered to the Custodian, on behalf of the Trustee, prior to the related Subsequent Transfer Date.

The Trustee on each Subsequent Transfer Date shall acknowledge by signing receipt thereof its acceptance of all right, title and interest to the related Subsequent Mortgage Loans and other property, existing on the Subsequent Transfer Date and thereafter created, conveyed to it pursuant to this Section 2.02.

The Trustee, as trustee of the Trust Fund, shall be entitled to all scheduled principal payments due after each Subsequent Cut-off Date, all other payments of principal due and collected after each related Subsequent Cut-off Date, and all payments of interest on the Subsequent Mortgage Loans, minus that portion of any such payment which is allocable to the period prior to the related Subsequent Cut-off Date. No scheduled payments of principal due on or before the related Subsequent Cut-off Date and collected after the related Subsequent Cut-off Date shall belong to the Trust Fund pursuant to the terms of this Purchase Agreement.

The purchase price paid by the Trustee, at the direction of the Servicer and on behalf of the Trustee, from amounts released from the Pre-Funding Account shall be one-hundred percent (100%) of the aggregate Principal Balances of the Subsequent Mortgage Loans so transferred (as identified on the Mortgage Loan Schedule attached to the related Subsequent Transfer Instrument provided by the Seller).

(b) The Seller shall transfer to the Company, who shall transfer to the Trustee, the Subsequent Mortgage Loans and the other property and rights related thereto described in Section 2.02(a) above, and the Trustee shall cause to be released funds from the related Pre-Funding Account, only upon the satisfaction of each of the following conditions on or prior to the related Subsequent Transfer Date:

(i) the Seller shall have provided the Company, and the Company shall have provided the Trustee, with a timely Addition Notice, which notice shall be given no fewer than four Business Days prior to the related Subsequent Transfer Date and shall designate the Subsequent Mortgage Loans to be sold to the Company and then to the Trustee and the aggregate Principal Balances of such Subsequent Mortgage Loans as of the related Subsequent Cut-off Date and any other information reasonably requested by the Trustee with respect to the Subsequent Mortgage Loans;

(ii) the Seller shall have delivered to the Company, who shall have delivered to the Trustee, who shall have delivered to the Custodian, a duly executed Subsequent Transfer Instrument substantially in the form of Exhibit 2(A) or 2(B), as applicable, (A) confirming the satisfaction of each condition precedent and representations specified in this Section 2.02(b), Section 2.02(c) and in the related Subsequent Transfer Instrument and (B) including a Mortgage Loan Schedule attached thereto listing the Subsequent Mortgage Loans;

(iii) as of each Subsequent Transfer Date, as evidenced by delivery of the Seller's Subsequent Transfer Instrument in the form of Exhibit 2(A) and the Company's Subsequent Transfer Instrument in the form of Exhibit 2(B), neither the Seller nor the Company shall be insolvent or have been made insolvent by such transfers, nor shall they be aware of any pending insolvency;

(iv) such sale and transfer (i) does not cause any REMIC created under the Pooling and Servicing Agreement to fail to qualify as a REMIC and (ii) is not a prohibited transaction within the meaning of Section 860F(a)(2) of the Code or a contribution resulting in a tax under Section 860G(d) of the Code, both as evidenced by an Opinion of Counsel provided for the Trustee at the expense of the Seller;

(v) the Pre-Funding Period shall not have terminated; and

(vi) the Seller shall have delivered to the Custodian, the Trustee, and the Rating Agencies Opinions of Counsel addressed to the Rating Agencies, the Trustee and the Custodian with respect to the transfers of the Subsequent Mortgage Loans substantially in the form of the Opinion of Counsel delivered to the Custodian, the Trustee and the Rating Agencies on the Closing Date (1) regarding certain corporate matters and (2) confirming the existence of a true sale which may be contained in such opinion delivered on the Closing Date.

The obligation of the Trustee to purchase a Subsequent Mortgage Loan on any Subsequent Transfer Date is subject to the following conditions: (1) each such Subsequent Mortgage Loan shall satisfy the representations and warranties specified in the related Subsequent Transfer Instrument and this Purchase Agreement; (2) the Seller shall not select such Subsequent Mortgage Loans in a manner that it reasonably believes is adverse to the interests of the Majority Certificateholders; (3) the Seller shall have delivered certain Opinions of Counsel required pursuant to Section 2.02(b)(iv) and (vi) hereof; (4) as of the related Subsequent Cut-off Date, the Subsequent Mortgage Loans shall satisfy the following criteria: (i) each Subsequent Mortgage Loan shall not be 60 or more days contractually delinquent as of the related Subsequent Cut-off Date; (ii) the remaining stated term to maturity of each Subsequent Mortgage Loan shall not exceed 360 months; (iii) no less than approximately 98% of the Subsequent Mortgage Loans are secured by first liens on the related Mortgaged Property; (iv) each Subsequent Mortgage Loan shall have an outstanding Principal Balance of at least \$10,000; (v) each Subsequent Mortgage Loan shall be underwritten in accordance with the Underwriting Guidelines; (vi) each Subsequent Mortgage Loan shall have a Loan-to-Value Ratio of no more than 100%; (vii) each Subsequent Mortgage Loan shall have a stated maturity of no later than June 1, 2034; (viii) no Subsequent Mortgage Loan shall permit negative amortization; (ix) each Subsequent Mortgage Loan shall either have a fixed Mortgage Rate of at least 4.00% or, if an adjustable loan, a Gross Margin of at least 1.00%; (x) a minimum of 70% of the Subsequent Mortgage Loans (by Subsequent Cut-off Date Principal Balance) shall have an adjustable Mortgage Rate; (xi) the weighted average Loan-to-Value Ratio of the Subsequent Mortgage Loans (by Subsequent Cut-off Date Principal Balance) shall be no more than 83.00%; (xii) no less than 31.75% of the Subsequent Mortgage Loans shall either (A) have a Loan-to-Value Ratio of no more than 60% or (B) have a Loan-to-Value Ratio of greater than 60% and be covered by an MI Policy which will insure losses to the extent that the uninsured exposure of the related Subsequent Mortgage Loan is reduced to an amount equal to 55%, 51% or 50% of the lesser of the appraised value or purchase price, as the case may be, of the related Mortgaged Property, in each case, at the time of the applicable effective date of the MI Policy; (xiii) the Subsequent Mortgage Loans (by Subsequent Cut-off Date Principal Balance) shall have a weighted average coupon of at least 7.40%; (xiv) pursuant to the Underwriting Guidelines, no fewer than 50% of the Subsequent Mortgage Loans (by Subsequent Cut-off Date Principal Balance) shall be ALT-A and M1 credit risks, no fewer than 10% of the Subsequent Mortgage Loans (by Subsequent Cut-off Date Principal Balance) shall be M2 credit risks, and no more than 15% of the Subsequent Mortgage Loans (by Subsequent Cut-off Date Principal Balance) shall be M3 and M4 credit risks; (xv) the Subsequent Mortgage Loans (by Subsequent Cut-off Date Principal Balance) shall have a weighted average FICO score issued by a consumer credit rating agency of at least 615; (xvi) at least 87% of such Subsequent Mortgage Loans (by Subsequent Cut-off Date Principal Balance) shall be loans for primary residences; (xvii) no more than 45% of the Subsequent Mortgage Loans (by Subsequent Cut-off Date Principal Balance) shall have stated loan documentation, and no more than 15% of the Subsequent Mortgage Loans (by Subsequent Cut-off Date Principal Balance) shall have no loan documentation; (xviii) at least 65% of the Subsequent Mortgage Loans (by Subsequent Cut-off Date Principal Balance) shall be loans for single family residences; (xix) no more than 70% of the Subsequent Mortgage Loans (by Subsequent Cut-off Date Principal Balance) shall be loans that are the subject of cash-out refinances; (xx) the ratings agencies shall have consented either in writing or verbally to the

transfer of the Subsequent Mortgage Loans; (xxi) at least 67% of the Subsequent Mortgage Loans shall have prepayment penalties; and (xxii) none of the Subsequent Mortgage Loans will have a Loan-to-Value Ratio or a combined Loan-to-Value Ratio in excess of 100%.

The acceptance of the Subsequent Mortgage Loans by the Trustee is subject to the Seller receiving a written or verbal consent from each of the Rating Agencies that states that the addition of such Subsequent Mortgage Loans will not cause the Rating Agencies to downgrade any of their ratings on the Underwritten Certificates.

Notwithstanding the foregoing, Subsequent Mortgage Loans with characteristics varying from those set forth above may be purchased by the Trustee and included in the Trust Fund, if (i) the Trustee is provided with written confirmation that the aggregate credit risk of such Subsequent Mortgage Loans is similar to that of the Closing Date Mortgage Loans and (ii) the Seller receives and provides to the Trustee a written consent from each of the Rating Agencies that states that the addition of such Subsequent Mortgage Loans will not cause the Rating Agencies to downgrade any of their ratings of the Underwritten Certificates.

(c) Within five Business Days after the end of the Pre-Funding Period, the Seller shall deliver to the Rating Agencies, the Trustee and the Custodian a copy of the updated Mortgage Loan Schedule including the Subsequent Mortgage Loans in electronic format.

Section 2.03 Pre-Funding Account.

(a) No later than the Closing Date, the Trustee will establish and maintain the Pre-Funding Account pursuant to the Pooling and Servicing Agreement. On the Closing Date, the Seller will deposit in the Pre-Funding Account the Original Pre-Funded Amount from the net proceeds of the sale of the Underwritten Certificates.

ARTICLE III

REPRESENTATIONS AND WARRANTIES; REMEDIES FOR BREACH

Section 3.01 Seller Representations and Warranties.

The Seller hereby represents and warrants to the Company and the Trustee as of the date hereof, as of the Closing Date (or if otherwise specified below, as of the date so specified) and as of each Subsequent Transfer Date:

(a) As to the Seller:

(i) The Seller (i) is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia and (ii) is qualified and in good standing as a foreign corporation to do business in each jurisdiction where such qualification is necessary, except where the failure so to qualify would not have a material adverse effect on the Seller's ability to enter into this Purchase Agreement and each Seller's

Subsequent Transfer Instrument and to consummate the transactions contemplated hereby and thereby;

(ii) The Seller has the power and authority to make, execute, deliver and perform its obligations under this Purchase Agreement and each Seller's Subsequent Transfer Instrument and all of the transactions contemplated under this Purchase Agreement and each Seller's Subsequent Transfer Instrument, and has taken all necessary corporate action to authorize the execution, delivery and performance of this Purchase Agreement each Seller's Subsequent Transfer Instrument;

(iii) The Seller is not required to obtain the consent of any other Person or any consent, approval or authorization from, or registration or declaration with, any governmental authority, bureau or agency in connection with the execution, delivery, performance, validity or enforceability of this Purchase Agreement or any Seller's Subsequent Transfer Instrument, except for such consents, approvals or authorization, or registration or declaration, as shall have been obtained or filed, as the case may be;

(iv) The execution and delivery of this Purchase Agreement and each Seller's Subsequent Transfer Instrument and the performance of the transactions contemplated hereby by the Seller will not violate any provision of any existing law or regulation or any order or decree of any court applicable to the Seller or any provision of the certificate of incorporation or bylaws of the Seller, or constitute a material breach of any mortgage, indenture, contract or other agreement to which the Seller is a party or by which the Seller may be bound;

(v) No litigation or administrative proceeding of or before any court, tribunal or governmental body is currently pending, or to the knowledge of the Seller threatened, against the Seller or any of its properties or with respect to this Purchase Agreement or any Seller's Subsequent Transfer Instrument, the Certificates which in the opinion of the Seller has a reasonable likelihood of resulting in a material adverse effect on the transactions contemplated by this Purchase Agreement or any Seller's Subsequent Transfer Instrument;

(vi) This Purchase Agreement and each Seller's Subsequent Transfer Instrument constitute the legal, valid and binding obligations of the Seller, enforceable against the Seller in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a proceeding at law or in equity);

(vii) This Purchase Agreement constitutes a valid transfer and assignment to the Company of all right, title and interest of the Seller in and to the Cut-off Date Principal Balance of the Closing Date Mortgage Loans, all monies due or to become due with respect thereto, and all proceeds of such Cut-off Date Principal Balance of the Closing Date Mortgage Loans, and this Purchase Agreement and the related Seller's Subsequent Transfer Instrument constitutes a valid transfer and assignment to the Trustee of all right, title and interest of the Seller in and to the Subsequent Cut-off Date Principal Balance of the Subsequent

Mortgage Loans, all monies due or to become due with respect thereto, and all proceeds of such Subsequent Cut-off Date Principal Balance of the Subsequent Mortgage Loans;

(viii) The Seller is not in default with respect to any order or decree of any court or any order or regulation of any federal, state or governmental agency, which default might have consequences that would materially and adversely affect the condition (financial or other) or operations of the Seller or its properties or might have consequences that would materially adversely affect its performance hereunder; and

(ix) The Servicer or any Subservicer who will be servicing any Mortgage Loan pursuant to the Pooling and Servicing Agreement or a Subservicing Agreement is qualified to do business in all jurisdictions in which its activities as Servicer or Subservicer of the Mortgage Loans serviced by it require such qualifications except where failure to be so qualified will not have a material adverse effect on such servicing activities.

(b) As to each Closing Date Mortgage Loan as of the Closing Date and with respect to each Subsequent Mortgage Loan as of the Subsequent Transfer Date, except as otherwise expressly stated:

(i) The information set forth on the Mortgage Loan Schedule with respect to each Closing Date Mortgage Loan is true and correct in all material respects as of the Closing Date, and with respect to each Subsequent Mortgage Loan is true and correct in all material respects as of the related Subsequent Transfer Date, and the information regarding the Closing Date Mortgage Loans and the Subsequent Mortgage Loans on the computer diskette or tape delivered to the Trustee prior to the Closing Date or Subsequent Transfer Date, as applicable, is true and accurate in all material respects and describes the same Mortgage Loans as the Mortgage Loans on the Mortgage Loan Schedule;

(ii) The Mortgage Loans are not being transferred with any intent to hinder, delay or defraud any creditors;

(iii) No more than 7.45%, 5.91%, 6.57% and 5.42% of the Closing Date Mortgage Loans in Group IA, Closing Date Mortgage Loans in Group IB, Closing Date Mortgage Loans in Group II and Closing Date Mortgage Loans in Group III, respectively, (by Cut-off Date Principal Balance) were secured by condominium units; and no more than 13.55%, 13.52%, 13.98% and 13.93% of the Closing Date Mortgage Loans in Group IA, Closing Date Mortgage Loans in Group II and the Closing Date Mortgage Loans in Group III, respectively, (by Cut-off Date Principal Balance) were secured by properties in planned unit developments;

(iv) As of the Cut-off Date, the remaining term of each Group IA Closing Date Mortgage Loan is not more than 360 months and not less than 119 months, the remaining term of each Group IB Closing Date Mortgage Loan is not more than 360 months and not less than 177 months, the remaining term of each Group II Closing Date Mortgage Loan is not more than 360 months and not less than 118 months and the remaining term of each Group III Closing Date Mortgage Loan is not more than 360 months and not less than 116 months;

(v) No more than 63.58%, 50.06%, 65.06% and 59.50% of the Closing Date Mortgage Loans in Group IA, Closing Date Mortgage Loans in Group IB, Closing Date Mortgage Loans in Group II and Closing Date Mortgage Loans in Group III, respectively, (by Cut-off Date Principal Balance) have been the subject of cash-out refinances;

(vi) No more than 8.05%, 4.45%, 7.51% and 8.13% of the Closing Date Mortgage Loans in Group IA, Closing Date Mortgage Loans in Group IB, Closing Date Mortgage Loans in Group II and Closing Date Mortgage Loans in Group III, respectively, (by Cut-off Date Principal Balance) respectively, have been the subject of rate and term (no cash-out) refinances;

(vii) No fewer than 28.37%, 45.49%, 27.42% and 32.37% of the Closing Date Mortgage Loans in Group IA, Closing Date Mortgage Loans in Group IB, Closing Date Mortgage Loans in Group II and Closing Date Mortgage Loans in Group III, respectively, (by Cut-off Date Principal Balance) are purchase money loans;

(viii) No more than 21.40%, 33.11%, 21.20% and 29.30% of the Closing Date Mortgage Loans in Group IA, Closing Date Mortgage Loans in Group IB, Closing Date Mortgage Loans in Group II and Closing Date Mortgage Loans in Group III, respectively, (by Cut-off Date Principal Balance) are secured by Mortgaged Properties located in the State of California; no more than 18.60%, 11.75%, 13.84% and 15.90% of the Closing Date Mortgage Loans in Group IA, Closing Date Mortgage Loans in Group IB, Closing Date Mortgage Loans in Group II and the Closing Date Mortgage Loans in Group III, respectively, (by Cut-off Date Principal Balance) are secured by Mortgaged Properties located in the State of Florida; no more than 4.37% of the Closing Date Mortgage Loans in Group IA (by Cut-off Date Principal Balance) are secured by Mortgaged Properties located in the State of Virginia; no more than 4.11% of the Closing Date Mortgage Loans in Group IB (by Cut-off Date Principal Balance) are secured by Mortgaged Properties located in the State of Texas; no more than 4.40% of the Closing Date Mortgage Loans in Group II (by Cut-off Date Principal Balance) are secured by Mortgaged Properties located in the State of Georgia; no more than 4.11% of the Closing Date Mortgage Loans in Group III (by Cut-off Date Principal Balance) are secured by Mortgaged Properties located in the State of Michigan; and no more than 3.86%, 3.95%, 4.07% and 3.90% of the Closing Date Mortgage Loans in Group IA, Closing Date Mortgage Loans in Group IB, Closing Date Mortgage Loans in Group II and the Closing Date Mortgage Loans in Group III, respectively, (by Cut-off Date Principal Balance) are located in any other state;

(ix) The outstanding Principal Balances of the Closing Date Mortgage Loans in Group IA (by Cut-off Date Principal Balance) ranged from \$34,089 to \$400,000, the average outstanding Principal Balance of the Closing Date Mortgage Loans in Group IA is approximately \$142,188; the outstanding Principal Balances of the Closing Date Mortgage Loans in Group IB (by Cut-off Date Principal Balance) ranged from \$11,960 to \$465,500, the average outstanding Principal Balance of the Closing Date Mortgage Loans in Group IB is approximately \$63,996; the outstanding Principal Balances of the Closing Date Mortgage Loans in Group II (by Cut-off Date Principal Balance) ranged from \$19,990 to \$436,000, the average outstanding Principal Balance of the Closing Date Mortgage Loans in Group II is approximately \$141,733, the outstanding Principal Balance of the Closing Date Mortgage Loans in Group III (by Cut-off Date Principal Balance) ranged from \$39,577 to

\$998,975 and the average outstanding Principal Balance of the Closing Date Mortgage Loans in Group III is approximately \$166,472;

(x) Approximately 73.74%, 76.67%, 74.38% and 76.05% of the Closing Date Mortgage Loans in Group IA, Closing Date Mortgage Loans in Group IB, Closing Date Mortgage Loans in Group II and Closing Date Mortgage Loans in Group III, respectively (by Cut-off Date Principal Balance) were secured by a first lien on a parcel of real property improved by a detached single family residence; no more than 5.26%, 3.90%, 5.06% and 4.59% of the Closing Date Mortgage Loans in Group IA, Closing Date Mortgage Loans in Group IB, Closing Date Mortgage Loans in Group II and the Closing Date Mortgage Loans in Group III, respectively, (by Cut-off Date Principal Balance) were secured by a first lien on a parcel of real estate improved by a multi-unit residence;

(xi) All points and fees related to each Mortgage Loan were disclosed in writing to the borrower in accordance with applicable state and federal law. No borrower was charged "points and fees" (whether or not financed) in an amount greater than 5% of the principal amount of any such loan originated by the Seller, such 5% limitation calculated in accordance with the Lender Letter. All fees and charges (including finance charges) and whether or not financed, assessed, collected or to be collected with the origination and servicing of each Mortgage Loan has been disclosed in writing to the borrower in accordance with applicable state and federal law and regulation;

(xii) The Mortgage Rates borne by the adjustable rate Closing Date Mortgage Loans in Group IA as of the Closing Date range from 4.750% and per annum to 10.200% per annum, and the weighted average Mortgage Rate (by Cut-off Date Principal Balance) of the adjustable rate Closing Date Mortgage Loans in Group IA was 7.502%, per annum; the Mortgage Rates borne by fixed rate Closing Date Mortgage Loans in Group IA as of the Closing Date range from 5.400% per annum to 11.650% per annum, and the weighted average Mortgage Rate (by Cut-off Date Principal Balance) of the fixed rate Closing Date Mortgage Loans in Group IA was 7.561% per annum; the Mortgage Rates borne by the adjustable rate Closing Date Mortgage Loans in Group IB as of the Closing Date range from 4.750% per annum to 9.990% per annum, and the weighted average Mortgage Rate (by Cut-off Date Principal Balance) of the adjustable rate Closing Date Mortgage Loans in Group IB was 7.215%, per annum; the Mortgage Rates borne by fixed rate Closing Date Mortgage Loans in Group IB as of the Closing Date range from 6.125% per annum to 13.000% per annum, and the weighted average Mortgage Rate (by Cut-off Date Principal Balance) of the fixed rate Closing Date Mortgage Loans in Group IB was 11.092% per annum; the Mortgage Rates borne by adjustable rate Closing Date Mortgage Loans in Group II as of the Closing Date range from 4.125% per annum to 11.500% per annum, and the weighted average Mortgage Rate (by Cut-off Date Principal Balance) of the adjustable rate Closing Date Mortgage Loans in Group II was 7.520%, per annum; the Mortgage Rates borne by fixed rate Closing Date Mortgage Loans in Group II as of the Closing Date range from 5.375% per annum to 12.250% per annum, and the weighted average Mortgage Rate (by Cut-off Date Principal Balance) of the fixed rate Closing Date Mortgage Loans in Group II was 7.550% per annum; the Mortgage Rates borne by adjustable rate Closing Date Mortgage Loans in Group III as of the Closing Date range from 4.250% per annum to 11.990% per annum, and the weighted average Mortgage Rate (by Cut-off Date Principal Balance) of the adjustable rate Closing Date Mortgage Loans in Group III was

7.477% per annum; the Mortgage Rates borne by fixed rate Closing Date Mortgage Loans in Group III as of the Closing Date range from 4.990% per annum to 12.100% per annum and the weighted average Mortgage Rate (by Cut-off Date Principal Balance) of the fixed rate Closing Date Mortgage Loans in Group III was 7.256% per annum.

(xiii) Approximately 53.06%, 58.79%, 56.69% and 56.34% of the Closing Date Mortgage Loans in Group IA, the Closing Date Mortgage Loans in Group IB, the Closing Date Mortgage Loans in Group II, and the Closing Date Mortgage Loans in Group III, respectively, (by Cut-off Date Principal Balance) have a Loan-to-Value Ratio in excess of 80%; no Group IA Closing Date Mortgage Loan, Group IB Closing Date Mortgage Loan, Group II Closing Date Mortgage Loan or Group III Closing Date Mortgage Loan in the Mortgage Pool had a Loan-to-Value Ratio or combined Loan-to-Value Ratio at origination in excess of 100%; and the weighted average Loan-to-Value Ratio (by Cut-off Date Principal Balance) of the Closing Date Mortgage Loans in Group IA, the Closing Date Mortgage Loans in Group IB, the Closing Date Mortgage Loans in Group II and the Closing Date Mortgage Loans in Group III was equal to or less than 82.52%, 46.38%, 82.72% and 82.81%, respectively;

(xiv) Approximately 100.00%, 51.84%, 100.00% and 100.00% of the Closing Date Mortgage Loans in Group IA, the Closing Date Mortgage Loans in Group IB, the Closing Date Mortgage Loans in Group II and the Closing Date Mortgage Loans in Group III, respectively, are secured by first liens on the related Mortgaged Property; and approximately 48.16% of the Closing Date Mortgage Loans in Group IB are secured by second liens on the related Mortgaged Property;

(xv) The weighted average Loan-to-Value Ratio of the Closing Date Mortgage Loans secured by first liens in Group IA is approximately 82.52%; the weighted average Loan-to-Value Ratio of the Closing Date Mortgage Loans secured by first liens in Group II is approximately 82.72%; the weighted average Loan-to-Value Ratio of the Closing Date Mortgage Loans secured by first liens in Group III secured by first liens is approximately 82.81%; the weighted average combined Loan-to-Value Ratio of the Closing Date Mortgage Loans secured by first and second liens in Group IB is approximately 84.54%; the weighted average combined Loan-to-Value Ratio of all of the Closing Date Mortgage Loans in Group IA, Group IB, Group II and Group III is approximately 82.76%; the gross weighted average coupon of the Closing Date Mortgage Loans is approximately 7.535%;

(xvi) There is no valid offset, right of rescission, defense, claim or counterclaim of any obligor under any Mortgage Note or Mortgage, including the obligation of the Mortgagor to pay the unpaid principal of or interest on such Mortgage Note, and any applicable right of rescission has expired, nor will the operation of any of the terms of such Mortgage Note or Mortgage, or the exercise of any right thereunder, render either the Mortgage Note or the Mortgage unenforceable, in whole or in part, or subject to any right of rescission, set-off, recoupment, counterclaim or defense, including, without limitation, the defense of usury, and no such right of rescission, set-off, recoupment, counterclaim or defense has been asserted with respect thereto, and, to the best of Seller's knowledge, no Mortgagor of the applicable Mortgage was a debtor in any state or federal bankruptcy or insolvency proceeding;

(xvii) There are no mechanics' liens or claims for work, labor or material affecting any Mortgaged Property which are or may be a lien prior to, or equal with, the lien of such Mortgage, except those which are insured against by the title insurance policy referred to in clause (xix) below;

(xviii) As of the Closing Date in the case of an Cut-off Date Mortgage Loan or as of the related Subsequent Cut-off Date in the case of a Subsequent Mortgage Loan, each Mortgaged Property is free of material damage and is in good repair and there is no proceeding pending or threatened for the total or partial condemnation of any Mortgage Property;

(xix) Each Mortgage is a valid and enforceable first or second lien on the Mortgaged Property securing the related Mortgage Note and each Mortgaged Property is owned by the Mortgagor in fee simple (except with respect to common areas in the case of condominiums, PUDs and de minimis PUTDs) subject only to (1) the lien of nondelinquent current real property taxes and assessments, (2) covenants, conditions and restrictions, rights of way, easements and other matters of public record as of the date of recording of such Mortgage, such exceptions appearing of record being acceptable to mortgage lending institutions generally or specifically reflected in the appraisal made in connection with the origination of the related Mortgage Loan or referred to in the lender's title insurance policy delivered to the originator of the related Mortgage Loan and (3) other matters to which like properties are commonly subject that do not materially interfere with the benefits of the security intended to be provided by such Mortgage. Immediately prior to the sale of such Mortgage Loan to the Company in the case of a Closing Date Mortgage Loan and to the Trustee in the case of a Subsequent Mortgage Loan pursuant to this Purchase Agreement, the Seller had full right to sell and assign the same to the Company or the Trustee, as the case may be. Immediately following the sale of such Mortgage Loan to the Company and the Company's assignment and sale thereof of such Mortgage Loan to the Trustee in the case of a Closing Date Mortgage Loan, the Trustee will have good title thereto subject to no claims or liens, including delinquent tax or assessment liens. Immediately following the sale of such Mortgage Loan to the Company and the Company's assignment and sale thereof to the Trustee in the case of a Subsequent Mortgage Loan, the Trustee will have good title thereto subject to no claims or liens;

(xx) Each Mortgage Loan at origination complied in all material respects with applicable local, state and federal laws, including, without limitation, usury, equal credit opportunity, real estate settlement procedures, the Truth In Lending Act of 1968, as amended, all applicable predatory and abusive lending laws and disclosure laws and consummation of the transactions contemplated hereby, including without limitation, the receipt of interest by the owner of such Mortgage Loan or the Holders of Certificates secured thereby, will not violate any such laws. Each Mortgage Loan is being serviced in all material respects in accordance with applicable state and federal laws, including, without limitation, the Truth In Lending Act of 1968, as amended, and other consumer protection laws, real estate settlement procedures, usury, equal credit opportunity and disclosure laws;

(xxi) Neither the Seller nor any prior holder of any Mortgage has impaired, waived, altered or modified the Mortgage or Mortgage Notes in any material respect (except that a Mortgage Loan may have been modified by a written instrument which has been

recorded, if necessary to protect the interests of the owner of such Mortgage Loan or the Certificates, and which has been delivered to the Trustee); satisfied, canceled or subordinated such Mortgage in whole or in part; released the applicable Mortgaged Property in whole or in part from the lien of such Mortgage; or executed any instrument of release, cancellation or satisfaction with respect thereto;

(xxii) A lender's policy of title insurance (on an ALTA or CLTA form) or binder, or other assurance of title customary in the relevant jurisdiction insuring the first lien priority of the Mortgage Loan in an amount at least equal to the original Principal Balance of each such Mortgage Loan or a commitment binder or commitment to issue the same was effective on the date of the origination of each Mortgage Loan, each such policy is valid and remains in full force and effect, and each such policy was issued by a title insurer qualified to do business in the jurisdiction where the Mortgaged Property is located, which policy insures the Seller and successor owners of indebtedness secured by the insured Mortgage as to the first priority lien of the Mortgage as applicable. The Seller is, and such successor owners will be, the sole insured under such lender's title insurance policy; no claims have been made under such mortgage title insurance policy; no prior holder of the applicable Mortgage, including the Seller, has done, by act or omission, anything which would impair the coverage of such mortgage title insurance policy; and each such policy, binder or assurance contains all applicable endorsements;

(xxiii) All of the improvements which were included for the purpose of determining the Appraised Value of the Mortgaged Property lie wholly within the boundaries and building restriction lines of such property and no improvements on adjoining properties encroach upon the Mortgaged Property;

(xxiv) No improvement located on or being part of the Mortgaged Property is in violation of any applicable zoning law or regulation, subdivision law or ordinance, except where the failure to comply would not have a material adverse effect on the market value of the Mortgaged Property. All inspections, licenses and certificates required to be made or issued with respect to all occupied portions of the Mortgaged Property and, with respect to the use and occupancy and fire underwriting certificates, have been made or obtained from the appropriate authorities and the Mortgaged Property is lawfully occupied under applicable law except where the failure to comply would not have a material adverse effect on the market value of the Mortgaged Property;

(xxv) Each Mortgage Note and the applicable Mortgage are genuine, and each is the legal, valid and binding obligation of the maker thereof, enforceable in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium, receivership and other similar laws relating to creditors' rights generally or by equitable principles (regardless of whether such enforcement is considered in a proceeding in equity or at law). All parties to the Mortgage Note and the Mortgage had legal capacity to execute the Mortgage Note and the Mortgage and each Mortgage Note and Mortgage has been duly and properly executed by such parties;

(xxvi) The proceeds of the Mortgage Loans have been fully disbursed, there is no requirement for future advances thereunder and any and all requirements as to completion of any on-site or off-site improvements and as to disbursement of any escrow

funds therefor have been complied with. All costs, fees and expenses incurred in making, closing or recording the Mortgage Loans were paid and the Mortgagor is not entitled to any refund of amounts paid or due under the Mortgage Note;

(xxvii) Each Mortgage contains customary and enforceable provisions that render the rights and remedies of the holder thereof adequate for the realization against the Mortgaged Property of the benefits of the security, including (i) in the case of a Mortgage designated as a deed of trust, by trustee's sale, and (ii) otherwise by judicial foreclosure or if applicable, non-judicial foreclosure. Upon default by a Mortgagor on a Mortgage Loan and foreclosure on, or trustee's sale of, the Mortgaged Property pursuant to the proper procedures, the holder of the Mortgage Loan will be able to deliver good and merchantable title to the property, subject to any applicable rights of redemption;

(xxviii) With respect to each Mortgage constituting a deed of trust, either a trustee, duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named in such Mortgage or if no duly qualified trustee has been properly designated and so serves, the Mortgage contains satisfactory provisions for the appointment of such trustee by the holder of the Mortgage at no cost or expense to such holder, and no fees or expenses are or will become payable by the Certificateholders to the trustee under the deed of trust, except in connection with a trustee's sale after default by the Mortgagor;

(xxix) There exist no deficiencies with respect to escrow deposits and payments, if such are required, for which customary arrangements for repayment thereof cannot be made, and no escrow deficits or payments of other charges or payments due the Seller have been capitalized under the Mortgage or the applicable Mortgage Note;

(xxx) The Mortgage Note is not and has not been secured by any collateral, pledged account or other security other than real estate securing the Mortgagor's obligations and no Mortgage Loan is secured by more than one Mortgaged Property;

(xxxi) As of the Closing Date in the case of a Closing Date Mortgage Loan and as of the related Subsequent Transfer Date in the case of a Subsequent Mortgage Loan, the improvements upon each Mortgaged Property are covered by a valid and existing hazard insurance policy substantially acceptable to FNMA and acceptable to the Seller which policy provides for fire extended coverage and such other hazards as are customary in the area where the Mortgaged Property is located representing coverage in an amount not less than the lesser of (A) the maximum insurable value of the improvements securing such Mortgage Loan and (B) the outstanding Principal Balance of the related Mortgage Loan; if the improvement on the Mortgaged Property is a condominium unit, it is included under the coverage afforded by a blanket policy for the condominium project. All individual insurance policies contain a standard mortgagee clause naming the Seller or the original holder of the Mortgage, and its successors in interest, as mortgagee, and the Seller has received no notice that any premiums due and payable thereon have not been paid; the Mortgage obligates the Mortgagor thereunder to maintain all such insurance at the Mortgagor's cost and expense, and upon the Mortgagor's failure to do so, authorizes the holder of the Mortgage to obtain and maintain such insurance at the Mortgagor's cost and expense and to seek reimbursement therefor from the Mortgagor. There has been no act or omission which would impair the coverage of any

such policy, the benefits of the endorsement provided for herein, or the validity and binding effect of either;

(xxxii) If the Mortgaged Property is in an area identified in the Federal Register by the Federal Emergency Management Agency as having special flood hazards, a flood insurance policy in a form meeting the requirements of the current guidelines of the Flood Insurance Administration is in effect with respect to such Mortgaged Property with a generally acceptable carrier in an amount representing coverage not less than the least of (A) the outstanding Principal Balance of the Mortgage Loan, (B) the minimum amount required to compensate for damage or loss on a replacement cost basis and (C) the maximum amount of flood coverage that is available under federal law;

(xxxiii) Except for the Mortgage Loan referred to in clause (xii) as being delinquent, there is no material monetary default, breach, violation or event of acceleration existing under the Mortgage or the applicable Mortgage Note; and no material event which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a material default, breach, violation or event of acceleration, and neither the Seller, any of its affiliates nor any servicer or subservicer of any related Mortgage Loan has waived any default, breach, violation or event of acceleration; no foreclosure action is threatened or has been commenced with respect to the Mortgage Loan;

(xxxiv) Each Mortgage Loan is being serviced by the Servicer;

(xxxv) There is no obligation on the part of the Seller or any other party to make any payments with respect to the related Mortgage Loan in addition to the Monthly Payments required to be made by the applicable Mortgagor;

(xxxvi) Any future advances made prior to the Cut-off Date in the case of a Closing Date Mortgage Loan and as of the related Subsequent Transfer Date in the case of a Subsequent Mortgage Loan, with respect to any Mortgage Loan have been consolidated with the outstanding principal amount secured by such Mortgage, and the secured principal amount, as consolidated, bears a single interest rate and single repayment term reflected on the Mortgage Loan Schedule. The consolidated principal amount does not exceed the original principal amount of the Mortgage Loan. The Mortgage Note with respect to any Mortgage Loan does not permit or obligate the Servicer to make future advances to the Mortgagor at the option of the Mortgagor;

(xxxvii) The Seller has caused or will cause to be performed any and all acts required to preserve the rights and remedies of the Company and the Trustee evidencing an interest in the Mortgage Loans in any insurance policies applicable to the Mortgage Loans including, without limitation, any necessary notifications of insurers, assignments of policies or interests therein, and establishments of coinsured, joint loss payee and mortgagee rights in favor of Trustee;

(xxxviii) Except as set forth in clause (xlii), there are no defaults by the Mortgagor in complying with the terms of any Mortgage, and all taxes, governmental assessments, insurance premiums, water, sewer and municipal charges which previously became

due and owing have been paid, or, if required by the terms of the Mortgage Loan, an escrow of funds has been established in an amount sufficient to pay for every such item which remains unpaid and which has been assessed, but is not yet due and payable. Except for (A) payments in the nature of escrow payments and (B) interest accruing from the date of the Mortgage Note or date of disbursement of the Mortgage proceeds to the day which precedes by one month the Due Date of the first installment of principal and interest, including, without limitation, taxes and insurance payments, the Servicer has not advanced funds, or induced, solicited or knowingly received any advance of funds by a party other than the Mortgagor, directly or indirectly, for the payment of any amount required by the Mortgage;

(xxxix) At the time of origination, each Mortgaged Property was the subject of an appraisal which conforms to the underwriting requirements of the related originator; and the Mortgage File contains an appraisal of the applicable Mortgaged Property;

(xl) None of the Mortgage Loans are graduated payment Mortgage Loans or growth equity Mortgage Loans;

(xli) 0.00%, 0.00%, 0.00% and 0.02% of the adjustable rate Group IA Closing Date Mortgage Loans, the adjustable rate Group IB Closing Date Mortgage Loans, the adjustable rate Group II Closing Date Mortgage Loans and the adjustable rate Group III Closing Date Mortgage Loans, respectively, (by Cut-off Date Principal Balance) are Convertible Mortgage Loans;

(xlii) (a) Except with respect to no more than 0.25%, 0.00%, 0.23% and 0.26% of the Closing Date Mortgage Loans in Group IA, the Closing Date Mortgage Loans in Group IB, the Closing Date Mortgage Loans in Group II and the Closing Date Mortgage Loans in Group III, respectively, none of the payments of principal of or interest on or in respect of any Closing Date Mortgage Loans (by Cut-off Date Principal Balance) shall be 30 days or more but less than 60 days past due as of the Cut-off Date; none of the payments of principal or interest on or in respect of any Closing Date Mortgage Loans shall be 60 days or more but less than 90 days past due as of the Cut-off Date; and no Closing Date Mortgage Loan was 90 days or more past due as of the Cut-off Date; (b) except as set forth in clause (a) above, all payments required to be made by the Mortgagor under the terms of the Mortgage Note have been made and credited; and (c) to the Seller's knowledge, there was no delinquent recording, tax or assessment lien against the property subject to any Mortgage, except where such lien was being contested in good faith and a stay had been granted against levying on the property;

(xliii) Upon payment of the Purchase Price for the Mortgage Loans by the Company or the Trustee, as applicable, pursuant to this Purchase Agreement, the Seller has transferred to the Company in the case of a Closing Date Mortgage Loan and to the Trustee in the case of a Subsequent Mortgage Loan, good and marketable title to each Mortgage Note and Mortgage free and clear of any and all liens, claims, encumbrances, participation interests, equities, pledges, charges or security interests of any nature and has or had full right and authority, subject to no participation of or agreement with any other person, to sell and assign the same, and following the sale of each Closing Date Mortgage Loan, the Company or the Trustee, as applicable, will own such Mortgage Loan free and clear of any encumbrance, equity interest, participation interest, lien, pledge, charge, claim or security interest;

(xlv) The Seller acquired any right, title and interest in and to the Mortgage Loans in good faith and without notice of any adverse claim;

(xlv) The Mortgage Note, the Mortgage, the related Assignment of Mortgage and any other documents required to be delivered by the Seller have been delivered to the Custodian. The Custodian is in possession of a complete, true and accurate Mortgage File in accordance with Section 2.01 hereof. Substantially all Mortgage Loans have monthly payments due on the first day of each month and each Mortgage Loan had an original term to maturity of no greater than 30 years;

(xlvi) Each Mortgage Loan contains a due-on-sale provision, although each Mortgage Loan may be assumable if permitted by the Servicer under certain circumstances;

(xlvii) Each of the Mortgage and the Assignment of Mortgage is in recordable form and is acceptable for recording under the laws of the jurisdiction in which the Mortgaged Property is located;

(xlviii) The Mortgagor has not notified the Seller, and the Seller has no knowledge of any relief requested or allowed to the Mortgagor under the Servicemembers Civil Relief Act other than as disclosed pursuant to the Prospectus Supplement;

(xlix) To the best of the Seller's knowledge, there exists no violation of any local, state, or federal environmental law, rule or regulation in respect of the Mortgaged Property which violation has or could have a material adverse effect on the market value of such Mortgaged Property. The Seller has no knowledge of any pending action or proceeding directly involving the related Mortgaged Property in which compliance with any environmental law, rule or regulation is in issue; and, to the best of the Seller's knowledge, nothing further remains to be done to satisfy in full all requirements of each such law, rule or regulation constituting a prerequisite to the use and employment of such Mortgaged Property;

(l) Each Mortgage Loan conforms, and all such Mortgage Loans in the aggregate conform, to the description thereof set forth in the Prospectus and Prospectus Supplement in all material respects;

(li) Each Mortgage Loan is in compliance with the anti-predatory lending eligibility requirements of Fannie Mae's Selling Guide;

(lii) Immediately prior to the transfer to the Company or the Trustee, as applicable, the Seller had good and marketable title thereto, and the Seller is the sole owner of beneficial title to and holder of the Mortgage Loan. The Seller is conveying the same to the Company or the Trustee, as applicable, free and clear of any and all liens, claims, encumbrances, participation interests, equities, pledges, charges or security interests of any nature and has full right and authority to sell and assign the same pursuant to this Purchase Agreement, except for liens which will be released simultaneously with such conveyance;

(liii) For each Mortgage Loan, the related Mortgage File contains a true, accurate and correct copy of each of the documents and instruments required to be included therein;

(liv) The Servicer meets all applicable requirements under the Pooling and Servicing Agreement, is properly qualified to service each Mortgage Loan and has been servicing each Mortgage Loan prior to the Cut-off Date or the related Subsequent Cut-off Date, as the case may be;

(lv) No instrument of release or waiver has been executed in connection with the Mortgage Loans, and no Mortgagor has been released, in whole or in part from its obligations in connection with a Mortgage Loan except in connection with an assumption agreement which has been delivered to the Trustee;

(lvi) On the basis of a representation by the Mortgagor at the time of origination of the Mortgage Loans, at least 93.67%, 98.35%, 94.98% and 95.49% of the Closing Date Mortgage Loans in Group IA, Closing Date Mortgage Loans in Group II and Closing Date Mortgage Loans in Group III, respectively, (by Cut-off Date Principal Balance) will be secured by Mortgages on owner-occupied primary residence properties;

(lvii) 0.00%, 39.95%, 0.13%, and 0.02% of the Closing Date Mortgage Loans in Group IA, Closing Date Mortgage Loans in Group II and the Closing Date Mortgage Loans in Group III, respectively, (by Cut-off Date Principal Balance) provide for a balloon payment and each Mortgage Note with respect to each such Mortgage Loan requires monthly payments of principal based on 30 year amortization schedules and have scheduled maturity dates of 15 years from the due date of the first monthly payment;

(lviii) No Mortgage Loan was originated based on an appraisal of the related Mortgaged Property made prior to completion of construction of the improvements thereon;

(lix) None of the Mortgage Loans is a “buy down” mortgage loan;

(lx) [Reserved].

(lxi) No Mortgage Loan is a “High Cost Home Loan” as defined in the Georgia Fair Lending Act, as amended (the “Georgia Act”). No Mortgage Loan secured by owner occupied real property or an owner occupied manufactured home located in the State of Georgia was originated (or modified) on or after October 1, 2002 through and including March 6, 2003;

(lxii) None of the Mortgage Loans are subject to the requirements of the Home Ownership and Equity Protection Act of 1994, as amended, or any comparable state or local law; none of the Mortgage Loans are “section 32” loans or “high cost” loans as defined by applicable predatory and abusive lending laws; no proceeds from any Mortgage Loan were used to finance any single premium credit insurance policies; none of the Mortgage Loans (by Cut-off Date Principal Balance) require a mortgagor to pay a Prepayment

Charge if the mortgagor prepays a Mortgage Loan more than five years after the date the Mortgage Loan was originated;

(lxiii) No Mortgage Loan is a “High-Cost Home Loan” as defined in New York Banking Law 6-1;

(lxiv) No Mortgage Loan is a “High-Cost Home Loan” as defined in the Arkansas Home Loan Protection Act effective July 16, 2003 (Act 1340 of 2003);

(lxv) No Mortgage Loan is a “High-Cost Home Loan” as defined in the Kentucky high-cost home loan statute effective June 24, 2003 (Ky. Rev. Stat. Section 360.100);

(lxvi) No Mortgage Loan is a “High-Cost Home Loan” as defined in the New Jersey Home Ownership Act effective November 27, 2003 (N.J.S.A. 46:10B-22 et seq.);

(lxvii) No Mortgage Loan is a “High-Cost Home Loan” as defined in the New Mexico Home Loan Protection Act effective January 1, 2004 (N.M. Stat. Ann. §§ 58-21A-1 et seq.);

(lxviii) No Mortgage Loan is a “High-Risk Home Loan” as defined in the Illinois High-Risk Home Loan Act effective January 1, 2004 (815 Ill. Comp. Stat. 137/1 et seq.);

(lxix) No borrower was encouraged or required to select a Mortgage Loan product offered by the Mortgage Loan’s originator which is a higher cost product designed for less creditworthy borrowers, unless at the time of the Mortgage Loan’s origination, such borrower did not qualify taking into account credit history and debt to income ratios for a lower cost credit product then offered by the Mortgage Loan’s originator or any affiliate of the Mortgage Loan’s originator;

(lxx) The methodology used in underwriting the extension of credit for each Mortgage Loan employs objective mathematical principles which relate the borrower’s income, assets and liabilities to the proposed payment and such underwriting methodology does not rely on the extent of the borrower’s equity in the collateral as the principal determining factor in approving such credit extension. Such underwriting methodology confirmed that at the time of origination (application/approval) the borrower had a reasonable ability to make timely payments on the Mortgage Loan;

(lxxi) Approximately 75.20% of the Closing Date Mortgage Loans are subject to prepayment penalty charges as of the Cut-off Date;

(lxxii) With respect to any Mortgage Loan that contains a provision permitting imposition of a premium upon a prepayment prior to maturity: (i) prior to the loan’s origination, the borrower agreed to such premium in exchange for a monetary benefit, including but not limited to a rate or fee reduction, (ii) prior to the loan’s origination, the borrower was offered the option of obtaining a mortgage loan that did not require payment of such a premium, (iii) the prepayment premium is disclosed to the borrower in the loan

documents pursuant to applicable state and federal law, and (iv) notwithstanding any state or federal law to the contrary, the Servicer shall not impose such prepayment premium in any instance when the mortgage debt is accelerated as the result of the borrower's default in making the loan payments;

(lxxiii) No borrower was required to purchase any credit life, disability, accident or health insurance product as a condition of obtaining the extension of credit. No borrower obtained a prepaid single premium credit life, disability, accident or health insurance policy in connection with the origination of the Mortgage Loan; No proceeds from any Mortgage Loan were used to purchase single premium credit insurance policies as part of the origination of, or as a condition to closing, such Mortgage Loan;

(lxxiv) All points and fees related to each Mortgage Loan in Group IA were disclosed in writing to the borrower in accordance with applicable state and federal law and regulation. Except in the case of a Mortgage Loan in Group IA in an original principal amount of less than \$60,000 which would have resulted in an unprofitable origination, no borrower was charged "points and fees" (whether or not financed) in an amount greater than 5% of the principal amount of such loan, such 5% limitation is calculated in accordance with Fannie Mae's anti-predatory lending requirements as set forth in the Fannie Mae Selling Guide;

(lxxv) All fees and charges (including finance charges) and whether or not financed, assessed, collected or to be collected in connection with the origination and servicing of each Mortgage Loan has been disclosed in writing to the borrower in accordance with applicable state and federal law and regulation;

(lxxvi) The Servicer will transmit full-file credit reporting data for each Mortgage Loan in Group IA pursuant to Fannie Mae Guide Announcement 95-19 and that for each Mortgage Loan in Group IA, Servicer agrees it shall report one of the following statuses each month as follows: new origination, current, delinquent (30-, 60-, 90-days, etc.), foreclosed, or charged-off;

(lxxvii) No Group IA or Group II Mortgage Loan secured by a single-family residence has a Principal Balance at origination in excess of \$333,700; no Group IA or Group II Mortgage Loan secured by a two-family residence has a Principal Balance at origination in excess of \$427,150; no Group IA or Group II Mortgage Loan secured by a three-family residence has a Principal Balance at origination in excess of \$516,300; and no Group IA or Group II Mortgage Loan secured by a four-family residence has a Principal Balance at origination in excess of \$641,650;

(lxxviii) No selection procedure reasonably believed by the Seller to be adverse to the interests of the Certificateholders was utilized in selecting the Mortgage Loans;

(lxxix) The terms of the Mortgage Note related to each adjustable rate Mortgage Loan provide that, following an initial period of two or three years following the month in which such Mortgage Loan was originated and semiannually or annually thereafter (each such date, an "Adjustment Date"), the Mortgage Rate on such Mortgage Loan will be

adjusted to equal the sum of (a) the related Index and (b) a fixed percentage amount specified in the related Mortgage Note (each, a “Gross Margin”); provided, however, that the Mortgage Rate generally will not increase or decrease by the related Periodic Rate Cap, and will not increase above a specified maximum Mortgage Rate over the life of the Adjustable Rate Mortgage Loan (the “Maximum Mortgage Rate”) or decrease below a specified minimum Mortgage Rate over the life of the Adjustable Rate Mortgage Loan (the “Minimum Mortgage Rate”);

(lxxx) None of the Closing Date Mortgage Loans (by Cut-off Date Principal Balance) are negative amortization loans, and none of the Subsequent Mortgage Loans shall be negative amortization loans;

(lxxxi) No material misrepresentation, fraud or similar occurrence with respect to a Mortgage Loan has taken place on the part of the Seller, its affiliates or employees or any other person involved in the origination of the Mortgage Loan or in the application for any insurance, including, but not limited to the MI Policy, in relation to such Mortgage Loan;

(lxxxii) Each Mortgage Loan was originated by a mortgagee approved by the Secretary of Housing and Urban Development pursuant to Sections 203 and 211 of the Act, a savings and loan association, a savings bank, a commercial bank, credit union, insurance company or similar institution which is supervised and examined by a federal or state authority;

(lxxxiii) With respect to each Mortgage Loan secured by manufactured housing, such manufactured housing is permanently affixed to a foundation and constitutes real estate under applicable state law;

(lxxxiv) No Mortgage Loans are date of payment or simple interest loans;

(lxxxv) The sale, transfer, assignment and conveyance of Mortgage Loans by the Seller pursuant to this Purchase Agreement is not subject to and will not result in any tax, fee or governmental charge payable by the Company, the Custodian or the Trustee to any federal, state or local government (“Transfer Taxes”) other than Transfer Taxes which have or will be paid by the Seller as due;

(lxxxvi) Each Mortgage Loan is a “qualified mortgage” within Section 860G(a)(3) of the Code;

(lxxxvii) Approximately 25.86% of the Closing Date Mortgage Loans (by Cut-off Date Principal Balance) with a Loan-to-Value Ratio greater than 60% are covered by an MI Policy issued by an MI Insurer;

(lxxxviii) Approximately 25.86% of the Closing Date Mortgage Loans that are identified on Exhibit 1 hereto are covered by a MI Policy issued by the MI Insurer;

(lxxxix) All requirements for the valid transfer of each MI Policy, including any assignments or notices required in each MI Policy, have been satisfied;

(xc) As of the Closing Date with respect to each Closing Date Mortgage Loan that is subject to a MI Policy and as of each Subsequent Transfer Date with respect to each Subsequent Mortgage Loan that is subject to a MI Policy, the Seller is unaware of any existing circumstances which would cause the MI Insurer to deny a claim with respect to such Mortgage Loan;

(xci) All appraisals of the Mortgage Loans by the Seller are full URAR/1004 appraisals;

(xcii) All Prepayment Charges are enforceable and were originated in compliance with all applicable federal, state, and local laws;

(xciii) All points and fees related to each Mortgage Loan in Group II were disclosed in writing to the borrower in accordance with applicable state and federal law and regulation. Except in the case of a Mortgage Loan in Group II in an original principal amount of less than \$60,000 which would have resulted in an unprofitable origination, no borrower was charged "points and fees" (whether or not financed) in an amount greater than 5% of the principal amount of such loan, such 5% limitation is calculated in accordance with Freddie Mac's anti-predatory lending requirements as set forth in the Freddie Mac Selling Guide; and

(xciv) With respect to mortgage loans that are more than 59 days delinquent as of the Cut-off Date, the Seller has made a specific review of the Servicer's data and records that reflect mortgagor communications and payment history, and has no actual knowledge of an event, condition or mortgagor communication which would cause the Seller to institute foreclosure proceedings.

Upon discovery by the Seller or upon notice from the Company, the Trustee, or the Custodian, as applicable, of a breach of any representation or warranty in subsection (a) of this Section which materially and adversely affects the interests of the Certificateholders the Seller shall, within 45 days of its discovery or its receipt of notice of such breach, either (i) cure such breach in all material respects or (ii) to the extent that such breach is with respect to a Mortgage Loan or a Related Document, either (A) repurchase such Mortgage Loan from the Trustee at the Repurchase Price, or (B) substitute one or more Eligible Substitute Mortgage Loans for such Mortgage Loan, in each case in the manner and subject to the conditions and limitations set forth below.

Upon discovery by the Seller or upon notice from the Company, the Trustee, or the Custodian, as applicable, of a breach of any representation or warranty in this subsection (b) with respect to any Mortgage Loan or upon the occurrence of a Repurchase Event, which materially and adversely affects the value of the related Mortgage Loan or the interests of any Certificateholders or of the Company or the Trustee in such Mortgage Loan (notice of which shall be given to the Company and the Trustee by the Seller, if it discovers the same) the Seller shall, within 90 days after the earlier of its discovery or receipt of notice thereof, either cure such breach or Repurchase Event in all material respects or either (i) repurchase such Mortgage Loan

from the Trustee at the Repurchase Price, or (ii) substitute one or more Eligible Substitute Mortgage Loans for such Mortgage Loan, in each case in the manner and subject to the conditions set forth below. The Repurchase Price for any such Mortgage Loan repurchased by the Seller shall be deposited or caused to be deposited by the Servicer in the Collection Account maintained by it pursuant to Section 3.06 of the Pooling and Servicing Agreement.

In the event that the Seller elects to substitute an Eligible Substitute Mortgage Loan or Loans for a Deleted Mortgage Loan pursuant to this Section 3.01, the Seller shall deliver to the Custodian on behalf of the Trustee, with respect to such Eligible Substitute Mortgage Loan or Loans, the original Mortgage Note and all other documents and agreements as are required by Section 2.01 hereof, with the Mortgage Note endorsed as required by such Section 2.01 hereof. No substitution will be made in any calendar month after the Determination Date for such month. Monthly Payments due with respect to Eligible Substitute Mortgage Loans in the month of substitution shall not be part of the Trust Fund and will be retained by the Servicer and remitted by the Servicer to the Seller on the next succeeding Payment Date. For the month of substitution, distributions to the Payment Account pursuant to the Pooling and Servicing Agreement will include the Monthly Payment due on a Deleted Mortgage Loan for such month and thereafter the Seller shall be entitled to retain all amounts received in respect of such Deleted Mortgage Loan. The Servicer shall amend or cause to be amended the Mortgage Loan Schedule to reflect the removal of such Deleted Mortgage Loan and the substitution of the Eligible Substitute Mortgage Loan or Loans and the Servicer shall deliver the amended Mortgage Loan Schedule to the Custodian and the Trustee. Upon such substitution, the Eligible Substitute Mortgage Loan or Loans shall be subject to the terms of this Purchase Agreement and the Pooling and Servicing Agreement in all respects, the Seller shall be deemed to have made the representations and warranties with respect to the Eligible Substitute Mortgage Loan contained herein set forth in this Section 3.01(b), to the extent set forth in the definition of "Eligible Substitute Mortgage Loan", as of the date of substitution, and the Seller shall be obligated to repurchase or substitute for any Eligible Substitute Mortgage Loan as to which a Repurchase Event has occurred as provided herein. In connection with the substitution of one or more Eligible Substitute Mortgage Loans for one or more Deleted Mortgage Loans, the Servicer will determine the amount (such amount, a "Substitution Adjustment Amount"), if any, by which the aggregate principal balance of all such Eligible Substitute Mortgage Loans as of the date of substitution is less than the aggregate principal balance of all such Deleted Mortgage Loans (after application of the principal portion of the Monthly Payments due in the month of substitution that are to be distributed to the Payment Account in the month of substitution). The Seller shall pay the amount of such shortfall to the Servicer for deposit into the Collection Account on the day of substitution, without any reimbursement therefor.

Upon receipt by the Trustee of written notification, signed by a Servicing Officer, of the deposit of such Repurchase Price or of such substitution of an Eligible Substitute Mortgage Loan and deposit of any applicable Substitution Adjustment Amount as provided above, the Custodian shall, on behalf of the Trustee, cause to be released to the Seller the related Mortgage File for the Mortgage Loan being repurchased or substituted for and the Trustee shall execute and deliver such instruments of transfer or assignment prepared by the Servicer, in each case without recourse, as shall be necessary to vest in the Seller or its designee such Mortgage Loan released pursuant hereto and thereafter such Mortgage Loan shall not be an asset of the Trustee.

It is understood and agreed that the obligation of the Seller to cure any breach with respect to or to repurchase or substitute for, any Mortgage Loan as to which such a breach has occurred and is continuing shall, except to the extent provided in Section 6.01 of this Purchase Agreement, constitute the sole remedy respecting such breach available to the Company, the Trustee, the Certificateholders or the Custodian against the Seller.

It is understood and agreed that the representations and warranties set forth in this Section 3.01 shall survive delivery of the respective Mortgage Files to the Custodian on behalf of the Trustee.

Section 3.02 Company Representations and Warranties.

The Company hereby represents and warrants to the Seller and the Trustee as of the date hereof and as of the Closing Date that:

- (a) The Company is duly organized and validly existing as a corporation in good standing under the laws of the State of Delaware, with power and authority to own its properties and to conduct its business as such properties are currently owned and such business is presently conducted.
- (b) The Company is duly qualified to do business as a foreign corporation in good standing and has obtained all necessary licenses and approvals in all jurisdictions in which the ownership or lease of its property or the conduct of its business shall require such qualifications and in which the failure to so qualify would have a material adverse effect on the business, properties, assets or condition (financial or other) of the Company and the ability of the Company to perform under this Purchase Agreement.
- (c) The Company has the power and authority to execute and deliver this Purchase Agreement and to carry out its terms; the Company has full power and authority to purchase the property to be purchased from the Seller and the Company has duly authorized such purchase by all necessary corporate action; and the execution, delivery and performance of this Purchase Agreement have been duly authorized by the Company by all necessary corporate action.
- (d) The consummation of the transactions contemplated by this Purchase Agreement and the fulfillment of the terms hereof do not conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time) a default under, the articles of incorporation or bylaws of the Company, or any indenture, agreement or other instrument to which the Company is a party or by which it is bound; nor result in the creation or imposition of any Lien upon any of its properties pursuant to the terms of any such indenture, agreement or other instrument (other than pursuant to the Basic Documents); nor violate any law or, to the best of the Company's knowledge, any order, rule or regulation applicable to the Company of any court or of any federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Company or its properties.

(e) The Company (A) is a solvent entity and is paying its debts as they become due and (B) after giving effect to the transfer of the Mortgage Loans, will be a solvent entity and will have sufficient resources to pay its debts as they become due.

ARTICLE IV

SELLER'S COVENANTS

Section 4.01 Covenants of the Seller.

The Seller hereby covenants as of the date hereof and as of the Closing Date that, except for the transfer hereunder, on and after the Closing Date, the Seller will not sell, pledge, assign or transfer to any other Person, or grant, create, incur or assume any Lien on, any Mortgage Loan, whether now existing or hereafter created, or any interest therein; the Seller will notify the Custodian and the Trustee of the existence of any such Lien on any Mortgage Loan immediately upon discovery thereof; and the Seller will defend the right, title and interest of the Trustee, on its own behalf and as assignee of the Company, in, to and under the Mortgage Loans, whether now existing or hereafter created, against all claims of third parties claiming through or under the Seller.

In the event that the Custodian or the Trustee receives actual notice of any Transfer Taxes arising out of the transfer, assignment and conveyance of the Mortgage Loans, on written demand by the Custodian, or upon the Seller's otherwise being given notice thereof by the Custodian, the Seller shall pay any and all such Transfer Taxes (it being understood that the Holders of the Certificates, the Company, the Custodian and the Trustee shall have no obligation to pay such Transfer Taxes).

Section 4.02 Payment of Expenses.

(a) The Seller will pay on the Closing Date all expenses incident to the performance of its obligations under this Purchase Agreement and the Underwriting Agreement, including (i) the preparation, printing and any filing of the preliminary prospectus, Prospectus Supplement and Prospectus (including any schedules or exhibits and any document incorporated therein by reference) originally filed and of each amendment or supplement thereto, (ii) the preparation, printing and delivery to the Underwriters of this Purchase Agreement and the Underwriting Agreement, the Pooling and Servicing Agreement and such other documents as may be required in connection with the offering, purchase, sale and delivery of the Certificates, (iii) the preparation, issuance and delivery of the certificates for the Class A Certificates, Mezzanine Certificates and Class B Certificates to the Underwriters, including any charges of DTC, CEDEL, S.A. and the Euroclear System in connection therewith; (iv) the qualification of the Class A Certificates, Mezzanine Certificates and Class B Certificates under securities laws in accordance with the provisions of Section 3(f) of the Underwriting Agreement, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of the Blue Sky Survey and any supplement thereto for delivery to potential investors, (v) in addition to the initial printing and filing costs under (i) above, the printing and delivery to the Underwriters of copies of each preliminary prospectus and of the Prospectus and any amendments or supplements thereto for delivery to potential investors, (vi) the fees and expenses of the Trustee and the Custodian, including the fees and disbursements of counsel for the Trustee and the Custodian in connection with the

Pooling and Servicing Agreement, the Purchase Agreement and the Certificates and (vii) any fees payable in connection with the rating of the Certificates.

(b) If the Underwriting Agreement is terminated by the Underwriters in accordance with the provisions of Section 5 or Section 9(a)(i) thereof, the Seller shall reimburse the Underwriters for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the Underwriters.

ARTICLE V

CONDITIONS TO CLOSING DATE MORTGAGE LOAN PURCHASE

Section 5.01 Conditions of Company's Obligations.

The Company's obligations to purchase the Closing Date Mortgage Loans which each accepts for purchase hereunder shall be subject to each of the following conditions:

- (i) the Mortgage File for each Closing Date Mortgage Loan shall have been delivered in accordance with this Purchase Agreement;
- (ii) the representations and warranties set forth in Section 3.01(b) hereof with respect to each Closing Date Mortgage Loan shall be true as of the Closing Date;
- (iii) the Underwriters or their affiliates shall have had an opportunity to perform a due diligence review of each Mortgage Loan; and
- (iv) the Seller shall have provided to the Underwriters or their affiliates such other documents which are then required to have been delivered under this Purchase Agreement or which are reasonably requested by the Underwriters or their affiliates, which other documents may include UCC financing statements, a favorable opinion or opinions of counsel with respect to matters which are reasonably requested by the Underwriters, and/or an Officers' Certificate.

ARTICLE VI

INDEMNIFICATION BY THE SELLER WITH RESPECT TO THE MORTGAGE LOANS

Section 6.01 Indemnification With Respect to the Mortgage Loans.

The Seller shall indemnify and hold harmless the Company, Trustee and the Custodian from and against any loss, liability or expense arising from the breach by the Seller of its representations and warranties in Section 3.01 of this Purchase Agreement which materially and adversely affects the value of any Mortgage Loan or the Company's assignees' interest in any Mortgage Loan or from the failure by the Seller to perform its obligations under this Purchase Agreement in any material respect.

Section 6.02 Limitation on Liability of the Seller.

None of the directors, officers, employees or agents of the Seller shall be under any liability to the Company, it being expressly understood that all such liability is expressly waived and released as a condition of, and as consideration for, the execution of this Purchase Agreement. Except as and to the extent expressly provided in the Basic Documents, the Seller shall not be under any liability to the Trustee, the Custodian or the Certificateholders. The Seller and any director, officer, employee or agent of the Seller may rely in good faith on any document of any kind *prima facie* properly executed and submitted by any Person respecting any matters arising hereunder.

ARTICLE VII

TERMINATION

Section 7.01 Termination.

(a) Except as provided in Section 7.01(b) hereof, the respective obligations and responsibilities of the Seller, the Company, the Trustee and the Custodian created hereby shall terminate, except for the Seller's indemnity obligations as provided herein, upon the termination of the Trust Fund pursuant to the terms of the Pooling and Servicing Agreement.

(b) The Company may terminate this Purchase Agreement, by notice to the Seller, at any time at or prior to the Closing Date:

(i) if the Underwriting Agreement is terminated by the Underwriters pursuant to the terms of the Underwriting Agreement or if there has been, since the time of execution of this Purchase Agreement or since the respective dates as of which information is given in the Prospectus, any material adverse change in the financial condition, earnings, business affairs or business prospects of the Seller, whether or not arising in the ordinary course of business, or

(ii) if there has occurred any material adverse change in the financial markets in the United States, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the Underwriters, impracticable to market the Class A Certificates, Mezzanine Certificates and Class B Certificates or to enforce contracts for the sale of the Class A Certificates, Mezzanine Certificates and Class B Certificates, or

(iii) if trading in any securities of the Seller has been suspended or limited by the Commission or the New York Stock Exchange, or if trading generally on the American Stock Exchange or the New York Stock Exchange or in the NASDAQ National Market System has been suspended or limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the Commission, the National Association of Securities Dealers, Inc. or any other governmental authority,

(iv) if a banking moratorium has been declared by either federal or New York authorities,

(v) either (A) a change in control of the Seller shall have occurred other than in connection with and as a result of the issuance and sale by the Seller or registered, publicly offered common stock; or (B) the Underwriters determine in their sole discretion that any material adverse change has occurred in the management of the Seller,

(vi) there is (A) a material breach by the Seller of any representation and warranty contained in this Purchase Agreement or the Underwriting Agreement other than a representation or warranty relating to particular Mortgage Loans, and the Underwriters have reason to believe in good faith either that such breach is not curable within two (2) days or that such breach may not have been cured in all material respects at the expiration of two (2) days following discovery thereof by the Seller or (B) a failure by the Seller to make any payment payable by it under this Purchase Agreement or (C) any other failure by the Seller to observe and perform in any material respect its material covenants, agreements and obligations with the Company, including without limitation those contained in this Purchase Agreement, and the Company has reason to believe in good faith that such failure may not have been cured in all material respects at the expiration of two (2) days following discovery thereof by the Seller, or

(vii) the Seller fails to provide written notification to the Underwriters of any change in its loan origination, acquisition or appraisal guidelines or practices, or the Seller, without the prior consent of the Underwriters (which shall not be unreasonably withheld), amends in any material respect its loan origination, acquisition or appraisal guidelines or practices.

If this Purchase Agreement is terminated pursuant to this Section 7.01(b), such termination shall be without liability of any party to any other party except as provided in Section 4.02 hereof.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.01 Amendment.

This Purchase Agreement may be amended from time to time by the Seller, the Company, the Trustee and the Custodian by written agreement signed by the Seller, the Company, the Trustee and the Custodian.

Section 8.02 Governing Law.

This Purchase Agreement shall be governed by and construed in accordance with the laws of the State of New York and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

Section 8.03 Notices.

All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given if personally delivered at or mailed by registered mail, postage prepaid, addressed as follows:

(i) if to the Seller:

NovaStar Mortgage, Inc.
8140 Ward Parkway
Suite 300
Kansas City, Missouri 64114
Attention: Scott F. Hartman

or, such other address as may hereafter be furnished to the Company in writing by the Seller.

(ii) if to the Company:

NovaStar Mortgage Funding Corporation
8140 Ward Parkway
Suite 300
Kansas City, Missouri 64114
Attention: Matt Kaltenrieder

or such other address as may hereafter be furnished to the Seller in writing by the Company.

(iii) if to the Custodian:

Wachovia Bank, National Association
4527 Metropolitan Court, Suite C
Frederick, Maryland 21704
Attention: Edward Aquino

or such other address as may hereafter be furnished to the Seller in writing by the Custodian.

(iv) if to the Trustee:

JPMorgan Chase Bank
4 New York Plaza, 6th Floor
New York, NY 10004-2477
Attention: Institutional Trust Services (NovaStar Mortgage Funding Trust, Series 2004-1)

or such other address as may hereafter be furnished to the Seller in writing by the Trustee.

Section 8.04 Severability of Provisions.

If any one or more of the covenants, agreements, provisions or terms of this Purchase Agreement shall be held invalid for any reason whatsoever, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Purchase Agreement and shall in no way affect the validity or enforceability of the other provisions of this Purchase Agreement.

Section 8.05 Relationship of Parties.

Nothing herein contained shall be deemed or construed to create a partnership or joint venture between the parties hereto, and the services of the Seller shall be rendered as an independent contractor and not as agent for the Company.

Section 8.06 Counterparts.

This Purchase Agreement may be executed in two or more counterparts and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed to be an original and such counterparts together shall constitute one and the same agreement.

Section 8.07 Further Agreements.

The Company and the Seller each agree to execute and deliver to the other such additional documents, instruments or agreements as may be necessary or appropriate to effectuate the purposes of this Purchase Agreement. Each of the Company and the Seller agrees to use its best reasonable efforts to take all actions necessary to be taken by it to cause the Class A-1A Certificates to be rated “Aaa” by Moody’s and “AAA” by S&P, the Class A-1B Certificates to be rated “Aaa” by Moody’s and “AAA” by S&P, the Class A-2 Certificates to be rated “Aaa” by Moody’s and “AAA” by S&P, the Class A-3A Certificates to be rated “Aaa” by Moody’s and “AAA” by S&P, the Class A-3B Certificates to be rated “Aaa” by Moody’s and “AAA” by S&P, the Class A-3 Certificates to be rated “Aaa” by Moody’s and “AAA” by S&P, the Class M-1 Certificates to be rated “Aa1” by Moody’s and “AA+” by S&P, the Class M-2 Certificates to be rated “Aa2” by Moody’s and “AA” by S&P, the Class M-3 Certificates to be rated “Aa3” by Moody’s and “AA-” by S&P, the Class M-4 Certificates to be rated “A+” by Moody’s and “A1” by S&P, the Class M-5 Certificates to be rated “A+” by Moody’s and “A2” by S&P, the Class M-6 Certificates to be rated “A” by Moody’s and “A3” by S&P, the Class B-1 Certificates to be rated “Baa1” by Moody’s and “A-1” by S&P, the Class B-2 Certificates to be rated “Baa2” by Moody’s and “BBB” by S&P, the Class B-3 Certificates to be rated “Baa3” by Moody’s and “BBB-” by S&P and the Class P Certificates to be rated “AAA” by S&P, and each party will cooperate with the other in connection therewith.

Section 8.08 Intention of the Parties.

It is the intention of the parties that (i) the Company is purchasing on the Closing Date, and the Seller is selling on the Closing Date, the Closing Date Mortgage Loans, rather than the Company providing to the Seller a loan secured by the Closing Date Mortgage Loans on the Closing Date, and (ii) the Trustee is purchasing on the Closing Date, and the Company is selling

on the Closing Date, the Closing Date Mortgage Loans, rather than the Trustee providing to the Company a loan secured by the Closing Date Mortgage Loans, (iii) the Company will be purchasing on each Subsequent Transfer Date, and the Seller will be selling on each Subsequent Transfer Date, the related Subsequent Mortgage Loans, rather than the Company providing to the Seller a loan secured by the related Subsequent Mortgage Loans on each Subsequent Transfer Date, and (iv) the Trustee will be purchasing on each Subsequent Transfer Date, and the Company will be selling on each Subsequent Transfer Date, the related Subsequent Mortgage Loans, rather than the Trustee providing to the Company a loan secured by the related Subsequent Mortgage Loans on each Subsequent Transfer Date. Accordingly, the parties hereto each intend to treat these transactions as (i) a sale by the Seller, and a purchase by the Company, of the Closing Date Mortgage Loans on the Closing Date, and (ii) a sale by the Company, and a purchase by the Trustee, of the Closing Date Mortgage Loans on the Closing Date, (iii) a sale by the Seller, and a purchase by the Company, of the related Subsequent Mortgage Loans on each Subsequent Transfer Date, and (iv) a sale by the Company, and a purchase by the Trustee, of the related Subsequent Mortgage Loans on each Subsequent Transfer Date.

Section 8.09 Successors and Assigns; Assignment of Purchase Agreement.

This Purchase Agreement shall bind and inure to the benefit of and be enforceable by the Seller, the Company, the Trustee, the Custodian, and their respective successors and assigns. The obligations of the Seller under this Purchase Agreement cannot be assigned or delegated to a third party without the consent of the Company, which consent shall be at the Company's discretion. The parties hereto acknowledge that (i) the Company is acquiring the Closing Date Mortgage Loans for the purpose of selling them to the Trustee, who will hold the Closing Date Mortgage Loans in trust for the benefit of the Certificateholders and (ii) the Company is acquiring the Subsequent Mortgage Loans for the purpose of selling them to the Trustee, who will hold the Subsequent Mortgage Loans for the benefit of the Certificateholders. As an inducement to the Company and the Trustee to purchase the Mortgage Loans, the Seller acknowledges and consents to (i) the assignment by the Company to the Trustee of all of the Company's rights or remedies against the Seller pursuant to this Purchase Agreement and to (ii) the enforcement or exercise of any rights against the Seller pursuant to this Purchase Agreement by the Company and the Trustee. Such enforcement of a right or remedy by the Trustee, shall have the same force and effect as if the right or remedy had been enforced or exercised by the Company directly.

Section 8.10 Survival.

The representations and warranties made herein by the Seller and the provisions of Article V hereof shall survive the purchase of the Mortgage Loans hereunder.

Section 8.11 Liability of the Trustee.

The Trustee is entering into the Basic Documents to which it is a party solely as Trustee, hereunder and thereunder, and not in its individual capacity, and all persons having any claim against the Trustee by reason of the transactions contemplated by this Agreement or any other Basic Document shall look only to the Trust Fund for payment or satisfaction thereof.

IN WITNESS WHEREOF, the Seller, the Company, the Custodian and the Trustee have caused their names to be signed to this Mortgage Loan Purchase Agreement by their respective officers thereunto duly authorized as of the day and year first above written.

NOVASTAR MORTGAGE, INC.
as Seller

By: /s/ Matt Kaltenrieder

Name
: **Matt Kaltenrieder**

Title: **Vice President**

NOVASTAR MORTGAGE FUNDING
CORPORATION
as Company

By: /s/ Matt Kaltenrieder

Name
: **Matt Kaltenrieder**

Title: **Vice President**

WACHOVIA BANK, NATIONAL
ASSOCIATION as Custodian

By: /s Edwin Aquino

Name
: **Edwin Aquino**

Title: **Vice President**

JPMORGAN CHASE BANK,
not in its individual capacity,
but solely as Trustee

By: /s/ Michael A. Smith

Name
: **Michael A. Smith**

Title: **Vice President**

[Signature Page to Mortgage Loan Purchase Agreement]

EXHIBIT 1

CLOSING DATE MORTGAGE LOAN SCHEDULE

[Provided to the Trustee at the Closing]

EXHIBIT 2(A)

SELLER'S SUBSEQUENT TRANSFER INSTRUMENT

Pursuant to this Seller's Subsequent Transfer Instrument (the "Seller's Instrument"), dated as of March 1, 2004, between NovaStar Mortgage, Inc. as seller (the "Seller"), and NovaStar Mortgage Funding Corporation, as company (the "Company"), and pursuant to the Mortgage Loan Purchase Agreement, dated as of March 1, 2004 (the "Purchase Agreement"), among the Seller, the Company, Wachovia Bank, National Association, as Custodian (the "Custodian") and JPMorgan Chase Bank, as Trustee (the "Trustee"), the Seller and the Company agree to the sale by the Seller and the purchase by the Company of the subsequent Mortgage Loans listed on the attached Mortgage Loan Schedule (the "Subsequent Mortgage Loans") and the related MI Policies.

Capitalized terms used and not defined herein have their respective meanings as set forth in the definitions contained in the Pooling and Servicing Agreement, dated as of March 1, 2004 (the "Pooling and Servicing Agreement"), between the Trustee, the Custodian, the Company and the Seller/Servicer which definitions are incorporated by reference herein. All other capitalized terms used herein shall have the meanings specified herein.

Section 1. Conveyance of Subsequent Mortgage Loans.

(a) The Seller does hereby sell, transfer, assign, set over and convey to the Company, without recourse, all of its right, title and interest in and to the Subsequent Mortgage Loans and the related MI Policies, all scheduled payments of principal and interest on the Subsequent Mortgage Loans due after the Subsequent Cut-off Date, and all other payments of principal and interest on the Subsequent Mortgage Loans collected after the Subsequent Cut-off Date (minus that portion of any such payment which is allocable to the period prior to the Subsequent Cut-off Date); provided, however, that no scheduled payments of principal and interest due on or before the Subsequent Cut-off Date and collected after the Subsequent Cut-off Date shall belong to the Company pursuant to the terms of this Seller's Instrument. The Seller, contemporaneously with the delivery of this Seller's Instrument, has delivered or caused to be delivered to the Custodian, at the direction of the Company, each item set forth in Section 2.02(b) of the Purchase Agreement with respect to such Subsequent Mortgage Loans and the related MI Policies. The transfer to the Company by the Seller of the Subsequent Mortgage Loans identified on the attached Mortgage Loan Schedule shall be absolute and is intended by the Seller, the Company, the Custodian, the Trustee and the Certificateholders to constitute and to be treated as a sale by the Seller.

The parties hereto intend that the transactions set forth herein constitute a sale by the Seller to the Company on the Subsequent Transfer Date of all the Seller's right, title and interest in and to the Subsequent Mortgage Loans and the related MI Policies, and other property as and to the extent described above. In the event the transactions set forth herein shall be deemed not to be a sale, the Seller hereby grants to the Company as of the Subsequent Transfer Date a security interest in all of the Seller's right, title and interest in, to and under the Subsequent Mortgage Loans, and such other property, to secure all of the Seller's obligations hereunder, and this Purchase Agreement shall constitute a security agreement under applicable

law, and in such event, the parties hereto acknowledge that the Custodian, in addition to holding the Subsequent Mortgage Loans and the related MI Policies on behalf of the Trustee for the benefit of the Certificateholders, holds the Subsequent Mortgage Loans and the related MI Policies as designee and agent of the Company. The Seller agrees to take or cause to be taken such actions and to execute such documents, including without limitation the filing of all necessary UCC-1 financing statements filed in the State of Maryland (which shall be submitted for filing as of the Subsequent Transfer Date), any continuation statements with respect thereto and any amendments thereto required to reflect a change in the name or corporate structure of the Seller or the filing of any additional UCC-1 financing statements due to the change in the state of incorporation of the Seller as are necessary to perfect and protect the interests of the Company and its assignees in each Subsequent Mortgage Loan, the related MI Policies and the proceeds thereof.

(b) The expenses and costs relating to the delivery of the Subsequent Mortgage Loans, this Seller's Instrument and such other items required under the Mortgage Loan Purchase Agreement shall be borne by the Seller.

(c) Additional terms of the sale are set forth on Attachment A hereto.

Section 2. Representations and Warranties; Conditions Precedent.

(a) The Seller hereby affirms the representations and warranties set forth in Section 3.01 of the Purchase Agreement that relate to the Seller and the Subsequent Mortgage Loans as of the date hereof. The Seller hereby confirms that each of the conditions set forth in Section 2.02(b) of the Purchase Agreement are satisfied as of the date hereof and further represents and warrants that each Subsequent Mortgage Loan complies with the requirements of this Seller's Instrument and Section 2.02(c) of the Purchase Agreement.

(b) The Seller is solvent, is able to pay its debts as they become due and has capital sufficient to carry on its business and its obligations hereunder; it will not be rendered insolvent by the execution and delivery of this Seller's Instrument or by the performance of its obligations hereunder nor is it aware of any pending insolvency; no petition of bankruptcy (or similar insolvency proceeding) has been filed by or against the Seller prior to the date hereof;

(c) All terms and conditions of the Purchase Agreement are hereby ratified and confirmed; provided, however, that in the event of any conflict the provisions of this Seller's Instrument shall control over the conflicting provisions of the Purchase Agreement.

Section 3. Recordation of the Seller's Instrument.

To the extent permitted by applicable law, this Seller's Instrument, or a memorandum thereof if permitted under applicable law, is subject to recordation in all appropriate public offices for real property records in all of the counties or other comparable jurisdictions in which any or all of the properties subject to the Mortgages are situated, and in any other appropriate public recording office or elsewhere, such recordation to be effected by the Servicer, but only when accompanied by an Opinion of Counsel to the effect that such recordation materially and beneficially affects the interests of the Certificateholders or is necessary for the administration or servicing of the Mortgage Loans.

Section 4. Governing Law.

This Seller's Instrument shall be construed in accordance with the laws of the State of New York and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws, without giving effect to principles of conflicts of law.

Section 5. Counterparts.

This Seller's Instrument may be executed in one or more counterparts and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed to be an original; such counterparts, together, shall constitute one and the same instrument.

Section 6. Successors and Assigns.

This Seller's Instrument shall inure to the benefit of and be binding upon the Seller and the Company and their respective successors and assigns. The Custodian and the Trustee shall be express third party beneficiaries hereto.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Seller's Instrument as of the day and year first written above.

NOVASTAR MORTGAGE, INC.,
as Seller

By:

Name:

Title:

NOVASTAR MORTGAGE FUNDING
CORPORATION,
as Company

By:

Name:

Title:

NOVASTAR HOME EQUITY LOAN ASSET-BACKED CERTIFICATES, SERIES 2004-1

ATTACHMENT A TO SELLER'S SUBSEQUENT TRANSFER INSTRUMENT

_____, 2004

A. Profile of Subsequent Mortgage Loans:

1. Subsequent Cut-off Date: _____, 2004

2. Subsequent Transfer Date: _____, 2004

3. Aggregate Principal Balance of the Subsequent Mortgage Loans as of the Subsequent Cut-off Date:
\$ _____

4. Purchase Price: 100.00%

B. As to all the Subsequent Mortgage Loans the subject of this Instrument:

- | | | |
|-------|--|-----------------|
| I. | Longest stated term to maturity: | 360 months |
| II. | Minimum Mortgage Rate: | ____% |
| III. | Maximum Mortgage Rate: | ____% |
| IV. | WAC of all Mortgage Loans: | ____% |
| V. | WAM of all Mortgage Loans: | ____% |
| VI. | Largest Principal Balance: | \$____ |
| VII. | Non-owner occupied Mortgaged Properties: | ____% |
| VIII. | California zip code concentration: | ____% |
| IX. | Condominiums: | ____% |
| X. | Single-family: | ____% |
| XI. | Weighted average term since origination: | ____ month
h |

XII. Mortgage Loans Covered by MI Policies: ____%

EXHIBIT 2(B)

COMPANY'S SUBSEQUENT TRANSFER INSTRUMENT

Pursuant to this Company's Subsequent Transfer Instrument (the "Company's Instrument"), dated as of _____, 2004, between NovaStar Mortgage Funding Corporation, as company (the "Company"), and JPMorgan Chase Bank, as trustee (the "Trustee"), and pursuant to the Mortgage Loan Purchase Agreement, dated as of March 1, 2004 (the "Purchase Agreement"), among NovaStar Mortgage, Inc., as seller (the "Seller"), the Company, Wachovia Bank, National Association, as Custodian ("Custodian"), and JPMorgan Chase Bank, as Trustee (the "Trustee"), the Company and the Trustee agree to the sale by the Company and the purchase by the Trustee of the subsequent Mortgage Loans listed on the attached Mortgage Loan Schedule (the "Subsequent Mortgage Loans") and the related MI Policies, and the pledge of the Subsequent Mortgage Loans by the Trustee.

Capitalized terms used and not defined herein have their respective meanings as set forth in the definitions contained in the Pooling and Servicing Agreement, dated as of March 1, 2004 (the "Pooling and Servicing Agreement"), between the Custodian, the Trustee, the Company and the Servicer which definitions are incorporated by reference herein. All other capitalized terms used herein shall have the meanings specified herein.

Section 1. Conveyance of Subsequent Mortgage Loans.

(a) The Company does hereby sell, transfer, assign, set over and convey to the Trustee, without recourse, (i) all of its right, title and interest in and to the Subsequent Mortgage Loans and the related MI Policies, all scheduled payments of principal and interest on the Subsequent Mortgage Loans due after the Subsequent Cut-off Date, and all other payments of principal and interest on the Subsequent Mortgage Loans collected after the Subsequent Cut-off Date (minus that portion of any such payment which is allocable to the period prior to the Subsequent Cut-off Date); provided, however, that no scheduled payments of principal and interest due on or before the Subsequent Cut-off Date and collected after the Subsequent Cut-off Date shall belong to the Trustee pursuant to the terms of this Company's Instrument and (ii) all of its right, title and interest in and to the Seller's Subsequent Transfer Instrument, dated as of _____, 2003 (the "Seller's Instrument"), between the Seller and the Company. The Company, contemporaneously with the delivery of this Company's Instrument, has delivered or caused to be delivered to the Custodian each item set forth in Section 2.02(b) of the Purchase Agreement with respect to such Subsequent Mortgage Loans. The transfer to the Trustee by the Company of the Subsequent Mortgage Loans identified on the attached Mortgage Loan Schedule and the related MI Policies shall be absolute and is intended by the Company, the Trustee, the Custodian and the Certificateholders to constitute and to be treated as a sale by the Company.

The parties hereto intend that the transactions set forth herein constitute a sale by the Company to the Trustee on the Subsequent Transfer Date of all the Company's right, title and interest in and to the Subsequent Mortgage Loans and the related MI Policies, and other property as and to the extent described above. In the event the transactions set forth herein shall be deemed not to be a sale, the Company hereby grants to the Trustee as of the Subsequent Transfer Date a security interest in all of the Company's right, title and interest in, to and under the

Subsequent Mortgage Loans, and such other property, to secure all of the Company's obligations hereunder, and this Company's Instrument shall constitute a security agreement under applicable law, and in such event, the parties hereto acknowledge that the Custodian on behalf of the Trustee, in addition to holding the Subsequent Mortgage Loans and the related MI Policies for the benefit of the Certificateholders, holds the Subsequent Mortgage Loans and the related MI Policies as designee and agent of the Trustee. The Company agrees to take or cause to be taken such actions and to execute such documents, including without limitation the filing of all necessary UCC-1 financing statements filed in the State of Delaware (which shall be submitted for filing as of the Subsequent Transfer Date), any continuation statements with respect thereto and any amendments thereto required to reflect a change in the name or corporate structure of the Company or the filing of any additional UCC-1 financing statements due to the change in the state of incorporation of the Company as are necessary to perfect and protect the interests of the Trustee and its assignees in each Subsequent Mortgage Loan, the related MI Policies and the proceeds thereof.

(b) The expenses and costs relating to the delivery of the Subsequent Mortgage Loans, this Company's Instrument and such other items required under the Purchase Agreement shall be borne by the Company.

Section 2. Representations and Warranties; Conditions Precedent.

(a) The Company hereby affirms the representations and warranties set forth in Section 3.02 of the Purchase Agreement that relate to the Company as of the date hereof.

(b) The Company is solvent, is able to pay its debts as they become due and has capital sufficient to carry on its business and its obligations hereunder; it will not be rendered insolvent by the execution and delivery of this Company's Instrument or by the performance of its obligations hereunder nor is it aware of any pending insolvency; no petition of bankruptcy (or similar insolvency proceeding) has been filed by or against the Company prior to the date hereof;

(c) All terms and conditions of the Purchase Agreement are hereby ratified and confirmed; provided, however, that in the event of any conflict the provisions of this Company's Instrument shall control over the conflicting provisions of the Mortgage Loan Purchase Agreement.

Section 3. Recordation of Instrument.

To the extent permitted by applicable law, this Company's Instrument, or a memorandum thereof if permitted under applicable law, is subject to recordation in all appropriate public offices for real property records in all of the counties or other comparable jurisdictions in which any or all of the properties subject to the Mortgages are situated, and in any other appropriate public recording office or elsewhere, such recordation to be effected by the Servicer, but only when accompanied by an Opinion of Counsel to the effect that such recordation materially and beneficially affects the interests of the Certificateholders or is necessary for the administration or servicing of the Mortgage Loans.

Section 4. Governing Law.

This Company's Instrument shall be construed in accordance with the laws of the State of New York and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws, without giving effect to principles of conflicts of law.

Section 5. Counterparts.

This Company's Instrument may be executed in one or more counterparts and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed to be an original; such counterparts, together, shall constitute one and the same instrument.

Section 6. Successors and Assigns.

This Company's instrument shall inure to the benefit of and be binding upon the Company, the Custodian and the Trustee and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Company’s Instrument as of the day and year first written above.

NOVASTAR MORTGAGE FUNDING CORPORATION,
as Company

By: _____

Name:
Title:

JPMORGAN CHASE BANK, not in its individual capacity but solely as Trustee

By: _____

Name:
Title:

WACHOVIA BANK, NATIONAL ASSOCIATION, as Custodian

By: _____

Name:
Title:

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-108264

Prospectus Supplement
(To prospectus dated March 3, 2004)

NovaStar Mortgage Funding Trust, Series 2004-1

NovaStar Mortgage, Inc. **\$1,727,250,100**

Seller and Servicer

NovaStar Mortgage Funding Corporation
Company *NovaStar Home Equity Loan Asset-Backed Certificates, Series 2004-1*

The certificates will be backed by a pool of residential mortgage loans. The pool contains both adjustable-rate mortgage loans and fixed-rate mortgage loans.

The Certificates-
Interest and principal on each class of certificates is scheduled to be paid monthly on the 25th day of the month or, if such day is not a business day, the next succeeding business day. The first scheduled distribution date is April 26, 2004.

Credit Enhancement-
The more senior classes of certificates will have the benefit of the subordination of the more subordinated classes.

All classes of underwritten certificates will be supported by overcollateralization, which is available to absorb losses.

Certain mortgage loans are covered by mortgage insurance policies.

Excess cashflow will be available to absorb losses and maintain overcollateralization.

Pre-Funding-
The trust fund has a pre-funding feature.

Offering Information	Initial Aggregate Certificate Balance	Pass-Through Rate	Price to Public	Underwriting Discount	Proceeds to the Company (2)
Class A-1A Certificates	\$ 405,000,000	LIBOR + 0.240% (1)	100%	0.2000%	\$ 404,190,000
Class A-1B Certificates	\$ 45,000,000	LIBOR + 0.330% (1)	100%	0.2000%	\$ 44,910,000
Class A-2 Certificates	\$ 400,000,000	LIBOR + 0.240% (1)	100%	0.2000%	\$ 399,200,000

Class A-3A Certificates	\$	243,000,000	LIBOR + 0.090% (1)	100%	0.1800%	\$	242,562,600
Class A-3B Certificates	\$	359,500,000	LIBOR + 0.260% (1)	100%	0.2200%	\$	358,709,100
Class M-1 Certificates	\$	42,875,000	LIBOR + 0.450% (1)	100%	0.3000%	\$	42,746,375
Class M-2 Certificates	\$	52,500,000	LIBOR + 0.500% (1)	100%	0.3500%	\$	52,316,250
Class M-3 Certificates	\$	30,625,000	LIBOR + 0.550% (1)	100%	0.4000%	\$	30,502,500
Class M-4 Certificates	\$	26,250,000	LIBOR + 0.975% (1)	100%	0.4500%	\$	26,131,875
Class M-5 Certificates	\$	30,625,000	LIBOR + 1.050% (1)	100%	0.5000%	\$	30,471,875
Class M-6 Certificates	\$	21,875,000	LIBOR + 1.250% (1)	100%	0.5850%	\$	21,747,031
Class B-1 Certificates	\$	26,250,000	LIBOR + 1.700% (1)	100%	0.7000%	\$	26,066,250
Class B-2 Certificates	\$	21,875,000	LIBOR + 1.800% (1)	100%	0.8000%	\$	21,700,000
Class B-3 Certificates	\$	21,875,000	LIBOR + 2.950% (1)	100%	0.9000%	\$	21,678,125
Class P Certificates (3)	\$	100 (4)	N/A	N/A	N/A		N/A
<hr/>							
Total	\$	1,727,250,100				\$	1,722,931,981

- (1) Subject to increase as described herein and subject to a related available funds cap rate described herein and a maximum rate of 11%.
- (2) Before deducting expenses, estimated to be \$650,000.
- (3) The class P certificates will not be purchased by the underwriters. They will be transferred to an affiliate of the seller and servicer as partial consideration for the sale of the mortgage loans to the company.
- (4) The certificate balance for the class P certificates will be payable on the earlier of (i) the 35th distribution date and (ii) the distribution date on which the aggregate certificate balances of the class A certificates are reduced to zero.

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

Wachovia Capital Markets, LLC, Greenwich Capital Markets, Inc., Deutsche Bank Securities Inc. and Morgan Stanley & Co. Incorporated as underwriters, will offer the underwritten certificates only after the certificates have been issued, delivered to and accepted by the underwriters. The underwriters have the right to reject any order. We expect to deliver the offered certificates on or about March 11, 2004 through The Depository Trust Company and upon request through Clearstream Banking Luxembourg or the Euroclear System.

Wachovia Securities

RBS Greenwich Capital

(Joint Lead Managers and Joint Book-Runners)

Deutsche Bank Securities

Morgan Stanley

(Co-Managers)

The date of this prospectus supplement is March 3, 2004.

Consider carefully the risk factors starting on page S-8 of this prospectus supplement and page 5 of the prospectus before making a decision to invest in the certificates.

The offered certificates represent beneficial ownership interests in the trust fund. The offered certificates are not interests in or obligations of any other person.

No governmental agency or instrumentality has insured or guaranteed the offered certificates or the underlying mortgage loans.

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**Important notice about the information presented in this
prospectus supplement and the accompanying prospectus**

We provide information to you about the offered certificates in two separate documents that progressively provide more detail: (1) the accompanying prospectus, which provides general information, some of which may not apply to your series of certificates, and (2) this prospectus supplement, which describes the specific terms of your series of certificates.

This prospectus supplement does not contain complete information about the offering of the certificates. Additional information is contained in the prospectus. You are urged to read both this prospectus supplement and the prospectus in full. We cannot sell the offered certificates to you unless you have received both this prospectus supplement and the prospectus.

The prospectus contemplates several different types of securities, some of which are not relevant to this offering. You should rely on the information in this prospectus supplement with respect to the certificates offered hereby.

The company has filed with the Securities and Exchange Commission a registration statement under the Securities Act of 1933, as amended, with respect to the certificates offered pursuant to this prospectus supplement. This prospectus supplement and the prospectus, which form a part of the registration statement, omit certain information contained in such registration statement pursuant to the rules and regulations of the Commission. You may inspect and copy the registration statement at the Public Reference Room at the Commission at 450 Fifth Street, N.W., Washington, D.C. and the Commission’s regional offices at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. You can obtain copies of such materials at prescribed rates from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, the Commission maintains a site on the World Wide Web containing reports, proxy materials, information statements and other items. The address is <http://www.sec.gov>.

We include cross-references in this prospectus supplement and the accompanying prospectus to captions in these materials where you can find further related discussions. The following table of contents and the table of contents included in the accompanying prospectus provide the pages on which these captions are located.

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Summary

- This summary highlights selected information from this prospectus supplement and does not contain all of the information that you need to consider in making your investment decision. To understand all of the terms of the offering of the certificates, read carefully this entire prospectus supplement and the accompanying prospectus.

- This summary provides an overview of certain calculations, cash flow priorities and other information to aid your understanding and is qualified by the full description of these calculations, cash flow priorities and other information in this prospectus supplement and the accompanying prospectus.

Trust

NovaStar Mortgage Funding Trust, Series 2004-1.

Seller and Servicer

NovaStar Mortgage, Inc., a Virginia corporation.

Company

NovaStar Mortgage Funding Corporation, a Delaware corporation.

Trustee and Successor Servicer

JPMorgan Chase Bank, a New York banking corporation.

Converted Loan Purchaser

NovaStar Capital, Inc., a Delaware corporation.

Custodian

Wachovia Bank, National Association, a national banking association.

NovaStar Financial, Inc.

NovaStar Financial, Inc., a Maryland corporation.

Description of the Offered Certificates

The trust will issue Home Equity Loan Asset-Backed Certificates, Series 2004-1, in fourteen classes of underwritten certificates: five classes of senior class A certificates, class A-1A, class A-1B, class A-2, class A-3A and class A-3B; six classes of subordinated, mezzanine certificates, class M-1, class M-2, class M-3, class M-4, class M-5 and class M-6; and three classes of subordinated, class B certificates, class B-1, class B-2 and class B-3. The class A certificates are senior to the mezzanine certificates. The class M-1 certificates are senior to the class M-2, class M-3, class M-4, class M-5 and class M-6 certificates. The class M-2 certificates are senior to the class M-3, class M-4, class M-5 and class M-6 certificates. The class M-3 certificates are senior to the class M-4, class M-5 and class M-6 certificates. The class M-4 certificates are senior to the class M-5 and class M-6 certificates. The class M-5 certificates are senior to the class M-6 certificates. The class M certificates are senior to the class B certificates. The class B-1 certificates are senior to the class B-2 and class B-3 certificates. The class B-2 certificates are senior to the class B-3 certificates. The initial certificate balance of each class of offered certificates is shown on the front cover.

The trust will also issue several other classes of certificates, including a class of certificates, class P, entitling the holder to receive (i) all collected prepayment penalties, and (ii) a \$100 distribution of principal on the earlier of (x) the 35th distribution date and (y) the

distribution date on which the aggregate certificate balances of the class A certificates are reduced to zero. The class P certificates, together with the class A, mezzanine and class B certificates, are collectively referred to herein as the “offered certificates”. The class A-3A and class A-3B certificates are

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collectively referred to herein as the “class A-3 certificates”.

The trust will also issue several other classes of certificates, including a senior interest-only class of certificates, class I (that is senior to the offered certificates), a subordinated class of certificates, class X, entitling the holder to payments from excess cashflow and a subordinated class of certificates, class O, representing the overcollateralization amount; which are not being offered by this prospectus supplement.

The Trust Fund

The certificates will represent ownership interests in the trust fund, which will consist primarily of:

- a pool of mortgage loans consisting of four groups, three groups of residential first-lien, fixed and adjustable rate mortgage loans designated as Group IA (which is comprised entirely of conforming mortgage loans and in which the class A-1A certificates represent a beneficial interest), Group II (which is comprised entirely of conforming mortgage loans and in which the class A-2 certificates represent a beneficial interest), and Group III (which consists of conforming and non-conforming mortgage loans and in which the class A-3 certificates represent a beneficial interest), and a group of residential first and second-lien, fixed and adjustable rate mortgage loans designated as Group IB (in which the class A-1B certificates represent a beneficial interest);
- a security interest in the properties securing the mortgage loans;
- collections on the mortgage loans;
- certain hedging agreements (which agreements are not part of any REMIC), as described herein;
- money on deposit in a pre-funding account (which is not part of any REMIC) which will be used to purchase subsequent mortgage loans for inclusion in the pool; and
- certain lender paid mortgage insurance policies and related proceeds.

Final Scheduled Distribution Date

The final scheduled distribution date for all the certificates is the distribution date in June 2034.

We anticipate that the actual final payment on each class of certificates will occur significantly earlier than the indicated date.

Book-Entry Format

The certificates will be issued, maintained and transferred on the book-entry records of The Depository Trust Company. The offered certificates will be offered in registered form, in minimum denominations of \$25,000 and integral multiples of \$1,000 in excess thereof.

Payments on the Certificates

Distribution Dates

Payments on the certificates will be made on the 25th day of each month or, if that day is not a business day, on the next business day, commencing on April 26, 2004.

Record Dates

The trustee will make payments to the certificateholders of record as of the related record date. The record date for a distribution date generally is the last business day prior to that distribution date. The record date for the first distribution date is April 23, 2004.

Payment Priorities

On each distribution date, the available funds representing interest collections on the mortgage pool will be distributed to pay interest on the certificates, up to their required amount, in the following order:

- first, the available funds representing interest from all four Groups of mortgage loans to class I,

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- second, concurrently, with equal priority in payment, (i) the remaining available funds representing interest from the Group IA mortgage loans to the class A-1A certificates, (ii) the remaining available funds representing interest from the Group IB mortgage loans to the class A-1B certificates, (iii) the remaining available funds representing interest from the Group II mortgage loans to the class A-2 certificates; and (iv) the remaining available funds representing interest from the Group III mortgage loans to the class A-3 certificates; and

- third, the remaining available funds representing interest from the Group IA, Group IB, Group II and Group III mortgage loans to class M-1, class M-2, class M-3, class M-4, class M-5, class M-6, class B-1, class B-2 and class B-3 certificates in that order.

Interest distributable to the class A-3 certificates will be paid pro rata between the class A-3A and class A-3B certificates, based on their respective interest entitlements for the related date.

In the event that available funds representing interest from one group of mortgage loans are insufficient to make a required payment of interest to its related class A certificates, then any available funds representing interest from the other groups of mortgage loans that remain after payment of interest to their related class A certificates may be used to make such required payment for this purpose to the extent described in this prospectus supplement.

The class P certificates will not receive any interest payments.

On each distribution date, the available funds representing principal collections on the Group IA, Group IB, Group II and Group III mortgage loans, including any amounts required to be taken from excess cashflow to the extent necessary to increase the overcollateralization amount to the required overcollateralization amount, net of any overcollateralization release amount will be distributed to pay principal on the certificates, up to their required amounts, in the following order:

- first, the available funds representing principal and excess cashflow from the Group IA mortgage loans to class A-1A, until retired;

- second, the available funds representing principal and excess cashflow from the Group IB mortgage loans to class A-1B, until retired; provided, however, that on the earlier of (i) the 35th distribution date and (ii) the distribution date on which the aggregate certificate balances of the class A certificates are reduced to zero, the class P will receive a principal payment of \$100 before the principal payment to class A-1B;

- third, the available funds representing principal and excess cashflow from the Group II mortgage loans to class A-2, until retired;

- fourth, the available funds representing principal and excess cash flow from the Group III mortgage loans to class A-3A and class A-3B, in that order, until retired;

- fifth, the remaining available funds representing principal and excess cashflow from the Group IA, Group IB, Group II and Group III mortgage loans to class M-1, class M-2, class M-3, class M-4, class M-5 and class M-6, in that order, until retired; and

- sixth, the remaining available funds representing principal and excess cashflow from the Group IA, Group IB, Group II and Group III mortgage loans to class B-1, class B-2 and class B-3 in that order, until retired.

In the event that available funds from one group of mortgage loans are insufficient to

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make a required payment of principal to its related class A certificates, then any available funds representing principal and excess cashflow from the other groups remaining after payment of principal to their related class A certificateholders may be used for such required payment to the extent described in this prospectus supplement.

We refer you to “*Description of the Certificates*” herein for additional information.

Interest

Interest on the certificates will accrue at the rate of interest, subject to the related available funds cap rate and a maximum rate of 11%, for that class of certificates during the related accrual period. For each distribution date, the accrual period will run from the prior distribution date to and including the day preceding the applicable distribution date, except that for the first distribution date, interest begins to accrue on the closing date.

Interest will be calculated on the basis of the actual number of days elapsed in the accrual period in a year consisting of 360 days.

Pass-Through Rates

The annual rate of interest on each class of underwritten certificates will be, subject to the related available funds cap rate and a maximum rate of 11%, as follows:

Class	Rate
A-1A	LIBOR plus 0.240%
A-1B	LIBOR plus 0.330%
A-2	LIBOR plus 0.240%
A-3A	LIBOR plus 0.090%
A-3B	LIBOR plus 0.260%
M-1	LIBOR plus 0.450%
M-2	LIBOR plus 0.500%
M-3	LIBOR plus 0.550%
M-4	LIBOR plus 0.975%
M-5	LIBOR plus 1.050%
M-6	LIBOR plus 1.250%
B-1	LIBOR plus 1.700%

B-2	LIBOR plus 1.800%
B-3	LIBOR plus 2.950%

If the certificates remain outstanding after the first distribution date on which the clean-up call could be exercised, which is at a 10% level, then the rates of interest on each class of certificates will increase to the following rates:

Class	Rate Step Up
A-1A	LIBOR plus 0.4800%
A-1B	LIBOR plus 0.6600%
A-2	LIBOR plus 0.4800%
A-3A	LIBOR plus 0.1800%
A-3B	LIBOR plus 0.5200%
M-1	LIBOR plus 0.6750%
M-2	LIBOR plus 0.7500%
M-3	LIBOR plus 0.8250%
M-4	LIBOR plus 1.4625%
M-5	LIBOR plus 1.5750%
M-6	LIBOR plus 1.8750%
B-1	LIBOR plus 2.5500%
B-2	LIBOR plus 2.7000%
B-3	LIBOR plus 4.4250%

The stepped-up rates are also subject to the related available funds cap rate and a maximum rate of 11%.

Principal

On each distribution date, the certificateholders are scheduled to receive their share of an amount of principal generally equal to the sum of:

- the scheduled principal on the mortgage loans collected or advanced during the related due period;

- unscheduled principal on the mortgage loans collected during the prior prepayment period;
- excess interest to the extent necessary to increase the overcollateralization amount to the required overcollateralization amount; and
- net of any overcollateralization release amount.

The mezzanine and class B certificates are unlikely to receive any principal payments

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until, at the earliest, the distribution date occurring in April 2007. The class P certificates will receive a single principal payment of \$100 on the earlier of the 35th distribution date and the distribution date on which the aggregate certificate balances of the class A certificates are reduced to zero.

Principal will be distributed to the certificateholders of each class in accordance with a payment priority which is designed to maintain a specified level of support below each class. This support consists of the certificates that are more subordinated to that class, as well as the overcollateralization, which is subordinated to all classes of the offered certificates, and excess interest from the mortgage loans.

Credit Enhancement

The credit enhancement provided to the holders of the underwritten certificates will consist of subordination, overcollateralization, excess cashflow, mortgage insurance and limited cross-collateralization.

Subordination

The rights of the holders of the class A certificates to receive distributions are subordinated, to the extent described in this prospectus supplement, to the rights of the holders of the class I certificates.

The rights of the holders of the mezzanine certificates to receive distributions will be subordinated, to the extent described in this prospectus supplement, to the rights of the holders of the class I certificates and the class A certificates.

The rights of the holders of the mezzanine certificates with higher numerical class designations to receive distributions will be subordinated, to the extent described in this prospectus supplement, to the rights of the holders of the mezzanine certificates with lower numerical class designations.

The rights of the holders of the class B certificates to receive distributions will be subordinated, to the extent described in this prospectus supplement, to the rights of the holders of the class I certificates, the class A certificates and the mezzanine certificates.

The rights of the holders of the class B certificates with higher numerical class designations to receive distributions will be subordinated, to the extent described in this prospectus supplement, to the rights of the holders of the class B certificates with lower numerical class designations.

Subordination is intended to enhance the likelihood of regular distributions on the more senior certificates and to afford those certificates protection against losses.

Overcollateralization

The trust will have an initial level of overcollateralization of approximately 1.30% of the sum of (i) the aggregate principal balance of the closing date mortgage loans as of the cut-off date and (ii) the original pre-funded amount. On any distribution date after the closing date, the trust is required to maintain overcollateralization at certain levels as described herein.

The overcollateralization is available for the benefit of all classes of the underwritten, class I and class P certificates.

Excess Cashflow

Excess interest will be used to maintain overcollateralization and, to the extent that the overcollateralization is at the required amount, to pay any unpaid available funds cap shortfalls as described in this prospectus supplement and to absorb certain losses on the mortgage loans.

Mortgage Insurance

Approximately 27.14% of the initial mortgage loans are covered by a mortgage insurance policy issued by Mortgage Guaranty Insurance Corporation, PMI Mortgage Insurance Company or Radian Guaranty Inc. Each such mortgage loan has an original loan-to-value

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ratio in excess of 60% and the related mortgage insurance policy insures losses to the extent that the uninsured exposure of the related mortgage loan is reduced to an amount equal to 55%, 51% or 50% of the original loan-to-value ratio of such mortgage loan, as more fully described in the related mortgage insurance policy.

Limited Cross-Collateralization

The mortgage loans have been divided into four subpools, designated as the “Group IA mortgage loans”, the “Group IB mortgage loans”, the “Group II mortgage loans” and the “Group III mortgage loans.” The Group IA mortgage loans primarily support the class A-1A certificates. The Group IB mortgage loans primarily support the class A-1B certificates. The Group II mortgage loans primarily support the class A-2 certificates. The Group III mortgage loans primarily support the class A-3 certificates. Distributions of collections from all four groups of mortgage loans will be used to pay interest and principal to the mezzanine certificates, the class B certificates, the class I certificates, class O certificates and the class P certificates. To the extent that available funds representing interest from one group of mortgage loans are insufficient to make a required payment of interest to its related class A certificates, then any remaining available funds representing interest from the other groups, after payment of interest to their related class A certificates, may be used to make such required payment as described in this prospectus supplement. Likewise, remaining funds representing principal from a group after making the required payment of principal to its related class A certificates may be used to make required principal payments on the other classes of class A certificates as described in this prospectus supplement.

Pre-Funding Feature

On the closing date, the company will deposit approximately \$550,000,000 into a pre-funding account which will be used from time to time before the end of the pre-funding period to acquire subsequent mortgage loans to include in the mortgage pool, approximately \$153,355,579 of which will be used to acquire subsequent mortgage loans for Group IA, approximately \$17,039,596 of which will be used to acquire subsequent mortgage loans for Group IB, approximately \$151,462,210 of which will be used to acquire subsequent mortgage loans for Group II and approximately \$228,142,615 of which will be used to acquire subsequent mortgage loans for Group III.

The pre-funding period commences on the closing date and ends on the earlier of (i) the date on which the amount on deposit in the pre-funding account is less than \$10,000 and (ii) June 9, 2004.

To the extent that the trust does not fully use amounts on deposit in the pre-funding account to purchase subsequent mortgage loans by the end of the pre-funding period, the trust will apply the remaining amounts as a prepayment of principal to the related classes of certificates on the distribution date immediately following the end of the pre-funding period. Although no assurance is possible, we do not anticipate that a material amount of principal will be prepaid on the certificates from amounts in the pre-funding account.

Clean-up Call

The servicer has a clean-up call option which, if exercised, would result in early retirement of the certificates on any distribution date on or after the date on which the aggregate principal balance of the mortgage loans has declined to 10% or less of the sum of (i) the aggregate principal balance of the closing date mortgage loans as of the cut-off date and (ii) the original pre-funded amount.

Federal Income Tax Consequences

Elections will be made to treat certain portions of the trust as one or more REMICs for federal income tax purposes. The offered certificates represent ownership of “regular interests” in a REMIC, along with certain contractual rights in the case of certificates entitled to receive

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Available Funds Cap Shortfalls as described herein. Certificateholders will include interest on the certificates in income in accordance with an accrual method of accounting.

ERISA Considerations

After the end of the pre-funding period, the class A certificates, the mezzanine certificates and the class B certificates may be purchased by ERISA plans provided that certain conditions are satisfied. A fiduciary of any ERISA plan that is considering a purchase of class A certificates, mezzanine certificates or class B certificates should, among other things, consult with experienced legal counsel in determining whether all required conditions for purchase have been satisfied.

The class P certificates may not be acquired by or on behalf of an ERISA plan.

Legal Investment

After the end of the pre-funding period, the class A-1A, class A-2, class A-3A and class A-3B certificates are expected to constitute “mortgage related securities” for purposes of SMMEA for so long as they are rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization. The class A-1B certificates, the mezzanine certificates and the class B certificates are not expected to constitute “mortgage related securities” for purposes of SMMEA. Institutions whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities may be subject to restrictions on investment in the certificates.

Ratings

The offered certificates must receive at least the following ratings from Standard & Poor’s and Moody’s in order to be issued:

Class	Ratings	
	S&P	Moody’s
A-1A	AAA	Aaa
A-1B	AAA	Aaa
A-2	AAA	Aaa
A-3A	AAA	Aaa
A-3B	AAA	Aaa
M-1	AA+	Aa1
M-2	AA	Aa2
M-3	AA-	Aa3
M-4	A+	A1
M-5	A+	A2

M-6	A	A3
B-1	A-	Baa1
B-2	BBB	Baa2
B-3	BBB-	Baa3
P	AAA	Not Rated

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. A security rating does not address the frequency of principal prepayments or the collection thereof, the corresponding effect on yield to investors or the payment of any shortfall resulting from the application of the related available funds cap rate.

Risk Factors

Prospective investors should consider, among other things, the items discussed under “*Risk Factors*” in the prospectus and the following factors in connection with the purchase of the offered certificates:

Some of the loans in the mortgage pool were underwritten to non-conforming standards and may experience higher delinquency and loss rates

The underwriting standards for the mortgage loans are described under “*Description of the Mortgage Pool—Underwriting Standards for the Mortgage Loans*”, and are primarily intended to provide single family mortgage loans for non-conforming credits which do not satisfy the requirements of typical “A” credit borrowers. A “non-conforming credit” means a mortgage loan which is ineligible for direct purchase by Fannie Mae due to credit characteristics that do not meet the Fannie Mae underwriting guidelines, for reasons such as creditworthiness and repayment ability; these mortgagors may have a record of credit write-offs, outstanding judgments, prior bankruptcies and other negative credit items. Accordingly, mortgage loans underwritten to non-conforming credit underwriting standards or to standards that do not meet the requirements for typical “A” credit borrowers are likely to experience rates of delinquency, foreclosure and loss that are higher, and may be substantially higher, than mortgage loans originated in accordance with the Fannie Mae underwriting guidelines or to typical “A” credit borrowers.

The mortgage pool contains high original loan-to-value loans which could cause losses to holders of the offered certificates

Approximately 29.30% of the Group IA initial mortgage loans, approximately 9.00% of the Group IB initial mortgage loans, approximately 28.86% of the Group II initial mortgage loans and approximately 25.91% of the Group III initial mortgage loans (in each case, by aggregate principal balance of the related loan group as of the cut-off date), respectively, with an original loan-to-value ratio in excess of 60% will be covered by a lender-paid mortgage insurance policy.

Approximately 57.93%, 57.92%, 54.51% and 57.20% of the Group IA initial mortgage loans, Group IB initial mortgage loans, Group II initial mortgage loans and Group III initial mortgage loans (in each case, by aggregate principal balance of the related loan group as of the cut-off date), respectively, have original loan-to-value ratios in excess of 80%. Mortgage loans with a loan-to-value ratio in excess of 80% will be affected to a greater extent than mortgage loans with a loan-to-value ratio equal to or less than 80% by any decline in the value of the related property securing such mortgage loans. We can give no assurance that values of the mortgaged properties have remained or will remain at their levels on the dates of origination of the related mortgage loans. If the residential real estate market should experience an overall decline in property values such that the outstanding balances of the mortgage loans, and any secondary financing on the mortgaged properties, become equal to or greater than the value of the mortgaged properties, the actual rates of delinquencies, foreclosures and losses could be higher than those now generally experienced in the mortgage lending industry.

Potential inadequacy of credit enhancement

The overcollateralization, subordination, limited cross-collateralization, loss allocation, excess cashflow and primary mortgage insurance features described in this prospectus supplement are intended to enhance the likelihood that the certificateholders will receive regular payments of interest and principal, but such credit enhancements are limited in nature and may be insufficient to cover all losses on the mortgage loans. The credit enhancement includes the

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subordination of excess interest to payments of interest and principal on the class I certificates, class A certificates, mezzanine certificates and class B certificates.

Further, while excess interest will be available to restore overcollateralization, there may not be sufficient funds available to make the required distribution of interest on the certificates. Such a shortfall would reduce the interest distributed to the class B-3, class B-2, class B-1, class M-6, class M-5, class M-4, class M-3, class M-2, class M-1, class A certificates, concurrently, and the class I certificates, in that order.

The mortgage pool includes balloon loans, which can create increased risk of losses

Approximately 37.59%, 0.08% and 0.03% of the Group IB, the Group II and the Group III initial mortgage loans (in each case, by aggregate principal balance of the related loan group as of the cut-off date) respectively, are fixed-rate “balloon loans”; that is, they require monthly payments of principal based on 30-year amortization schedules and have scheduled maturity dates of 15 years from the due date of the first monthly payment, in each case leaving a substantial portion of the original principal amount due and payable on the respective scheduled maturity date. The balloon loans entail a greater degree of risk for prospective investors because the ability of a mortgagor to make a balloon payment typically will depend upon the mortgagor’s ability either to refinance the related balloon loan or to sell the related mortgaged property. The mortgagor’s ability to sell or refinance will be affected by a number of factors, including the level of prevailing mortgage rates at the time of sale or refinancing, the mortgagor’s equity in the related mortgaged property, the financial condition and credit profile of the mortgagor, applicable tax laws and general economic conditions. No person is obligated to refinance any balloon loan.

The mortgage pool includes mortgage loans secured by second-liens on the related mortgaged property

None of the Group IA, Group II and Group III initial mortgage loans and approximately 45.64% of the Group IB initial mortgage loans (by aggregate principal balance as of the cut-off date) are secured by second-liens on the related mortgaged properties. The proceeds from any liquidation, insurance or condemnation proceedings will be available to satisfy the outstanding balance of such mortgage loans only to the extent that the claims of the related senior mortgages have been satisfied in full, including any related foreclosure costs. In circumstances when it has been determined to be uneconomical to foreclose on the mortgaged property, the servicer may write off the entire balance of such mortgage loan as a bad debt. The foregoing considerations will be particularly applicable to mortgage loans secured by second-liens that have high loan-to-value ratios because it is comparatively more likely that the servicer would determine foreclosure to be uneconomical in the case of such mortgage loans. The rate of default of second mortgage loans may be greater than that of mortgage loans secured by first-liens on comparable properties.

The mortgage loans have geographic concentrations which could cause losses to the holders if certain events occur in such regions

Approximately 22.80% and 19.49% (by aggregate principal balance of the Group IA initial mortgage loans as of the cut-off date) are secured by properties located in California and Florida, respectively. Approximately 26.57%, 14.66% and 5.45% (by aggregate principal balance of the Group IB initial mortgage loans as of the cut-off date) are secured by properties located in California, Florida and Ohio, respectively. Approximately 19.05%, 13.28%, and 5.88% (by aggregate principal balance of the Group II initial mortgage loans as of the cut-off date) are secured by properties located in California, Florida and Ohio, respectively. Approximately 26.40% and 14.91% (by aggregate principal balance of the Group III initial mortgage loans as of the cut-off date)

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are secured by properties located in California and Florida, respectively. In the event any of these states experiences a decline in real estate values, losses on the mortgage loans may be greater than otherwise would be the case. Some of the mortgage loans secured by properties located in California may have been affected by the recent outbreak of wildfires. Such mortgage loans may be subject to prepayment or loss, both of which could affect the yield on the offered certificates.

Additional mortgage loans may have characteristics that differ from those of the initial mortgage loans which may reduce your yield to maturity

Following the transfer of the additional mortgage loans (approximately \$523,722,988 in aggregate principal balance as of the cut-off date) to the trust on the closing date, the characteristics of the mortgage loans may differ from the information presented in this prospectus supplement, though we do not expect them to vary materially. The characteristics that may differ include, among others, the composition of the mortgage loans and of the borrowers of the mortgage loans, the credit quality of the mortgage loans, the distribution by interest rate, the distribution by principal balance, the distribution by loan-to-value ratio and the distribution by remaining term to stated maturity. Investors should consider potential variances when making an investment decision concerning the offered certificates.

The final pool of mortgage loans will include mortgage loans which will differ from the pool of initial mortgage loans described in this prospectus supplement

Subsequent mortgage loans may have characteristics different from those of the Group IA initial mortgage loans, Group IB initial mortgage loans, Group II initial mortgage loans and the Group III initial mortgage loans. However, each subsequent mortgage loan must satisfy the eligibility criteria referred to under the “*Description of the Mortgage Pool—Conveyance of Subsequent Mortgage Loans and the Pre-Funding Account*” at the time of its conveyance to the trust and must be underwritten in accordance with the criteria described under “*Description of the Mortgage Pool—Underwriting Standards for the Mortgage Loans*” herein.

The pre-funding feature could result in a significant prepayment on the certificates at the end of the pre-funding period

If the pre-funding account moneys with respect to a Group are not fully applied to the purchase of subsequent mortgage loans by the end of the pre-funding period, the related remaining funds will be used to make a principal prepayment on the class A-1A certificates (to the extent the unapplied funds relate to the Group IA mortgage loans), the class A-1B certificates (to the extent the unapplied funds relate to the Group IB mortgage loans), the class A-2 certificates (to the extent the unapplied funds relate to the Group II mortgage loans), the class A-3 certificates (to the extent the unapplied funds relate to the Group III mortgage loans) and the remaining funds for all Groups, to the mezzanine certificates and the class B certificates. No assurances can be given that there will not be such a payment.

The rate and timing of principal prepayments on the mortgage loans could adversely affect the yield on the offered certificates

The rate and timing of principal payments on the certificates will depend on the rate and timing of principal payments (including prepayments, defaults, liquidations, purchases of the mortgage loans due to a breach of a representation or warranty and the servicer’s limited right to purchase delinquent mortgage loans) on the mortgage loans. Accordingly, the certificates are subject to inherent cash-flow uncertainties because the mortgage loans may be prepaid at any time. The class A-1A certificates will primarily bear the prepayment risk of the Group IA mortgage loans, the class

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A-1B certificates will primarily bear the prepayment risk of the Group IB mortgage loans, the class A-2 certificates will primarily bear the prepayment risk of the Group II mortgage loans, the class A-3 certificates will primarily bear the prepayment risk of the Group III mortgage loans and the mezzanine and class B certificates will bear the prepayment risk of all four Groups of mortgage loans. Generally, when prevailing interest rates increase, prepayment rates on mortgage loans tend to decrease, resulting in a slower return of principal to investors at a time when reinvestment at such higher prevailing rates would be desirable. Conversely, when prevailing interest rates decline, prepayment rates on mortgage loans tend to increase, resulting in a faster return of principal to investors at a time when reinvestment at comparable yields may not be possible.

Approximately 80.61%, 61.09%, 72.58% and 75.35% of the Group IA initial mortgage loans, Group IB initial mortgage loans, Group II initial mortgage loans and Group III initial mortgage loans (in each case, by aggregate principal balance of the related loan group as of the cut-off date), respectively, are subject to prepayment penalties as of the cut-off date. Of the Group IA initial mortgage loans that are subject to prepayment penalties, approximately 76.85% were ARM loans and 23.15% were fixed-rate mortgage loans. Of the Group IB initial mortgage loans that are subject to prepayment penalties, approximately 68.77% were ARM loans and 31.23% were fixed-rate mortgage loans. Of the Group II initial mortgage loans that are subject to prepayment penalties, approximately 84.46% were ARM loans and 15.54% were fixed-rate mortgage loans. Of the Group III initial mortgage loans that are subject to prepayment penalties, approximately 82.30% were ARM loans and 17.70% were fixed-rate mortgage loans. Typically, the mortgage loans with a prepayment penalty provision provide for a prepayment charge for partial prepayments and full prepayments. Prepayment charges may be payable for a period of time ranging from one to five years from the related origination date. Such prepayment charges may reduce the rate of prepayment on the mortgage loans. Under certain circumstances, as described in the pooling and servicing agreement, the servicer may waive the payment of any otherwise applicable prepayment charge. Investors should conduct their own analysis of the effect, if any, that the prepayment charges, and decisions by the servicer with respect to the waiver thereof, may have on the prepayment performance of the mortgage loans. The company makes no representations as to the effect that the prepayment charges, and decisions by the servicer with respect to the waiver thereof, may have on the prepayment performance of the mortgage loans.

See “*Certain Yield and Prepayment Considerations*” herein and “*Description of the Securities—Weighted Average Life of the Securities*” in the prospectus.

The yield to maturity on the certificates will depend on, among other things, the rate and timing of principal payments (including prepayments, defaults, liquidations, purchases of the mortgage loans due to a breach of a representation or warranty and purchases of delinquent loans by the servicer) on the mortgage loans. The yield to maturity on the certificates will also depend on the related certificate interest rate and the purchase price for such certificates.

If the certificates are purchased at a premium and principal payments thereon occur at a rate faster than anticipated at the time of purchase, the investor’s actual yield to maturity will be lower than that assumed at the time of purchase. Conversely, if the certificates are purchased at a discount and principal payments thereon occur at a rate slower than that assumed at the time of purchase, the investor’s actual yield to maturity will be lower than that assumed at the time of purchase. The certificates were structured assuming, among other things, a prepayment rate and corresponding weighted average lives as described herein. The prepayment, yield and other assumptions to be used for pricing purposes for the certificates may vary as determined at the time of sale.

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See “*Certain Yield and Prepayment Considerations*” herein and “*Description of the Securities—Weighted Average Life of the Securities*” in the prospectus.

The related available funds cap rate or the maximum rate of 11% can cause reductions in the amount of interest payable on the underwritten certificates

Each class of underwritten certificates bears interest at a rate subject to a related available funds cap rate and a maximum rate of 11%. Furthermore, the indices relating to the ARM loans are different from the index which relates to the certificates. Thus the weighted average coupon rate on such ARM loans may not rise in step with the coupon rate on the certificates.

This risk would be increased if the ARM loans in the pool were to be prepaid, increasing the proportion of fixed-rate mortgage loans remaining in the pool.

The assignment of certain of the mortgages in the name of MERS may result in delays and additional costs in commencing, prosecuting and completing foreclosure proceedings

The assignment of certain of the mortgages in the name of Mortgage Electronic Registration Systems, Inc. (“MERS”) is a new practice in the mortgage lending industry. The company expects that the servicer or successor servicer will be able to commence foreclosure proceedings on the mortgaged properties, when necessary and appropriate; however, public recording officers and others may have limited, if any, experience with lenders seeking to foreclose mortgages, assignments of which are registered with MERS. Accordingly, delays and additional costs in commencing, prosecuting and completing foreclosure proceedings, defending litigation commenced by third parties and conducting foreclosure sales of the mortgaged properties could result. Those delays and additional costs could in turn delay the distribution of liquidation proceeds to the certificateholders and increase the amount of realized losses on the mortgage loans.

The class A-1B, mezzanine and class B certificates are particularly sensitive to the timing and amount of losses and prepayments on the mortgage loans

The weighted average lives of, and the yields to maturity on, the class A-1B certificates, the class M-1 certificates, the class M-2 certificates, the class M-3 certificates, the class M-4 certificates, the class M-5 certificates, the class M-6 certificates, the class B-1 certificates, the class B-2 certificates and the class B-3 certificates will be progressively more sensitive, in reverse order of such certificates’ payment priority, to the rate and timing of mortgagor defaults and the severity of ensuing losses on the mortgage loans. If the actual rate and severity of losses on the mortgage loans is higher than those assumed by an investor in those certificates, the actual yield to maturity of such certificates may be lower than the yield anticipated by such holder based on such assumption. The timing of losses on the mortgage loans will also affect an investor’s actual yield to maturity, even if the rate of defaults and severity of losses over the life of the mortgage pool are consistent with an investor’s expectations. In general, the earlier a loss occurs, the greater the effect on an investor’s yield to maturity. Realized losses on the mortgage loans, to the extent they exceed the amount of overcollateralization following distributions of principal on the related distribution date, will reduce the certificate balance of first, the class B-3 certificates to the extent outstanding, second, the class B-2 certificates to the extent outstanding, third, the class B-1 certificates to the extent outstanding, fourth, sequentially to the class of mezzanine certificates then outstanding in reverse order of numerical class designation and fifth, the class A-1B certificates to the extent outstanding. Any such reduction to the certificate balance of the class A-1B certificates will only occur to the extent caused by realized losses from the Group IA or Group IB mortgage loans. As a result of such reductions, less interest will accrue on each such class of class B certificates, mezzanine certificates or class A-1B certificates than would otherwise be the case. Once a realized loss is

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allocated to a class B certificate, a mezzanine certificate or class A-1B certificate, such amounts may be distributable as a result of Subsequent Recoveries on the Mortgage Loans with respect to such written down amount.

Unless the certificate balances of the class A certificates have been reduced to zero, the mezzanine and class B certificates will not be entitled to any principal distributions until, at the earliest, the distribution date in April 2007. Even after the date on which the mezzanine certificates and class B certificates are scheduled to begin to amortize they may become locked out of receiving principal distributions during periods in which delinquencies or losses on the mortgage loans exceed certain levels. As a result, the weighted average lives of such certificates will be longer than would otherwise be the case if distributions of principal were allocated among all of the certificates at the same time. As a result of the longer weighted average lives of such certificates, the holders of such certificates have a greater risk of suffering a loss on their investments. Further, because such certificates might not receive any principal if certain delinquency levels occur, it is possible for such certificates, for so long as the class A certificates are outstanding, to receive no principal distributions even if no losses have occurred on the mortgage pool.

The structure of the mezzanine certificates and class B certificates causes the yield of such classes to be particularly sensitive to changes in the rates of prepayment of the mortgage loans. Because distributions of principal will be made to the holders of such certificates according to the priorities described in this prospectus supplement, the yield to maturity on such classes of certificates will be sensitive to the rates of prepayment on the mortgage loans experienced both before and after the commencement of principal distributions on such classes.

Ratings on the offered certificates are dependent upon the creditworthiness of Mortgage Guaranty Insurance Corporation, PMI Mortgage Insurance Company and Radian Guaranty Inc.

The ratings assigned to the offered certificates by the rating agencies will be based in part on the credit characteristics of the mortgage loans and on ratings assigned to Mortgage Guaranty Insurance Corporation, PMI Mortgage Insurance Company and Radian Guaranty Inc. Mortgage Guaranty Insurance Corporation insures approximately 29.30% of the Group IA initial mortgage loans having lender-paid mortgage insurance policies, 9.00% of the Group IB initial mortgage loans having lender-paid mortgage insurance policies, 28.66% of the Group II initial mortgage loans having lender-paid mortgage insurance policies and 25.91% of the Group III initial mortgage loans having lender-paid mortgage insurance policies (by aggregate principal balance of the related loan group as of the cut-off date). PMI Mortgage Insurance Company insures approximately 0.17% of the Group II initial mortgage loans having lender-paid mortgage insurance policies (by aggregate principal balance of the related loan group as of the cut-off date). Radian Guaranty Inc. insures approximately 0.03% of the Group II initial mortgage loans having lender-paid mortgage insurance policies (by aggregate principal balance of the related loan group as of the cut-off date). Of the Group IA initial mortgage loans, approximately 29.30% (by aggregate principal balance as of the cut-off date) are covered by lender-paid mortgage insurance policies. Of the Group IB initial mortgage loans, approximately 9.00% (by aggregate principal balance as of the cut-off date) are covered by lender-paid mortgage insurance policies. Of the Group II initial mortgage loans, approximately 28.86% (by aggregate principal balance as of the cut-off date) are covered by lender-paid mortgage insurance policies. Of the Group III initial mortgage loans, approximately 25.91% (by aggregate principal balance as of the cut-off date) are covered by lender-paid mortgage insurance policies. Any reduction in the ratings assigned to any of the mortgage insurance providers by the rating agencies could result in the reduction of the ratings assigned to the offered certificates. This reduction in ratings could adversely affect the liquidity and market value of the offered certificates.

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The class P certificates have certain inherent risks

Holders of the class P certificates are entitled to receive distributions of prepayment charges collected with respect to the mortgage loans. Such prepayment charges can only be collected during a finite period of time. If no prepayment charges are collected during such time, the holders of class P certificates will not receive any payments. Also, the amount of prepayment charges that could be collected declines over the period of time in which prepayment charges apply. Thus, the amount of the distribution to the holders of the class P certificates could be adversely affected by the timing of the prepayment. Furthermore, the servicer, under certain circumstances as described in the pooling and servicing agreement, may waive any prepayment charges. If the servicer waives the prepayment charge for a reason other than those specified in the pooling and servicing agreement, the servicer will pay the amount of the waived prepayment charge to the trust fund for distribution to the holders of the class P certificates. If the servicer waives the prepayment charge in accordance with the pooling and servicing agreement, the holders of the class P certificates will not receive a distribution with respect to the waived prepayment charge.

The call of soldiers into active duty could limit the servicer’s ability to collect on the loans

As described in the prospectus, the Servicemembers Civil Relief Act and similar state laws limit the rate of interest and the ability of the servicer to foreclose on mortgages if the mortgagor is called into military service after the origination of the loan. A number of reservists and other soldiers have been recently called into active duty and additional soldiers could be called into service in the future. If any of the borrowers enter into active military duty, shortfalls and losses to the trust and the certificates could result.

Use of Proceeds

After deducting the estimated expenses of this offering, the net proceeds to the company from the sale of the certificates offered hereby are estimated to be \$1,722,281,981. The company will use the entire net proceeds to pay the seller for the mortgage loans and to make the initial deposit to the pre-funding account. The seller anticipates that it will use a portion of the proceeds to repay indebtedness and accrued interest under its warehouse lines of credit, including those provided by one or more affiliates of the underwriters. The company and the seller believe that funds provided by the net proceeds of this offering will be sufficient to accomplish the purposes set forth above.

Description of the Mortgage Pool

The statistical information presented in this prospectus supplement describes only the Group IA initial mortgage loans, the Group IB initial mortgage loans, the Group II initial mortgage loans and the Group III initial mortgage loans (collectively, the “initial mortgage loans”) that are expected to be included in the trust estate on the closing date, and does not include the additional mortgage loans that will be added to the trust on the closing date and the subsequent mortgage loans which may be acquired through the pre-funding feature.

The “cut-off date” for the initial mortgage loans and the additional mortgage loans is the later of March 1, 2004, and the date of origination of such initial mortgage loan or additional mortgage loan. The cut-off date for any subsequent mortgage loan is the later of (i) the first day of the month in which such subsequent mortgage loan is acquired by the trust and (ii) the date of origination of such subsequent mortgage loan.

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It is possible that some of the initial mortgage loans may be repaid or prepaid in full or in part, or otherwise removed from the mortgage loan pool prior to the closing date. In this event, other mortgage loans may be transferred to the trust. The company believes that the information set forth herein with respect to the mortgage loan pool and each loan group as presently constituted is representative of the characteristics of the initial mortgage loan pool and each initial loan group as they will be constituted on the closing date, although some characteristics in the initial mortgage loan pool may vary.

All statistical information related to the initial mortgage loans and contained herein is stated as of February 1, 2004, and all percentages, unless otherwise stated, are by aggregate principal balance.

This prospectus supplement contains information regarding the initial mortgage loans to be included in the pool as of the closing date. These initial mortgage loans consist of mortgage loans originated through February 5, 2004. The company will also transfer additional mortgage loans (collectively, the “additional mortgage loans”) to the trust on the closing date. Although these additional mortgage loans will have characteristics that differ somewhat from the initial mortgage loans we describe in this prospectus supplement, the company does not expect that their characteristics will vary materially from the initial mortgage loans. In addition, all additional mortgage loans must conform to the representations and warranties in the pooling and servicing agreement. The initial mortgage loans and the additional mortgage loans are collectively referred to as the “closing date mortgage loans.”

The company expects that the closing date mortgage loans will have an aggregate principal balance as of the date of their transfer to the trust of approximately \$1,200,000,000, or approximately 68.57% of the sum of (i) the aggregate principal balance of the closing date mortgage loans as of the related cut-off date and (ii) the original pre-funded amount. The initial mortgage loans have an aggregate principal balance as of the cut-off date of approximately \$676,277,012, or approximately 38.64% of the sum of (i) the aggregate principal balance of the closing date mortgage loans as of the related cut-off date and (ii) the original pre-funded amount. The company expects the additional mortgage loans to be added to the trust on the closing date to have an aggregate principal balance as of their cut-off date of approximately \$523,722,988, or approximately 29.93% of the sum of (i) the aggregate principal balance of the closing date mortgage loans as of the related cut-off date and (ii) the original pre-funded amount.

Subsequent mortgage loans are intended to be purchased by the trust from the seller from time to time before the end of the pre-funding period, from funds on deposit in the pre-funding account as described below under “—*Conveyance of Subsequent Mortgage Loans and the Pre-Funding Account.*” The subsequent mortgage loans must conform to certain specified characteristics described below under “—*Conveyance of Subsequent Mortgage Loans and the Pre-Funding Account.*” Although these subsequent mortgage loans will have characteristics that differ somewhat from the initial mortgage loans we describe in this prospectus supplement, the company does not expect that their characteristics will vary materially from the initial mortgage loans. In addition, all subsequent mortgage loans must conform to the representations and warranties in the pooling and servicing agreement.

The mortgage pool will consist of conventional, monthly payment, first- and second-lien mortgage loans with terms to maturity of not more than 30 years from the date of origination or modification. The mortgage pool will consist of both adjustable-rate mortgage (“ARM”) loans and fixed-rate mortgage loans.

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NovaStar Mortgage, Inc., in its capacity as seller, will convey the mortgage loans to NovaStar Mortgage Funding Corporation pursuant to a mortgage loan purchase agreement. NovaStar Mortgage Funding Corporation will then convey the mortgage loans to the trust. All of the mortgage loans will be serviced by NovaStar Mortgage, Inc., as the servicer. The seller will make various representations and warranties regarding the mortgage loans under the purchase agreement and will have repurchase or substitution obligations if those representations or warranties are violated. The obligations of NovaStar Mortgage, Inc. under the mortgage loan purchase agreement will be guaranteed by an affiliate, NovaStar Financial, Inc. See “*Description of the Certificates—Assignment of Mortgage Loans*” herein.

The mortgages for certain mortgage loans were or may be, at the sole discretion of the servicer, originally recorded in the name of Mortgage Electronic Registration Systems, Inc. (“MERS”), solely as nominee for the seller, and its successors and assigns; furthermore, subsequent assignments of such mortgages were or may be, at the sole discretion of the servicer, registered electronically through the MERS System. For certain other mortgage loans, (i) the mortgage was originally recorded in the name of the seller, (ii) record ownership was later assigned to MERS, solely as nominee for the seller, and (iii) subsequent assignments of the mortgage were or may be, at the sole discretion of the servicer, registered electronically through the MERS System. For each of such mortgage loans, MERS serves as mortgagee of record on the mortgage solely as a nominee in an administrative capacity on behalf of the trustee, and does not have any beneficial interest in the mortgage loan.

Approximately 56.69% by principal balance of the initial mortgage loans have original loan-to-value ratios in excess of 80%. Approximately 27.14% of the initial mortgage loans with an original loan-to-value ratio in excess of 60% are covered by a lender-paid primary mortgage insurance policy insuring first losses on the principal balance of each initial mortgage loan. See “*Description of the Mortgage Pool—Private Mortgage Insurance*” herein. The remainder of the initial mortgage loans will either be covered by a borrower-paid mortgage insurance policy or will not be covered by a mortgage insurance policy.

As of the cut-off date, the minimum loan-to-value ratio at origination for the initial mortgage loans was approximately 10.00%, the maximum loan-to-value ratio at origination was approximately 100.00%, and the weighted average loan-to-value ratio at origination was approximately 83.17% (references to loan-to-value ratios in this prospectus supplement are references to combined loan-to-value ratios with respect to second-lien mortgage loans).

All of the mortgage loans will contain a customary “due-on-sale” clause, although the mortgage loans may be assumable if permitted by the servicer under certain circumstances. See “*Certain Yield and Prepayment Considerations*” herein. Pursuant to the terms of the pooling and servicing agreement, the servicer will be entitled to all late payment charges received on the mortgage loans as additional servicing compensation and such amounts will not be available for distribution on the certificates.

The initial mortgage loans have original terms to stated maturity of not more than 360 months.

Approximately 0.36% of the initial mortgage loans are 30 to 59 days delinquent as of the cut-off date. Approximately 0.07% of the initial mortgage loans are 60 to 89 days delinquent as of the cut-off date. Approximately 0.01% of the initial mortgage loans are 90 to 119 days delinquent as of the cut-off date.

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Approximately 98.59% of the initial mortgage loans are secured by a first-lien on the related mortgaged property, and approximately 1.41% of the initial mortgage loans are secured by a second-lien on the related mortgaged property.

Approximately 5.59% of the initial mortgage loans are secured by a first-lien on the related mortgaged property for which a second-lien was originated at the same time as the first-lien.

None of the initial mortgage loans are subject to temporary buydown plans, pursuant to which the monthly payments made by the mortgage during the early years of the loan are less than the scheduled monthly payments thereon.

The due date for approximately 99.96% of the initial mortgage loans is the first day of the month.

Of the initial mortgage loans, approximately 81.03% by principal balance are ARM loans and approximately 18.97% are fixed-rate mortgage loans. The mortgage rates on all of the ARM loans adjust semi-annually.

Prepayment Charges

Of the initial mortgage loans, approximately 75.62% by principal balance are subject to prepayment penalties as of the cut-off date. Of the initial mortgage loans subject to prepayment penalties, approximately 80.91% are ARM loans, and approximately 19.09% are fixed-rate mortgage loans. The prepayment penalty provisions typically provide for payment of a prepayment penalty for partial prepayments and full prepayments. Prepayments may be payable for a period of time ranging from one to five years from the related origination date. Prepayment penalties received on the mortgage loans will be available for distribution on the class P certificates only.

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The initial mortgage loans are expected to have the following characteristics as of the cut-off date (the sum in any column may not equal the total indicated due to rounding):

Geographic Distribution of the Mortgaged Properties of the Initial Mortgage Loans			
Location	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Initial Mortgage Loans by Aggregate Principal Balance
Alabama	35	\$ 3,028,243.72	0.45%
Arizona	93	13,463,728.10	1.99
Arkansas	34	3,119,736.59	0.46
California	754	158,090,293.27	23.38
Colorado	94	16,705,123.76	2.47
Connecticut	63	10,498,800.74	1.55
Delaware	13	2,411,399.48	0.36
District of Columbia	32	5,733,575.41	0.85
Florida	817	106,387,818.36	15.73
Georgia	175	24,015,997.64	3.55
Idaho	19	2,127,856.07	0.31
Illinois	81	14,499,584.74	2.14
Indiana	64	6,284,667.89	0.93
Iowa	8	749,626.57	0.11
Kansas	30	2,971,409.67	0.44
Kentucky	44	5,049,319.10	0.75
Louisiana	113	11,927,860.56	1.76

Maine	19	2,391,130.50	0.35
Maryland	95	14,434,590.06	2.13
Massachusetts	56	13,019,444.03	1.93
Michigan	198	25,241,213.19	3.73
Minnesota	22	2,890,464.36	0.43
Mississippi	48	5,208,956.95	0.77
Missouri	90	10,586,267.69	1.57
Montana	5	912,835.68	0.13
Nebraska	6	570,411.67	0.08
Nevada	93	13,768,530.90	2.04
New Hampshire	26	4,344,944.25	0.64
New Jersey	19	3,397,490.53	0.50
New Mexico	11	1,127,254.61	0.17
New York	106	19,137,145.90	2.83
North Carolina	128	16,389,263.46	2.42
North Dakota	2	209,012.42	0.03
Ohio	282	29,906,741.95	4.42
Oklahoma	56	5,214,622.65	0.77
Oregon	60	8,109,406.42	1.20
Pennsylvania	164	17,028,857.21	2.52
Rhode Island	7	1,400,270.70	0.21
South Carolina	69	8,186,986.77	1.21

South Dakota	5	442,032.81	0.07
Tennessee	101	10,075,398.91	1.49
Texas	210	23,566,379.29	3.48
Utah	20	2,794,837.93	0.41
Vermont	3	269,440.83	0.04
Virginia	158	25,760,100.12	3.81
Washington	113	19,124,320.85	2.83
West Virginia	11	1,027,323.80	0.15
Wisconsin	17	2,204,708.00	0.33
Wyoming	4	471,586.19	0.07
Total	4,673	\$ 676,277,012.30	100.00%

No more than approximately 0.33% (the highest concentration in a single zip code) of the initial mortgage loans will be secured by mortgaged properties located in Florida in the 33024 zip code.

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Types of Mortgaged Properties of the Initial Mortgage Loans			
Property Type	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Initial Mortgage Loans by Aggregate Principal Balance
Single Family Residence	3,574	\$ 503,266,934.61	74.42%
PUD	578	94,223,277.86	13.93
Condo	301	41,505,333.57	6.14
Multi-Unit	220	37,281,466.26	5.51
Total	4,673	\$ 676,277,012.30	100.00%

Use of Proceeds of the Initial Mortgage Loans			
Use of Proceeds ⁽¹⁾	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Initial Mortgage Loans by Aggregate Principal Balance
Cash Out Refinance	2,802	\$ 412,701,741.19	61.03%
Purchase	1,484	210,729,435.42	31.16
Rate/Term Refinance	387	52,845,835.69	7.81
Total	4,673	\$ 676,277,012.30	100.00%

⁽¹⁾ In general, in the case of a mortgage loan made for “rate/term” refinance purposes, substantially all of the proceeds are used to pay in full the principal balance of a previous mortgage loan of the mortgagor with respect to the related mortgaged property and to pay associated origination and closing costs. Mortgage loans made for “cash-out” refinance purposes may involve the use of the proceeds to pay in full the principal balance of a previous mortgage loan and related costs except that a portion of the proceeds are generally retained by the mortgagor for uses unrelated to the mortgaged property. The amount of these proceeds retained by the mortgagor may be substantial.

Occupancy Status of the Mortgaged Properties of the Initial Mortgage Loans			
Occupancy Status	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Initial Mortgage Loans by Aggregate Principal Balance
Primary	4,353	\$ 638,488,529.90	94.41%
Investment (Non-Owner Occupied)	275	30,720,182.20	4.54
Secondary	45	7,068,300.20	1.05
Total	4,673	\$ 676,277,012.30	100.00%

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Documentation Type of the Initial Mortgage Loans			
Documentation	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Initial Mortgage Loans by Aggregate Principal Balance
Full Documentation	2,533	\$ 338,079,722.12	49.99%
Stated Income	1,668	271,222,567.60	40.11
No Documentation	366	49,682,396.56	7.35
Limited Documentation	106	17,292,326.02	2.56
Total	4,673	\$ 676,277,012.30	100.00%

Risk Classification of the Initial Mortgage Loans			
Grade	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Initial Mortgage Loans by Aggregate Principal Balance
A+	1	\$ 264,514.97	0.04%
A	3	943,960.59	0.14
Alt A	974	143,993,513.23	21.29
M1	2,455	361,414,880.78	53.44
M2	921	127,684,000.81	18.88
M3	218	27,779,781.61	4.11

M4	100	13,878,994.45	2.05
FICO Enhanced	1	317,365.86	0.05
Total	4,673	\$ 676,277,012.30	100.00%

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Original Loan-to-Value Ratios of the Initial Mortgage Loans				
Range of Original Loan-to-Value Ratios (%)		Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Initial Mortgage Loans by Aggregat e Principal Balance
5.01 to	10.00	1	\$ 134,877.96	0.02%
15.01 to	20.00	1	149,778.89	0.02
20.01 to	25.00	4	365,749.75	0.05
25.01 to	30.00	11	735,039.89	0.11
30.01 to	35.00	9	587,279.14	0.09
35.01 to	40.00	22	1,932,002.42	0.29
40.01 to	45.00	18	2,503,887.33	0.37
45.01 to	50.00	48	5,561,294.49	0.82
50.01 to	55.00	61	7,924,573.85	1.17
55.01 to	60.00	110	16,920,870.21	2.50
60.01 to	65.00	150	21,511,237.66	3.18
65.01 to	70.00	246	35,653,768.50	5.27
70.01 to	75.00	369	54,959,801.68	8.13
75.01 to	80.00	963	143,980,833.41	21.29
80.01 to	85.00	523	80,381,335.31	11.89
85.01 to	90.00	1,056	159,436,883.75	23.58
90.01 to	95.00	452	70,347,059.38	10.40
95.01 to	100.00	629	73,190,738.68	10.82

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Principal Balances of the Initial Mortgage Loans				
Range of Principal Balances (\$)		Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Initial Mortgage Loans by Aggregate Principal Balance
0.01 to	50,000.00	338	\$ 12,359,971.77	1.83%
50,000.01 to	100,000.00	1,283	99,034,412.63	14.64
100,000.01 to	150,000.00	1,343	166,560,024.48	24.63
150,000.01 to	200,000.00	787	136,087,878.48	20.12
200,000.01 to	250,000.00	407	90,629,201.89	13.40
250,000.01 to	300,000.00	227	62,032,632.06	9.17
300,000.01 to	350,000.00	149	48,055,729.75	7.11
350,000.01 to	400,000.00	60	22,465,620.36	3.32
400,000.01 to	450,000.00	32	13,646,809.40	2.02
450,000.01 to	500,000.00	31	14,968,711.89	2.21
500,000.01 to	550,000.00	4	2,125,055.95	0.31
550,000.01 to	600,000.00	5	2,877,573.27	0.43
600,000.01 to	650,000.00	2	1,297,193.30	0.19
650,000.01 to	700,000.00	1	663,273.21	0.10
750,000.01 to	800,000.00	1	756,690.18	0.11
800,000.01 to	850,000.00	1	817,259.08	0.12
850,000.01 to	900,000.00	1	900,000.00	0.13
950,000.01 to	1,000,000.00	1	998,974.60	0.15

Total	4,673	\$ 676,277,012.30	100.00%
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Average: \$144,720.10 (approximate)

Remaining Terms to Maturity of the Initial Mortgage Loans

Range of Remaining Terms (months)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Initial Mortgage Loans by Aggregat e Principal Balance
109 to 120	3	\$ 207,578.89	0.03%
169 to 180	430	29,457,919.77	4.36
229 to 240	27	3,110,820.18	0.46
289 to 300	2	203,913.81	0.03
349 to 360	4,211	643,296,779.65	95.12
Total	4,673	\$ 676,277,012.30	100.00%

Weighted Average: 350 months (approximate)

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Lien Position of the Initial Mortgage Loans			
Lien Position	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Initial Mortgage Loans by Aggregate Principal Balance
First Lien	4,431	\$ 666,715,621.28	98.59%
Second Lien	242	9,561,391.02	1.41
Total	4,673	\$ 676,277,012.30	100.00%

Credit Scores of the Initial Mortgage Loans			
Range of Credit Scores	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Initial Mortgage Loans by Aggregate Principal Balance
476 to 500	1	\$ 77,947.13	0.01%
501 to 525	174	24,599,971.22	3.64
526 to 550	579	74,461,216.12	11.01
551 to 575	546	73,780,461.34	10.91
576 to 600	605	85,867,750.63	12.70
601 to 625	631	97,812,918.15	14.46
626 to 650	624	97,142,281.47	14.36
651 to 675	559	84,706,943.19	12.53
676 to 700	431	64,457,033.95	9.53

701 to 725	251	38,096,079.21	5.63
726 to 750	160	20,702,533.08	3.06
751 to 775	77	10,125,638.41	1.50
776 to 800	34	4,272,824.16	0.63
801 to 825	1	173,414.24	0.03
Total	4,673	\$ 676,277,012.30	100.00%

Weighted Average: 622 (approximate)

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Current Mortgage Rates of the Initial Mortgage Loans			
Range of Current Mortgage Rates (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Initial Mortgage Loans by Aggregate Principal Balance
4.001 to 4.500	1	\$ 316,105.16	0.05%
4.501 to 5.000	16	3,807,956.92	0.56
5.001 to 5.500	52	10,236,197.29	1.51
5.501 to 6.000	209	45,567,596.91	6.74
6.001 to 6.500	425	73,859,166.42	10.92
6.501 to 7.000	802	132,954,638.67	19.66
7.001 to 7.500	674	105,919,628.31	15.66
7.501 to 8.000	735	108,392,956.97	16.03
8.001 to 8.500	463	61,016,029.82	9.02
8.501 to 9.000	477	57,880,934.21	8.56
9.001 to 9.500	275	32,234,806.68	4.77
9.501 to 10.000	232	24,614,021.91	3.64
10.001 to 10.500	97	9,348,256.67	1.38
10.501 to 11.000	82	4,665,660.90	0.69
11.001 to 11.500	25	1,379,271.07	0.20
11.501 to 12.000	35	1,444,063.01	0.21
12.001 to 12.500	8	329,235.46	0.05
12.501 to 13.000	65	2,310,485.92	0.34

Total	4,673	\$ 676,277,012.30	100.00%
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Weighted Average: 7.543% (approximate)

Fixed Rate Mortgage Loan Types of the Initial Fixed Rate Mortgage Loans

Mortgage Loan Type	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Initial Fixed Rate Mortgage Loans by Aggregate Principal Balance
Fixed Rate 30 Year	678	\$ 94,288,960.90	73.50%
Fixed Rate 15 Year	235	21,290,492.89	16.60
Balloon 15 Year	194	8,107,952.85	6.32
Fixed Rate 20 Year	25	2,925,658.08	2.28
Fixed Rate 30 Year Interest Only	9	1,306,602.92	1.02
Fixed Rate 25 Year	2	203,913.81	0.16
Fixed Rate 10 Year	2	155,419.44	0.12
Total	1,145	\$ 128,279,000.89	100.00%

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Initial Periodic Rate Cap of the Initial ARM Loans			
Initial Periodic Rate Cap (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Initial ARM Loans by Aggregate Principal Balance
1.000	4	\$ 605,094.89	0.11%
2.000	20	3,724,519.10	0.68
3.000	3,504	543,668,397.42	99.21
Total	3,528	\$ 547,998,011.41	100.00%

Periodic Rate Cap of the Initial ARM Loans			
Periodic Rate Cap (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Initial ARM Loans by Aggregate Principal Balance
1.000	3,527	\$ 547,663,580.67	99.94%
2.000	1	334,430.74	0.06
Total	3,528	\$ 547,998,011.41	100.00%

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Maximum Loan Rates of the Initial ARM Loans				
Range of Maximum Loan Rates (%)	Number of Mortgage Loans		Aggregate Principal Balance	Percentage of the Initial ARM Loans by Aggregate Principal Balance
11.001 to 11.500	2	\$	446,803.98	0.08%
11.501 to 12.000	17		3,961,576.69	0.72
12.001 to 12.500	45		9,124,624.12	1.67
12.501 to 13.000	145		32,876,375.28	6.00
13.001 to 13.500	267		49,628,287.20	9.06
13.501 to 14.000	543		92,168,641.38	16.82
14.001 to 14.500	470		79,075,190.70	14.43
14.501 to 15.000	532		84,004,805.95	15.33
15.001 to 15.500	330		48,390,129.06	8.83
15.501 to 16.000	368		47,314,601.51	8.63
16.001 to 16.500	226		28,414,657.32	5.19
16.501 to 17.000	168		20,693,053.41	3.78
17.001 to 17.500	71		8,300,418.83	1.51
17.501 to 18.000	48		5,808,331.67	1.06
18.001 to 18.500	35		3,956,113.14	0.72
18.501 to 19.000	28		4,585,500.34	0.84
19.001 to 19.500	37		5,333,566.49	0.97
19.501 to 20.000	40		7,251,033.01	1.32

20.001 to 20.500	37	5,269,394.27	0.96
20.501 to 21.000	25	2,479,040.34	0.45
21.001 to 21.500	22	3,082,978.71	0.56
21.501 to 22.000	20	2,004,207.76	0.37
22.001 to 22.500	20	1,546,218.97	0.28
22.501 to 23.000	15	1,179,332.34	0.22
23.001 to 23.500	5	409,267.35	0.07
23.501 to 24.000	7	431,196.27	0.08
24.001 to 24.500	1	41,577.70	0.01
24.501 to 25.000	4	221,087.62	0.04
Total	3,528	\$ 547,998,011.41	100.00%

Weighted Average: 14.964% (approximate)

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Minimum Loan Rates of the Initial ARM Loans			
Range of Minimum Loan Rates (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Initial ARM Loans by Aggregate Principal Balance
4.001 to 4.500	1	\$ 316,105.16	0.06%
4.501 to 5.000	15	3,665,492.37	0.67
5.001 to 5.500	47	9,181,501.28	1.68
5.501 to 6.000	165	36,458,809.03	6.65
6.001 to 6.500	323	58,364,072.51	10.65
6.501 to 7.000	625	106,013,610.38	19.35
7.001 to 7.500	532	86,801,171.97	15.84
7.501 to 8.000	580	89,680,122.21	16.37
8.001 to 8.500	366	51,238,850.24	9.35
8.501 to 9.000	379	48,056,817.33	8.77
9.001 to 9.500	231	28,676,316.89	5.23
9.501 to 10.000	161	19,615,542.87	3.58
10.001 to 10.500	62	6,989,645.94	1.28
10.501 to 11.000	31	2,112,894.18	0.39
11.001 to 11.500	10	827,059.05	0.15
Total	3,528	\$ 547,998,011.41	100.00%

Weighted Average: 7.506% (approximate)

Next Interest Adjustment Date of the Initial ARM Loans			
Next Interest Adjustment Date	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Initial ARM Loans by Aggregate Principal Balance
August 2004	2	\$ 368,618.44	0.07%
December 2005	103	15,883,860.48	2.90
July 2005	1	183,979.69	0.03
November 2005	278	36,580,217.49	6.68
October 2005	10	1,473,581.16	0.27
December 2006	5	779,461.11	0.14
February 2006	2,022	322,407,591.69	58.83
January 2006	722	112,123,762.27	20.46
March 2006	55	8,037,982.55	1.47
November 2006	36	4,596,557.09	0.84
October 2006	1	65,547.28	0.01
September 2006	1	334,430.74	0.06
February 2007	186	27,781,694.45	5.07
January 2007	83	13,065,824.74	2.38
March 2007	9	1,404,080.00	0.26
December 2008	3	708,409.95	0.13
November 2008	11	2,202,412.28	0.40

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Gross Margins of the Initial ARM Loans			
Range of Gross Margins (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Initial ARM Loans by Aggregate Principal Balance
0.001 to 0.500	1	\$ 104,448.60	0.02%
2.501 to 3.000	1	334,430.74	0.06
3.001 to 3.500	1	161,782.74	0.03
3.501 to 4.000	10	2,526,067.92	0.46
4.001 to 4.500	59	11,574,605.04	2.11
4.501 to 5.000	191	32,214,187.73	5.88
5.001 to 5.500	447	76,740,513.99	14.00
5.501 to 6.000	536	93,504,668.53	17.06
6.001 to 6.500	546	88,656,423.28	16.18
6.501 to 7.000	511	79,725,586.51	14.55
7.001 to 7.500	428	63,831,873.42	11.65
7.501 to 8.000	385	51,544,589.32	9.41
8.001 to 8.500	247	31,054,044.42	5.67
8.501 to 9.000	115	11,521,895.42	2.10
9.001 to 9.500	45	4,093,122.85	0.75
9.501 to 10.000	4	331,060.96	0.06
10.501 to 11.000	1	78,709.94	0.01

Total	3,528	\$	547,998,011.41	100.00%
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Weighted Average: 6.427% (approximate)

ARM Mortgage Loan Types of the Initial ARM Loans

Mortgage Loan Type	Number of Mortgage Loans		Aggregate Principal Balance	Percentage of the Initial ARM Loans by Aggregate Principal Balance
ARM 2/28 - 6 Month LIBOR	3,052	\$	464,617,725.14	84.78%
ARM 3/27 - 6 Month LIBOR	305		43,194,848.02	7.88
ARM 2/28 Interest Only	139		32,073,250.19	5.85
ARM 3/27 Interest Only	15		4,498,316.65	0.82
ARM 5/25	14		2,910,822.23	0.53
ARM - 6 Month LIBOR	2		368,618.44	0.07
ARM 3 Year	1		334,430.74	0.06
Total	3,528	\$	547,998,011.41	100.00%

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Adjustable Rate Feature of the ARM Loans

Effective with the first payment due on an ARM loan after each related adjustment date, the monthly payment will be adjusted to an amount that will fully amortize the outstanding principal balance of the mortgage loan over its remaining term. The weighted average number of months from the cut-off date to the next adjustment date for the initial ARM loans is approximately 24 months.

Adjustments to the mortgage rates on approximately 99.93% of the initial ARM loans commence after an initial period after origination of two years, three years or five years in each case on each applicable adjustment date to a rate equal to the sum, generally rounded up to the nearest one-eighth of one percentage point (12.5 basis points), of (i) the related index plus (ii) a fixed gross margin. Approximately 0.07% of the initial ARM mortgage loans are not subject to an initial fixed rate period. In addition, the mortgage rate on each ARM loan is subject, on its first adjustment date following its origination, to a cap and on each adjustment date thereafter to a periodic rate cap. All of the ARM loans are also subject to specified maximum and minimum lifetime mortgage rates. The initial ARM loans were generally originated with an initial mortgage rate below the sum of the current index and the gross margin. Due to the application of the periodic rate caps, maximum mortgage rates and minimum mortgage rates, the mortgage rate on any initial ARM loan, as adjusted on any related adjustment date, may not equal the sum of the related index and the gross margin.

Substantially all of the initial ARM loans will not have reached their first adjustment date as of the closing date. The initial mortgage rate is generally lower than the rate that would have been produced if the applicable gross margin had been added to the related index in effect at origination. ARM loans that have not reached their first adjustment date are, therefore, subject to the initial periodic rate cap on their first adjustment date.

The index applicable to the determination of the mortgage rate on all of the initial ARM loans will be the average of the interbank offered rates for six-month United States dollar deposits in the London market based on quotations of major banks, as published in the Western Edition of The Wall Street Journal, and most recently available as of the first business day generally 30 days prior to the adjustment date (“Six-Month LIBOR”).

None of the initial ARM mortgage loans are convertible mortgage loans, (i.e., an ARM mortgage loan which provides that the borrower may elect to convert the loan to a fixed rate). However, convertible mortgage loans may be added to the trust fund through the pre-funding feature, but, in no event will the aggregate principal balance of such convertible mortgage loans be greater than 0.50% of the aggregate principal balance of all of the mortgage loans in the trust fund. In the seller’s experience, only an immaterial number of borrowers exercised their conversion option. Nevertheless, there can be no assurance that in the future this will continue to be the case. In the event that one of the related borrowers exercises its conversion option, an affiliate of the seller will purchase the related mortgage loan out of the trust fund.

Mortgage Loan Groups

The mortgage loans have been divided into four subpools, designated as the “Group IA mortgage loans,” the “Group IB mortgage loans,” the “Group II mortgage loans” and the “Group III mortgage loans.” The Group IA mortgage loans and the Group II mortgage loans will consist exclusively of mortgage loans that conform to certain agency guidelines described herein. The Group IB mortgage loans and the Group III mortgage loans will consist of a combination of mortgage loans which may conform to certain agency guidelines described herein and mortgage loans that may not conform to such agency guidelines. The class A-1A certificates primarily represent interests in the Group IA mortgage loans. The class A-1B certificates primarily represent interests in the Group IB

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mortgage loans. The class A-2 certificates primarily represent interests in the Group II mortgage loans. The class A-3 certificates primarily represent interests in the Group III mortgage loans. The mezzanine certificates, the class B certificates, the class I certificates, the class O certificates, the class X certificates and the class P certificates represent interests in all four Groups of mortgage loans. Information about the characteristics of the mortgage loans in each Group is described under “*The Group IA Initial Mortgage Loans*,” “*The Group IB Initial Mortgage Loans*,” “*The Group II Initial Mortgage Loans*” and “*The Group III Initial Mortgage Loans*” below.

The Group IA Initial Mortgage Loans

The Group IA initial mortgage loans consist of 1,334 mortgage loans that have an aggregate principal balance of approximately \$188,565,187 as of the cut-off date.

All of the Group IA initial mortgage loans conform to certain agency guidelines with respect to the principal balance of such mortgage loans and certain representations made in respect of those mortgage loans, including the following: (i) none of the Group IA mortgage loans will be subject to the Home Ownership and Equity Protection Act of 1994, or HOEPA, or any comparable state law, (ii) none of the proceeds from any of the Group IA mortgage loans will be used to finance single premium credit life insurance policies, (iii) the servicer will accurately and fully report its borrower credit files to the three largest credit repositories in a timely manner, (iv) none of the Group IA mortgage loans impose a prepayment penalty more than five years after origination of the mortgage loan, (v) each of the Group IA initial mortgage loans complies in all material respects with applicable local, state and federal laws including, but not limited to, all applicable predatory and abusive lending laws, (vi) none of the Group IA initial mortgage loans are “high cost” or “Section 32” mortgage loans and (vii) the principal balance at origination for substantially all of the single family residences originated up to and including December 31, 2003 in most states may not exceed \$322,700, \$413,000 for two-family residences, \$499,300 for three-family residences and \$620,500 for four-family residences, and the principal balance at origination for single family residences originated on or after January 1, 2004 in most states may not exceed \$333,700, \$427,150 for two-family residences, \$516,300 for three-family residences and \$641,650 for four-family residences.

Approximately 19.34% of the Group IA initial mortgage loans are fixed-rate mortgage loans, and approximately 80.66% of the Group IA initial mortgage loans are ARM loans.

Approximately 80.61% of the Group IA initial mortgage loans provide for payment by the mortgagor of a prepayment charge in limited circumstances on certain prepayments.

Approximately 57.93% of the Group IA initial mortgage loans had loan-to-value ratios at origination in excess of 80%.

All of the Group IA initial mortgage loans are secured by first-liens on the related mortgaged property.

The weighted average remaining term to maturity of the Group IA initial mortgage loans is approximately 354 months as of the cut-off date.

The average principal balance of the Group IA initial mortgage loans as of the cut-off date was approximately \$141,353. No Group IA initial mortgage loan had a principal balance, as of the cut-off date, of greater than approximately \$393,000 or less than approximately \$34,089.

The Group IA initial mortgage loans had mortgage rates of not less than approximately 4.750% per annum and not more than approximately 11.300% per annum as of the cut-off

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date, and the weighted average mortgage rate of the Group IA initial mortgage loans was approximately 7.499% per annum as of the cut-off date.

The Group IA initial mortgage loans are expected to have the following characteristics as of the cut-off date (the sum in any column may not equal the total indicated due to rounding):

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Geographic Distribution of the Mortgaged Properties of the Group IA Initial Mortgage Loans

Location	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IA Initial Mortgag e Loans by Aggregate Principal Balance
Alabama	7	\$ 701,827.39	0.37%
Arizona	24	3,901,247.69	2.07
Arkansas	10	868,577.05	0.46
California	216	42,990,675.76	22.80
Colorado	21	3,738,816.48	1.98
Connecticut	24	3,826,769.51	2.03
Delaware	2	285,282.44	0.15
District of Columbia	6	760,777.76	0.40
Florida	290	36,742,421.16	19.49
Georgia	51	6,960,673.33	3.69
Idaho	5	532,716.57	0.28
Illinois	22	3,891,545.29	2.06
Indiana	13	1,539,807.37	0.82
Iowa	1	108,803.45	0.06
Kansas	9	887,586.47	0.47
Kentucky	15	1,537,893.64	0.82
Louisiana	36	3,569,885.30	1.89
Maine	5	522,708.21	0.28

Maryland	23	3,612,102.77	1.92
Massachusetts	19	3,551,562.64	1.88
Michigan	65	8,228,873.60	4.36
Minnesota	3	590,801.21	0.31
Mississippi	22	2,383,958.92	1.26
Missouri	26	2,913,165.13	1.54
Montana	1	230,225.56	0.12
Nebraska	1	115,499.49	0.06
Nevada	18	3,093,455.31	1.64
New Hampshire	8	1,271,594.08	0.67
New Jersey	7	1,184,102.56	0.63
New Mexico	1	122,294.62	0.06
New York	24	4,551,584.17	2.41
North Carolina	22	3,225,951.47	1.71
North Dakota	2	209,012.42	0.11
Ohio	72	7,475,720.30	3.96
Oklahoma	13	1,290,121.16	0.68
Oregon	7	1,021,398.69	0.54
Pennsylvania	53	5,587,265.14	2.96
Rhode Island	1	237,272.59	0.13
South Carolina	21	2,269,182.50	1.20
South Dakota	2	202,962.06	0.11

Tennessee	36	3,389,997.99	1.80
Texas	45	5,000,040.59	2.65
Utah	4	420,460.13	0.22
Vermont	1	94,947.29	0.05
Virginia	45	7,612,964.47	4.04
Washington	25	4,109,996.93	2.18
West Virginia	4	409,835.22	0.22
Wisconsin	5	675,493.91	0.36
Wyoming	1	115,329.44	0.06
Total	1,334	\$ 188,565,187.23	100.00%

No more than approximately 0.49% (the highest concentration in a single zip code) of the Group IA initial mortgage loans will be secured by mortgaged properties located in Virginia in the 22193 zip code.

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Types of Mortgaged Properties of the Group IA Initial Mortgage Loans			
Property Type	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IA Initial Mortgage Loans by Aggregate Principal Balance
Single Family Residence	1,014	\$ 139,655,372.34	74.06%
PUD	152	24,091,950.94	12.78
Condo	98	13,454,370.13	7.14
Multi-Unit	70	11,363,493.82	6.03
Total	1,334	\$ 188,565,187.23	100.00%

Use of Proceeds of the Group IA Initial Mortgage Loans			
Use of Proceeds ⁽¹⁾	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IA Initial Mortgage Loans by Aggregate Principal Balance
Cash Out Refinance	830	\$ 116,752,908.76	61.92%
Purchase	386	56,026,949.63	29.71
Rate/Term Refinance	118	15,785,328.84	8.37
Total	1,334	\$ 188,565,187.23	100.00%

⁽¹⁾ In general, in the case of a mortgage loan made for “rate/term” refinance purposes, substantially all of the proceeds are used to pay in full the principal balance of a previous mortgage loan of the mortgagor with respect to the related mortgaged property and to pay associated origination and closing costs. Mortgage loans made for “cash-out” refinance purposes may involve the use of the proceeds to pay in full the principal balance of a previous mortgage loan and related costs except that a portion of the proceeds are generally retained by the mortgagor for uses unrelated to the mortgaged property. The amount of these proceeds retained by the mortgagor may be substantial.

Occupancy Status of the Mortgaged Properties of the Group IA Initial Mortgage Loans

Occupancy Status	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IA Initial Mortgag e Loans by Aggregate Principal Balance
Primary	1,234	\$ 176,583,696.23	93.65%
Investment (Non-Owner Occupied)	87	9,740,723.01	5.17
Secondary	13	2,240,767.99	1.19
Total	1,334	\$ 188,565,187.23	100.00%

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Documentation Type of the Group IA Initial Mortgage Loans			
Documentation	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IA Initial Mortgage Loans by Aggregate Principal Balance
Full Documentation	695	\$ 90,880,533.50	48.20%
Stated Income	487	75,754,745.21	40.17
No Documentation	112	15,483,772.15	8.21
Limited Documentation	40	6,446,136.37	3.42
Total	1,334	\$ 188,565,187.23	100.00%

Risk Classification of the Group IA Initial Mortgage Loans			
Grade	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IA Initial Mortgage Loans by Aggregate Principal Balance
Alt A	279	\$ 41,457,135.95	21.99%
M1	698	98,464,904.64	52.22
M2	262	36,369,002.81	19.29
M3	62	7,537,742.08	4.00
M4	33	4,736,401.75	2.51

Total	1,334	\$	188,565,187.23	100.00%
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Original Loan-to-Value Ratios of the Group IA Initial Mortgage Loans

Range of Original Loan-to-Value Ratios (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IA Initial Mortgage Loans by Aggregate Principal Balance
20.01 to 25.00	1	\$ 116,654.11	0.06%
25.01 to 30.00	2	99,929.88	0.05
30.01 to 35.00	5	362,685.40	0.19
35.01 to 40.00	6	434,395.32	0.23
40.01 to 45.00	5	466,427.13	0.25
45.01 to 50.00	14	1,503,437.07	0.80
50.01 to 55.00	20	2,782,151.43	1.48
55.01 to 60.00	34	4,469,216.62	2.37
60.01 to 65.00	50	6,219,197.04	3.30
65.01 to 70.00	81	11,198,303.48	5.94
70.01 to 75.00	99	13,775,204.49	7.31
75.01 to 80.00	264	37,898,010.61	20.10
80.01 to 85.00	165	22,914,703.63	12.15
85.01 to 90.00	308	43,897,205.75	23.28
90.01 to 95.00	146	22,119,536.65	11.73
95.01 to 100.00	134	20,308,128.62	10.77
Total	1,334	\$ 188,565,187.23	100.00%

Weighted Average: 83.31% (approximate)

Principal Balances of the Group IA Initial Mortgage Loans			
Range of Principal Balances (\$)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IA Initial Mortgage Loans by Aggregate Principal Balance
0.01 to 50,000.00	42	\$ 1,893,818.23	1.00%
50,000.01 to 100,000.00	387	30,129,566.38	15.98
100,000.01 to 150,000.00	419	51,989,931.00	27.57
150,000.01 to 200,000.00	241	41,737,806.31	22.13
200,000.01 to 250,000.00	127	28,284,984.15	15.00
250,000.01 to 300,000.00	74	20,389,523.05	10.81
300,000.01 to 350,000.00	41	13,036,142.59	6.91
350,000.01 to 400,000.00	3	1,103,415.52	0.59
Total	1,334	\$ 188,565,187.23	100.00%

Average: \$141,353 (approximate)

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Remaining Terms to Maturity of the Group IA Initial Mortgage Loans

Range of Remaining Terms (months)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IA Initial Mortgag e Loans by Aggregate Principal Balance
109 to 120	1	\$ 115,329.44	0.06%
169 to 180	49	4,830,565.88	2.56
229 to 240	8	897,919.91	0.48
289 to 300	1	115,793.13	0.06
349 to 360	1,275	182,605,578.87	96.84
Total	1,334	\$ 188,565,187.23	100.00%

Weighted Average: 354 months (approximate)

Lien Position of the Group IA Initial Mortgage Loans

Lien Position	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IA Initial Mortgag e Loans by Aggregate Principal Balance
First Lien	1,334	\$ 188,565,187.23	100.00%
Total	1,334	\$ 188,565,187.23	100.00%

Credit Scores of the Group IA Initial Mortgage Loans			
Range of Credit Scores	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IA Initial Mortgag e Loans by Aggregate Principal Balance
476 to 500	1	\$ 77,947.13	0.04%
501 to 525	37	4,910,428.39	2.60
526 to 550	142	17,862,878.08	9.47
551 to 575	162	21,092,028.50	11.19
576 to 600	205	29,848,820.12	15.83
601 to 625	195	27,910,057.12	14.80
626 to 650	185	27,665,014.72	14.67
651 to 675	160	22,843,091.05	12.11
676 to 700	108	16,091,771.85	8.53
701 to 725	71	10,506,428.97	5.57
726 to 750	39	5,848,995.93	3.10
751 to 775	21	2,891,398.90	1.53
776 to 800	8	1,016,326.47	0.54
Total	1,334	\$ 188,565,187.23	100.00%

Weighted Average: 623 (approximate)

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Current Mortgage Rates of the Group IA Initial Mortgage Loans			
Range of Current Mortgage Rates (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IA Initial Mortgage Loans by Aggregate Principal Balance
4.501 to 5.000	5	\$ 1,237,480.61	0.66%
5.001 to 5.500	12	2,351,976.80	1.25
5.501 to 6.000	52	9,691,516.37	5.14
6.001 to 6.500	105	16,691,747.90	8.85
6.501 to 7.000	240	35,939,973.76	19.06
7.001 to 7.500	208	30,222,209.33	16.03
7.501 to 8.000	291	42,332,151.67	22.45
8.001 to 8.500	158	20,478,475.07	10.86
8.501 to 9.000	170	19,796,333.90	10.50
9.001 to 9.500	54	5,730,984.26	3.04
9.501 to 10.000	31	3,552,077.65	1.88
10.001 to 10.500	5	379,163.27	0.20
10.501 to 11.000	2	95,668.50	0.05
11.001 to 11.500	1	65,428.14	0.03
Total	1,334	\$ 188,565,187.23	100.00%

Weighted Average: 7.499% (approximate)

Fixed Rate Mortgage Loan Types of the Group IA Initial Fixed Rate Mortgage Loans

Mortgage Loan Type	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group I A Initial Fixed Rate Mortgag e Loans by Aggregate Principal Balance
Fixed Rate 30 Year	246	\$ 30,113,097.33	82.57%
Fixed Rate 15 Year	48	4,786,698.37	13.12
Fixed Rate 20 Year	7	780,135.91	2.14
Fixed Rate 30 Year Interest Only	3	560,923.92	1.54
Fixed Rate 10 Year	1	115,329.44	0.32
Fixed Rate 25 Year	1	115,793.13	0.32
Total	306	\$ 36,471,978.10	100.00%

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Initial Periodic Rate Cap of the Group IA Initial ARM Loans			
Initial Periodic Rate Cap (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IA Initial ARM Loans by Aggregate Principal Balance
1.000	1	\$ 96,886.64	0.06%
3.000	1,027	151,996,322.49	99.94
Total	1,028	\$ 152,093,209.13	100.00%

Periodic Rate Cap of the Group IA Initial ARM Loans			
Periodic Rate Cap (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IA Initial ARM Loans by Aggregate Principal Balance
1.000	1,028	\$ 152,093,209.13	100.00%
Total	1,028	\$ 152,093,209.13	100.00%

Maximum Loan Rates of the Group IA Initial ARM Loans			
Range of Maximum Loan Rates (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IA Initial ARM Loans by Aggregate Principal Balance

11.501 to 12.000	5	\$	1,237,480.61	0.81%
12.001 to 12.500	11		2,148,714.84	1.41
12.501 to 13.000	42		8,073,380.05	5.31
13.001 to 13.500	75		12,510,294.26	8.23
13.501 to 14.000	173		26,399,182.77	17.36
14.001 to 14.500	147		22,833,952.81	15.01
14.501 to 15.000	250		37,444,988.85	24.62
15.001 to 15.500	128		17,676,055.19	11.62
15.501 to 16.000	135		16,539,174.12	10.87
16.001 to 16.500	44		4,872,442.59	3.20
16.501 to 17.000	15		2,128,907.46	1.40
20.001 to 20.500	2		194,546.80	0.13
22.501 to 23.000	1		34,088.78	0.02
Total	1,028	\$	152,093,209.13	100.00%

Weighted Average: 14.514% (approximate)

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Minimum Loan Rates of the Group IA Initial ARM Loans			
Range of Minimum Loan Rates (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IA Initial AR M Loans by Aggregate Principal Balance
4.501 to 5.000	5	\$ 1,237,480.61	0.81%
5.001 to 5.500	11	2,148,714.84	1.41
5.501 to 6.000	42	8,073,380.05	5.31
6.001 to 6.500	73	12,221,643.65	8.04
6.501 to 7.000	172	26,355,315.26	17.33
7.001 to 7.500	151	23,317,150.22	15.33
7.501 to 8.000	251	37,488,856.36	24.65
8.001 to 8.500	129	17,710,143.97	11.64
8.501 to 9.000	135	16,539,174.12	10.87
9.001 to 9.500	44	4,872,442.59	3.20
9.501 to 10.000	15	2,128,907.46	1.40
Total	1,028	\$ 152,093,209.13	100.00%

Weighted Average: 7.507% (approximate)

Next Interest Adjustment Date of the Group IA Initial ARM Loans			
Next Interest Adjustment Date	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IA Initial AR

			M Loans by Aggregate Principal Balance
August 2004	1	\$ 96,886.64	0.06%
December 2005	1	117,784.00	0.08
November 2005	3	228,635.58	0.15
February 2006	901	134,296,061.85	88.30
January 2006	8	917,809.52	0.60
March 2006	26	3,808,641.00	2.50
November 2006	1	43,867.51	0.03
February 2007	79	11,264,443.03	7.41
March 2007	8	1,319,080.00	0.87
Total	1,028	\$ 152,093,209.13	100.00%

The weighted average remaining months to the next interest adjustment date of the Group IA Initial ARM loans as of the cut-off date will be approximately 24 months.

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Gross Margins of the Group IA Initial ARM Loans

Range of Gross Margins (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IA Initial AR M Loans by Aggregate Principal Balance
3.501 to 4.000	4	\$ 656,225.38	0.43%
4.001 to 4.500	17	3,352,509.57	2.20
4.501 to 5.000	46	6,661,524.05	4.38
5.001 to 5.500	125	19,025,686.67	12.51
5.501 to 6.000	171	27,246,599.31	17.91
6.001 to 6.500	184	26,759,942.22	17.59
6.501 to 7.000	186	27,179,398.21	17.87
7.001 to 7.500	176	25,771,433.50	16.94
7.501 to 8.000	119	15,439,890.22	10.15
Total	1,028	\$ 152,093,209.13	100.00%

Weighted Average: 6.351% (approximate)

ARM Mortgage Loan Types of the Group IA Initial ARM Loans

Mortgage Loan Type	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IA Initial AR M Loans by Aggregate Principal Balance
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The Group IB Initial Mortgage Loans

The Group IB initial mortgage loans consist of 314 mortgage loans that have an aggregate principal balance of approximately \$20,951,794 as of the cut-off date.

None of the Group IB initial mortgage loans are subject to HOEPA and each of the Group IB initial mortgage loans complies in all material respects with applicable local, state and federal laws, including but not limited to, all applicable predatory and abusive lending laws.

None of the Group IB initial mortgage loans are “high cost” or “Section 32” mortgage loans.

Approximately 46.00% of the Group IB initial mortgage loans are fixed-rate mortgage loans, and approximately 54.00% of the Group IB initial mortgage loans are ARM loans.

Approximately 61.09% of the Group IB initial mortgage loans provide for payment by the mortgagor of a prepayment charge in limited circumstances on certain prepayments.

Approximately 57.92% of the Group IB initial mortgage loans had a loan-to-value ratio at origination in excess of 80%.

Approximately 54.36% of the Group IB initial mortgage loans are secured by first-liens on the related mortgaged property, and approximately 45.64% of the Group IB initial mortgage loans are secured by second-liens on the related mortgaged property.

The weighted average remaining term to maturity of the Group IB initial mortgage loans is approximately 277 months as of the cut-off date.

The average principal balance of the Group IB initial mortgage loans as of the cut-off date was approximately \$66,725. No Group IB initial mortgage loan had a principal balance as of the cut-off date of greater than approximately \$398,498 or less than approximately \$12,273.

The Group IB initial mortgage loans had mortgage rates of not less than approximately 4.750% per annum and not more than approximately 13.000% per annum as of the cut-off date, and the weighted average mortgage rate of the Group IB initial mortgage loans was approximately 9.169% per annum as of the cut-off date.

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The Group IB initial mortgage loans are expected to have the following characteristics as of the cut-off date (the sum in any column may not equal the total indicated due to rounding):

Geographic Distribution of the Mortgaged Properties of the Group IB Initial Mortgage Loans			
Location	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IB Initial Mortgage Loans by Aggregate Principal Balance
Alabama	3	\$ 125,106.51	0.60%
Arizona	9	739,243.46	3.53
Arkansas	2	92,099.26	0.44
California	70	5,567,092.50	26.57
Colorado	7	671,358.45	3.20
Connecticut	3	202,798.66	0.97
Florida	54	3,071,992.58	14.66
Georgia	9	659,619.67	3.15
Idaho	1	61,775.44	0.29
Illinois	2	153,806.27	0.73
Kansas	1	15,186.50	0.07
Kentucky	3	206,403.55	0.99
Louisiana	3	189,952.48	0.91
Maryland	9	772,283.39	3.69
Massachusetts	4	666,761.47	3.18
Michigan	9	628,488.10	3.00
Minnesota	3	94,101.51	0.45

Missouri	2	140,709.69	0.67
Nevada	17	816,067.77	3.89
New Hampshire	2	291,825.94	1.39
New Jersey	2	551,003.36	2.63
New Mexico	1	30,544.34	0.15
New York	2	143,934.71	0.69
North Carolina	10	427,226.38	2.04
Ohio	18	1,142,326.91	5.45
Oklahoma	5	286,752.56	1.37
Oregon	9	453,361.51	2.16
Pennsylvania	5	163,686.12	0.78
South Carolina	1	71,924.27	0.34
Tennessee	6	317,612.36	1.52
Texas	18	920,038.04	4.39
Virginia	7	272,693.29	1.30
Washington	15	949,082.00	4.53
Wisconsin	2	54,935.12	0.26
Total	314	\$ 20,951,794.17	100.00%

No more than approximately 1.90% (the highest concentration in a single zip code) of the Group IB initial mortgage loans will be secured by mortgaged properties located in California in the 92604 zip code.

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Types of Mortgaged Properties of the Group IB Initial Mortgage Loans

Property Type	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IB Initial Mortgag e Loans by Aggregate Principal Balance
Single Family Residence	221	\$ 15,772,869.40	75.28%
PUD	58	3,182,225.75	15.19
Condo	23	1,372,610.84	6.55
Multi-Unit	12	624,088.18	2.98
Total	314	\$ 20,951,794.17	100.00%

Use of Proceeds of the Group IB Initial Mortgage Loans

Use of Proceeds ⁽¹⁾	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IB Initial Mortgage Loans by Aggregate Principal Balance
Cash Out Refinance	107	\$ 11,040,658.83	52.70%
Purchase	192	8,936,730.05	42.65
Rate/Term Refinance	15	974,405.29	4.65
Total	314	\$ 20,951,794.17	100.00%

⁽¹⁾ In general, in the case of a mortgage loan made for “rate/term” refinance purposes, substantially all of the proceeds are used to pay in full the principal balance of a previous mortgage loan of the mortgagor with respect to the related mortgaged property and to pay associated origination and closing costs. Mortgage loans made for “cash-out” refinance purposes may involve the use of the proceeds to pay in full the principal balance of a previous mortgage loan and related costs except that a portion of the proceeds are generally retained by the mortgagor for uses unrelated to the mortgaged property. The amount of these proceeds retained by the mortgagor may be substantial.

Occupancy Status of the Mortgaged Properties of the Group IB Initial Mortgage Loans

Occupancy Status	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IB Initial Mortgage Loans by Aggregate Principal Balance
Primary	310	\$ 20,493,553.52	97.81%
Investment (Non-Owner Occupied)	4	458,240.65	2.19
Total	314	\$ 20,951,794.17	100.00%

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Documentation Type of the Group IB Initial Mortgage Loans			
Documentation	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IB Initial Mortgage Loans by Aggregate Principal Balance
Full Documentation	107	\$ 7,826,833.71	37.36%
Stated Income	153	10,702,903.52	51.08
No Documentation	51	1,917,349.20	9.15
Limited Documentation	3	504,707.74	2.41
Total	314	\$ 20,951,794.17	100.00%

Risk Classification of the Group IB Initial Mortgage Loans			
Grade	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IB Initial Mortgage Loans by Aggregate Principal Balance
Alt A	138	\$ 5,117,978.17	24.43%
M1	145	10,521,961.69	50.22
M2	25	4,191,883.47	20.01
M3	5	988,035.77	4.72
M4	1	131,935.07	0.63

Total	314	\$	20,951,794.17	100.00%
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Original Loan-to-Value Ratios of the Group IB Initial Mortgage Loans ⁽¹⁾

Range of Original Loan-to-Value Ratios (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IB Initial Mortgag e Loans by Aggregate Principal Balance
40.01 to 45.00	1	\$ 126,999.99	0.61%
50.01 to 55.00	4	359,754.21	1.72
55.01 to 60.00	2	425,166.49	2.03
60.01 to 65.00	1	76,925.16	0.37
65.01 to 70.00	3	550,466.58	2.63
75.01 to 80.00	49	7,277,888.02	34.74
80.01 to 85.00	13	2,588,994.30	12.36
85.01 to 90.00	5	129,167.34	0.62
90.01 to 95.00	18	551,668.74	2.63
95.01 to 100.00	218	8,864,763.34	42.31
Total	314	\$ 20,951,794.17	100.00%

Weighted Average: 87.64% (approximate)

⁽¹⁾ References to loan-to-value ratios are references to combined loan-to-value ratios with respect to second lien mortgage loans.

Principal Balances of the Group IB Initial Mortgage Loans

Range of Principal Balances (\$)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IB Initial Mortgag e Loans by Aggregate Principal Balance
0.01 to 50,000.00	184	\$ 5,614,269.18	26.80%
50,000.01 to 100,000.00	72	4,938,039.18	23.57
100,000.01 to 150,000.00	27	3,135,860.76	14.97
150,000.01 to 200,000.00	16	2,808,224.24	13.40
200,000.01 to 250,000.00	5	1,083,708.06	5.17
250,000.01 to 300,000.00	3	792,334.69	3.78
300,000.01 to 350,000.00	1	319,532.98	1.53
350,000.01 to 400,000.00	6	2,259,825.08	10.79
Total	314	\$ 20,951,794.17	100.00%

Average: \$66,725 (approximate)

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Remaining Terms to Maturity of the Group IB Initial Mortgage Loans

Range of Remaining Terms (months)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IB Initial Mortgag e Loans by Aggregate Principal Balance
169 to 180	241	\$ 9,524,391.02	45.46%
349 to 360	73	11,427,403.15	54.54
Total	314	\$ 20,951,794.17	100.00%

Weighted Average: 277 months (approximate)

Lien Positions of the Group IB Initial Mortgage Loans

Lien Position	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IB Initial Mortgag e Loans by Aggregate Principal Balance
First Lien	72	\$ 11,390,403.15	54.36%
Second Lien	242	9,561,391.02	45.64
Total	314	\$ 20,951,794.17	100.00%

Credit Scores of the Group IB Initial Mortgage Loans

Range of Credit Scores	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IB Initial Mortgag e Loans by Aggregate Principal Balance
501 to 525	5	\$ 1,113,215.02	5.31%
526 to 550	37	5,531,465.84	26.40
551 to 575	12	1,545,609.42	7.38
576 to 600	7	1,492,694.01	7.12
601 to 625	8	915,525.76	4.37
626 to 650	33	1,237,697.62	5.91
651 to 675	56	2,448,585.89	11.69
676 to 700	64	2,798,011.15	13.35
701 to 725	32	1,429,488.48	6.82
726 to 750	41	1,622,480.27	7.74
751 to 775	13	580,385.30	2.77
776 to 800	6	236,635.41	1.13
Total	314	\$ 20,951,794.17	100.00%

Weighted Average: 622 (approximate)

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Current Mortgage Rates of the Group IB Initial Mortgage Loans			
Range of Current Mortgage Rates (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IB Initial Mortgage Loans by Aggregate Principal Balance
4.501 to 5.000	2	\$ 598,991.24	2.86%
5.001 to 5.500	1	197,393.33	0.94
5.501 to 6.000	2	522,172.14	2.49
6.001 to 6.500	7	764,875.09	3.65
6.501 to 7.000	10	2,018,217.52	9.63
7.001 to 7.500	8	1,342,828.25	6.41
7.501 to 8.000	17	2,200,473.61	10.50
8.001 to 8.500	19	1,726,114.04	8.24
8.501 to 9.000	18	1,861,614.20	8.89
9.001 to 9.500	18	1,099,832.60	5.25
9.501 to 10.000	32	1,599,923.62	7.64
10.001 to 10.500	19	821,178.16	3.92
10.501 to 11.000	42	1,788,633.07	8.54
11.001 to 11.500	13	436,891.80	2.09
11.501 to 12.000	34	1,388,079.07	6.63
12.001 to 12.500	7	274,090.51	1.31
12.501 to 13.000	65	2,310,485.92	11.03

Total	314	\$	20,951,794.17	100.00%
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Weighted Average: 9.169% (approximate)

Fixed Rate Mortgage Loan Types of the Group IB Initial Fixed Rate Mortgage Loans

Mortgage Loan Type	Number of Mortgage Loans		Aggregate Principal Balance	Percentage of the Group IB Initial Fixed Rate Mortgage Loans by Aggregate Principal Balance
Balloon 15 Year	191	\$	7,876,389.31	81.72%
Fixed Rate 15 Year	50		1,648,001.71	17.10
Fixed Rate 30 Year	1		76,925.16	0.80
Fixed Rate 30 Year Interest Only	1		37,000.00	0.38
Total	243	\$	9,638,316.18	100.00%

Initial Periodic Rate Cap of the Group IB Initial ARM Loans

Initial Periodic Rate Cap (%)	Number of Mortgage Loans		Aggregate Principal Balance	Percentage of the Group IB Initial ARM Loans by Aggregate Principal Balance
3.000	71	\$	11,313,477.99	100.00%
Total	71	\$	11,313,477.99	100.00%

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Periodic Rate Cap of the Group IB Initial ARM Loans			
Periodic Rate Cap (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IB Initial ARM Loans by Aggregate Principal Balance
1.000	71	\$ 11,313,477.99	100.00%
Total	71	\$ 11,313,477.99	100.00%

Maximum Loan Rates of the Group IB Initial ARM Loans			
Range of Maximum Loan Rates (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IB Initial ARM Loans by Aggregate Principal Balance
11.501 to 12.000	2	\$ 598,991.24	5.29%
12.001 to 12.500	1	197,393.33	1.74
12.501 to 13.000	2	522,172.14	4.62
13.001 to 13.500	3	307,648.71	2.72
13.501 to 14.000	8	1,529,734.14	13.52
14.001 to 14.500	7	1,285,870.55	11.37
14.501 to 15.000	10	1,910,563.48	16.89
15.001 to 15.500	12	1,399,154.44	12.37
15.501 to 16.000	12	1,608,469.36	14.22
16.001 to 16.500	5	609,100.22	5.38

16.501 to 17.000	2	309,306.96	2.73
18.001 to 18.500	1	193,150.50	1.71
18.501 to 19.000	2	187,150.72	1.65
19.001 to 19.500	1	136,779.10	1.21
19.501 to 20.000	1	351,704.28	3.11
21.501 to 22.000	1	63,955.87	0.57
22.001 to 22.500	1	102,332.95	0.90
Total	71	\$ 11,313,477.99	100.00%

Weighted Average: 15.049% (approximate)

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Minimum Loan Rates of the Group IB Initial ARM Loans			
Range of Minimum Loan Rates (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IB Initial ARM Loans by Aggregate Principal Balance
4.501 to 5.000	2	\$ 598,991.24	5.29%
5.001 to 5.500	1	197,393.33	1.74
5.501 to 6.000	2	522,172.14	4.62
6.001 to 6.500	6	687,949.93	6.08
6.501 to 7.000	10	2,018,217.52	17.84
7.001 to 7.500	7	1,285,870.55	11.37
7.501 to 8.000	11	1,974,519.35	17.45
8.001 to 8.500	13	1,501,487.39	13.27
8.501 to 9.000	12	1,608,469.36	14.22
9.001 to 9.500	5	609,100.22	5.38
9.501 to 10.000	2	309,306.96	2.73
Total	71	\$ 11,313,477.99	100.00%

Weighted Average: 7.517% (approximate)

Next Interest Adjustment Date of the Group IB Initial ARM Loans			
Next Interest Adjustment Date	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IB Initial ARM Loans by Aggregate

			Principal Balance
November 2005	7	\$ 1,035,073.42	9.15%
February 2006	30	5,079,919.74	44.90
January 2006	25	3,922,422.84	34.67
February 2007	3	334,791.18	2.96
January 2007	6	941,270.81	8.32
Total	71	\$ 11,313,477.99	100.00%

The weighted average remaining months to the next interest adjustment date of the Group IB Initial ARM loans as of the cut-off date will be approximately 24 months.

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Gross Margins of the Group IB Initial ARM Loans

Range of Gross Margins (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IB Initial ARM Loans by Aggregate Principal Balance
4.001 to 4.500	1	\$ 126,999.99	1.12%
4.501 to 5.000	2	304,336.46	2.69
5.001 to 5.500	4	503,999.31	4.45
5.501 to 6.000	7	1,459,535.27	12.90
6.001 to 6.500	9	1,502,572.16	13.28
6.501 to 7.000	19	3,128,369.61	27.65
7.001 to 7.500	17	2,230,691.84	19.72
7.501 to 8.000	12	2,056,973.35	18.18
Total	71	\$ 11,313,477.99	100.00%

Weighted Average: 6.700% (approximate)

ARM Mortgage Loan Types of the Group IB Initial ARM Loans

Mortgage Loan Type	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group IB Initial ARM Loans by Aggregate Principal Balance
ARM 2/28 - 6 Month LIBOR	60	\$ 9,655,216.01	85.34%
ARM 3/27 - 6 Month LIBOR	8	1,140,968.09	10.09

ARM 2/28 Interest Only	2	382,199.99	3.38
ARM 3/27 Interest Only	1	135,093.90	1.19
Total	71	\$ 11,313,477.99	100.00%

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The Group II Initial Mortgage Loans

The Group II initial mortgage loans consist of 1,382 mortgage loans that have an aggregate principal balance of approximately \$186,237,111 as of the cut-off date.

All of the Group II initial mortgage loans conform to certain agency guidelines with respect to the principal balance of such mortgage loans and certain representations made in respect of those mortgage loans, including the following: (i) none of the Group II mortgage loans will be subject to the Home Ownership and Equity Protection Act of 1994, or HOEPA, or any comparable state law, (ii) none of the proceeds from any of the Group II mortgage loans will be used to finance single premium credit life insurance policies, (iii) the servicer will accurately and fully report its borrower credit files to the three largest credit repositories in a timely manner, (iv) none of the Group II mortgage loans originated on or after October 1, 2002 impose a prepayment penalty more than three years after origination of the mortgage loan and none of the Group II mortgage loans originated before October 1, 2002 impose a prepayment penalty more than five years after origination of the mortgage loan, (v) each of the Group II initial mortgage loans complies in all material respects with applicable local, state and federal laws including, but not limited to, all applicable predatory and abusive lending laws, (vi) none of the Group II initial mortgage loans are “high cost,” “covered” (excluding home loans defined as “covered homes” pursuant to the New Jersey Home Ownership Security Act of 2002), “high risk home,” or “predatory” loan under any applicable federal, state or local law (or are similarly classified and/or defined using different terminology under a law imposing heightened regulatory scrutiny or additional legal liability for residential mortgage loans having high interest rates, points and/or fees) mortgage loans, (vii) none of the Group II initial mortgage loans originated on or after October 1, 2002 and before March 7, 2003 are secured by property located in the State of Georgia, and none of the Group II initial mortgage loans originated on or after March 7, 2003 is a “high cost home” as defined under the Georgia Fair Lending Act (viii) the servicer for each of the Group II mortgage loans has fully furnished (and, on a going forward basis, will fully furnish), in accordance with the Fair Credit Reporting Act and its implementing regulations, accurate and complete information (i.e., favorable and unfavorable) on its borrower credit files to Equifax, Experian, and Trans Union Credit Information Company (three of the credit repositories), on a monthly basis (during the period in which the servicer serviced the Group II mortgage loans) and (ix) the principal balance at origination for substantially all of the single family residences originated up to and including December 31, 2003 in most states may not exceed \$322,700, \$413,000 for two-family residences, \$499,300 for three-family residences and \$620,500 for four-family residences, and the principal balance at origination for single family residences originated on or after January 1, 2004 in most states may not exceed \$333,700, \$427,150 for two-family residences, \$516,300 for three-family residences and \$641,650 for four-family residences.

Approximately 18.09% of the Group II initial mortgage loans are fixed-rate mortgage loans, and approximately 81.91% of the Group II initial mortgage loans are ARM loans.

Approximately 72.58% of the Group II initial mortgage loans provide for payment by the mortgagor of a prepayment charge in limited circumstances on certain prepayments.

Approximately 54.51% of the Group II initial mortgage loans had loan-to-value ratios at origination in excess of 80%.

All of the Group II initial mortgage loans are secured by first-liens on the related mortgaged property.

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The weighted average remaining term to maturity of the Group II initial mortgage loans is approximately 352 months as of the cut-off date.

The average principal balance of the Group II initial mortgage loans as of the cut-off date was approximately \$134,759. No Group II initial mortgage loan had a principal balance, as of the cut-off date, of greater than approximately \$368,747 or less than approximately \$19,990.

The Group II initial mortgage loans had mortgage rates of not less than approximately 4.125% per annum and not more than approximately 11.500% per annum as of the cut-off date, and the weighted average mortgage rate of the Group II initial mortgage loans was approximately 7.657% per annum as of the cut-off date.

The Group II initial mortgage loans are expected to have the following characteristics as of the cut-off date (the sum in any column may not equal the total indicated due to rounding):

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Geographic Distribution of the Mortgaged Properties of the Group II Initial Mortgage Loans

Location	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group II Initial Mortgag e Loans by Aggregate Principal Balance
Alabama	15	\$ 1,381,946.82	0.74%
Arizona	26	3,187,790.98	1.71
Arkansas	10	866,991.24	0.47
California	178	35,479,209.72	19.05
Colorado	22	3,873,926.64	2.08
Connecticut	15	2,472,562.28	1.33
Delaware	2	413,051.51	0.22
District of Columbia	11	1,767,919.66	0.95
Florida	187	24,741,500.33	13.28
Georgia	58	7,484,050.14	4.02
Idaho	7	785,316.29	0.42
Illinois	27	4,510,248.79	2.42
Indiana	27	2,025,274.13	1.09
Iowa	4	372,880.15	0.20
Kansas	9	1,001,749.49	0.54
Kentucky	18	2,053,260.78	1.10
Louisiana	31	3,689,556.01	1.98
Maine	7	891,523.21	0.48

Maryland	28	3,697,591.18	1.99
Massachusetts	11	2,373,534.81	1.27
Michigan	58	6,860,030.30	3.68
Minnesota	5	611,120.87	0.33
Mississippi	13	1,447,662.19	0.78
Missouri	38	4,503,857.87	2.42
Montana	3	547,648.19	0.29
Nebraska	1	94,457.74	0.05
Nevada	25	3,567,380.72	1.92
New Hampshire	5	1,005,996.25	0.54
New Jersey	4	551,211.20	0.30
New Mexico	4	350,932.58	0.19
New York	38	6,533,272.78	3.51
North Carolina	43	5,866,648.78	3.15
Ohio	108	10,942,103.80	5.88
Oklahoma	23	2,154,107.23	1.16
Oregon	26	3,929,076.61	2.11
Pennsylvania	57	5,317,284.46	2.86
Rhode Island	3	595,220.28	0.32
South Carolina	25	3,474,968.70	1.87
South Dakota	2	113,761.05	0.06
Tennessee	27	2,500,140.90	1.34

Texas	85	8,287,530.71	4.45
Utah	12	1,534,660.06	0.82
Vermont	2	174,493.54	0.09
Virginia	44	6,254,166.45	3.36
Washington	28	4,725,455.53	2.54
West Virginia	2	214,815.42	0.12
Wisconsin	5	652,965.59	0.35
Wyoming	3	356,256.75	0.19
Total	1,382	\$ 186,237,110.71	100.00%

No more than approximately 0.42% (the highest concentration in a single zip code) of the Group II initial mortgage loans will be secured by mortgaged properties located in California in the 90280 zip code.

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Types of Mortgaged Properties of the Group II Initial Mortgage Loans			
Property Type	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group II Initial Mortgage Loans by Aggregate Principal Balance
Single Family Residence	1,069	\$ 138,420,150.26	74.32%
PUD	157	24,914,863.03	13.38
Condo	83	11,522,263.92	6.19
Multi-Unit	73	11,379,833.50	6.11
Total	1,382	\$ 186,237,110.71	100.00%

Use of Proceeds of the Group II Initial Mortgage Loans			
Use of Proceeds ⁽¹⁾	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group II Initial Mortgage Loans by Aggregate Principal Balance
Cash Out Refinance	890	\$ 118,476,336.60	63.62%
Purchase	379	52,734,116.41	28.32
Rate/Term Refinance	113	15,026,657.70	8.07
Total	1,382	\$ 186,237,110.71	100.00%

⁽¹⁾ In general, in the case of a mortgage loan made for “rate/term” refinance purposes, substantially all of the proceeds are used to pay in full the principal balance of a previous mortgage loan of the mortgagor with respect to the related mortgaged property and

to pay associated origination and closing costs. Mortgage loans made for “cash-out” refinance purposes may involve the use of the proceeds to pay in full the principal balance of a previous mortgage loan and related costs except that a portion of the proceeds are generally retained by the mortgagor for uses unrelated to the mortgaged property. The amount of these proceeds retained by the mortgagor may be substantial.

Occupancy Status of the Mortgaged Properties of the Group II Initial Mortgage Loans

Occupancy Status	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group II Initial Mortgag e Loans by Aggregate Principal Balance
Primary	1,268	\$ 174,796,161.28	93.86%
Investment (Non-Owner Occupied)	107	10,672,446.89	5.73
Secondary	7	768,502.54	0.41
Total	1,382	\$ 186,237,110.71	100.00%

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Documentation Type of the Group II Initial Mortgage Loans			
Documentation	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group II Initial Mortgag e Loans by Aggregate Principal Balance
Full Documentation	811	\$ 99,846,214.77	53.61%
Stated Income	426	65,132,080.20	34.97
No Documentation	115	16,981,143.16	9.12
Limited Documentation	30	4,277,672.58	2.30
Total	1,382	\$ 186,237,110.71	100.00%

Risk Classification of the Group II Initial Mortgage Loans			
Grade	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group II Initial Mortgag e Loans by Aggregate Principal Balance
A	2	\$ 126,701.51	0.07%
Alt A	273	41,867,388.45	22.48
M1	657	89,359,229.08	47.98
M2	321	39,643,757.47	21.29
M3	97	10,824,912.43	5.81
M4	32	4,415,121.77	2.37

Total	1,382	\$ 186,237,110.71	100.00%
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Original Loan-to-Value Ratios of the Group II Initial Mortgage Loans			
Range of Original Loan-to-Value Ratios (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group II Initial Mortgage Loans by Aggregate Principal Balance
5.01 to 10.00	1	\$ 134,877.96	0.07%
25.01 to 30.00	5	405,335.31	0.22
30.01 to 35.00	4	224,593.74	0.12
35.01 to 40.00	9	983,634.32	0.53
40.01 to 45.00	2	200,331.38	0.11
45.01 to 50.00	17	1,911,865.85	1.03
50.01 to 55.00	18	2,036,643.21	1.09
55.01 to 60.00	23	3,208,651.15	1.72
60.01 to 65.00	39	4,742,659.55	2.55
65.01 to 70.00	68	9,201,739.94	4.94
70.01 to 75.00	128	18,059,573.07	9.70
75.01 to 80.00	330	43,601,025.05	23.41
80.01 to 85.00	147	19,623,314.98	10.54
85.01 to 90.00	370	50,657,629.06	27.20
90.01 to 95.00	114	16,176,795.82	8.69
95.01 to 100.00	107	15,068,440.32	8.09
Total	1,382	\$ 186,237,110.71	100.00%

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Weighted Average: 82.71% (approximate)

Principal Balances of the Group II Initial Mortgage Loans

Range of Principal Balances (\$)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group II Initial Mortgag e Loans by Aggregate Principal Balance
0.01 to 50,000.00	69	\$ 2,968,408.93	1.59%
50,000.01 to 100,000.00	432	33,042,930.06	17.74
100,000.01 to 150,000.00	422	52,560,021.66	28.22
150,000.01 to 200,000.00	227	39,070,343.04	20.98
200,000.01 to 250,000.00	131	29,293,373.06	15.73
250,000.01 to 300,000.00	64	17,395,129.59	9.34
300,000.01 to 350,000.00	34	10,820,607.01	5.81
350,000.01 to 400,000.00	3	1,086,297.36	0.58
Total	1,382	\$ 186,237,110.71	100.00%

Average: \$134,759 (approximate)

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Remaining Terms to Maturity of the Group II Initial Mortgage Loans			
Range of Remaining Terms (months)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group II Initial Mortgage Loans by Aggregate Principal Balance
109 to 120	2	\$ 92,249.45	0.05%
169 to 180	53	5,876,147.97	3.16
229 to 240	8	1,023,495.23	0.55
289 to 300	1	88,120.68	0.05
349 to 360	1,318	179,157,097.38	96.20
Total	1,382	\$ 186,237,110.71	100.00%

Weighted Average: 352 months (approximate)

Lien Positions of the Group II Initial Mortgage Loans			
Lien Position	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group II Initial Mortgage Loans by Aggregate Principal Balance
First Lien	1,382	\$ 186,237,110.71	100.00%
Total	1,382	\$ 186,237,110.71	100.00%

Credit Scores of the Group II Initial Mortgage Loans			
Range of Credit Scores	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group II Initial Mortgage Loans by Aggregate Principal Balance
501 to 525	76	\$ 10,527,072.77	5.65%
526 to 550	238	28,190,429.23	15.14
551 to 575	128	14,359,839.25	7.71
576 to 600	151	17,661,109.19	9.48
601 to 625	164	21,872,474.38	11.74
626 to 650	187	27,040,630.98	14.52
651 to 675	162	24,040,141.00	12.91
676 to 700	124	19,665,787.23	10.56
701 to 725	73	11,198,846.66	6.01
726 to 750	48	7,325,287.90	3.93
751 to 775	22	3,262,524.25	1.75
776 to 800	8	919,553.63	0.49
801 to 825	1	173,414.24	0.09
Total	1,382	\$ 186,237,110.71	100.00%

Weighted Average: 622 (approximate)

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Current Mortgage Rates of the Group II Initial Mortgage Loans			
Range of Current Mortgage Rates (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group II Initial Mortgage Loans by Aggregate Principal Balance
4.001 to 4.500	1	\$ 316,105.16	0.17%
4.501 to 5.000	5	864,352.73	0.46
5.001 to 5.500	20	3,346,788.16	1.80
5.501 to 6.000	69	12,453,576.37	6.69
6.001 to 6.500	157	23,780,304.55	12.77
6.501 to 7.000	243	37,450,689.92	20.11
7.001 to 7.500	180	25,350,151.66	13.61
7.501 to 8.000	146	19,581,055.26	10.51
8.001 to 8.500	104	11,468,511.03	6.16
8.501 to 9.000	106	12,709,736.58	6.82
9.001 to 9.500	126	15,187,468.04	8.15
9.501 to 10.000	124	14,491,181.16	7.78
10.001 to 10.500	60	6,596,084.54	3.54
10.501 to 11.000	32	2,148,933.40	1.15
11.001 to 11.500	9	492,172.15	0.26
Total	1,382	\$ 186,237,110.71	100.00%

Weighted Average: 7.657% (approximate)

Fixed Rate Mortgage Loan Types of the Group II Initial Fixed Rate Mortgage Loans

Mortgage Loan Type	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group II Initial Fixed Rate Mortgag e Loans by Aggregate Principal Balance
Fixed Rate 30 Year	182	\$ 26,389,108.63	78.32%
Fixed Rate 15 Year	51	5,713,924.26	16.96
Fixed Rate 20 Year	7	956,117.13	2.84
Fixed Rate 30 Year Interest Only	3	359,900.00	1.07
Balloon 15 Year	2	146,617.19	0.44
Fixed Rate 25 Year	1	88,120.68	0.26
Fixed Rate 10 Year	1	40,090.00	0.12
Total	247	\$ 33,693,877.89	100.00%

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Initial Periodic Rate Cap of the Group II Initial ARM Loans			
Initial Periodic Rate Cap (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group II Initial ARM Loans by Aggregate Principal Balance
1.000	3	\$ 508,208.25	0.33%
2.000	11	1,667,631.14	1.09
3.000	1,121	150,367,393.43	98.57
Total	1,135	\$ 152,543,232.82	100.00%

Periodic Rate Cap of the Group II Initial ARM Loans			
Periodic Rate Cap (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group II Initial ARM Loans by Aggregate Principal Balance
1.000	1,135	\$ 152,543,232.82	100.00%
Total	1,135	\$ 152,543,232.82	100.00%

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Maximum Loan Rates of the Group II Initial ARM Loans				
Range of Maximum Loan Rates (%)	Number of Mortgage Loans		Aggregate Principal Balance	Percentage of the Group II Initial ARM Loans by Aggregate Principal Balance
11.001 to 11.500	2	\$	446,803.98	0.29%
11.501 to 12.000	6		1,047,040.14	0.69
12.001 to 12.500	17		3,043,771.89	2.00
12.501 to 13.000	51		9,541,920.34	6.26
13.001 to 13.500	93		14,853,648.27	9.74
13.501 to 14.000	134		20,946,339.25	13.73
14.001 to 14.500	99		15,159,096.52	9.94
14.501 to 15.000	67		9,869,124.97	6.47
15.001 to 15.500	50		6,834,146.39	4.48
15.501 to 16.000	77		9,535,583.90	6.25
16.001 to 16.500	113		14,075,546.66	9.23
16.501 to 17.000	122		14,425,511.92	9.46
17.001 to 17.500	62		7,024,913.36	4.61
17.501 to 18.000	36		2,899,537.99	1.90
18.001 to 18.500	24		1,952,928.57	1.28
18.501 to 19.000	14		1,739,648.44	1.14
19.001 to 19.500	27		3,595,412.06	2.36
19.501 to 20.000	25		4,069,764.50	2.67

20.001 to 20.500	23	3,105,886.93	2.04
20.501 to 21.000	19	1,748,637.82	1.15
21.001 to 21.500	15	1,914,508.05	1.26
21.501 to 22.000	14	1,330,063.68	0.87
22.001 to 22.500	17	1,290,384.11	0.85
22.501 to 23.000	14	1,145,243.56	0.75
23.001 to 23.500	3	294,734.51	0.19
23.501 to 24.000	6	390,369.69	0.26
24.001 to 24.500	1	41,577.70	0.03
24.501 to 25.000	4	221,087.62	0.14
Total	1,135	\$ 152,543,232.82	100.00%

Weighted Average: 15.691% (approximate)

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Minimum Loan Rates of the Group II Initial ARM Loans				
Range of Minimum Loan Rates (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group II Initial AR M Loans by Aggregate Principal Balance	
4.001 to 4.500	1	\$ 316,105.16	0.21%	
4.501 to 5.000	5	864,352.73	0.57	
5.001 to 5.500	19	3,168,715.20	2.08	
5.501 to 6.000	61	11,200,195.69	7.34	
6.001 to 6.500	124	18,641,669.62	12.22	
6.501 to 7.000	187	28,627,910.68	18.77	
7.001 to 7.500	139	19,706,045.85	12.92	
7.501 to 8.000	98	13,393,121.33	8.78	
8.001 to 8.500	81	9,228,344.31	6.05	
8.501 to 9.000	85	10,122,440.30	6.64	
9.001 to 9.500	118	14,337,206.23	9.40	
9.501 to 10.000	120	14,117,356.14	9.25	
10.001 to 10.500	58	6,407,982.74	4.20	
10.501 to 11.000	30	1,919,614.69	1.26	
11.001 to 11.500	9	492,172.15	0.32	
Total	1,135	\$ 152,543,232.82	100.00%	

Weighted Average: 7.722% (approximate)

Next Interest Adjustment Date of the Group II Initial ARM Loans			
Next Interest Adjustment Date	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group II Initial ARM Loans by Aggregate Principal Balance
August 2004	1	\$ 271,731.80	0.18%
December 2005	39	4,968,565.85	3.26
November 2005	174	19,767,246.80	12.96
October 2005	8	786,295.10	0.52
December 2006	3	496,004.09	0.33
February 2006	619	87,470,959.75	57.34
January 2006	154	21,214,952.16	13.91
March 2006	26	3,242,725.00	2.13
November 2006	25	3,057,104.84	2.00
October 2006	1	65,547.28	0.04
February 2007	57	7,529,874.25	4.94
January 2007	22	2,791,054.89	1.83
March 2007	1	85,000.00	0.06
December 2008	1	79,937.47	0.05
November 2008	4	716,233.54	0.47
Total	1,135	\$ 152,543,232.82	100.00%

The weighted average remaining months to the next interest adjustment date of the Group II Initial ARM loans as of the cut-off date will be approximately 24 months.

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Gross Margins of the Group II Initial ARM Loans			
Range of Gross Margins (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group II Initial ARM Loans by Aggregate Principal Balance
3.501 to 4.000	5	\$ 870,867.94	0.57%
4.001 to 4.500	23	2,963,880.55	1.94
4.501 to 5.000	82	12,925,836.89	8.47
5.001 to 5.500	139	22,371,757.06	14.67
5.501 to 6.000	127	21,264,830.60	13.94
6.001 to 6.500	113	16,464,231.08	10.79
6.501 to 7.000	90	12,427,760.59	8.15
7.001 to 7.500	62	8,256,673.74	5.41
7.501 to 8.000	87	9,883,986.61	6.48
8.001 to 8.500	243	29,423,505.49	19.29
8.501 to 9.000	115	11,521,895.42	7.55
9.001 to 9.500	44	3,758,235.95	2.46
9.501 to 10.000	4	331,060.96	0.22
10.501 to 11.000	1	78,709.94	0.05
Total	1,135	\$ 152,543,232.82	100.00%

Weighted Average: 6.733% (approximate)

ARM Mortgage Loan Types of the Group II Initial ARM Loans			
Mortgage Loan Type	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group II Initial ARM Loans by Aggregate Principal Balance
ARM 2/28 - 6 Month LIBOR	985	\$ 130,489,666.73	85.54%
ARM 3/27 - 6 Month LIBOR	104	13,009,385.35	8.53
ARM 2/28 Interest Only	35	6,961,077.93	4.56
ARM 3/27 Interest Only	5	1,015,200.00	0.67
ARM 5/25	5	796,171.01	0.52
ARM - 6 Month LIBOR	1	271,731.80	0.18
Total	1,135	\$ 152,543,232.82	100.00%

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The Group III Initial Mortgage Loans

The Group III initial mortgage loans consist of 1,643 mortgage loans that have an aggregate principal balance of approximately \$280,522,920 as of the cut-off date.

None of the Group III initial mortgage loans are subject to HOEPA and each of the Group III initial mortgage loans complies in all material respects with applicable local, state and federal laws, including but not limited to, all applicable predatory and abusive lending laws.

None of the Group III initial mortgage loans are “high cost” or “Section 32” mortgage loans.

Approximately 17.28% of the Group III initial mortgage loans are fixed-rate mortgage loans, and approximately 82.72% of the Group III initial mortgage loans are ARM loans.

Approximately 75.35% of the Group III initial mortgage loans provide for payment by the mortgagor of a prepayment charge in limited circumstances on certain prepayments.

Approximately 57.20% of the Group III initial mortgage loans had a loan-to-value ratio at origination in excess of 80%.

All of the Group III initial mortgage loans are secured by first-liens on the related mortgaged property.

The weighted average remaining term to maturity of the Group III initial mortgage loans is approximately 352 months as of the cut-off date.

The average principal balance of the Group III initial mortgage loans as of the cut-off date was approximately \$170,738. No Group III initial mortgage loan had a principal balance as of the cut-off date of greater than approximately \$998,975 or less than approximately \$39,577.

The Group III initial mortgage loans had mortgage rates of not less than approximately 4.750% per annum and not more than approximately 12.100% per annum as of the cut-off date, and the weighted average mortgage rate of the Group III initial mortgage loans was approximately 7.375% per annum as of the cut-off date.

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The Group III initial mortgage loans are expected to have the following characteristics as of the cut-off date (the sum in any column may not equal the total indicated due to rounding):

Geographic Distribution of the Mortgaged Properties of the Group III Initial Mortgage Loans			
Location	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group III Initial Mortgage Loans by Aggregate Principal Balance
Alabama	10	\$ 819,363.00	0.29%
Arizona	34	5,635,445.97	2.01
Arkansas	12	1,292,069.04	0.46
California	290	74,053,315.29	26.40
Colorado	44	8,421,022.19	3.00
Connecticut	21	3,996,670.29	1.42
Delaware	9	1,713,065.53	0.61
District of Columbia	15	3,204,877.99	1.14
Florida	286	41,831,904.29	14.91
Georgia	57	8,911,654.50	3.18
Idaho	6	748,047.77	0.27
Illinois	30	5,943,984.39	2.12
Indiana	24	2,719,586.39	0.97
Iowa	3	267,942.97	0.10
Kansas	11	1,066,887.21	0.38
Kentucky	8	1,251,761.13	0.45
Louisiana	43	4,478,466.77	1.60

Maine	7	976,899.08	0.35
Maryland	35	6,352,612.72	2.26
Massachusetts	22	6,427,585.11	2.29
Michigan	66	9,523,821.19	3.40
Minnesota	11	1,594,440.77	0.57
Mississippi	13	1,377,335.84	0.49
Missouri	24	3,028,535.00	1.08
Montana	1	134,961.93	0.05
Nebraska	4	360,454.44	0.13
Nevada	33	6,291,627.10	2.24
New Hampshire	11	1,775,527.98	0.63
New Jersey	6	1,111,173.41	0.40
New Mexico	5	623,483.07	0.22
New York	42	7,908,354.24	2.82
North Carolina	53	6,869,436.83	2.45
Ohio	84	10,346,590.94	3.69
Oklahoma	15	1,483,641.70	0.53
Oregon	18	2,705,569.61	0.96
Pennsylvania	49	5,960,621.49	2.12
Rhode Island	3	567,777.83	0.20
South Carolina	22	2,370,911.30	0.85
South Dakota	1	125,309.70	0.04

Tennessee	32	3,867,647.66	1.38
Texas	62	9,358,769.95	3.34
Utah	4	839,717.74	0.30
Virginia	62	11,620,275.91	4.14
Washington	45	9,339,786.39	3.33
West Virginia	5	402,673.16	0.14
Wisconsin	5	821,313.38	0.29
Total	1,643	\$ 280,522,920.19	100.00%

No more than approximately 0.41% (the highest concentration in a single zip code) of the Group III initial mortgage loans will be secured by mortgaged properties located in California in the 92130 zip code.

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Types of Mortgaged Properties of the Group III Initial Mortgage Loans

Property Type	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group III Initial Mortgag e Loans by Aggregate Principal Balance
Single Family Residence	1,270	\$ 209,418,542.61	74.65%
PUD	211	42,034,238.14	14.98
Condo	97	15,156,088.68	5.40
Multi-Unit	65	13,914,050.76	4.96
Total	1,643	\$ 280,522,920.19	100.00%

Use of Proceeds of the Group III Initial Mortgage Loans

Use of Proceeds ⁽¹⁾	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group III Initial Mortgag e Loans by Aggregate Principal Balance
Cash Out Refinance	975	\$ 166,431,837.00	59.33%
Purchase	527	93,031,639.33	33.16
Rate/Term Refinance	141	21,059,443.86	7.51
Total	1,643	\$ 280,522,920.19	100.00%

⁽¹⁾ In general, in the case of a mortgage loan made for “rate/term” refinance purposes, substantially all of the proceeds are used to pay in full the principal balance of a previous mortgage loan of the mortgagor with respect to the related mortgaged property and to pay associated origination and closing costs. Mortgage loans made for “cash-out” refinance purposes may involve the use of the proceeds to pay in full the principal balance of a previous mortgage loan and related costs except that a portion of the proceeds are generally retained by the mortgagor for uses unrelated to the mortgaged property. The amount of these proceeds retained by the mortgagor may be substantial.

Occupancy Status of the Mortgaged Properties of the Group III Initial Mortgage Loans

Occupancy Status	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group III Initial Mortgage Loans by Aggregate Principal Balance
Primary	1,541	\$ 266,615,118.87	95.04%
Investment (Non-Owner Occupied)	77	9,848,771.65	3.51
Secondary	25	4,059,029.67	1.45
Total	1,643	\$ 280,522,920.19	100.00%

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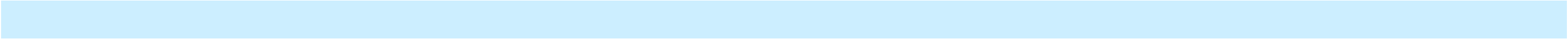
Documentation Type of the Group III Initial Mortgage Loans			
Documentation	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group III Initial Mortgage Loans by Aggregate Principal Balance
Full Documentation	920	\$ 139,526,140.14	49.74%
Stated Income	602	119,632,838.67	42.65
No Documentation	88	15,300,132.05	5.45
Limited Documentation	33	6,063,809.33	2.16
Total	1,643	\$ 280,522,920.19	100.00%

Risk Classification of the Group III Initial Mortgage Loans			
Grade	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group III Initial Mortgage Loans by Aggregate Principal Balance
A+	1	\$ 264,514.97	0.09%
A	1	817,259.08	0.29
Alt A	284	55,551,010.66	19.80
M1	955	163,068,785.37	58.13
M2	313	47,479,357.06	16.93
M3	54	8,429,091.33	3.00

M4	34	4,595,535.86	1.64
FICO Enhanced	1	317,365.86	0.11
Total	1,643	\$ 280,522,920.19	100.00%

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Original Loan-to-Value Ratios of the Group III Initial Mortgage Loans				
Range of Original Loan-to-Value Ratios (%)	Number of Mortgage Loans		Aggregate Principal Balance	Percentage of the Group III Initial Mortgage Loans by Aggregate Principal Balance
15.01 to 20.00	1	\$	149,778.89	0.05%
20.01 to 25.00	3		249,095.64	0.09
25.01 to 30.00	4		229,774.70	0.08
35.01 to 40.00	7		513,972.78	0.18
40.01 to 45.00	10		1,710,128.83	0.61
45.01 to 50.00	17		2,145,991.57	0.76
50.01 to 55.00	19		2,746,025.00	0.98
55.01 to 60.00	51		8,817,835.95	3.14
60.01 to 65.00	60		10,472,455.91	3.73
65.01 to 70.00	94		14,703,258.50	5.24
70.01 to 75.00	142		23,125,024.12	8.24
75.01 to 80.00	320		55,203,909.73	19.68
80.01 to 85.00	198		35,254,322.40	12.57
85.01 to 90.00	373		64,752,881.60	23.08
90.01 to 95.00	174		31,499,058.17	11.23
95.01 to 100.00	170		28,949,406.40	10.32
Total	1,643	\$	280,522,920.19	100.00%



Weighted Average: 83.06% (approximate).

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Principal Balances of the Group III Initial Mortgage Loans				
Range of Principal Balances (\$)		Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group III Initial Mortgag e Loans by Aggregate Principal Balance
0.01 to	50,000.00	43	\$ 1,883,475.43	0.67%
50,000.01 to	100,000.00	392	30,923,877.01	11.02
100,000.01 to	150,000.00	475	58,874,211.06	20.99
150,000.01 to	200,000.00	303	52,471,504.89	18.70
200,000.01 to	250,000.00	144	31,967,136.62	11.40
250,000.01 to	300,000.00	86	23,455,644.73	8.36
300,000.01 to	350,000.00	73	23,879,447.17	8.51
350,000.01 to	400,000.00	48	18,016,082.40	6.42
400,000.01 to	450,000.00	32	13,646,809.40	4.86
450,000.01 to	500,000.00	31	14,968,711.89	5.34
500,000.01 to	550,000.00	4	2,125,055.95	0.76
550,000.01 to	600,000.00	5	2,877,573.27	1.03
600,000.01 to	650,000.00	2	1,297,193.30	0.46
650,000.01 to	700,000.00	1	663,273.21	0.24
750,000.01 to	800,000.00	1	756,690.18	0.27
800,000.01 to	850,000.00	1	817,259.08	0.29
850,000.01 to	900,000.00	1	900,000.00	0.32
950,000.01 to	1,000,000.00	1	998,974.60	0.36

Total	1,643	\$ 280,522,920.19	100.00%
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Average: \$170,738 (approximate)

Remaining Terms to Maturity of the Group III Initial Mortgage Loans

Range of Remaining Terms (months)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group III Initial Mortgag e Loans by Aggregate Principal Balance
169 to 180	87	\$ 9,226,814.90	3.29%
229 to 240	11	1,189,405.04	0.42
349 to 360	1,545	270,106,700.25	96.29
Total	1,643	\$ 280,522,920.19	100.00%

Weighted Average: 352 months (approximate)

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Lien Positions of the Group III Initial Mortgage Loans			
Lien Position	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group III Initial Mortgage Loans by Aggregate Principal Balance
First Lien	1,643	\$ 280,522,920.19	100.00%
Total	1,643	\$ 280,522,920.19	100.00%

Credit Scores of the Group III Initial Mortgage Loans			
Range of Credit Scores	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group III Initial Mortgage Loans by Aggregate Principal Balance
501 to 525	56	\$ 8,049,255.04	2.87%
526 to 550	162	22,876,442.97	8.15
551 to 575	244	36,782,984.17	13.11
576 to 600	242	36,865,127.31	13.14
601 to 625	264	47,114,860.89	16.80
626 to 650	219	41,198,938.15	14.69
651 to 675	181	35,375,125.25	12.61
676 to 700	135	25,901,463.72	9.23
701 to 725	75	14,961,315.10	5.33

726 to 750	32	5,905,768.98	2.11
751 to 775	21	3,391,329.96	1.21
776 to 800	12	2,100,308.65	0.75
Total	1,643	\$ 280,522,920.19	100.00%

Weighted Average: 622 (approximate)

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Current Mortgage Rates of the Group III Initial Mortgage Loans				
Range of Current Mortgage Rates (%)	Number of Mortgage Loans		Aggregate Principal Balance	Percentage of the Group III Initial Mortgage Loans by Aggregate Principal Balance
4.501 to 5.000	4	\$	1,107,132.34	0.39%
5.001 to 5.500	19		4,340,039.00	1.55
5.501 to 6.000	86		22,900,332.03	8.16
6.001 to 6.500	156		32,622,238.88	11.63
6.501 to 7.000	309		57,545,757.47	20.51
7.001 to 7.500	278		49,004,439.07	17.47
7.501 to 8.000	281		44,279,276.43	15.78
8.001 to 8.500	182		27,342,929.68	9.75
8.501 to 9.000	183		23,513,249.53	8.38
9.001 to 9.500	77		10,216,521.78	3.64
9.501 to 10.000	45		4,970,839.48	1.77
10.001 to 10.500	13		1,551,830.70	0.55
10.501 to 11.000	6		632,425.93	0.23
11.001 to 11.500	2		384,778.98	0.14
11.501 to 12.000	1		55,983.94	0.02
12.001 to 12.500	1		55,144.95	0.02
Total	1,643	\$	280,522,920.19	100.00%

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Weighted Average: 7.375% (approximate)

Fixed Rate Mortgage Loan Types of the Group III Initial Fixed Rate Mortgage Loans

Mortgage Loan Type	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group II I Initial Fixed Rate Mortgage Loans by Aggregate Principal Balance
Fixed Rate 30 Year	249	\$ 37,709,829.78	77.79%
Fixed Rate 15 Year	86	9,141,868.55	18.86
Fixed Rate 20 Year	11	1,189,405.04	2.45
Fixed Rate 30 Year Interest Only	2	348,779.00	0.72
Balloon 15 Year	1	84,946.35	0.18
Total	349	\$ 48,474,828.72	100.00%

Initial Periodic Rate Cap of the Group III Initial ARM Loans

Initial Periodic Rate Cap (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group III Initial ARM Loans by Aggregate Principal Balance
2.000	9	\$ 2,056,887.96	0.89%
3.000	1,285	229,991,203.51	99.11

Total	1,294	\$	232,048,091.47	100.00%
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Periodic Rate Cap of the Group III Initial ARM Loans			
Periodic Rate Cap (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group III Initial ARM Loans by Aggregate Principal Balance
1.000	1,293	\$ 231,713,660.73	99.86%
2.000	1	334,430.74	0.14
Total	1,294	\$ 232,048,091.47	100.00%

Maximum Loan Rates of the Group III Initial ARM Loans			
Range of Maximum Loan Rates (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group III Initial ARM Loans by Aggregate Principal Balance
11.501 to 12.000	4	\$ 1,078,064.70	0.46%
12.001 to 12.500	16	3,734,744.06	1.61
12.501 to 13.000	50	14,738,902.75	6.35
13.001 to 13.500	96	21,956,695.96	9.46
13.501 to 14.000	228	43,293,385.22	18.66
14.001 to 14.500	217	39,796,270.82	17.15
14.501 to 15.000	205	34,780,128.65	14.99
15.001 to 15.500	140	22,480,773.04	9.69

15.501 to 16.000	144	19,631,374.13	8.46
16.001 to 16.500	64	8,857,567.85	3.82
16.501 to 17.000	29	3,829,327.07	1.65
17.001 to 17.500	9	1,275,505.47	0.55
17.501 to 18.000	12	2,908,793.68	1.25
18.001 to 18.500	10	1,810,034.07	0.78
18.501 to 19.000	12	2,658,701.18	1.15
19.001 to 19.500	9	1,601,375.33	0.69
19.501 to 20.000	14	2,829,564.23	1.22
20.001 to 20.500	12	1,968,960.54	0.85
20.501 to 21.000	6	730,402.52	0.31
21.001 to 21.500	7	1,168,470.66	0.50
21.501 to 22.000	5	610,188.21	0.26
22.001 to 22.500	2	153,501.91	0.07
23.001 to 23.500	2	114,532.84	0.05
23.501 to 24.000	1	40,826.58	0.02
Total	1,294	\$ 232,048,091.47	100.00%

Weighted Average: 14.776% (approximate)

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Minimum Loan Rates of the Group III Initial ARM Loans			
Range of Minimum Loan Rates (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group III Initial ARM Loans by Aggregate Principal Balance
4.501 to 5.000	3	\$ 964,667.79	0.42%
5.001 to 5.500	16	3,666,677.91	1.58
5.501 to 6.000	60	16,663,061.15	7.18
6.001 to 6.500	120	26,812,809.31	11.55
6.501 to 7.000	256	49,012,166.92	21.12
7.001 to 7.500	235	42,492,105.35	18.31
7.501 to 8.000	220	36,823,625.17	15.87
8.001 to 8.500	143	22,798,874.57	9.83
8.501 to 9.000	147	19,786,733.55	8.53
9.001 to 9.500	64	8,857,567.85	3.82
9.501 to 10.000	24	3,059,972.31	1.32
10.001 to 10.500	4	581,663.20	0.25
10.501 to 11.000	1	193,279.49	0.08
11.001 to 11.500	1	334,886.90	0.14
Total	1,294	\$ 232,048,091.47	100.00%

Weighted Average: 7.363% (approximate)

Next Interest Adjustment Date of the Group III Initial ARM Loans			
Next Interest Adjustment Date	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group III Initial ARM Loans by Aggregate Principal Balance
December 2005	63	\$ 10,797,510.63	4.65%
July 2005	1	183,979.69	0.08
November 2005	94	15,549,261.69	6.70
October 2005	2	687,286.06	0.30
December 2006	2	283,457.02	0.12
February 2006	472	95,560,650.35	41.18
January 2006	535	86,068,577.75	37.09
March 2006	3	986,616.55	0.43
November 2006	10	1,495,584.74	0.64
September 2006	1	334,430.74	0.14
February 2007	47	8,652,585.99	3.73
January 2007	55	9,333,499.04	4.02
December 2008	2	628,472.48	0.27
November 2008	7	1,486,178.74	0.64
Total	1,294	\$ 232,048,091.47	100.00%

The weighted average remaining months to the next interest adjustment date of the Group III Initial ARM loans as of the cut-off date will be approximately 24 months.

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Gross Margins of the Group III Initial ARM Loans			
Range of Gross Margins (%)	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group III Initial ARM Loans by Aggregate Principal Balance
0.001 to 0.500	1	\$ 104,448.60	0.05%
2.501 to 3.000	1	334,430.74	0.14
3.001 to 3.500	1	161,782.74	0.07
3.501 to 4.000	1	998,974.60	0.43
4.001 to 4.500	18	5,131,214.93	2.21
4.501 to 5.000	61	12,322,490.33	5.31
5.001 to 5.500	179	34,839,070.95	15.01
5.501 to 6.000	231	43,533,703.35	18.76
6.001 to 6.500	240	43,929,677.82	18.93
6.501 to 7.000	216	36,990,058.10	15.94
7.001 to 7.500	173	27,573,074.34	11.88
7.501 to 8.000	167	24,163,739.14	10.41
8.001 to 8.500	4	1,630,538.93	0.70
9.001 to 9.500	1	334,886.90	0.14
Total	1,294	\$ 232,048,091.47	100.00%

Weighted Average: 6.264% (approximate)

ARM Mortgage Loan Types of the Group III Initial ARM Loans			
Mortgage Loan Type	Number of Mortgage Loans	Aggregate Principal Balance	Percentage of the Group III Initial AR M Loans by Aggregate Principal Balance
ARM 2/28 - 6 Month LIBOR	1,118	\$ 194,931,656.80	84.00%
ARM 3/27 - 6 Month LIBOR	106	16,637,104.04	7.17
ARM 2/28 Interest Only	52	14,902,225.92	6.42
ARM 3/27 Interest Only	8	3,128,022.75	1.35
ARM 5/25	9	2,114,651.22	0.91
ARM 3 Year	1	334,430.74	0.14
Total	1,294	\$ 232,048,091.47	100.00%

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Conveyance of Subsequent Mortgage Loans and the Pre-Funding Account

On the closing date, approximately \$550,000,000 will be deposited in a pre-funding account which will be in the name of the trustee and will be part of the trust estate and which amount will be used to acquire subsequent mortgage loans. Of that approximately \$550,000,000, approximately \$153,355,579 will be used to acquire subsequent mortgage loans for inclusion in Group IA, approximately \$17,039,596 will be used to acquire subsequent mortgage loans for inclusion in Group IB, approximately \$151,462,210 will be used to acquire subsequent mortgage loans for inclusion in Group II and approximately \$228,142,615 will be used to acquire subsequent mortgage loans for inclusion in Group III. During the pre-funding period, the related original pre-funded amount will be reduced by the amount used to purchase subsequent mortgage loans. The “pre-funding period” is the period commencing on the closing date and ending on the earlier to occur of (i) the date on which the amount on deposit in the pre-funding account is less than \$10,000 and (ii) June 9, 2004.

The purchase price for each subsequent mortgage loan will be approximately 100% of the then outstanding principal balance.

No more than approximately 0.25% of the subsequent mortgage loans may be between 30 and 59 days delinquent as of the applicable cut-off date. No less than approximately 31% of the subsequent mortgage loans that are underwritten to the seller’s underwriting standards for all credit risks will be covered by a mortgage insurance policy or have a loan-to-value ratio less than or equal to 60%, and each such mortgage insurance policy will insure losses to the extent that the uninsured exposure of the related mortgage loan is reduced to an amount equal to 55%, 51% or 50% of the original loan-to-value ratio of such mortgage loan, as more fully described in the policy.

Each subsequent mortgage loan will have been underwritten in accordance with the criteria described under “*Description of the Mortgage Pool—Underwriting Standards for the Mortgage Loans.*”

The trustee shall not agree to any transfer of subsequent mortgage loans without a confirmation from the rating agencies that the acquisition of those subsequent mortgage loans will not result in a downgrade, withdrawal or qualification of the ratings then in effect for the outstanding certificates. The rating agencies shall consent to all subsequent transfers and each subsequent mortgage loan will satisfy the following criteria (among other criteria described in the pooling and servicing agreement):

- the remaining stated term to maturity will not exceed 360 months;
- the subsequent mortgage loan must have an outstanding principal balance of at least \$10,000;
- the subsequent mortgage loan must have a loan-to-value ratio equal to or less than 100%;
- the stated maturity of the subsequent mortgage loan will be no later than June 2034;
- the subsequent mortgage loan shall not provide for negative amortization; and

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- the subsequent mortgage loan if it is a fixed rate loan, must have a fixed mortgage rate of at least 4.00% or, if an ARM loan, a gross margin of at least 1.00% over the related index.

Following the purchase of the subsequent mortgage loans by the trust, all mortgage loans must have a weighted average mortgage rate and a weighted average loan-to-value ratio which will not vary materially from those statistics with respect to the pool of initial mortgage loans.

Underwriting Standards for the Mortgage Loans

All of the initial mortgage loans were originated or purchased by the seller in the ordinary course of business on a loan by loan basis directly from mortgage brokers and mortgage loan originators.

The underwriting guidelines of the seller are intended to evaluate the credit history of the potential borrower, the capacity and willingness of the borrower to repay the loan and the adequacy of the collateral securing the loan. Each loan applicant completes an application that includes information with respect to the applicant’s income, assets, liabilities and employment history. Prior to issuing an approval on the loan, the loan underwriter runs an independent credit report which provides detailed information concerning the payment history of the borrower on all of their debts to verify that the information submitted by the broker is still accurate and up to date. An appraisal is also required on all loans and in many cases a review appraisal or second appraisal may be required depending on the value of the property and the underwriter’s comfort with the original valuation. All appraisals are required to conform to the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation and are generally on forms acceptable to Fannie Mae. The properties securing the mortgage loans are generally appraised by qualified independent appraisers who are generally approved by the related originator. The mortgagor may also include information regarding verification of deposits at financial institutions where the mortgagor had demand or savings accounts. In the case of investment properties, income derived from the mortgaged property may have been used for underwriting purposes.

The underwriting guidelines include six levels of applicant documentation requirements, referred to as “Full Documentation,” “Limited Documentation”, “Stated Income”, “No Documentation”, “No Income/No Asset” and “24-Month Bank Statement.” Under the Full Documentation program applicants generally are required to submit verification of employment and most recent pay stub or prior two years W-2 forms and most recent pay stub. Under the Limited Documentation and 24-Month Bank Statement programs, no such verification is required, however, bank statements for the most recent consecutive 12 or 24-month period are required to evidence cash flow. If business bank statements are used in lieu of personal statements, an unaudited current profit loss statement must accompany the bank statements. Under the Stated Income program, an applicant may be qualified based on monthly income as stated in the loan application. Under the “No Documentation” program, an applicant provides no information as it relates to their income. Under the “No Income/No Asset” program, the applicant’s income and assets are not verified, however the applicant’s employment is verified. Mortgage loans originated under any program other than the “Full Documentation” program require less documentation and verification than do traditional “Full Documentation” programs. Given that the seller primarily lends to non-conforming borrowers, it places great emphasis on the ability of collateral to protect against losses in the event of default by borrowers.

On a case-by-case basis, exceptions to the underwriting guidelines are made where the seller believes compensating factors exist. Compensating factors may consist of factors like length of time in residence, lowering of the borrower’s monthly debt service payments, the loan-to-value ratio or loan-to-value ratio on the loan, as applicable, or other criteria that in the judgment of the loan underwriter warrants an exception. All loans in excess of \$350,000 currently require the approval of the underwriting supervisor and all loans over \$500,000 require the approval of the Corporate Credit Department. In addition, the President of the seller approves all loans in excess of \$1,000,000.

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Underwriting Standards									
	Mortgage History	Minimum FICO	Consumer Credit	Bankruptcy Filings	Prior Foreclosure/ NOD	Adverse Accounts	Debt to Income Ratio	Maximum Loan-to-Value Ratio	Maximum Combined Loan-to-Value Ratio
M1	No 30 day lates within last 12 months	520	N/A	Chapter 7: 2 years since discharge date (100%, 97%) LTV, or 12 months discharge Chapter 13: 2 years since discharge date (100%, 97%) LTV, or 12 months discharge	24 months	Not considered	50%	100% (600 score) or 97%/95% (580 score) or 90%	100% (max 80% LTV) or 95%
M2	Unlimited 30 day lates within the last 12 months	520	N/A	Chapter 7: 2 years since discharge date (100%, 97%) LTV, or 12 months discharge Chapter 13: 2 years since discharge date (100%, 97%) LTV, or 12 months discharge, or 24 months filing (w/ 0 X 30 BK rating) <= 95% LTV	24 months	Not considered	50%	100% (600 score) or 97%/95% (580 score) or 90%	100% (max 80% LTV) or 95%
M3	Unlimited 60 day lates within last 12 months	520	N/A	Chapter 7: 1 year since discharge date. Chapter 13: 1 year since discharge date or 18 months since filing (w/ 0 X 30 BK rating)	24 months	Not considered	50%	85% (540 score) or 80%	100% (max 80% LTV) or 90%
M4	Unlimited 90 day lates within last 12 months	520	N/A	Chapter 7: discharged Chapter 13: discharged at closing (w/ 0 X 30 BK rating)	12 months	Not considered	55%	75%	85%

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Close attention is paid to geographic diversification in managing credit risk. The seller believes one of the best tools for managing credit risk is to diversify the markets in which it originates and purchases mortgage loans. The seller has established a diversification policy to be followed in managing this credit risk which states that no one market can represent a percentage of total mortgage loans owned by the seller higher than twice that market’s percentage of the total national market share.

Quality control reviews are conducted to ensure that all mortgage loans meet quality standards. The type and extent of the reviews depend on the production channel through which the mortgage loan was obtained and the characteristics of the mortgage loan. The seller reviews, at a minimum, 10% of each month’s production. Audit selection criteria includes a proportional representation of loan type, loan product, loan purpose, FICO score, LTV, underwriting grade, state and broker.

Private Mortgage Insurance Policies

Approximately 29.30%, 9.00%, 28.66%, and 25.91% by principal balance of the Group IA initial mortgage loans, the Group IB initial mortgage loans, the Group II initial mortgage and the Group III initial mortgage loans, respectively, are covered by mortgage insurance policies issued by Mortgage Guaranty Insurance Corporation. Mortgage Guaranty Insurance Corporation is a Wisconsin corporation, founded in 1985, that is a private mortgage insurance company with its administrative offices located in Milwaukee, Wisconsin. Mortgage Guaranty Insurance Corporation is rated “AA” by S&P and “Aa2” (negative outlook) by Moody’s with respect to its claims paying ability. Approximately 0.17% by principal balance of the Group II initial mortgage loans are covered by mortgage insurance policies issued by PMI Mortgage Insurance Company. PMI, an Arizona corporation with its administrative offices in San Francisco, California, is a private mortgage insurance company founded in 1972. PMI is rated “AA+” (negative outlook) by S&P and “Aa2” by Moody’s with respect to its claims-paying ability. Approximately 0.03% by principal balance of the Group II initial mortgage loans are covered by mortgage insurance policies issued by Radian Guaranty Inc. Radian, a Pennsylvania corporation with its administrative offices in Philadelphia, Pennsylvania, is a private mortgage insurance company founded in 1999. Radian is rated “AA” by S&P as “Aa3” by Moody’s with respect to its claim paying ability. The remainder of the initial mortgage loans will either be covered by a borrower-paid mortgage insurance policy or will not be covered by a mortgage insurance policy. Each mortgage loan covered by an insurance policy issued by Mortgage Guaranty Insurance Corporation, PMI Mortgage Insurance Company and Radian Guaranty Inc., has an original loan-to-value ratio in excess of 60%. Approximately 27% of the subsequent mortgage loans with an original loan-to-value ratio in excess of 60% will be covered by a mortgage insurance policy.

The servicer follows specified procedures for making a claim on an insured mortgage loan. When an insured mortgage loan becomes materially delinquent and satisfactory arrangements to bring the loan current are not made, the servicer will initiate foreclosure proceedings. The servicer is required to file a claim with the mortgage insurer no later than 60 days after the earlier of acquiring marketable title to the mortgaged property or a pre-arranged sale of the mortgaged property. If a claim filed by the servicer is incomplete, within 20 days of receipt of a claim the mortgage insurer is required to notify the servicer of all items needed to perfect the claim. If no notice of deficiency is sent by the mortgage insurer within such 20-day period, then the claim will be deemed to be a perfected claim as of the date of receipt. Subject to the conditions and exclusions of the mortgage insurance policy, the mortgage insurer is required to process and pay a perfected claim within 60 days.

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Each mortgage insurance policy of the initial mortgage loans will insure a portion of the loss on the related mortgage loan to the extent that the uninsured exposure of the related mortgage loan is reduced to an amount equal to 55%, 51% or 50% of the original loan-to-value ratio of such mortgage loan, as more fully described in the applicable policy. Under the mortgage insurance policies, the mortgage insurer covers an amount generally equal to, at the option of the mortgage insurer, either:

- the outstanding principal balance of the mortgage loan, together with certain accrued interest due on the mortgage loan and certain advances made by the servicer (such as hazard insurance, taxes, maintenance expenses and foreclosure costs), reduced by certain amounts such as escrow deposits (collectively, the “Claim Amount”), in which case the mortgage insurer would take title to the related mortgaged property, or
- an amount equal to the product of (i) the Claim Amount and (ii) the coverage percentage specified in the mortgage insurance policy, in which case the issuer would retain title to (and the proceeds obtained in a foreclosure and sale of) the mortgaged property.

The coverage percentage is a percentage equal to (i) the original loan-to-value ratio of the mortgage loan (expressed as a percentage) minus either 55%, 51% or 50%, as set forth in the applicable policy, divided by (ii) the original loan-to-value ratio of the mortgage loan (expressed as a percentage). Thus, the covered portion of any loss will be different depending upon the original loan-to-value ratio of the mortgage loan. Mortgage loans with higher original loan-to-value ratios will have a higher coverage percentage and mortgage loans with lower original loan-to-value ratios will have a lower coverage percentage.

Each mortgage loan covered by a mortgage insurance policy is covered by the mortgage insurance policy for losses up to the policy limits, although the mortgage insurance policy will not cover special hazard, bankruptcy, fraud losses, losses caused by a borrower’s failure to make a balloon payment, and certain other types of losses as described in the policy. Claims on insured mortgage loans will reduce uninsured exposure to an amount equal to either 55%, 51% or 50%, as set forth in the applicable policy, of the lesser of the appraised value or purchase price, as the case may be, of the related mortgaged property, in each case, at the time of the applicable effective date of the mortgage insurance policy.

Claims payments under a mortgage insurance policy will be made to the servicer, deposited in the collection account and treated in the same manner as a prepayment of the related mortgage loan. Premiums payable on the mortgage insurance policies will be paid monthly by the servicer with funds withdrawn from the collection account with respect to the related mortgage loans.

Additional Information

Prior to the issuance of the certificates, certain of the initial mortgage loans may be removed from the trust estate as a result of incomplete documentation or otherwise, if the company deems such removal necessary or appropriate. A limited number of other mortgage loans may be included in the mortgage pool prior to the issuance of the certificates. The company believes that the information set forth herein will be substantially representative of the characteristics of the mortgage pool as it will be constituted at the time the certificates are issued, although the range of mortgage rates and maturities and certain other characteristics of the mortgage loans in the mortgage pool may vary, although such variance will not be material.

The Seller

The seller, NovaStar Mortgage, Inc., is a Virginia corporation and a wholly-owned subsidiary of NFI Holding Corporation, Inc., a Delaware corporation.

The seller originates non-conforming residential mortgage loans through a network of unaffiliated wholesale loan brokers. The seller utilizes a network of approximately 10,800 wholesale loan brokers in 50 different states. In addition, the seller services loans nationwide, and is licensed to do business as a foreign corporation in 50 states. The seller’s principal executive offices are located at 8140

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Ward Parkway, Suite 300, Kansas City, Missouri 64114. The principal office for the seller’s mortgage lending operations are in Irvine, California, with a second office in Cleveland, Ohio. The seller is an approved HUD lender.

NovaStar Financial, Inc. has guaranteed the seller’s obligations with respect to the representations and warranties respecting the mortgage loans and the remedies for any breach thereof that are assigned to the trustee for the benefit of the certificateholders. See “*NovaStar Financial*” below. NovaStar Financial, Inc. and the seller have only limited assets available to perform the repurchase obligations in respect of any breach of such representations and warranties, relative to the potential amount of repurchase liability, and the total potential amount of repurchase liability is expected to increase over time as the seller and NovaStar Financial, Inc. continue to originate, acquire and sell mortgage loans. There can be no assurance that either the seller or NovaStar Financial, Inc. will generate operating earnings, or that it will be successful under its current business plan. Therefore, prospective investors in the certificates should consider the possibility that the seller or NovaStar Financial, Inc. will not have sufficient assets with which to satisfy its repurchase obligations in the event that a substantial amount of mortgage loans are required to be repurchased due to breaches of representations and warranties.

NovaStar Mortgage, Inc. will also act as the servicer of the mortgage loans. The servicer’s servicing portfolio currently includes only non-conforming residential mortgage loans.

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Foreclosure and Delinquency Experience with Non-Conforming Mortgage Loans

The following table summarizes the delinquency and foreclosure experience, respectively, as of the date indicated, of the non-conforming mortgage loans serviced by the servicer. The information should not be considered as a basis for assessing the likelihood, amount or severity of delinquencies or foreclosures on the mortgage loans securing the certificates.

Delinquency and Foreclosure						
	December 31, 2003		December 31, 2002		December 31, 2001	
	Principal Balance ⁽¹⁾	Ratio	Principal Balance ⁽¹⁾	Ratio	Principal Balance ⁽¹⁾	Ratio
Mortgage Loan Portfolio	\$ 7,206,113		\$ 3,657,640		\$ 1,993,638	
Delinquency Percentage ⁽²⁾						
30-59 Days	36,153	0.50%	40,907	1.12%	34,258	1.72%
60-89 Days	21,823	0.30%	22,404	0.61%	14,285	0.72%
90+ Days	118,584	1.65%	93,041	2.54%	85,080	4.27%
Total	\$ 176,560	2.45%	\$ 156,352	4.27%	\$ 133,623	6.71%
Foreclosure Rate ⁽³⁾	\$ 78,783	1.09%	\$ 48,410	1.32%	\$ 45,477	2.28%
REO	\$ 45,225	0.63%	\$ 35,060	0.96%	\$ 29,848	1.50%

⁽¹⁾ Numbers in thousands.

⁽²⁾ The period of delinquency is based on the number of days that payments are contractually past due.

⁽³⁾ “Foreclosure Rate” is the dollar amount of the mortgage loans in the process of foreclosure as a percentage of the total principal balance of the mortgage loans outstanding as of the date indicated.

There can be no assurance that the delinquency experience of the mortgage loans securing the certificates will correspond to the delinquency and foreclosure experience of the servicing portfolio of the servicer set forth in the foregoing table. The statistics shown above represent the respective delinquency and foreclosure experiences only at the date presented, whereas the aggregate delinquency and foreclosure experience on the mortgage loans securing the certificates will depend on the results obtained over the life of the certificates. The servicer’s servicing portfolio may include non-conforming mortgage loans underwritten pursuant to guidelines not necessarily representative of those applicable to the mortgage loans securing the certificates. It should be noted that if the residential real estate market should experience an overall decline in property values, the actual rates of delinquencies and foreclosures could be higher than those previously experienced by the servicer. In addition, adverse economic conditions may affect the timely payment by mortgagors of scheduled payments of principal and interest on mortgage loans and, accordingly, the actual rates of delinquencies and foreclosures with respect to mortgage loans.

NovaStar Financial

NovaStar Financial, Inc. was incorporated in the State of Maryland on September 13, 1996. The common stock of NovaStar Financial, Inc. is registered under the Securities Act of 1933 and traded on the New York Stock Exchange. NovaStar Financial, Inc. is subject to the reporting requirements of the Securities and Exchange Act of 1934, and in accordance therewith, files reports and other information with the Commission.

NovaStar Financial, Inc. is a specialty finance company that:

- originates, acquires, and services residential non-conforming mortgage loans;
- leverages its assets using bank warehouse lines and repurchase agreements;
- issues securities through special purpose subsidiaries to finance its non-conforming mortgage loans on a long-term basis;

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- purchases high quality mortgage securities in the secondary mortgage market; and

- manages the resulting combined portfolio of mortgage loans in its structure as a real estate investment trust (a “REIT”).

NovaStar Financial, Inc. has elected to be taxed for federal income tax purposes as a REIT. As a result, NovaStar Financial, Inc. is generally not subject to federal income tax to the extent that it distributes its earnings to stockholders and maintains its qualifications as a REIT. The principal executive offices of NovaStar Financial, Inc. are at 8140 Ward Parkway, Suite 300, Kansas City, Missouri 64114.

The Company

NovaStar Mortgage Funding Corporation, a Delaware corporation, was incorporated in the State of Delaware on January 7, 1998. The company is a wholly-owned subsidiary of the seller.

On the closing date, The seller will convey the closing date mortgage loans and the related mortgage insurance policies to the company, who will in turn convey the closing date mortgage loans and the related mortgage insurance policies to the trustee.

The Trustee

JPMorgan Chase Bank will act as trustee and as successor servicer. A copy of the pooling and servicing agreement, without certain exhibits, will be provided by the trustee upon written request. Requests should be addressed to the trustee at the JPMorgan Chase Bank, 4 New York Plaza, 6th Floor, New York, New York 10004-2477, Attention: Institutional Trust Services/Global Debt-NovaStar Mortgage Funding Trust, Series 2004-1. As the successor servicer, the trustee shall assume the function of servicer if NovaStar Mortgage, Inc. has been removed as such and another successor servicer has not been appointed under the pooling and servicing agreement. The trustee will also act as the initial certificate registrar and initial paying agent.

The Custodian

Wachovia Bank, National Association, a national banking association, will act as custodian. In its capacity as custodian, Wachovia Bank, National Association will perform certain custodial duties as more fully described in the pooling and servicing agreement.

Description of the Certificates

General

The certificates will be issued pursuant to a pooling and servicing agreement among the company, the servicer, the trustee and the custodian.

The trust will issue:

- the class A-1A certificates, the class A-1B certificates, the class A-2 certificates, the class A-3A certificates and the class A-3B certificates (the class A-3A and class A-3B certificates are collectively referred to herein as the “class A-3 certificates”) (collectively, the “class A certificates”);

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- the class M-1 certificates, the class M-2 certificates, the class M-3 certificates, the class M-4 certificates, the class M-5 certificates and the class M-6 certificates (collectively, the “mezzanine certificates” or “class M certificates”);
- the class B-1 certificates, the class B-2 certificates and the class B-3 certificates (collectively, the “class B certificates”);
- the class I certificates;
- the class X certificates;
- the class O certificates;
- the class P certificates; and
- the residual certificates.

The class A certificates, the mezzanine certificates, the class B certificates, the class I certificates, the class P certificates, the class X certificates, the class O certificates and the residual certificates are collectively referred to as the “certificates”. The class A certificates, the class B certificates, the mezzanine certificates and the class P certificates are collectively referred to as the “offered certificates” which are offered hereby. Only the class A certificates, the mezzanine certificates and the class B certificates are being purchased by the underwriters, and are collectively referred to as the “underwritten certificates”.

The mezzanine certificates, the class B certificates, the class O certificates and the class X certificates are collectively referred to as the “subordinate certificates”.

The class A certificates, the mezzanine certificates, the class B certificates and the class P certificates will have the original certificate principal balances specified on the cover. The class P certificates will be entitled to all prepayment penalties received in respect of the mortgage loans and such amounts will not be available for distribution to the holders of the other offered certificates. The class P certificates will be entitled to receive a payment of principal equal to \$100 on the earlier of the 35th distribution date and the distribution date on which the aggregate Certificate Balances of the class A certificates are reduced to zero.

The class X certificates represent the right to receive excess interest, which is the interest due on the mortgage loans in excess of the administrative fees, the certificate interest on the underwritten certificates and the class I certificates, amounts necessary to maintain the Required Overcollateralization Amount, any Available Funds Cap Shortfall and certain amounts payable to the swap counterparties. The class I certificates represent the right to receive payments of interest on a notional amount and are senior to all other classes of certificates. The class O certificates are a subordinated class and represent the overcollateralization amount.

The offered certificates will be issued in book-entry form as described below. The offered certificates will be issued in minimum dollar denominations of \$25,000 and integral multiples of \$1,000 in excess thereof. The assumed final maturity date for the certificates is the distribution date in June 2034.

The certificates will be backed by the trust fund created by the pooling and servicing agreement (which may include one or more subtrusts), which consists of the following:

- the mortgage loans;

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- collections in respect of principal and interest of the mortgage loans received after the cut-off date (other than payments due on or before the cut-off date);
- the amounts on deposit in the collection account, including the payment account in which amounts are deposited prior to payment to the certificateholders;
- the mortgage insurance policies and certain other insurance policies maintained by the mortgagors or by or on behalf of the servicer or any subservicer;
- an assignment of the company’s rights under the purchase agreement;
- amounts on deposit in the pre-funding account (which are not part of any REMIC);
- certain hedging agreements (which are not part of any REMIC); and
- proceeds of the above.

Payments

Payments on the certificates will be made by the paying agent on each “distribution date,” which is the 25th day of each month or, if such day is not a business day, then the next succeeding business day, commencing on April 26, 2004. Payments on the certificates will be made to the persons in whose names such certificates are registered on the record date. For so long as there are no definitive notes, the record date is the business day prior to the related distribution date. The record date for the initial distribution date is April 23, 2004. If definitive notes have been issued, the record date is the last business day of the month prior to the related distribution date. Payments will be made by wire transfer (or upon written request, at least five business days prior to the related record date by check or money order and mailed to the address of the holder as it appears on the certificate register on the related record date). However, the final payment in respect of the certificates will be made only upon presentation and surrender of the certificates at the office or the agency of the trustee specified in the notice to holders of such final payment. A “business day” is any day other than (i) a Saturday or Sunday or (ii) a day on which banking institutions in New York or Missouri, or in the city in which the corporate trust office of the trustee or the custodian are located, is required or authorized by law to be closed.

Certificates Supported by Each Group

The class A-1A certificates primarily represent interests in the Group IA mortgage loans, with a contingent right to receive certain amounts from the Group IB, Group II and Group III mortgage loans, as described herein. The class A-1B certificates primarily represent interests in the Group IB mortgage loans, with a contingent right to receive certain amounts from the Group IA, Group II and Group III mortgage loans, as described herein. The class A-2 certificates primarily represent interests in the Group II mortgage loans, with a contingent right to receive certain amounts from the Group IA, Group IB and Group III mortgage loans, as described herein. The class A-3 certificates primarily represent interests in the Group III mortgage loans, with a contingent right to receive certain amounts from the Group IA, Group IB and Group II mortgage loans, as described herein. The mezzanine certificates, the class B certificates, the class I certificates, the class X certificates, the class O certificates and the class P certificates represent interests in all four Groups of mortgage loans.

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Available Funds

The available funds for each distribution date will equal the amount received by the trustee and available in the payment account on that distribution date. The available funds will generally be equal to the sum of, net of amounts reimbursable to the servicer, the following amounts:

- the aggregate amount of scheduled payments on the mortgage loans due on the prior due date and received on or prior to the determination date;
- miscellaneous fees and collections, including assumption fees and prepayment penalties, but excluding late fees;
- any unscheduled payments and receipts, including mortgagor prepayments on the mortgage loans, received during the prior prepayment period and proceeds of repurchases, and adjustments in the case of substitutions and terminations, net liquidation proceeds, insurance proceeds and proceeds from any mortgage insurance policy;
- all advances made and compensating interest paid for that distribution date; and
- on the distribution date which follows the termination of the pre-funding period, the remaining applicable amount on deposit in the pre-funding account at that time.

In the vast majority of cases, for any distribution date, the due date is the first day of the month in which the distribution date occurs, and the determination date is the 15th day of the month in which the distribution date occurs, or if such day is not a business day, the immediately preceding business day.

Interest Payments on the Certificates

On each distribution date, the holders of each class of certificates (other than the class X certificates, the class O certificates and the class P certificates) will be entitled to receive an interest payment amount equal to interest accrued on the related Certificate Balance immediately prior to such distribution date at the related pass-through rate for the related accrual period reduced for certain shortfalls as described herein.

The pass-through rate for each class of underwritten certificates and any distribution date is the lesser of: (1) the formula rate for that class and distribution date and (2) the related available funds cap rate for that class and distribution date.

The formula rate for each class of underwritten certificates is the lesser of (1) the LIBOR Rate and (2) 11%.

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The LIBOR Rate for each class of certificates is as follows:

Prior to the first distribution date to occur after the clean-up call date.

Class	LIBOR Rate
A-1A	LIBOR plus 0.240%
A-1B	LIBOR plus 0.330%
A-2	LIBOR plus 0.240%
A-3A	LIBOR plus 0.090%
A-3B	LIBOR plus 0.260%
M-1	LIBOR plus 0.450%
M-2	LIBOR plus 0.500%
M-3	LIBOR plus 0.550%
M-4	LIBOR plus 0.975%
M-5	LIBOR plus 1.050%
M-6	LIBOR plus 1.250%
B-1	LIBOR plus 1.700%
B-2	LIBOR plus 1.800%
B-3	LIBOR plus 2.950%

On or after the first distribution date to occur after the clean-up call date.

Class	LIBOR Rate
A-1A	LIBOR plus 0.4800%

A-1B	LIBOR plus 0.6600%
A-2	LIBOR plus 0.4800%
A-3A	LIBOR plus 0.1800%
A-3B	LIBOR plus 0.5200%
M-1	LIBOR plus 0.6750%
M-2	LIBOR plus 0.7500%
M-3	LIBOR plus 0.8250%
M-4	LIBOR plus 1.4625%
M-5	LIBOR plus 1.5750%
M-6	LIBOR plus 1.8750%
B-1	LIBOR plus 2.5500%
B-2	LIBOR plus 2.7000%
B-3	LIBOR plus 4.4250%

The available funds cap rate for the class A-1A certificates, for each distribution date is the percentage equivalent of a fraction equal to (a) an amount equal to (i) the aggregate Interest Remittance Formula Amount for the Group IA mortgage loans, less (ii) the administrative fees allocable to the Group IA mortgage loans, and less (iii) the related portion of the Class I Monthly Interest Distributable Amount, divided by (b) the product of (i) the actual number of days in the related accrual period divided by 360 and (ii) the aggregate principal balance of the Group IA mortgage loans plus any related amounts on deposit in the pre-funding account.

The available funds cap rate for the class A-1B certificates, for each distribution date is the percentage equivalent of a fraction equal to (a) an amount equal to (i) the aggregate Interest Remittance Formula Amount for the Group IB mortgage loans, less (ii) the administrative fees allocable to the Group IB mortgage loans, and less (iii) the related portion of the Class I Monthly Interest Distributable Amount, divided by (b) the product of (i) the actual number of days in the related accrual period divided by 360 and (ii) the aggregate principal balance of the Group IB mortgage loans plus any related amounts on deposit in the pre-funding account.

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The available funds cap rate for the class A-2 certificates, for each distribution date is the percentage equivalent of a fraction equal to (a) an amount equal to (i) the aggregate Interest Remittance Formula Amount for the Group II mortgage loans, less (ii) the administrative fees allocable to the Group II mortgage loans, and less (iii) the related portion of the Class I Monthly Interest Distributable Amount, divided by (b) the product of (i) the actual number of days in the related accrual period divided by 360 and (ii) the aggregate principal balance of the Group II mortgage loans plus any related amounts on deposit in the pre-funding account.

The available funds cap rate for the class A-3 certificates, for each distribution date is the percentage equivalent of a fraction equal to (a) an amount equal to (i) the aggregate Interest Remittance Formula Amount for the Group III mortgage loans, less (ii) the administrative fees allocable to the Group III mortgage loans, and less (iii) the related portion of the Class I Monthly Interest Distributable Amount, divided by (b) the product of (i) the actual number of days in the related accrual period divided by 360 and (ii) the aggregate principal balance of the Group III mortgage loans plus any related amounts on deposit in the pre-funding account.

The available funds cap rate for the mezzanine and class B certificates, on any distribution date, is equal to the weighted average of (i) the available funds cap rate for the class A-1A certificates, (ii) the available funds cap rate for the class A-1B certificates, (iii) the available funds cap rate for the class A-2 certificates and (iv) the available funds cap rate for the A-3 certificates, weighted on the basis of the related sub component principal balance.

The principal balance of the Group IA sub component for any distribution date is equal to (i) the aggregate principal balance of the Group IA mortgage loans, plus any related amounts on deposit in the pre-funding account, for such distribution date less (ii) the aggregate Certificate Balance of the class A-1A certificates for such distribution date.

The principal balance of the Group IB sub component for any distribution date is equal to (i) the aggregate principal balance of the Group IB mortgage loans, plus any related amounts on deposit in the pre-funding account, for such distribution date less (ii) the aggregate Certificate Balance of the class A-1B certificates for such distribution date.

The principal balance of the Group II sub component for any distribution date is equal to (i) the aggregate principal balance of the Group II mortgage loans, plus any related amounts on deposit in the pre-funding account, for such distribution date less (ii) the aggregate Certificate Balance of the class A-2 certificates for such distribution date.

The principal balance of the Group III sub component for any distribution date is equal to (i) the aggregate principal balance of the Group III mortgage loans, plus any related amounts on deposit in the pre-funding account, for such distribution date less (ii) the Certificate Balance of the class A-3 certificates for such distribution date.

With respect to each class of underwritten certificates and any distribution date, to the extent that the amount of interest paid to a class is reduced because the formula rate exceeds the related available funds cap rate (such excess amount, the related “Available Funds Cap Shortfall”) such amount will be paid to such class on that same distribution date or future distribution dates out of the supplemental interest trust, to the extent of funds available or, to the extent that the funds in the supplemental interest trust (excluding amounts from Excess Cashflow) are insufficient for this purpose, from Excess Cashflow remaining after using any amounts necessary to increase the overcollateralization amount to the Required Overcollateralization Amount.

If the funds in the supplemental interest trust (as described below) on a distribution date are insufficient to pay the Available Funds Cap Shortfall for that same distribution date, the remaining

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unpaid amount shall be carried forward and distributed, to the extent of funds available, (together with interest on that amount at the related formula rate applicable from time to time) on future distribution dates.

Interest on the certificates will accrue during each accrual period. The accrual period is the period from the prior distribution date through and including the day preceding the related distribution date. In the case of the first distribution date, interest begins to accrue on the closing date. Interest will accrue on the basis of the actual number of days in the accrual period and a 360 day year.

Supplemental Interest Trust

The underwritten certificates are entitled to payments from a supplemental interest trust on each distribution date that an Available Funds Cap Shortfall exists.

On each distribution date through and including the distribution date occurring in January 2007 (such date the “Class I Termination Date”), funds deposited into the supplemental interest trust will equal the sum of (i) any payments received under the twenty-one swap agreements described below, (ii) the Class I Monthly Interest Distributable Amount and (iii) any Excess Cashflow remaining after paying amounts to maintain the Required Overcollateralization Amount. On each distribution date commencing in February 2007, funds deposited into the supplemental interest trust will equal any Excess Cashflow after paying amounts to maintain the Required Overcollateralization Amount.

On each distribution date, from the aggregate amounts on deposit in the supplemental interest trust (using amounts other than the Excess Cashflow, and if such amounts are insufficient, from the Excess Cashflow remaining after the distributions made to maintain the Required Overcollateralization Amount as described in the paragraphs immediately above), the trustee will make the following distributions in the following order of priority:

- (i) first, on each distribution date up to and including the Class I Termination Date, to each swap counterparty its respective swap amount for such distribution date;
- (ii) second, the sum of (x) any Available Funds Cap Shortfall arising on such distribution date, and (y) any Available Funds Cap Shortfall not paid on prior distribution dates plus interest on such unpaid amount at a rate equal to the related formula rate, to the underwritten certificates pro rata, based on Certificate Balance;
- (iii) third, to each swap counterparty its respective swap termination payment, if any; and
- (iv) fourth, any remaining amounts will be paid to the holders of the class X certificates and the class O certificates as described in the pooling and servicing agreement.

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Summary of Interest Rate Swap Agreements

A “swap amount” for any distribution date on or prior to the Class I Termination Date is the excess of (x) the product of (i) the related fixed rate of interest, (ii) 30 divided by 360 and (iii) the related notional amount over (y) the product of (i) LIBOR, (ii) the actual number of days elapsed in the related Accrual Period divided by 360 and (iii) the related notional amount (so long as such calculation results in a positive number). If the calculation mentioned above results in a negative number, the supplemental interest trust will be entitled to receive from the related swap counterparty the absolute value of such negative number. The swap agreements have terms and maturities as follows:

Swap Counterparty	Notional Amount	Fixed Rate	Maturity Date
Wachovia Bank, N.A.	\$65,000,000	2.0575 %	October 2005
Greenwich Capital Derivatives, Inc.	\$60,000,000	2.1950 %	October 2005
Greenwich Capital Derivatives, Inc.	\$60,000,000	2.1425 %	November 2005
Greenwich Capital Derivatives, Inc.	\$60,000,000	2.2700 %	November 2005
Wachovia Bank, N.A.	\$60,000,000	2.3900 %	November 2005
Greenwich Capital Derivatives, Inc.	\$60,000,000	2.0925 %	December 2005
Greenwich Capital Derivatives, Inc.	\$60,000,000	2.2475 %	December 2005
Wachovia Bank, N.A.	\$60,000,000	2.4640 %	December 2005
Greenwich Capital Derivatives, Inc.	\$30,000,000	2.5100 %	December 2005
Greenwich Capital Derivatives, Inc.	\$70,000,000	1.9600 %	January 2006
Wachovia Bank, N.A.	\$70,000,000	2.2800 %	January 2006
Wachovia Bank, N.A.	\$35,000,000	2.6788 %	October 2006
Greenwich Capital Derivatives, Inc.	\$40,000,000	2.8000	October 2006

		%	
Greenwich Capital Derivatives, Inc.	\$40,000,000	2.7425%	November 2006
Greenwich Capital Derivatives, Inc.	\$40,000,000	2.8800%	November 2006
Wachovia Bank, N.A.	\$40,000,000	3.0275%	November 2006
Greenwich Capital Derivatives, Inc.	\$40,000,000	2.6675%	December 2006
Greenwich Capital Derivatives, Inc.	\$40,000,000	2.8275%	December 2006
Wachovia Bank, N.A.	\$40,000,000	3.0470%	December 2006
Greenwich Capital Derivatives, Inc.	\$30,000,000	2.5350%	January 2007
Wachovia Bank, N.A.	\$30,000,000	2.8800%	January 2007

The obligations of Greenwich Capital Derivatives, Inc. under the swap agreements are guaranteed by The Royal Bank of Scotland plc, an affiliate of Greenwich Capital Markets, Inc.

The trustee will release a portion of its interest in the swap agreements to the seller or NovaStar Financial, Inc. (in increments of \$10 million in aggregate notional amount) each time the applicable portion of the notional amount of the swap agreements exceeds the applicable portion of the Certificate Balance of the underwritten certificates (calculated on the basis of (a) Group IA, (b) Group IB, (c) Group II and (d) Group III, separately). If such release occurs, either NovaStar Financial, Inc. or NovaStar Mortgage, Inc. as the case may be, will thereafter pay any related swap amount with respect to the released notional amount. The trustee will not receive any payments on any released portion of a swap agreement following the release.

Interest Allocations

On each distribution date the trustee will first distribute the prepayment penalties collected on the Group IA mortgage loans, the Group IB mortgage loans, the Group II mortgage loans and the Group III mortgage loans during the prior prepayment period to the holders of the class P certificates. After making that distribution, the trustee will apply that portion of the remaining available funds, pro rata

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from the Group IA mortgage loans, the Group IB mortgage loans, the Group II mortgage loans and the Group III mortgage loans, which represents the Interest Remittance Amount for that distribution date to the payment of any administrative fees of the trust which are due on that distribution date. The trustee will then apply the remaining Interest Remittance Amount to the payment of interest then due on the certificates in the following order of priority:

(i) first, payable from the Group IA Interest Remittance Amount, the Group IB Interest Remittance Amount, the Group II Interest Remittance Amount and the Group III Interest Remittance Amount, to the holders of the class I certificates, the Class I Monthly Interest Distributable Amount;

(ii) second, concurrently, with equal priority of payment:

(A) payable solely from the Group IA Interest Remittance Amount for that distribution date, to the holders of the class A-1A certificates, the Monthly Interest Distributable Amount for the class A-1A certificates, and to the extent that the Group IA Interest Remittance Amount is less than the related Monthly Interest Distributable Amount, from the Group IB Cross Collateralization Amount, the Group II Cross Collateralization Amount and the Group III Cross Collateralization Amount, pro rata for that distribution date, to the holders of the class A-1A certificates, the unpaid portion of the Monthly Interest Distributable Amount for the class A-1A certificates;

(B) payable solely from the Group IB Interest Remittance Amount for that distribution date, to the holders of the class A-1B certificates, the Monthly Interest Distributable Amount for the class A-1B certificates, and to the extent that the Group IB Interest Remittance Amount is less than the related Monthly Interest Distributable Amount, from the Group IA Cross Collateralization Amount, the Group II Cross Collateralization Amount and the Group III Cross Collateralization Amount, pro rata for that distribution date, to the holders of the class A-1B certificates, the unpaid portion of the Monthly Interest Distributable Amount for the class A-1B certificates;

(C) payable solely from the Group II Interest Remittance Amount for that distribution date, to the holders of the class A-2 certificates, the Monthly Interest Distributable Amount for the class A-2 certificates, and to the extent that the Group II Interest Remittance Amount is less than the related Monthly Interest Distributable Amount, from the Group IA Cross Collateralization Amount, the Group IB Cross Collateralization Amount and the Group III Cross Collateralization Amount, pro rata for that distribution date, to the holders of the class A-2 certificates, the unpaid portion of the Monthly Interest Distributable Amount for the class A-2 certificates; and

(D) payable solely from the Group III Interest Remittance Amount, for that distribution date, to the holders of the class A-3A and class A-3B certificates, the related Monthly Interest Distributable Amount for the class A-3A and class A-3B certificates, pro rata based on the amounts of interest each such class is otherwise entitled to on that date, and to the extent that the Group III Interest Remittance Amount is less than the related aggregate Monthly Interest Distributable Amount, from the Group IA Cross Collateralization Amount, the Group IB Cross Collateralization Amount and the Group II Cross Collateralization Amount, pro rata for that distribution date, to the holders of the class A-3A and class A-3B certificates, the unpaid portion of the Monthly Interest Distributable Amounts for the class A-3A and class A-3B certificates, pro rata based on the amount of interest each such class is otherwise entitled to on that date;

(iii) third, payable from the Group IA Interest Remittance Amount, Group IB Interest Remittance Amount, Group II Interest Remittance Amount and Group III Interest Remittance Amount, to the holders of the class M-1 certificates, the Monthly Interest Distributable Amount for the class M-1 certificates;

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- (iv) fourth, payable from the Group IA Interest Remittance Amount, Group IB Interest Remittance Amount, Group II Interest Remittance Amount and Group III Interest Remittance Amount, to the holders of the class M-2 certificates, the Monthly Interest Distributable Amount for the class M-2 certificates;
- (v) fifth, payable from the Group IA Interest Remittance Amount, Group IB Interest Remittance Amount, Group II Interest Remittance Amount and Group III Interest Remittance Amount, to the holders of the class M-3 certificates, the Monthly Interest Distributable Amount for the class M-3 certificates;
- (vi) sixth, payable from the Group IA Interest Remittance Amount, Group IB Interest Remittance Amount, Group II Interest Remittance Amount and Group III Interest Remittance Amount, to the holders of the class M-4 certificates, the Monthly Interest Distributable Amount for the class M-4 certificates;
- (vii) seventh, payable from the Group IA Interest Remittance Amount, Group IB Interest Remittance Amount, Group II Interest Remittance Amount and Group III Interest Remittance Amount, to the holders of the class M-5 certificates, the Monthly Interest Distributable Amount for the class M-5 certificates;
- (viii) eighth, payable from the Group IA Interest Remittance Amount, Group IB Interest Remittance Amount, Group II Interest Remittance Amount and Group III Interest Remittance Amount, to the holders of the class M-6 certificates, the Monthly Interest Distributable Amount for the class M-6 certificates;
- (ix) ninth, payable from the Group IA Interest Remittance Amount, Group IB Interest Remittance Amount, Group II Interest Remittance Amount and Group III Interest Remittance Amount, to the holders of the class B-1 certificates, the Monthly Interest Distributable Amount for the class B-1 certificates;
- (x) tenth, payable from the Group IA Interest Remittance Amount, Group IB Interest Remittance Amount, Group II Interest Remittance Amount and Group III Interest Remittance Amount, to the holders of the class B-2 certificates, the Monthly Interest Distributable Amount for the class B-2 certificates;
- (xi) eleventh, payable from the Group IA Interest Remittance Amount, Group IB Interest Remittance Amount, Group II Interest Remittance Amount and Group III Interest Remittance Amount to the holders of the class B–3 certificates, the Monthly Interest Distributable Amount for the class B–3 certificates; and
- (xii) twelfth, any remainder to be distributed as Excess Cashflow as described herein.

On any distribution date, any shortfalls resulting from the application of the Relief Act and any prepayment interest shortfalls to the extent not covered by compensating interest paid by the servicer will be applied to reduce first, the Excess Cashflow and second, the Monthly Interest Distributable Amounts with respect to the class A-1A, class A-1B, class A-2, class A-3A, class A-3B, class M-1, class M-2, class M-3, class M-4, class M-5, class M-6, class B-1, class B-2 and class B–3 certificates on a pro rata basis, based on the respective amounts of interest accrued on such certificates for such distribution date. The holders of the certificates will not be entitled to reimbursement for any such interest shortfalls.

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Principal Allocations

(1) On each distribution date (a) prior to the Crossover Date or (b) on which a Trigger Event is in effect, the holders of each class of certificates shall be entitled to receive distributions in respect of principal to the extent of the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount in the following amounts and order of priority:

(i) first, concurrently, with equal priority of payment:

(A) payable solely from the Group IA Principal Distribution Amount, to the holders of the class A-1A certificates, the entire amount of the Group IA Principal Distribution Amount until the Certificate Balance of the class A-1A certificates has been reduced to zero;

(B) payable solely from the Group IB Principal Distribution Amount, to the holders of the class A-1B certificates, the entire amount of the Group IB Principal Distribution Amount until the Certificate Balance of the class A-1B certificates has been reduced to zero (except that only on the Class P Principal Distribution Date, the Certificate Balance of the class P certificates shall first be paid from the Group IB Principal Distribution Amount to the holders of the class P certificates);

(C) payable solely from the Group II Principal Distribution Amount, to the holders of the class A-2 certificates, the entire amount of the Group II Principal Distribution Amount until the aggregate Certificate Balance of the class A-2 certificates has been reduced to zero; and

(D) payable solely from the Group III Principal Distribution Amount, to the holders of the class A-3 certificates as described below, the entire amount of the Group III Principal Distribution Amount until the Certificate Balance of the class A-3 certificates has been reduced to zero;

(ii) second,

(A) if the Certificate Balance of the class A-1A certificates has been reduced to zero, then to the holders of the class A-1B certificates, class A-2 certificates and class A-3 certificates, pro rata based on their respective Certificate Balances, the amount of any remaining Group IA Principal Distribution Amount until the Certificate Balances of the class A-1B certificates, class A-2 certificates and class A-3 certificates have been reduced to zero; or

(B) if the Certificate Balance of the class A-1B certificates has been reduced to zero, then to the holders of the class A-1A certificates, class A-2 certificates and class A-3 certificates, pro rata based on their respective Certificate Balances, the amount of any remaining Group IB Principal Distribution Amount until the Certificate Balances of the class A-1A certificates, class A-2 certificates and class A-3 certificates have been reduced to zero; or

(C) if the aggregate Certificate Balance of the class A-2 certificates has been reduced to zero, then to the holders of the class A-1A certificates, class A-1B certificates and class A-3 certificates, pro rata based on their respective Certificate Balances, the amount of any remaining Group II Principal Distribution Amount until the Certificate Balances of the class A-1A certificates, class A-1B certificates and class A-3 certificates have been reduced to zero; or

(D) if the Certificate Balance of the class A-3 certificates has been reduced to zero, then to the holders of the class A-1A certificates, class A-1B certificates and class A-2 certificates, pro rata based on their respective Certificate Balances, the amount of any remaining Group III Principal Distribution Amount until the Certificate Balances of the class A-1A certificates, class A-1B certificates and class A-2 certificates have been reduced to zero;

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- (iii) third, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class M-1 certificates, the entire remaining amount of the Principal Distribution Amount until the Certificate Balance of the class M-1 certificates has been reduced to zero;
- (iv) fourth, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class M-2 certificates, the entire remaining amount of the Principal Distribution Amount until the Certificate Balance of the class M-2 certificates has been reduced to zero;
- (v) fifth, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class M-3 certificates, the entire remaining amount of the Principal Distribution Amount until the Certificate Balance of the class M-3 certificates has been reduced to zero;
- (vi) sixth, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class M-4 certificates, the entire remaining amount of the Principal Distribution Amount until the Certificate Balance of the class M-4 certificates has been reduced to zero;
- (vii) seventh, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class M-5 certificates, the entire remaining amount of the Principal Distribution Amount until the Certificate Balance of the class M-5 certificates has been reduced to zero;
- (viii) eighth, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class M-6 certificates, the entire remaining amount of the Principal Distribution Amount until the Certificate Balance of the class M-6 certificates has been reduced to zero;
- (ix) ninth, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class B-1 certificates, the entire remaining amount of the Principal Distribution Amount until the Certificate Balance of the class B-1 certificates has been reduced to zero;
- (x) tenth, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class B-2 certificates, the entire remaining amount of the Principal Distribution Amount until the Certificate Balance of the class B-2 certificates has been reduced to zero;
- (xi) eleventh, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class B–3 certificates, the entire remaining amount of the Principal Distribution Amount until the Certificate Balance of the class B–3 certificates has been reduced to zero;

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- (xii) twelfth, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class O certificates, the entire remaining amount of the Principal Distribution Amount until the Certificate Balance of the class O certificates has been reduced to zero; and
- (xiii) thirteenth, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the residual certificates, any remainder.
- (2) On each distribution date (a) on or after the Crossover Date and (b) on which a Trigger Event is not in effect, the holders of each class of certificates shall be entitled to receive distributions in respect of principal to the extent of the Group IA Principal Distribution Amount, the Group IB Principal Distribution Amount, the Group II Principal Distribution Amount and the Group III Principal Distribution Amount in the following amounts and order of priority:
- (i) first, concurrently, with equal priority of payment:
- (A) payable solely from the Group IA Principal Distribution Amount, to the holders of the class A-1A certificates, the Class A-1A Principal Distribution Amount until the Certificate Balance of the class A-1A certificates has been reduced to zero;
- (B) payable solely from the Group IB Principal Distribution Amount, to the holders of the class A-1B certificates, the Class A-1B Principal Distribution Amount until the Certificate Balance of the class A-1B certificates has been reduced to zero (except that only on the Class P Principal Distribution Date the Certificate Balance of the class P certificates shall first be paid to the holders of the class P certificates);
- (C) payable solely from the Group II Principal Distribution Amount, to the holders of the class A-2 certificates as described below, the Class A-2 Principal Distribution Amount until the aggregate Certificate Balance of the class A-2 certificates has been reduced to zero; and
- (D) payable solely from the Group III Principal Distribution Amount to the holders of the class A-3 certificates, the Class A-3 Principal Distribution Amount until the Certificate Balance of the Class A-3 Certificates has been reduced to zero;
- (ii) second, concurrently, with equal priority of payment:
- (A) if the Group IA Principal Distribution Amount was insufficient to pay the Class A-1A Principal Distribution Amount, then payable, pro-rata, from the remaining Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class A-1A certificates, the unpaid portion of the Class A-1A Principal Distribution Amount based on the aggregate unpaid portion of the Class A Principal Distribution Amount; or
- (B) if the Group IB Principal Distribution Amount was insufficient to pay the Class A-1B Principal Distribution Amount, then payable, pro-rata, from the remaining Group IA Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class A-1B certificates, the unpaid portion of the Class A-1B Principal Distribution Amount based on the aggregate unpaid portion of the Class A Principal Distribution Amount; or

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- (C) if the Group II Principal Distribution Amount was insufficient to pay the Class A-2 Principal Distribution Amount, then payable, pro-rata, from the remaining Group IA Principal Distribution Amount, Group IB Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class A-2 certificates, the unpaid portion of the Class A-2 Principal Distribution Amount based on the aggregate unpaid portion of the Class A Principal Distribution Amount;
- (D) if the Group III Principal Distribution Amount was insufficient to pay the Class A-3 Principal Distribution Amount, then payable, pro-rata, from the remaining Group IA Principal Distribution Amount, Group IB Principal Distribution Amount and Group II Principal Distribution Amount, to the holders of the class A-3 certificates, the unpaid portion of the Class A-3 Principal Distribution Amount based on the aggregate unpaid portion of the Class A Principal Distribution Amount;
- (iii) third, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class M-1 certificates, the Class M-1 Principal Distribution Amount until the Certificate Balance of the class M-1 certificates has been reduced to zero;
- (iv) fourth, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class M-2 certificates, the Class M-2 Principal Distribution Amount until the Certificate Balance of the class M-2 certificates has been reduced to zero;
- (v) fifth, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class M-3 certificates, the Class M-3 Principal Distribution Amount until the Certificate Balance of the class M-3 certificates has been reduced to zero;
- (vi) sixth, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class M-4 certificates, the Class M-4 Principal Distribution Amount until the Certificate Balance of the class M-4 certificates has been reduced to zero;
- (vii) seventh, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class M-5 certificates, the Class M-5 Principal Distribution Amount until the Certificate Balance of the class M-5 certificates has been reduced to zero;
- (viii) eighth, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class M-6 certificates, the Class M-6 Principal Distribution Amount until the Certificate Balance of the class M-6 certificates has been reduced to zero;
- (ix) ninth, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class B-1 certificates, the Class B-1 Principal Distribution Amount until the Certificate Balance of the class B-1 certificates has been reduced to zero;
- (x) tenth, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class B-2 certificates, the Class B-2 Principal Distribution Amount until the Certificate Balance of the class B-2 certificates has been reduced to zero;

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(xi) eleventh, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount to the holders of the class B-3 certificates, the Class B-3 Principal Distribution Amount until the Certificate Balance of the class B-3 certificates has been reduced to zero;

(xii) twelfth, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the class O certificates, the entire remaining Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount until the Certificate Balance of the class O certificates has been paid;

(xiii) thirteenth, payable from the Group IA Principal Distribution Amount, Group IB Principal Distribution Amount, Group II Principal Distribution Amount and Group III Principal Distribution Amount, to the holders of the residual certificates, any remainder.

All principal amounts distributed to the class A-3 certificates shall be distributed as follows:

- first, to the class A-3A certificates, until its Certificate Balance has been reduced to zero; and
- second, after the Certificate Balance of the class A-3A certificates has been reduced to zero, any remaining amounts to the class A-3B certificates until its Certificate Balance has been reduced to zero.

The allocation of principal with respect to the class A certificates on each distribution date prior to the Crossover Date or on which a Trigger Event has occurred will have the effect of accelerating the amortization of the class A certificates while, in the absence of realized losses, increasing the relative proportion of the trust’s assets represented by the mezzanine certificates, the class B certificates and the class O certificates. Increasing the relative proportion of the trust’s assets in the mezzanine certificates, the class B certificates and the class O certificates relative to that of the class A certificates is intended to preserve the availability of the subordination provided by the mezzanine certificates, the class B certificates and the class O certificates.

Credit Enhancement

The credit enhancement provided for the benefit of the holders of the class I certificates and class A certificates consists of subordination, as described below, Excess Cashflow and overcollateralization, as described under “*Description of the Certificates—Overcollateralization Provisions, Allocation of Losses and Subsequent Recoveries*”, mortgage insurance, as described in “*Description of the Mortgage Pool—Private Mortgage Insurance Policies*” and cross-collateralization, as described under “*Description of the Certificates - Cross-Collateralization Provisions.*”

The rights of the holders of the class I certificates to receive distributions are senior to all other certificates. The rights of the holders of the subordinate certificates to receive distributions will be subordinated, to the extent described herein, to the rights of the holders of the class A certificates and the class I certificates. The subordinate certificates include the mezzanine, class B, class O and class X certificates. This subordination is intended to enhance the likelihood of regular receipt by the holders of the class A certificates and the class I certificates of the full amount of their scheduled monthly payments of interest and principal, as applicable, and to afford such holders protection against realized losses.

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The protection afforded to the holders of the class A certificates, and class I certificates by means of the subordination of the subordinate certificates will be accomplished by (i) the preferential right of the holders of the class A certificates and class I certificates to receive on any distribution date, prior to distribution on the subordinate certificates, distributions in respect of interest and principal, as applicable, subject to funds available for such distributions and (ii) if necessary, the right of the holders of the class A certificates and class I certificates to future distributions of amounts that would otherwise be payable to the holders of the subordinate certificates.

The rights of the holders of mezzanine certificates with lower numerical class designations will be senior to the rights of the holders of mezzanine certificates with higher numerical class designations, and the rights of the holders of the mezzanine certificates to receive distributions in respect of the mortgage loans will be senior to the rights of the holders of the class B certificates, the class O certificates and the class X certificates. The rights of the holders of the class B-1 certificates to receive distributions in respect of the mortgage loans will be senior to the rights of the holders of the class B-2 and class B-3 certificates and the rights of the holders of the class B-2 certificates to receive such distributions will be senior to the rights of the holders of the class B-3 certificates and the rights of the holders of the class B certificates to receive such distributions will be senior to the rights of the class O and the class X certificates. This subordination is intended to enhance the likelihood of regular receipt by the holders of more senior certificates of distributions in respect of interest and principal and to afford such holders protection against realized losses.

Overcollateralization Provisions, Allocation of Losses and Subsequent Recoveries

The trust will initially have an overcollateralization level of approximately 1.30%, meaning that the initial aggregate Certificate Balance of the class A certificates, mezzanine certificates, class B certificates and class P certificates will equal approximately 98.70% of the sum of (i) the aggregate principal balance of the closing date mortgage loans as of the cut-off date and (ii) the initial deposit to the pre-funding account. Correspondingly, the trust will pay 100% of the then outstanding principal balance amount for each subsequent mortgage loan acquired by the trust through the pre-funding feature.

The dollar amount of the difference between the aggregate principal balance of the mortgage loans (plus, during the pre-funding period, the amount on deposit in the pre-funding account) and the aggregate Certificate Balance of the class A certificates, mezzanine certificates, class B certificates and class P certificates is the “Overcollateralization Amount”. Realized losses on the mortgage loan pool will be allocated first to the Excess Cashflow and second to the Overcollateralization Amount. The Overcollateralization Amount is represented by the class O certificates, which will receive distributions of that portion of the Principal Remittance Amount not required to be distributed to any class of offered certificates.

The Overcollateralization Amount, if reduced, will thereafter be increased through the application of available Excess Cashflow until the Required Overcollateralization Amount is reached.

The pooling and servicing agreement requires that, on each distribution date, the Excess Cashflow, if any, be applied on such distribution date as an accelerated payment of principal on the class or classes of offered certificates then entitled to receive distributions in respect of principal, but only to the limited extent hereafter described.

With respect to any distribution date, any Excess Cashflow shall be paid as follows (the “Excess Cashflow Distribution”):

(i) to the holders of the class or classes of underwritten certificates then entitled to receive distributions in respect of principal, in an amount equal to any Extra Principal Distribution

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Amount, distributable to such holders in the same order of priority as the Group IA Principal Distribution Amount, the Group IB Principal Distribution Amount, the Group II Principal Distribution Amount and/or the Group III Principal Distribution Amount as described under “*Description of the Certificates—Principal Allocations*” above;

(ii) to the supplemental interest trust to be distributed as described under “*Description of the Certificates — Supplemental Interest Trust*”;

(iii) any remaining amounts to the holders of the residual certificates, as provided in the pooling and servicing agreement.

Any realized losses on the mortgage loans will be allocated:

(i) first, to the Excess Cashflow;

(ii) second, to the Overcollateralization Amount, which is represented by the class O certificates;

(iii) third, to the class B-3 certificates;

(iv) fourth, to the class B-2 certificates;

(v) fifth, to the class B-1 certificates;

(vi) sixth, to the class M-6 certificates;

(vii) seventh, to the class M-5 certificates;

(viii) eighth, to the class M-4 certificates;

(ix) ninth, to the class M-3 certificates;

(x) tenth, to the class M-2 certificates;

(xi) eleventh, to the class M-1 certificates;

(xii) twelfth, to the class A-1B certificates to the extent realized losses occurred on the mortgage loans in Group IA or Group IB.

The pooling and servicing agreement does not permit the allocation of realized losses to the class A-1A, class A-2 or class A-3 certificates. Furthermore, the pooling and servicing agreement does not permit the allocation of realized losses to the class I or class P certificates.

Once realized losses have been allocated to the class X certificates, class O certificates, class B certificates, mezzanine certificates or class A-1B certificates, such amounts with respect to such certificates will no longer accrue interest (if applicable), however such amounts may thereafter be reinstated as a result of Subsequent Recoveries on the mortgage loans, and with respect to the class O certificates wherein such amounts may be reinstated through the application of Excess Cashflow.

Any allocation of a realized loss to a class of certificates will be made by reducing that certificate’s Certificate Balance by the amount allocated to that class as of the distribution date in the month following the calendar month in which the realized loss was incurred.

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Subsequent Recoveries on the mortgage loans will be allocated as follows: first, to the class A-1B certificates, second, to the class M-1 certificates, third, to the class M-2 certificates, fourth, to the class M-3 certificates, fifth, to the class M-4 certificates, sixth, to the class M-5 certificates, seventh, to the class M-6 certificates, eighth, to the class B-1 certificates, ninth, to the class B-2 certificates, tenth, to the class B-3 Certificates and eleventh, to the Overcollateralization Amount, which is represented by the Class O certificates, in each case only to the extent that the Certificate Balance of such class had previously been reduced in accordance with the realized loss allocation provisions above or written-down.

The Group IA mortgage loans primarily support the class A-1A certificates. The Group IB mortgage loans primarily support the class A-1B certificates. The Group II mortgage loans primarily support the class A-2 certificates. The Group III mortgage loans primarily support the class A-3 certificates. All groups of mortgage loans provide support to the class I certificates, mezzanine certificates, class B certificates, class O certificates and class P certificates. To the extent that available funds from one group of mortgage loans are insufficient to make a required payment of interest to its related class A certificates, then any remaining available funds from the other groups, after payment of interest to their related class A certificates, may be used to make up the deficit in such required payment. Likewise, remaining funds from a group after making the required payment of principal to its related class A certificates may be used to make up the deficit in such required principal payments on the other classes of class A certificates.

Definitions

The “Certificate Balance” of any class A certificate, mezzanine certificate, class B certificate or class P certificate immediately prior to any distribution date will be equal to the Certificate Balance of that certificate on the closing date reduced by the sum of all amounts actually distributed as principal to that class and realized losses allocated to that certificate on all prior distribution dates plus any Reinstatement Amounts previously allocated to that class.

The “Class A Principal Distribution Amount” for a distribution date is the sum of the Class A-1A Principal Distribution Amount, the Class A-1B Principal Distribution Amount, the Class A-2 Principal Distribution Amount and the Class A-3 Principal Distribution Amount for such distribution date.

The “Class A-1A Allocation Percentage” for any distribution date is the percentage equivalent of a fraction, the numerator of which is (i) the Group IA Principal Remittance Amount for such distribution date and the denominator of which is (ii) the Principal Remittance Amount for such distribution date.

The “Class A-1A Principal Distribution Amount” for a distribution date is an amount equal to the excess of (x) the Certificate Balance of the class A-1A certificates immediately prior to that distribution date over (y) the lesser of (A) the product of (i) 66.00% and (ii) the aggregate principal balance of the Group IA mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) and (B) the aggregate principal balance of the Group IA mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) minus \$2,439,759.

The “Class A-1B Allocation Percentage” for any distribution date is the percentage equivalent of a fraction, the numerator of which is (i) the Group IB Principal Remittance Amount for such distribution date and the denominator of which is (ii) the Principal Remittance Amount for such distribution date.

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The “Class A-1B Principal Distribution Amount” for a distribution date is an amount equal to the excess of (x) the Certificate Balance of the class A-1B certificates immediately prior to that distribution date over (y) the lesser of (A) the product of (i) 66.00% and (ii) the aggregate principal balance of the Group IB mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) and (B) the aggregate principal balance of the Group IB mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) minus \$271,084.

The “Class A-2 Allocation Percentage” for any distribution date is the percentage equivalent of a fraction, the numerator of which is (i) the Group II Principal Remittance Amount for such distribution date and the denominator of which is (ii) the Principal Remittance Amount for such distribution date.

The “Class A-2 Principal Distribution Amount” for a distribution date is an amount equal to the excess of (x) the Certificate Balance of the class A-2 certificates immediately prior to that distribution date over (y) the lesser of (A) the product of (i) 66.00% and (ii) the aggregate principal balance of the Group II mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) and (B) the aggregate principal balance of the Group II mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) minus \$2,409,639.

The “Class A-3 Allocation Percentage” for any distribution date is the percentage equivalent of a fraction, the numerator of which is (i) the Group III Principal Remittance Amount for such distribution date and the denominator of which is (ii) the Principal Remittance Amount for such distribution date.

The “Class A-3 Principal Distribution Amount” for a distribution date is an amount equal to the excess of (x) the Certificate Balance of the class A-3 certificates immediately prior to that distribution date over (y) the lesser of (A) the product of (i) 66.00% and (ii) the aggregate principal balance of the Group III mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) and (B) the aggregate principal balance of the Group III mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) minus \$3,629,518.

The “Class B-1 Principal Distribution Amount” for a distribution date is an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Balance of the class A certificates (after taking into account the payment of the Class A-1A Principal Distribution Amount, the Class A-1B Principal Distribution Amount, the Class A-2 Principal Distribution Amount and the Class A-3 Principal Distribution Amount on such distribution date), (ii) the Certificate Balance of the class M-1 certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such distribution date), (iii) the Certificate Balance of the class M-2 certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such distribution date), (iv) the Certificate Balance of the class M-3 certificates (after taking into account the payment of the Class M-3 Principal Distribution Amount on such distribution date), (v) the Certificate Balance of the class M-4 certificates

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(after taking into account the payment of the Class M-4 Principal Distribution Amount on such distribution date), (vi) the Certificate Balance of the class M-5 certificates (after taking into account the payment of the Class M-5 Principal Distribution Amount on such distribution date), (vii) the Certificate Balance of the class M-6 certificates (after taking into account the payment of the Class M-6 Principal Distribution Amount on such distribution date) and (viii) the Certificate Balance of the class B-1 certificates immediately prior to that distribution date over (y) the lesser of (A) the product of (i) 92.40% and (ii) the aggregate principal balance of the mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) and (B) the aggregate principal balance of the mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) minus \$8,750,000.

The “Class B-2 Principal Distribution Amount” for a distribution date is an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Balance of the class A certificates (after taking into account the payment of the Class A-1A Principal Distribution Amount, the Class A-1B Principal Distribution Amount, the Class A-2 Principal Distribution Amount and the Class A-3 Principal Distribution Amount on such distribution date), (ii) the Certificate Balance of the class M-1 certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such distribution date), (iii) the Certificate Balance of the class M-2 certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such distribution date), (iv) the Certificate Balance of the class M-3 certificates (after taking into account the payment of the Class M-3 Principal Distribution Amount on such distribution date), (v) the Certificate Balance of the class M-4 certificates (after taking into account the payment of the Class M-4 Principal Distribution Amount on such distribution date), (vi) the Certificate Balance of the class M-5 certificates (after taking into account the payment of the Class M-5 Principal Distribution Amount on such distribution date), (vii) the Certificate Balance of the class M-6 certificates (after taking into account the payment of the Class M-6 Principal Distribution Amount on such distribution date), (viii) the Certificate Balance of the class B-1 certificates, (after taking into account the payment of the Class B-1 Principal Distribution Amount on such distribution date), and (ix) the Certificate Balance of the class B-2 certificates immediately prior to such distribution date over (y) the lesser of (A) the product of (i) 94.90% and (ii) the aggregate principal balance of the mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) and (B) the aggregate principal balance of the mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) minus \$8,750,000.

The “Class B-3 Principal Distribution Amount” for a distribution date is an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Balance of the class A certificates (after taking into account the payment of the Class A-1A Principal Distribution Amount, the Class A-1B Principal Distribution Amount, the Class A-2 Principal Distribution Amount and the Class A-3 Principal Distribution Amount on such distribution date), (ii) the Certificate Balance of the class M-1 certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such distribution date), (iii) the Certificate Balance of the class M-2 certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such distribution date), (iv) the Certificate Balance of the class M-3 certificates (after taking into account the payment of the Class M-3 Principal Distribution Amount on such distribution date), (v) the Certificate Balance of the class M-4 certificates (after taking into account the payment of the Class M-4 Principal Distribution Amount on such distribution date), (vi) the Certificate Balance of the class M-5 certificates (after taking into account the payment of the Class M-5 Principal Distribution Amount on such distribution date), (vii) the Certificate

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Balance of the class M-6 certificates (after taking into account the payment of the Class M-6 Principal Distribution Amount on such distribution date), (viii) the Certificate Balance of the class B-1 certificates, (after taking into account the payment of the Class B-1 Principal Distribution Amount on such distribution date), (ix) the Certificate Balance of the class B-2 certificates, (after taking into account the payment of the Class B-2 Principal Distribution Amount on such distribution date), and (x) the Certificate Balance of the class B-3 certificates immediately prior to such distribution date over (y) the lesser of (A) the product of (i) 97.40% and (ii) the aggregate principal balance of the mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) and (B) the aggregate principal balance of the mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) minus \$8,750,000.

The “Class M-1 Principal Distribution Amount” for a distribution date is an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Balance of the class A certificates (after taking into account the payment of the Class A-1A Principal Distribution Amount, the Class A-1B Principal Distribution Amount, the Class A-2 Principal Distribution Amount and the Class A-3 Principal Distribution Amount on such distribution date) and (ii) the Certificate Balance of the class M-1 certificates immediately prior to such distribution date over (y) the lesser of (A) the product of (i) 70.90% and (ii) the aggregate principal balance of the mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) and (B) the aggregate principal balance of the mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) minus \$8,750,000.

The “Class M-2 Principal Distribution Amount” for a distribution date is an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Balance of the class A certificates (after taking into account the payment of the Class A-1A Principal Distribution Amount, the Class A-1B Principal Distribution Amount, the Class A-2 Principal Distribution Amount and the Class A-3 Principal Distribution Amount on such distribution date), (ii) the Certificate Balance of the class M-1 certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such distribution date) and (iii) the Certificate Balance of the class M-2 certificates immediately prior to that distribution date over (y) the lesser of (A) the product of (i) 76.90% and (ii) the aggregate principal balance of the mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) and (B) the aggregate principal balance of the mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) minus \$8,750,000.

The “Class M-3 Principal Distribution Amount” for a distribution date is an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Balance of the class A certificates (after taking into account the payment of the Class A-1A Principal Distribution Amount, the Class A-1B Principal Distribution Amount, the Class A-2 Principal Distribution Amount and the Class A-3 Principal Distribution Amount on such distribution date), (ii) the Certificate Balance of the class M-1 certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such distribution date), (iii) the Certificate Balance of the class M-2 certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such distribution date) and (iv) the Certificate Balance of the class M-3 certificates immediately prior to such distribution date over (y) the

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lesser of (A) the product of (i) 80.40% and (ii) the aggregate principal balance of the mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) and (B) the aggregate principal balance of the mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) minus \$8,750,000.

The “Class M-4 Principal Distribution Amount” for a distribution date is an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Balance of the class A certificates (after taking into account the payment of the Class A-1A Principal Distribution Amount, the Class A-1B Principal Distribution Amount, the Class A-2 Principal Distribution Amount and the Class A-3 Principal Distribution Amount on such distribution date), (ii) the Certificate Balance of the class M-1 certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such distribution date), (iii) the Certificate Balance of the class M-2 certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such distribution date), (iv) the Certificate Balance of the class M-3 certificates (after taking into account the payment of the Class M-3 Principal Distribution Amount on such distribution date) and (v) the Certificate Balance of the class M-4 certificates immediately prior to such distribution date over (y) the lesser of (A) the product of (i) 83.40% and (ii) the aggregate principal balance of the mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) and (B) the aggregate principal balance of the mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) minus \$8,750,000.

The “Class M-5 Principal Distribution Amount” for a distribution date is an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Balance of the class A certificates (after taking into account the payment of the Class A-1A Principal Distribution Amount, the Class A-1B Principal Distribution Amount, the Class A-2 Principal Distribution Amount and the Class A-3 Principal Distribution Amount on such distribution date), (ii) the Certificate Balance of the class M-1 certificates (after taking into account the payment of the Class M-1 Principal Distribution Amount on such distribution date), (iii) the Certificate Balance of the class M-2 certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such distribution date), (iv) the Certificate Balance of the class M-3 certificates (after taking into account the payment of the Class M-3 Principal Distribution Amount on such distribution date), (v) the Certificate Balance of the class M-4 certificates (after taking into account the payment of the Class M-4 Principal Distribution Amount on such distribution date) and (vi) the Certificate Balance of the class M-5 certificates immediately prior to such distribution date over (y) the lesser of (A) the product of (i) 86.90% and (ii) the aggregate principal balance of the mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) and (B) the aggregate principal balance of the mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) minus \$8,750,000.

The “Class M-6 Principal Distribution Amount” for a distribution date is an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Balance of the class A certificates (after taking into account the payment of the Class A-1A Principal Distribution Amount, the Class A-1B Principal Distribution Amount, the Class A-2 Principal Distribution Amount and the Class A-3 Principal Distribution Amount on such distribution date), (ii) the Certificate Balance of the class M-1 certificates

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(after taking into account the payment of the Class M-1 Principal Distribution Amount on such distribution date), (iii) the Certificate Balance of the class M-2 certificates (after taking into account the payment of the Class M-2 Principal Distribution Amount on such distribution date), (iv) the Certificate Balance of the class M-3 certificates (after taking into account the payment of the Class M-3 Principal Distribution Amount on such distribution date), (v) the Certificate Balance of the class M-4 certificates (after taking into account the payment of the Class M-4 Principal Distribution Amount on such distribution date), (vi) the Certificate Balance of the class M-5 certificates (after taking into account the payment of the Class M-5 Principal Distribution Amount on such distribution date) and (vii) the Certificate Balance of the class M-6 certificates immediately prior to such distribution date over (y) the lesser of (A) the product of (i) 89.40% and (ii) the aggregate principal balance of the mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) and (B) the aggregate principal balance of the mortgage loans as of the last day of the related due period (after giving effect to scheduled payments of principal due during the related due period, to the extent received or advanced, and unscheduled collections of principal received during the related prepayment period) minus \$8,750,000.

The “Class P Monthly Distribution Amount” for a distribution date is an amount equal to all prepayment penalties received on the mortgage loan pool during the prior prepayment period.

The “Class P Principal Distribution Date” is the earlier of (i) the 35th distribution date following the closing date and (ii) the distribution date on which the aggregate Certificate Balance of the class A certificates is reduced to zero.

The “Credit Enhancement Percentage” for a distribution date is equal to (i) the sum of (a) the aggregate Certificate Balance of the mezzanine certificates and class B certificates and (b) the Overcollateralization Amount divided by (ii) the aggregate principal balance of the mortgage loans (calculated prior to taking into account distributions of principal on the mortgage loans and prior to taking into account distributions on the certificates on such distribution date).

The “Crossover Date” means the earlier to occur of (i) the distribution date on which the aggregate Certificate Balance of the class A certificates is reduced to zero; and (ii) the later to occur of (x) the distribution date in April 2007, and (y) the first distribution date on which the Credit Enhancement Percentage (calculated for this purpose only after taking into account distributions of principal on the mortgage loans but prior to the principal distributions to the certificates) is greater than or equal to 34.00%.

The “Current Interest” for any distribution date and each class of offered certificates equals the amount of interest accrued during the related accrual period at the related pass-through rate (subject to the related Available Funds Cap Rate) on the Certificate Balance of such class immediately prior to such distribution date, in each case, reduced by any prepayment interest shortfalls allocated to that class and shortfalls resulting from the application of the Relief Act (allocated to each certificate based on its respective entitlements to interest irrespective of any prepayment interest shortfalls or shortfalls resulting from the application of the Relief Act for that distribution date).

A mortgage loan is “delinquent” if any monthly payment due on a due date is not made by the close of business on the next scheduled due date. A mortgage loan is “30 days delinquent” if such monthly payment has not been received by the close of business on the corresponding day of the month immediately succeeding the month in which such monthly payment was due or, if there was no such corresponding day (e.g., as when a 30-day month follows a 31-day month in which a payment was due on the 31st day of such month), then on the last day of such immediately succeeding month; and similarly for “60 days delinquent” and “90 days delinquent,” etc.

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A “due period” with respect to any distribution date is the period commencing on the second day of the month preceding the month in which such distribution date occurs and ending on the first day of the month in which such distribution date occurs.

The “Excess Cashflow” for any distribution date is equal to the sum of (i) the Overcollateralization Release Amount and (ii) the excess of (a) the Interest Remittance Amount over (b) the sum of the Monthly Interest Distributable Amounts for the class I, class A, mezzanine and class B certificates and any administrative fees.

The “Extra Principal Distribution Amount” for any distribution date, is the lesser of (x) the Excess Cashflow for such distribution date and (y) the Overcollateralization Deficiency Amount for such distribution date.

A “Group” means the Group IA mortgage loans, the Group IB mortgage loans, the Group II mortgage loans or the Group III mortgage loans, as applicable.

The “Group IA Basic Principal Distribution Amount” means with respect to any distribution date the excess of (i) the Group IA Principal Remittance Amount for such distribution date over (ii) the Overcollateralization Release Amount, if any, for such distribution date multiplied by the Class A-1A Allocation Percentage.

The “Group IA Cross Collateralization Amount” for any distribution date is the portion of the Group IA Interest Remittance Amount remaining after payment of the Monthly Interest Distributable Amount on the class A-1A certificates, the related proportional amount of the Class I Monthly Interest Distributable Amount and the related proportional amount of administrative fees.

The “Group IB Basic Principal Distribution Amount” means with respect to any distribution date the excess of (i) the Group IB Principal Remittance Amount for such distribution date over (ii) the Overcollateralization Release Amount, if any, for such distribution date multiplied by the Class A-1B Allocation Percentage.

The “Group IB Cross Collateralization Amount” for any distribution date is the portion of the Group IB Interest Remittance Amount remaining after payment of the Monthly Interest Distributable Amount on the class A-1B certificates, the related proportional amount of the Class I Monthly Interest Distributable Amount and the related proportional amount of administrative fees.

The “Class I Monthly Interest Distributable Amount” shall mean, on each distribution date up to and including the distribution date on which the latest maturing swap agreements terminate, an amount generally equal to the aggregate of, with respect to each swap agreement outstanding on that distribution date, (x) the excess of the fixed rate borne by each such swap agreement then in effect over one-month LIBOR, multiplied by (y) the related notional balance, as more specifically set forth in the pooling and servicing agreement, which is expected generally to equal the related swap agreement’s notional balance described in this prospectus supplement.

The “Group IA Interest Remittance Amount” for any distribution date is the portion of the Interest Remittance Amount that was collected or advanced on the Group IA mortgage loans.

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The “Group IA Principal Distribution Amount” with respect to any distribution date is the sum of (i) the Group IA Basic Principal Distribution Amount for such distribution date and (ii) the Extra Principal Distribution Amount for such distribution date multiplied by the Class A-1A Allocation Percentage.

The “Group IA Principal Remittance Amount” for any distribution date is that portion of the Principal Remittance Amount that was collected or advanced on the Group IA mortgage loans plus, on the distribution date immediately following the pre-funding period, any related portion of unused pre-funding account moneys.

The “Group IB Interest Remittance Amount” for any distribution date is the portion of the Interest Remittance Amount that was collected or advanced on the Group IB mortgage loans.

The “Group IB Principal Distribution Amount” with respect to any distribution date is the sum of (i) the Group IB Basic Principal Distribution Amount for such distribution date and (ii) the Extra Principal Distribution Amount for such distribution date multiplied by the Class A-1B Allocation Percentage.

The “Group IB Principal Remittance Amount” for any distribution date is that portion of the Principal Remittance Amount that was collected or advanced on the Group IB mortgage loans plus, on the distribution date immediately following the pre-funding period, any related portion of unused pre-funding account moneys.

The “Group II Basic Principal Distribution Amount” means with respect to any distribution date the excess of (i) the Group II Principal Remittance Amount for such distribution date over (ii) the Overcollateralization Release Amount, if any, for such distribution date multiplied by the Class A-2 Allocation Percentage.

The “Group II Cross Collateralization Amount” for any distribution date is the portion of the Group II Interest Remittance Amount remaining after payment of the aggregate Monthly Interest Distributable Amounts on the class A-2 certificates, the related proportional amount of the Class I Monthly Interest Distributable Amount and the related proportional amount of administrative fees.

The “Group II Interest Remittance Amount” for any distribution date is the portion of the Interest Remittance Amount that was collected or advanced on the Group II mortgage loans.

The “Group II Principal Distribution Amount” with respect to any distribution date is the sum of (i) the Group II Basic Principal Distribution Amount for such distribution date and (ii) the Extra Principal Distribution Amount for such distribution date multiplied by the Class A-2 Allocation Percentage.

The “Group II Principal Remittance Amount” for any distribution date is that portion of the Principal Remittance Amount that was collected or advanced on the Group II mortgage loans plus, on the distribution date immediately following the pre-funding period, any related portion of unused pre-funding account moneys.

The “Group III Basic Principal Distribution Amount” means with respect to any distribution date the excess of (i) the Group III Principal Remittance Amount for such distribution date over (ii) the Overcollateralization Release Amount, if any, for such distribution date multiplied by the Class A-3 Allocation Percentage.

The “Group III Cross Collateralization Amount” for any distribution date is the portion of the Group III Interest Remittance Amount remaining after payment of the Monthly Interest Distributable

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Amounts on the class A-3 certificates, the related proportional amount of the Class I Monthly Interest Distributable Amount and the related proportional amount of administrative fees.

The “Group III Interest Remittance Amount” for any distribution date is the portion of the Interest Remittance Amount that was collected or advanced on the Group III mortgage loans.

The “Group III Principal Distribution Amount” with respect to any distribution date is the sum of (i) the Group III Basic Principal Distribution Amount for such distribution date and (ii) the Extra Principal Distribution Amount for such distribution date multiplied by the Class A-3 Allocation Percentage.

The “Group III Principal Remittance Amount” for any distribution date is that portion of the Principal Remittance Amount that was collected or advanced on the Group III mortgage loans plus, on the distribution date immediately following the pre-funding period, any related portion of unused pre-funding account moneys.

The “Interest Remittance Amount” for any distribution date is that portion of the Available Funds for that distribution date allocable to interest (excluding prepayment penalties).

The “Interest Remittance Formula Amount” as of any distribution date and any Group, is an amount equal to (1) the product of (x) 1/12 of the weighted average coupon rate of the related Group as of the beginning of the related due period and (y) the aggregate principal balances of the mortgage loans related to such Group as of the beginning of the related due period minus (2) the aggregate amount of Relief Act shortfalls and prepayment interest shortfalls on such Group for the related prepayment period.

The “Monthly Interest Distributable Amount” for any distribution date and class of offered certificates is the sum of (1) the Unpaid Interest Shortfall Amount for that class and distribution date and (2) the Current Interest for that class and distribution date. In the event of a shortfall in the full amount necessary to pay both the Unpaid Interest Shortfall Amount and the Current Interest for a class, distributions will first be applied to the Unpaid Interest Shortfall Amount and then to the Current Interest.

The “Overcollateralization Amount” on a distribution date is equal to (a) the sum of (i) the aggregate principal balance of the mortgage loans after giving effect to distributions of principal on the mortgage loans and (ii) any outstanding pre-funding amount, minus (b) the aggregate Certificate Balance of the offered certificates after giving effect to principal distributions on the offered certificates on such distribution date.

The “Overcollateralization Deficiency Amount” with respect to any distribution date equals the amount, if any, by which the Required Overcollateralization Amount exceeds the Overcollateralization Amount on such distribution date (after giving effect to only distributions in respect of the Group IA Basic Principal Distribution Amount, the Group IB Basic Principal Distribution Amount, the Group II Basic Principal Distribution and the Group III Basic Principal Distribution Amount on such distribution date).

The “Overcollateralization Release Amount” means, with respect to any distribution date, the lesser of (x) the Principal Remittance Amount for such distribution date and (y) the excess, if any, of (i) the Overcollateralization Amount for such distribution date (assuming that 100% of the Principal Remittance Amount is applied as a principal payment on such distribution date) over (ii) the Required Overcollateralization Amount for such distribution date.

The “prepayment period” for any distribution date is the period commencing on the day after the determination date in the month preceding the month in which such distribution date falls (or, in

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the case of the first distribution date, from the cut-off date) and ending on the determination date of the calendar month in which such distribution date falls.

The “Principal Distribution Amount” with respect to any distribution date, is the sum of the Group IA Principal Distribution Amount, the Group IB Principal Distribution Amount, the Group II Principal Distribution Amount and the Group III Principal Distribution Amount for such distribution date.

The “Principal Remittance Amount” means with respect to any distribution date, the sum of (i) all scheduled payments of principal collected or advanced on the mortgage loans by the servicer that were due during the related due period, (ii) the principal portion of all partial and full principal prepayments of the mortgage loans applied by the servicer during such prepayment period, (iii) the principal portion of all related net liquidation proceeds and insurance proceeds received during such prepayment period, (iv) that portion of the purchase price, representing principal of any repurchased mortgage loan, deposited to the collection account during such prepayment period, (v) the principal portion of any related substitution adjustments deposited in the collection account during such prepayment period, (vi) on the distribution date which follows the termination of the pre-funding period, the remaining applicable amount on deposit in the pre-funding account at that time and (vii) on the distribution date on which the trust is to be terminated that portion of the termination price relating to principal.

The “Reinstatement Amount” means with respect to any distribution date, the aggregate amount of all Subsequent Recoveries received during the related due period.

The “Required Overcollateralization Amount” for any distribution date is equal to:

(i) prior to the Crossover Date, 1.30% of the sum of (i) the aggregate principal balance of the closing date mortgage loans as of the related cut-off date and (ii) the pre-funding amount as of the closing date.

(ii) on or after the Crossover Date, the greater of:

(a) 0.50% of the sum of (x) the aggregate principal balance of the closing date mortgage loans as of the related cut-off date and (y) the pre-funding amount as of the closing date; and

(b) the lesser of:

(1) 1.30% of the sum of (x) the aggregate principal balance of the closing date mortgage loans as of the related cut-off date and (y) the pre-funding amount as of the closing date; and

(2) 2.60% of the current aggregate principal balance of the mortgage loans as of the end of the related due period.

On any distribution date on which a Trigger Event is in effect, the Required Overcollateralization Amount will be equal to the Required Overcollateralization Amount as of the preceding distribution date.

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A “Subsequent Recovery” with respect to any liquidated mortgage loan that had previously been the subject of a realized loss, is any principal amount subsequently received in connection with such mortgage loan.

A “Trigger Event” is in effect with respect to any distribution date on or after the Crossover Date if either (i) the three-month rolling average of mortgage loans delinquent 60 days or more exceeds 17% of the aggregate principal balance of the mortgage loans at the end of the related due period, or (ii) losses incurred since the cut-off date as a percentage of the sum of (x) aggregate principal balance of the closing date mortgage loans as of the cut-off date and (y) the pre-funding amount as of the closing date, for the related distribution date, are greater than the applicable percentage set forth below with respect to such distribution date:

Distribution Date Occurring In:	Percentage
April 2007	3.75%
May 2007	3.85%
June 2007	3.96%
July 2007	4.06%
August 2007	4.17%
September 2007	4.27%
October 2007	4.38%
November 2007	4.48%
December 2007	4.58%
January 2008	4.69%
February 2008	4.79%
March 2008	4.90%
April 2008	5.00%
May 2008	5.10%
June 2008	5.21%
July 2008	5.31%
August 2008	5.42%

September 2008	5.52%
October 2008	5.63%
November 2008	5.73%
December 2008	5.83%
January 2009	5.94%
February 2009	6.04%
March 2009	6.15%
April 2009	6.25%
May 2009	6.30%
June 2009	6.34%
July 2009	6.39%
August 2009	6.43%
September 2009	6.48%
October 2009	6.52%
November 2009	6.57%
December 2009	6.61%
January 2010	6.66%
February 2010	6.70%
March 2010 and thereafter	6.75%

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The “Unpaid Interest Shortfall Amount” means (i) for each class of offered certificates and the first distribution date, zero, and (ii) with respect to each class of offered certificates and the class I certificates and any distribution date after the first distribution date, the amount, if any, by which (a) the Monthly Interest Distributable Amount for such class for the immediately preceding distribution date exceeds (b) the aggregate amount distributed on such class in respect of interest on such preceding distribution date, plus interest on that amount to the extent permitted by law, at the pass-through rate for such class for the related accrual period.

Certain Administrative Fees

With respect to each distribution date, the custodian and the trustee will be entitled to a fee calculated on the aggregate principal balance of the mortgage loans and the pre-funded amount as of such date. With respect to each distribution date, the servicer is entitled to retain out of collections its servicing fee, which is equal to 1/12 of 0.50% per annum times the aggregate principal balance of the mortgage loans as of such date. For any distribution date, the sum of the mortgage insurance premiums, the servicing fee, the trustee fee and the custodian fee with respect to the trust is the “Administrative Fee”.

Calculation of One-Month LIBOR

The trustee will determine the London interbank offered rate for one-month United States dollar deposits for each accrual period for the certificates on the second London business day preceding such accrual period (each such date, an “interest determination date”) on the basis of the offered rates for one-month United States dollar deposits, as such rates appear on the Telerate Page 3750, as of 11:00 a.m. (London time) on such interest determination date. If such rate does not appear on Telerate Page 3750, the rate for that day will be determined on the basis of the rates at which deposits in United States dollars are offered by the reference banks at approximately 11:00 a.m., London time, on that day to prime banks in the London interbank market for a period equal to the relevant accrual period (commencing on the first day of such accrual period). The trustee will request the principal London office of each of the reference banks to provide a quotation of its rate. If at least two such quotations are provided, the rate for that day will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for that day will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the trustee, at approximately 11:00 a.m., New York City time, on that day for loans in United States dollars to leading European banks for a period equal to the relevant accrual period (commencing on the first day of such accrual period).

“Telerate Page 3750” means the display page currently so designated on the Moneyline Telerate Service (or such other page as may replace that page on that service for the purpose of displaying comparable rates or prices) and “reference banks” means leading banks selected by the trustee and engaged in transactions in European deposits in the international Eurocurrency market.

The establishment of one-month LIBOR on each interest determination date by the trustee and the trustee’s calculation of the rate of interest applicable to the certificates for the related accrual period shall (in the absence of manifest error) be final and binding.

Advances

Prior to each distribution date, the servicer is required under the pooling and servicing agreement to make “advances” (out of its own funds, or funds held in the collection account for future payment or withdrawal) with respect to any payments of principal and interest (net of the servicing fee) which were due on the mortgage loans on the immediately preceding due date and which are delinquent on the business day next preceding the related determination date.

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Such advances are required to be made only to the extent they are deemed by the servicer to be recoverable from related late collections, insurance proceeds, or liquidation proceeds. The purpose of making such advances is to maintain a regular cash flow to the certificateholders, rather than to guarantee or insure against losses. Any failure by the servicer to make an advance as required under the pooling and servicing agreement will constitute an event of default thereunder, in which case the successor servicer will be obligated to make any such advance, in accordance with the terms of the pooling and servicing agreement.

Advances made from funds held in the collection account may be made by the servicer from subsequent collections of principal and interest received on other mortgage loans and deposited into the collection account. Advances made from the collection account are not limited to subsequent collections of principal and interest received on the delinquent mortgage loan with respect to which an advance is made. If on the fourth business day prior to any distribution date funds in the collection account are less than the amount required to be paid to the certificateholders on such distribution date, then the servicer will deposit its own funds into the collection account in the amount of the lesser of (i) any unreimbursed advances previously made by the servicer with funds held in the collection account or (ii) the shortfall in the collection account; but in no event will the servicer deposit into the collection account an amount that is less than any shortfall in the collection account attributable to delinquent payments on mortgage loans which the servicer deems to be recoverable and which has not been covered by an advance from the servicer’s own corporate funds.

All advances will be reimbursable to the servicer on a first priority basis from late collections, insurance proceeds or liquidation proceeds from the mortgage loan as to which such unreimbursed advance was made. In addition, any advances previously made which are deemed by the servicer to be nonrecoverable from related late collections, insurance proceeds and liquidation proceeds may be reimbursed to the servicer out of any funds in the collection account prior to payments on the certificates.

The pooling and servicing agreement provides that the servicer, on behalf of the trust fund, may enter into a facility with any person which provides that such person (an “Advancing Person”) may directly or indirectly fund advances and/or servicing advances, although no such facility will reduce or otherwise affect the servicer’s obligation to fund such advances and/or servicing advances. Such facility will not require the consent of the certificateholders. Any advances and/or servicing advances made by an Advancing Person would be reimbursed to the Advancing Person in the same manner as reimbursements would be made to the servicer if such advances were funded by the servicer.

Book-Entry Certificates

The offered certificates will be book-entry certificates. Persons acquiring beneficial ownership interests in the certificates may elect to hold their certificates through the Depository Trust Company (“DTC”) in the United States, or upon request through Clearstream Banking Luxembourg or Euroclear (in Europe) if they are participants of such systems, or indirectly through organizations which are participants in such systems. Each class of book-entry certificates will be issued in one or more certificates which equal the aggregate principal amount of the certificates of each class and will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream and Euroclear will hold omnibus positions on behalf of their participants through customers’ securities accounts in Clearstream’s and Euroclear’s names on the books of their respective depositories which in turn will hold such positions in customers’ securities accounts in the depositories’ names on the books of DTC. Citibank, N.A., will act as depositary for Clearstream and JPMorgan Chase Bank will act as depositary for Euroclear. Investors may hold such beneficial interests in the book-entry certificates in minimum denominations representing Certificate Balances of \$25,000 and in multiples of \$1,000 in excess thereof. Except as described below, no beneficial owner acquiring a book-entry certificate will be entitled to receive a physical certificate representing such certificate. Unless and until definitive certificates are issued, it is anticipated that the

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only “certificateholders” of the certificates will be Cede & Co., as nominee of DTC. Certificate owners will not be certificateholders as that term is used in the pooling and servicing agreement. Certificate owners are only permitted to exercise their rights indirectly through the participating organizations that utilize the services of DTC, including securities brokers and dealers, banks and trust companies and clearing corporations and certain other organizations and DTC.

A certificate owner’s ownership of a book-entry certificate will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary that maintains the beneficial owner’s account for such purpose. In turn, the financial intermediary’s ownership of such book-entry certificate will be recorded on the records of DTC (or of a participating firm that acts as agent for the financial intermediary, whose interests will in turn be recorded on the records of DTC, if the beneficial owner’s financial intermediary is not a DTC participant, and on the records of Clearstream or Euroclear, as appropriate). Certificate owners will receive all payments of principal of, and interest on, the certificates from the trustee through DTC and DTC participants. While the certificates are outstanding (except under the circumstances described below), under the rules, regulations and procedures creating and affecting DTC and its operations, DTC is required to make book-entry transfers among participants on whose behalf it acts with respect to the certificates and is required to receive and transmit payments of principal of, and interest on, the certificates. Participants and indirect participants which have indirect access to the DTC system, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly, with whom certificate owners have accounts with respect to certificates are similarly required to make book-entry transfers and receive and transmit such payments on behalf of their respective certificate owners. Accordingly, although certificate owners will not possess certificates, the rules provide a mechanism by which certificate owners will receive payments and will be able to transfer their interest.

Certificate owners will not receive or be entitled to receive certificates representing their respective interests in the certificates, except under the limited circumstances described below. Unless and until definitive certificates are issued, certificate owners who are not participants may transfer ownership of certificates only through participants and indirect participants by instructing such participants and indirect participants to transfer certificates, by book-entry transfer, through DTC for the account of the purchasers of such certificates, which account is maintained with their respective participants. Under the rules and in accordance with DTC’s normal procedures, transfers of ownership of certificates will be executed through DTC and the accounts of the respective participants at DTC will be debited and credited. Similarly, the participants and indirect participants will make debits or credits, as the case may be, on their records on behalf of the selling and purchasing certificate owners.

Because of time zone differences, credits of securities received in Clearstream or Euroclear as a result of a transaction with a participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such securities settled during such processing will be reported to the relevant Euroclear or Clearstream participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC. For information relating to tax documentation procedures relating to the certificates, see “*Material Federal Income Tax Consequences—Foreign Investors*” in the prospectus and “*Global Clearance, Settlement and Tax Documentation Procedures—Certain U.S. Federal Income Tax Documentation Requirements*” in Annex I hereto.

Transfers between participants will occur in accordance with DTC Rules. Transfers between Clearstream participants and Euroclear participants will occur in accordance with their respective rules and operating procedures.

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Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depository; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to the relevant depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day fund settlement applicable to DTC. Clearstream participants and Euroclear participants may not deliver instructions directly to the European Depositories.

DTC, which is a New York-chartered limited purpose trust company, performs services for its participants, some of which (and/or their representatives) own DTC. In accordance with its normal procedures, DTC is expected to record the positions held by each DTC participant in the book-entry certificates, whether held for its own account or as nominee for another person. In general, beneficial ownership of book-entry certificates will be subject to the rules, regulation and procedures governing DTC and DTC participants as in effect from time to time.

Clearstream is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thereby eliminating the need for physical movement of certificates. Transactions may be settled in Clearstream in any of 28 currencies, including United States dollars. Clearstream provides to its Clearstream participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant, either directly or indirectly.

Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions between its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. The Euroclear System is owned by Euroclear Clearance System Public Limited Company (ECSplc) and operated through a license agreement by Euroclear Bank S.A./N.V., a bank incorporated under the laws of the Kingdom of Belgium (the “Euroclear Operator”).

The Euroclear Operator holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries. The Euroclear Operator provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services.

Non-Participants of Euroclear may hold and transfer book-entry interests in the securities through accounts with a direct Participant of Euroclear or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and the Euroclear Operator.

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The Euroclear Operator is regulated and examined by the Belgian Banking and Finance Commission and the National Bank of Belgium.

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

Payments on the book-entry certificates will be made on each distribution date by the trustee to DTC. DTC will be responsible for crediting the amount of such payments to the accounts of the applicable DTC participants in accordance with DTC’s normal procedures. Each DTC participant will be responsible for disbursing such payments to the beneficial owners of the book- entry certificates that it represents and to each financial intermediary for which it acts as agent. Each such financial intermediary will be responsible for disbursing funds to the beneficial owners of the book-entry certificates that it represents.

Under a book-entry format, beneficiary owners of the book-entry certificates may experience some delay in their receipt of payments, since such payments will be forwarded by the trustee to Cede & Co., as nominee of DTC. Payments with respect to certificates held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream participants or Euroclear participants in accordance with the relevant system’s rules and procedures, to the extent received by the relevant depository. Such payments will be subject to tax reporting in accordance with relevant United States tax laws and regulations. See “*Material Federal Income Tax Consequences—Foreign Investors*” and “*—Backup Withholding*” in the prospectus. Because DTC can only act on behalf of financial intermediaries, the ability of a beneficial owner to pledge book-entry certificates to persons or entities that do not participate in the depository system, or otherwise take actions in respect of such book-entry certificate, may be limited due to the lack of physical certificates for such book-entry certificates. In addition, issuance of the book-entry certificates in book-entry form may reduce the liquidity of such certificates in the secondary market since certain potential investors may be unwilling to purchase certificates for which they cannot obtain physical certificates.

Monthly and annual reports on the issuer will be provided to Cede & Co., as nominee of DTC, and may be made available by Cede & Co., to beneficial owners upon request, in accordance with the rules, regulations and procedures creating and affecting DTC or the relevant depository, and to the financial intermediaries to whose DTC accounts the book-entry certificates of such beneficial owners are credited.

DTC has advised the trustee that, unless and until definitive certificates are issued, DTC will take any action permitted to be taken by the holders of the book-entry certificates under the pooling and servicing agreement only at the direction of one or more financial intermediaries to whose DTC accounts the book-entry certificates are credited, to the extent that such actions are taken on behalf of financial intermediaries whose holdings include such book-entry certificates. Clearstream or the Euroclear operator, as the case may be, will take any other action permitted to be taken by a certificateholder under the pooling and servicing agreement on behalf of a Clearstream participant or Euroclear participant only in accordance with its relevant rules and procedures and subject to the ability of the relevant depository to effect such actions on its behalf through DTC. DTC may take actions, at the direction of the related participants, with respect to some certificates which conflict with actions taken with respect to other certificates.

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Definitive certificates will be issued to beneficial owners of the book-entry certificates, or their nominees rather than to DTC, only if (a) DTC or the issuer advises the trustee in writing that DTC is no longer willing, qualified or able to discharge properly its responsibilities as nominee and depositary with respect to the book-entry certificates and the issuer or the trustee is unable to locate a qualified successor or (b) the issuer, at its sole option, elects to terminate a book-entry system through DTC.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the trustee will be required to notify all beneficial owners of the occurrence of such event and the availability through DTC of the definitive certificates. Upon surrender by DTC of the global note or notes representing the book-entry certificates and instructions for re-registration, the trustee, as registrar, will issue definitive certificates, and thereafter the trustee will recognize the holders of such definitive certificates as certificateholders under the pooling and servicing agreement.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of certificates among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

Neither the company, the servicer, the custodian nor the trustee will have any responsibility for any aspect of the records relating to or payments made on account of beneficial ownership interests of the book-entry certificates held by Cede & Co., as nominee of DTC, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

For additional information regarding DTC and the book-entry certificates, see Annex I hereto and “*The Agreements—Form of the Securities*” in the prospectus.

Assignment of Mortgage Loans

The seller will deliver to the custodian the mortgage files, which consist of the mortgage notes endorsed by the seller, or the last holder of record, without recourse to the trustee, the related mortgages or deeds of trust, all intervening mortgage assignments, if any, and certain other documents relating to the mortgage loans. The seller will be required to cause to be prepared and recorded, at its expense and within the time period specified in the purchase agreement, assignments of the mortgages from the seller, or the last holder of record, to the trustee.

The custodian, on behalf of the trustee, will review the mortgage files delivered to it within 45 days after delivery, and if any document required to be included in any mortgage file is found to be missing or to be defective in any material respect and such defect is not cured within 45 days following notification thereof to the seller, the custodian will require either that the related mortgage loan be removed from the mortgage pool or that a mortgage loan conforming to the requirements of the pooling and servicing agreement be substituted for the related mortgage loan within 90 days.

In connection with the transfer of the mortgage loans pursuant to the purchase agreement, the seller will make certain representations and warranties as to the accuracy in all material respects of the information set forth on a schedule identifying and describing each mortgage loan. In addition, the seller will make certain other representations and warranties regarding the mortgage loans, including, for instance, that each mortgage loan, at its origination, complied in all material respects with applicable state and federal laws, that each mortgage is a valid first or second priority lien, that, as of the applicable cut-off date, no mortgage loan included in the mortgage pool as of the closing date was more than 89 days past due, that each mortgaged property consists of a manufactured dwelling, a multi-unit dwelling, unit in a condominium, planned unit development or a single family residence, that the seller had good title to each mortgage loan prior to such transfer and that the originator was authorized to originate each

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mortgage loan. The trustee will be entitled to enforce remedies for breaches of these representations and warranties.

If with respect to any mortgage loan (1) a defect in any document constituting a part of the related mortgage file remains uncured within the specified period and materially and adversely affects the value of the mortgage loan or materially and adversely affects the interest of the trustee, or the certificateholders in that mortgage loan or (2) a breach of any representation or warranty made by the seller relating to the mortgage loan occurs and such breach materially and adversely affects the value of the mortgage loan or materially and adversely affects the interests of the trustee or the certificateholders in that mortgage loan, then the trustee will enforce the remedies for such defects or breaches against the seller by requiring the seller to purchase the defective mortgage loan from the trust at a price of par plus accrued interest at the mortgage rate (net of the applicable servicing fee rate). The seller will also have the option, but not the obligation, to substitute for such defective mortgage loan a qualified replacement mortgage loan, but only if such substitution is made within two years after the closing date.

The obligation of the seller to cure, purchase or substitute any defective mortgage loan as described above will constitute the sole remedy available to certificateholders or the trustee for a defective mortgage loan.

The Paying Agent

The paying agent shall initially be the trustee. The paying agent shall have the revocable power to withdraw funds from the payment account for the purpose of making payments to the certificateholders.

Optional Termination

The mortgage loans may be purchased by the servicer on any distribution date on or after the distribution date on which the aggregate principal balance of the mortgage loans is equal to or less than 10% of the sum of (i) the principal balance of the closing date mortgage loans as of their cut-off date and (ii) the original pre-funding amount as of the closing date. This will result in a retirement of the certificates. The purchase price for the mortgage loans is expected to be an amount sufficient to pay 100% of the aggregate outstanding Certificate Balance of each class of certificates and accrued and unpaid interest thereon at the related pass-through rate through the date on which the trust is terminated together with all amounts due and owing to the servicer, the custodian and the trustee.

Mandatory Prepayment on the Certificates

Each class of certificates may be partially prepaid on the distribution date immediately following the end of the pre-funding period to the extent that any amount remains on deposit in the pre-funding account on such distribution date (with respect to the related Group). Although no assurance can be given, it is anticipated that the principal amount of subsequent mortgage loans sold to the trust and included in the trust estate will require the application of substantially all of the original pre-funded amount and that there should be no material amount of principal prepaid to the certificates from the pre-funding account. However, it is unlikely that the seller will be able to deliver subsequent mortgage loans with an aggregate principal balance identical to the original pre-funded amount.

Certain Yield and Prepayment Considerations

The yield to maturity of the certificates will depend on the prices paid by the holders of such certificates, the pass-through rate and the rate and timing of principal payments (including payments in excess of required installments, prepayments or terminations, liquidations and repurchases) on the mortgage loans and the allocation thereof. Such yield may be adversely affected by a higher or lower

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than anticipated rate of principal payments on the mortgage loans and the amount, if any, distributed from the pre-funding account at the end of the pre-funding period. The rate of principal payments on such mortgage loans will in turn be affected by the amortization schedules of the mortgage loans, the rate and timing of principal prepayments thereon by the mortgagors and liquidations of defaulted mortgage loans, and purchases of mortgage loans due to certain breaches of representations and warranties and optional repurchases of delinquent loans by the servicer. The timing of changes in the rate of prepayments, liquidations and repurchases of the mortgage loans may, and the timing of losses will, significantly affect the yield to an investor, even if the average rate of principal payments experienced over time is consistent with an investor’s expectation. Since the rate and timing of principal payments on the mortgage loans will depend on future events and on a variety of factors (as described more fully herein and in the prospectus under “*Yield Considerations*”), no assurance can be given as to such rate or the timing of principal payments on the certificates.

The mortgage loans generally may be prepaid in full or in part at any time; however, prepayment may subject the mortgagor to a prepayment charge. The initial mortgage loans are secured by senior or junior liens on the related mortgaged properties. Generally, mortgage loans secured by junior liens are not viewed by mortgagors as permanent financing. Accordingly, such mortgage loans may experience a higher rate of prepayment than the first-lien mortgage loans. All of the mortgage loans are assumable under certain circumstances if, in the sole judgment of the servicer, the prospective purchaser of a mortgaged property is creditworthy and the security for such mortgage loan is not impaired by the assumption. All of the mortgage loans contain a customary “due on sale” provision. The servicer shall enforce any due-on-sale clause contained in any mortgage note or mortgage, to the extent permitted under applicable law and governmental regulation. However, if the servicer determines that it is reasonably likely that any mortgagor will bring, or if any mortgagor does bring, legal action to declare invalid or otherwise avoid enforcement of a due-on-sale clause contained in any mortgage note or mortgage, the servicer shall not be required to enforce the due-on-sale clause or to contest such action. The extent to which the mortgage loans are assumed by purchasers of the mortgaged properties rather than prepaid by the related mortgagors in connection with the sales of the mortgaged properties will affect the weighted average life of the certificates and may result in a prepayment experience on the mortgage loans that differs from that on other conventional mortgage loans. Prepayments, liquidations and purchases of the mortgage loans will result in payments to holders of the certificates of principal amounts which would otherwise be distributed over the remaining terms of the mortgage loans. Factors affecting prepayment (including defaults and liquidations) of mortgage loans include changes in mortgagors’ housing needs, job transfers, unemployment, mortgagors’ net equity in the mortgaged properties, changes in the value of the mortgaged properties, mortgage market interest rates and servicing decisions.

The rate of defaults on the mortgage loans will also affect the rate and timing of principal payments on the mortgage loans. In general, defaults on mortgage loans are expected to occur with greater frequency in their early years. Increases in the monthly payments of the adjustable rate mortgage loans to an amount in excess of the monthly payment required at the time of origination may result in a default rate higher than that on level payment mortgage loans, particularly since the mortgagor under each adjustable rate mortgage loan was qualified on the basis of the mortgage rate in effect at origination. The repayment of such adjustable rate mortgage loans will be dependent on the ability of the mortgagor to make larger monthly payments as the mortgage rate increases. In addition, the rate of default on mortgage loans which are refinance or limited documentation mortgage loans, and on mortgage loans with high loan-to-value ratios, may be higher than for other types of mortgage loans. Furthermore, the rate and timing of prepayments, defaults and liquidations on the mortgage loans will be affected by the general economic condition of the region of the country in which the related mortgaged properties are located. The risk of delinquencies and loss is greater and prepayments are less likely in regions where a weak or deteriorating economy exists, as may be evidenced by, among other factors, increasing unemployment or falling property values.

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The recordation of the mortgages in the name of MERS is a new practice in the mortgage lending industry. The company expects that the servicer or successor servicer will be able to commence foreclosure proceedings on the mortgaged properties, when necessary and appropriate; however, public recording officers and others may have limited, if any, experience with lenders seeking to foreclose mortgages, assignments of which are registered with MERS. Accordingly, delays and additional costs in commencing, prosecuting and completing foreclosure proceedings, defending litigation commenced by third parties and conducting foreclosure sales of the mortgaged properties could result. Those delays and additional costs could in turn delay the distribution of liquidation proceeds to the certificateholders and increase the amount of realized losses on the mortgage loans.

To the extent that the original pre-funded amount has not been fully applied to the purchase of subsequent mortgage loans by the issuer by the end of the pre-funding period, the holders of each class of certificates will receive, in the order of priority of principal distributions described in this prospectus supplement, on the first distribution date following the termination of the pre-funding period, a prepayment of principal in an amount equal to the lesser of (i) the applicable amount remaining in the pre-funding account and (ii) the outstanding Certificate Balance of such related class of certificates. Although no assurance can be given, it is anticipated by the company that the principal amount of subsequent mortgage loans sold to the issuer for inclusion in the trust estate will require the application of substantially all amounts on deposit in the pre-funding account and that there will be no material amount of principal prepaid to such certificateholders. However, it is unlikely that the seller will be able to deliver subsequent mortgage loans with an aggregate principal balance identical to the original pre-funded amount.

In addition, the yield to maturity of the certificates will depend on, among other things, the price paid by the holders of the certificates and the then applicable pass-through rate. The extent to which the yield to maturity of a certificate is sensitive to prepayments will depend, in part, upon the degree to which it is purchased at a discount or premium. In general, if a certificate is purchased at a premium and principal payments thereon occur at a rate faster than anticipated at the time of purchase, the investor's actual yield to maturity will be lower than that assumed at the time of purchase. Conversely, if a certificate is purchased at a discount and principal payments thereon occur at a rate slower than that assumed at the time of purchase, the investor's actual yield to maturity will be lower than that assumed at the time of purchase.

Furthermore, the yield to maturity on the certificates may be affected by the limitation posed by the related available funds cap rate.

Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security to the date of payment to the investor of each dollar distributed in reduction of principal of such security (assuming no losses). The weighted average life of the certificates will be influenced by, among other things, the rate at which the principal of the mortgage loans is paid, which may be in the form of scheduled amortization, prepayments or liquidations. Because the amortization schedule of each adjustable rate mortgage loan will be recalculated semi-annually with respect to the Six-Month LIBOR mortgage loans and semi-annually after the initial adjustment date with respect to 2/28 Six-Month LIBOR mortgage loans and 3/27 Six-Month LIBOR mortgage loans, any partial prepayments thereof will not reduce the term to maturity of such adjustable rate mortgage loan. In addition, an increase in the mortgage rate on an adjustable rate mortgage loan will result in a larger monthly payment and in a larger percentage of such monthly payment being allocated to interest and a smaller percentage being allocated to principal, and conversely, a decrease in the mortgage rate on the adjustable rate mortgage loan will result in a lower monthly payment and in a larger percentage of each monthly payment being allocated to principal and a smaller percentage being allocated to interest.

Prepayments on mortgage loans are commonly measured relative to a prepayment standard or model. The model used in this prospectus supplement, the Constant Prepayment Rate model

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(“CPR”), assumes that the outstanding principal balance of a pool of mortgage loans prepays each month at a specified annual rate or CPR. In generating monthly cash flows, this annual rate is converted to an equivalent monthly rate. With respect to the adjustable rate mortgage loans, the prepayment model assumes a CPR of 30% (such model, a “prepayment assumption”). With respect to the fixed rate mortgage loans, the prepayment model assumes a CPR of 2.0% in the first month of the life of the fixed rate mortgage loans and an additional 2.2% per annum (exactly 20/9 percent) in each month thereafter until the tenth month; beginning in the tenth month and in each month thereafter, the prepayment model assumes a CPR of 22% (such model, also a “prepayment assumption”). The levels of CPR used above in defining the prepayment assumptions represent 100% of the related prepayment assumption. To assume a CPR percentage in either prepayment model is to assume that the stated percentage of the outstanding principal balance of the pool would be prepaid over the course of a year. No representation is made that the mortgage loans will prepay at the percentages of CPR specified in either prepayment model.

The tables set forth below have been prepared on the basis of certain assumptions (the “Modeling Assumptions”) as described below regarding the weighted average characteristics of the mortgage loans that are expected to be included in the trust estate as described under “Description of the Mortgage Pool” herein and the performance thereof. The tables assume, among other things, that: (i) the mortgage pool consists of mortgage loans with the following characteristics:

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GROUP IA MORTGAGE LOANS																
Loan Type	Mortgage Loan Pool	Principal Balance (\$)	Initial Gross Mortgage Rate (%)	Initial Net Mortgage Rate (%)	Original Term to Maturity (Months)	Original Amortization Term (Months)	Remaining Term to Maturity (Months)	IO Original Term (Months)	Gross Margin (%)	Months to Next Rate Adjustment Date	Initial Periodic Rate Cap (%)	Periodic Rate Cap (%)	Maximum Mortgage Rate (%)	Minimum Mortgage Rate (%)	Index	Interest Rate Adjustment Frequency (Months)
Fixed	Initial	115,329.44	6.9900	6.4900	120	120	119	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Initial	4,786,698.37	6.9559	6.4399	180	180	179	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Initial	780,135.91	7.2883	6.7883	240	240	239	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Initial	115,793.13	8.8000	8.3000	300	300	299	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Initial	30,113,097.33	7.5540	6.8317	360	360	359	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustable	Initial	43,867.51	7.9900	7.4900	180	180	176	N/A	6.8700	32	3.0000	1.0000	13.9900	7.9900	6-Month LIBOR	12
Adjustable	Initial	117,784.00	7.3900	6.8900	240	240	237	N/A	7.1300	21	3.0000	1.0000	13.3900	7.3900	6-Month LIBOR	6
Adjustable	Initial	96,886.64	5.1500	3.3700	360	360	359	N/A	4.2000	5	1.0000	1.0000	12.1500	5.1500	6-Month LIBOR	6
Adjustable	Initial	129,423,401.60	7.5611	6.7124	360	360	359	N/A	6.3928	23	3.0000	1.0000	14.5724	7.5611	6-Month LIBOR	6
Adjustable	Initial	12,363,523.03	7.1445	6.1363	360	360	359	N/A	5.9741	35	3.0000	1.0000	14.1307	7.1445	6-Month LIBOR	6
Fixed-IO	Initial	560,923.92	7.0250	6.0511	360	360	359	120	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustable-IO	Initial	9,827,746.35	7.2739	6.2931	360	360	359	60	6.2785	23	3.0000	1.0000	14.2739	7.2739	6-Month LIBOR	6
Adjustable-IO	Initial	220,000.00	7.4500	5.6700	360	360	359	60	6.3500	35	3.0000	1.0000	14.4500	7.4500	6-Month LIBOR	6
Fixed	Additional	89,313.52	6.9900	6.4900	120	120	120	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Additional	3,706,918.80	6.9559	6.4399	180	180	180	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Additional	604,153.48	7.2883	6.7883	240	240	240	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Additional	89,672.61	8.8000	8.3000	300	300	300	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Additional	23,320,209.05	7.5540	6.8317	360	360	360	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Adjustable	Additional	33,971.91	7.9900	7.4900	180	180	180	N/A	6.8700	36	3.0000	1.0000	13.9900	7.9900	6-Month LIBOR	12
Adjustable	Additional	91,214.38	7.3900	6.8900	240	240	240	N/A	7.1300	24	3.0000	1.0000	13.3900	7.3900	6-Month LIBOR	6
Adjustable	Additional	75,031.03	5.1500	3.3700	360	360	360	N/A	4.2000	6	1.0000	1.0000	12.1500	5.1500	6-Month LIBOR	6
Adjustable	Additional	100,230,411.54	7.5611	6.7124	360	360	360	N/A	6.3928	24	3.0000	1.0000	14.5724	7.5611	6-Month LIBOR	6
Adjustable	Additional	9,574,569.45	7.1445	6.1363	360	360	360	N/A	5.9741	36	3.0000	1.0000	14.1307	7.1445	6-Month LIBOR	6
Fixed-IO	Additional	434,391.15	7.0250	6.0511	360	360	360	120	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustable-IO	Additional	7,610,811.23	7.2739	6.2931	360	360	360	60	6.2785	24	3.0000	1.0000	14.2739	7.2739	6-Month LIBOR	6
Adjustable-IO	Additional	170,372.58	7.4500	5.6700	360	360	360	60	6.3500	36	3.0000	1.0000	14.4500	7.4500	6-Month LIBOR	6
Fixed	Subsequent	93,794.69	6.9900	6.4900	120	120	120	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Subsequent	3,892,907.87	6.9559	6.4399	180	180	180	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Subsequent	634,465.97	7.2883	6.7883	240	240	240	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Subsequent	94,171.80	8.8000	8.3000	300	300	300	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Subsequent	24,490,265.42	7.5540	6.8317	360	360	360	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustable	Subsequent	35,676.40	7.9900	7.4900	180	180	180	N/A	6.8700	36	3.0000	1.0000	13.9900	7.9900	6-Month LIBOR	12
Adjustable	Subsequent	95,790.92	7.3900	6.8900	240	240	240	N/A	7.1300	24	3.0000	1.0000	13.3900	7.3900	6-Month LIBOR	6
Adjustable	Subsequent	78,795.60	5.1500	3.3700	360	360	360	N/A	4.2000	6	1.0000	1.0000	12.1500	5.1500	6-Month LIBOR	6
Adjustable	Subsequent	105,256,972.49	7.5611	6.7124	360	360	360	N/A	6.3928	24	3.0000	1.0000	14.5724	7.5611	6-Month LIBOR	6
Adjustable	Subsequent	10,054,959.05	7.1445	6.1363	360	360	360	N/A	5.9741	36	3.0000	1.0000	14.1307	7.1445	6-Month LIBOR	6
Fixed-IO	Subsequent	456,186.08	7.0250	6.0511	360	360	360	120	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustable-IO	Subsequent	7,992,672.22	7.2739	6.2931	360	360	360	60	6.2785	24	3.0000	1.0000	14.2739	7.2739	6-Month LIBOR	6
Adjustable-IO	Subsequent	178,920.76	7.4500	5.6700	360	360	360	60	6.3500	36	3.0000	1.0000	14.4500	7.4500	6-Month LIBOR	6

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GROUP IB MORTGAGE LOANS																
Loan Type	Mortgage Loan Pool	Principal Balance (\$)	Initial Gross Mortgage Rate (%)	Initial Net Mortgage Rate (%)	Original Term to Maturity (Months)	Original Amortization Term (Months)	Remaining Term to Maturity (Months)	IO Original Term (Months)	Gross Margin (%)	Months to Next Rate Adjustment Date	Initial Periodic Rate Cap (%)	Periodic Rate Cap (%)	Maximum Mortgage Rate (%)	Minimum Mortgage Rate (%)	Index	Interest Rate Adjustment Frequency (Months)
Fixed	Initial	1,648,001.71	11.6133	11.1133	180	180	179	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Initial	76,925.16	6.1250	4.9850	360	360	359	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Initial	7,876,389.31	11.0509	10.5509	180	360	179	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustable	Initial	9,655,216.01	7.5991	6.8788	360	360	358	N/A	6.7790	22	3.0000	1.0000	15.2229	7.5991	6-Month LIBOR	6
Adjustable	Initial	1,140,968.09	7.1581	6.4789	360	360	358	N/A	6.3164	34	3.0000	1.0000	14.1581	7.1581	6-Month LIBOR	6
Fixed-IO	Initial	37,000.00	11.0000	10.5000	360	360	359	120	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustable-IO	Initial	382,199.99	6.6112	6.1112	360	360	359	60	5.8191	23	3.0000	1.0000	13.6112	6.6112	6-Month LIBOR	6
Adjustable-IO	Initial	135,093.90	7.2500	6.7500	360	360	358	60	6.7500	34	3.0000	1.0000	14.2500	7.2500	6-Month LIBOR	6
Fixed	Additional	1,276,246.81	11.6133	11.1133	180	180	180	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Additional	59,572.44	6.1250	4.9850	360	360	360	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Additional	6,099,639.74	11.0509	10.5509	180	360	180	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustable	Additional	7,477,172.58	7.5991	6.8788	360	360	360	N/A	6.7790	24	3.0000	1.0000	15.2229	7.5991	6-Month LIBOR	6
Adjustable	Additional	883,589.43	7.1581	6.4789	360	360	360	N/A	6.3164	36	3.0000	1.0000	14.1581	7.1581	6-Month LIBOR	6
Fixed-IO	Additional	28,653.57	11.0000	10.5000	360	360	360	120	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustable-IO	Additional	295,983.62	6.6112	6.1112	360	360	360	60	5.8191	24	3.0000	1.0000	13.6112	6.6112	6-Month LIBOR	6
Adjustable-IO	Additional	104,619.53	7.2500	6.7500	360	360	360	60	6.7500	36	3.0000	1.0000	14.2500	7.2500	6-Month LIBOR	6
Fixed	Subsequent	1,340,280.57	11.6133	11.1133	180	180	180	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Subsequent	62,561.40	6.1250	4.9850	360	360	360	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Fixed	Subsequent	6,405,679.98	11.0509	10.5509	180	360	180	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustable	Subsequent	7,852,357.41	7.5991	6.8788	360	360	360	N/A	6.7790	24	3.0000	1.0000	15.2229	7.5991	6-Month LIBOR	6
Adjustable	Subsequent	927,922.19	7.1581	6.4789	360	360	360	N/A	6.3164	36	3.0000	1.0000	14.1581	7.1581	6-Month LIBOR	6
Fixed-IO	Subsequent	30,091.22	11.0000	10.5000	360	360	360	120	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustable-IO	Subsequent	310,834.16	6.6112	6.1112	360	360	360	60	5.8191	24	3.0000	1.0000	13.6112	6.6112	6-Month LIBOR	6
Adjustable-IO	Subsequent	109,868.65	7.2500	6.7500	360	360	360	60	6.7500	36	3.0000	1.0000	14.2500	7.2500	6-Month LIBOR	6

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GROUP II MORTGAGE LOANS																
Loan Type	Mortgage Loan Pool	Principal Balance (\$)	Initial Gross Mortgage Rate (%)	Initial Net Mortgage Rate (%)	Original Term to Maturity (Months)	Original Amortization Term (Months)	Remaining Term to Maturity (Months)	IO Original Term (Months)	Gross Margin (%)	Months to Next Rate Adjustment Date	Initial Periodic Rate Cap (%)	Periodic Rate Cap (%)	Maximum Mortgage Rate (%)	Minimum Mortgage Rate (%)	Index	Interest Rate Adjustment Frequency (Months)
Fixed	Initial	40,090.00	8.5000	8.0000	120	120	120	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Initial	5,713,924.26	7.1554	6.3744	180	180	179	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Initial	956,117.13	7.0473	6.2076	240	240	239	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Initial	88,120.68	8.9500	8.4500	300	300	299	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Initial	26,389,108.63	7.3944	6.5266	360	360	359	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Initial	146,617.19	10.0567	9.1903	180	360	157	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustable	Initial	67,765.97	5.9900	5.4900	180	180	176	N/A	5.6300	20	3.0000	1.0000	11.9900	5.9900	6-Month LIBOR	6
Adjustable	Initial	67,378.10	7.5000	7.0000	240	240	236	N/A	8.5000	32	3.0000	1.0000	13.5000	7.5000	6-Month LIBOR	6
Adjustable	Initial	271,731.80	6.0500	4.2700	360	360	359	N/A	5.2500	5	1.0000	1.0000	13.0500	6.0500	6-Month LIBOR	6
Adjustable	Initial	236,476.45	7.4021	6.0999	360	360	355	N/A	7.1567	19	1.0000	1.0000	21.1214	7.4021	6-Month LIBOR	6
Adjustable	Initial	864,683.42	6.5169	5.8167	360	360	356	N/A	6.4911	20	2.0000	1.0000	19.0339	6.5169	6-Month LIBOR	6
Adjustable	Initial	129,320,740.89	7.8224	7.0575	360	360	358	N/A	6.8131	22	3.0000	1.0000	15.7373	7.8224	6-Month LIBOR	6
Adjustable	Initial	277,351.59	6.5548	5.4886	360	360	356	N/A	6.4712	32	2.0000	1.0000	18.5520	6.5548	6-Month LIBOR	6
Adjustable	Initial	12,664,655.66	7.3653	6.3905	360	360	358	N/A	6.3753	34	3.0000	1.0000	15.7533	7.3653	6-Month LIBOR	6
Adjustable	Initial	525,596.13	7.3674	5.5874	360	360	356	N/A	6.6157	56	2.0000	1.0000	19.0397	7.3674	6-Month LIBOR	12
Adjustable	Initial	270,574.88	8.1833	7.0545	360	360	356	N/A	7.4317	56	3.0000	1.0000	22.3667	8.1833	6-Month LIBOR	12
Fixed-IO	Initial	359,900.00	7.6061	6.8634	360	360	359	120	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustable-IO	Initial	6,961,077.93	6.9480	6.0915	360	360	359	60	6.0897	23	3.0000	1.0000	13.9480	6.9480	6-Month LIBOR	6

Adjustable-IO	Initial	1,015,200.00	6.6960	5.6992	360	360	358	60	5.8325	34	3.0000	1.0000	13.6960	6.6960	6-Month LIBOR	6
Fixed	Additional	31,046.53	8.5000	8.0000	120	120	120	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Additional	4,424,981.82	7.1554	6.3744	180	180	180	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Additional	740,437.00	7.0473	6.2076	240	240	240	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Additional	68,242.49	8.9500	8.4500	300	300	300	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Additional	20,436,274.73	7.3944	6.5266	360	360	360	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Additional	113,543.40	10.0567	9.1903	180	360	180	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustable	Additional	52,479.38	5.9900	5.4900	180	180	180	N/A	5.6300	24	3.0000	1.0000	11.9900	5.9900	6-Month LIBOR	6
Adjustable	Additional	52,179.00	7.5000	7.0000	240	240	240	N/A	8.5000	36	3.0000	1.0000	13.5000	7.5000	6-Month LIBOR	6
Adjustable	Additional	210,434.76	6.0500	4.2700	360	360	360	N/A	5.2500	6	1.0000	1.0000	13.0500	6.0500	6-Month LIBOR	6
Adjustable	Additional	183,132.28	7.4021	6.0999	360	360	360	N/A	7.1567	24	1.0000	1.0000	21.1214	7.4021	6-Month LIBOR	6
Adjustable	Additional	669,628.83	6.5169	5.8167	360	360	360	N/A	6.4911	24	2.0000	1.0000	19.0339	6.5169	6-Month LIBOR	6
Adjustable	Additional	100,151,169.17	7.8224	7.0575	360	360	360	N/A	6.8131	24	3.0000	1.0000	15.7373	7.8224	6-Month LIBOR	6
Adjustable	Additional	214,786.84	6.5548	5.4886	360	360	360	N/A	6.4712	36	2.0000	1.0000	18.5520	6.5548	6-Month LIBOR	6
Adjustable	Additional	9,807,772.82	7.3653	6.3905	360	360	360	N/A	6.3753	36	3.0000	1.0000	15.7533	7.3653	6-Month LIBOR	6
Adjustable	Additional	407,032.58	7.3674	5.5874	360	360	360	N/A	6.6157	60	2.0000	1.0000	19.0397	7.3674	6-Month LIBOR	12
Adjustable	Additional	209,538.82	8.1833	7.0545	360	360	360	N/A	7.4317	60	3.0000	1.0000	22.3667	8.1833	6-Month LIBOR	12
Fixed-IO	Additional	278,714.05	7.6061	6.8634	360	360	360	120	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustable-IO	Additional	5,390,803.57	6.9480	6.0915	360	360	360	60	6.0897	24	3.0000	1.0000	13.9480	6.9480	6-Month LIBOR	6
Adjustable-IO	Additional	786,192.00	6.6960	5.6992	360	360	360	60	5.8325	36	3.0000	1.0000	13.6960	6.6960	6-Month LIBOR	6
Fixed	Subsequent	32,604.24	8.5000	8.0000	120	120	120	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Subsequent	4,646,998.62	7.1554	6.3744	180	180	180	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Fixed	Subsequent	777,587.31	7.0473	6.2076	240	240	240	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Subsequent	71,666.45	8.9500	8.4500	300	300	300	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Subsequent	21,461,634.04	7.3944	6.5266	360	360	360	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Subsequent	119,240.27	10.0567	9.1903	180	360	180	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustable	Subsequent	55,112.45	5.9900	5.4900	180	180	180	N/A	5.6300	24	3.0000	1.0000	11.9900	5.9900	6-Month LIBOR	6
Adjustable	Subsequent	54,797.01	7.5000	7.0000	240	240	240	N/A	8.5000	36	3.0000	1.0000	13.5000	7.5000	6-Month LIBOR	6
Adjustable	Subsequent	220,993.01	6.0500	4.2700	360	360	360	N/A	5.2500	6	1.0000	1.0000	13.0500	6.0500	6-Month LIBOR	6
Adjustable	Subsequent	192,320.67	7.4021	6.0999	360	360	360	N/A	7.1567	24	1.0000	1.0000	21.1214	7.4021	6-Month LIBOR	6
Adjustable	Subsequent	703,226.45	6.5169	5.8167	360	360	360	N/A	6.4911	24	2.0000	1.0000	19.0339	6.5169	6-Month LIBOR	6
Adjustable	Subsequent	105,173,480.98	7.8224	7.0575	360	360	360	N/A	6.8131	24	3.0000	1.0000	15.7373	7.8224	6-Month LIBOR	6
Adjustable	Subsequent	225,563.45	6.5548	5.4886	360	360	360	N/A	6.4712	36	2.0000	1.0000	18.5520	6.5548	6-Month LIBOR	6
Adjustable	Subsequent	10,299,863.05	7.3653	6.3905	360	360	360	N/A	6.3753	36	3.0000	1.0000	15.7533	7.3653	6-Month LIBOR	6
Adjustable	Subsequent	427,454.82	7.3674	5.5874	360	360	360	N/A	6.6157	60	2.0000	1.0000	19.0397	7.3674	6-Month LIBOR	12
Adjustable	Subsequent	220,052.11	8.1833	7.0545	360	360	360	N/A	7.4317	60	3.0000	1.0000	22.3667	8.1833	6-Month LIBOR	12
Fixed-IO	Subsequent	292,698.11	7.6061	6.8634	360	360	360	120	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustable-IO	Subsequent	5,661,279.02	6.9480	6.0915	360	360	360	60	6.0897	24	3.0000	1.0000	13.9480	6.9480	6-Month LIBOR	6
Adjustable-IO	Subsequent	825,638.00	6.6960	5.6992	360	360	360	60	5.8325	36	3.0000	1.0000	13.6960	6.6960	6-Month LIBOR	6

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GROUP III MORTGAGE LOANS																
Loan Type	Mortgage Loan Pool	Principal Balance (\$)	Initial Gross Mortgage Rate (%)	Initial Net Mortgage Rate (%)	Original Term to Maturity (Months)	Original Amortization Term (Months)	Remaining Term to Maturity (Months)	IO Original Term (Months)	Gross Margin (%)	Months to Next Rate Adjustment Date	Initial Periodic Rate Cap (%)	Periodic Rate Cap (%)	Maximum Mortgage Rate (%)	Minimum Mortgage Rate (%)	Index	Interest Rate Adjustment Frequency (Months)
Fixed	Initial	9,141,868.55	7.1850	6.2957	180	180	179	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Initial	1,189,405.04	7.5927	6.6396	240	240	239	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Initial	37,709,829.78	7.4870	6.7232	360	360	359	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Initial	84,946.35	8.3000	7.8000	180	360	179	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustable	Initial	334,430.74	4.7500	4.2500	360	360	354	N/A	2.7500	30	3.0000	2.0000	11.7500	4.7500	1-Year CMT	12
Adjustable	Initial	194,817,738.07	7.4652	6.7147	360	360	358	N/A	6.3254	22	3.0000	1.0000	14.8985	7.4652	6-Month LIBOR	6
Adjustable	Initial	113,918.73	7.7000	5.9200	360	360	356	N/A	6.7500	20	2.0000	1.0000	13.7000	7.7000	6-Month LIBOR	12
Adjustable	Initial	436,124.18	6.7500	6.2500	360	360	356	N/A	6.2500	32	2.0000	1.0000	19.5000	6.7500	6-Month LIBOR	6
Adjustable	Initial	16,200,979.86	7.0450	6.1307	360	360	358	N/A	5.9821	34	3.0000	1.0000	14.3590	7.0450	6-Month LIBOR	6
Adjustable	Initial	1,506,845.05	6.7368	5.7366	360	360	356	N/A	6.0078	56	2.0000	1.0000	14.5699	6.7368	6-Month LIBOR	12
Adjustable	Initial	607,806.17	7.0601	6.2838	360	360	356	N/A	6.4862	56	3.0000	1.0000	18.3690	7.0601	6-Month LIBOR	12
Fixed-IO	Initial	348,779.00	7.2242	6.7242	360	360	359	120	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustable-IO	Initial	14,902,225.92	6.7900	5.9372	360	360	359	60	6.0291	23	3.0000	1.0000	13.7900	6.7900	6-Month LIBOR	6
Adjustable-IO	Initial	3,128,022.75	6.1056	4.6706	360	360	358	60	5.4361	34	3.0000	1.0000	13.1056	6.1056	6-Month LIBOR	6
Fixed	Additional	7,079,653.19	7.1850	6.2957	180	180	180	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Additional	921,100.01	7.5927	6.6396	240	240	240	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Additional	29,203,276.70	7.4870	6.7232	360	360	360	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Additional	65,784.22	8.3000	7.8000	180	360	180	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Adjustable	Additional	258,990.12	4.7500	4.2500	360	360	360	N/A	2.7500	36	3.0000	2.0000	11.7500	4.7500	1-Year CMT	12
Adjustable	Additional	150,866,203.14	7.4652	6.7147	360	360	360	N/A	6.3254	24	3.0000	1.0000	14.8985	7.4652	6-Month LIBOR	6
Adjustable	Additional	88,221.03	7.7000	5.9200	360	360	360	N/A	6.7500	24	2.0000	1.0000	13.7000	7.7000	6-Month LIBOR	12
Adjustable	Additional	337,743.64	6.7500	6.2500	360	360	360	N/A	6.2500	36	2.0000	1.0000	19.5000	6.7500	6-Month LIBOR	6
Adjustable	Additional	12,546,375.85	7.0450	6.1307	360	360	360	N/A	5.9821	36	3.0000	1.0000	14.3590	7.0450	6-Month LIBOR	6
Adjustable	Additional	1,166,932.16	6.7368	5.7366	360	360	360	N/A	6.0078	60	2.0000	1.0000	14.5699	6.7368	6-Month LIBOR	12
Adjustable	Additional	470,697.74	7.0601	6.2838	360	360	360	N/A	6.4862	60	3.0000	1.0000	18.3690	7.0601	6-Month LIBOR	12
Fixed-IO	Additional	270,101.71	7.2242	6.7242	360	360	360	120	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustable-IO	Additional	11,540,593.78	6.7900	5.9372	360	360	360	60	6.0291	24	3.0000	1.0000	13.7900	6.7900	6-Month LIBOR	6
Adjustable-IO	Additional	2,422,405.89	6.1056	4.6706	360	360	360	60	5.4361	36	3.0000	1.0000	13.1056	6.1056	6-Month LIBOR	6
Fixed	Subsequent	7,434,864.13	7.1850	6.2957	180	180	180	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Subsequent	967,314.81	7.5927	6.6396	240	240	240	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Subsequent	30,668,507.14	7.4870	6.7232	360	360	360	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fixed	Subsequent	69,084.84	8.3000	7.8000	180	360	180	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustable	Subsequent	271,984.56	4.7500	4.2500	360	360	360	N/A	2.7500	36	3.0000	2.0000	11.7500	4.7500	1-Year CMT	12
Adjustable	Subsequent	158,440,630.08	7.4652	6.7147	360	360	360	N/A	6.3254	24	3.0000	1.0000	14.8985	7.4652	6-Month LIBOR	6
Adjustable	Subsequent	92,647.39	7.7000	5.9200	360	360	360	N/A	6.7500	24	2.0000	1.0000	13.7000	7.7000	6-Month LIBOR	12
Adjustable	Subsequent	354,689.42	6.7500	6.2500	360	360	360	N/A	6.2500	36	2.0000	1.0000	19.5000	6.7500	6-Month LIBOR	6
Adjustable	Subsequent	13,175,871.37	7.0450	6.1307	360	360	360	N/A	5.9821	36	3.0000	1.0000	14.3590	7.0450	6-Month LIBOR	6
Adjustable	Subsequent	1,225,481.22	6.7368	5.7366	360	360	360	N/A	6.0078	60	2.0000	1.0000	14.5699	6.7368	6-Month LIBOR	12
Adjustable	Subsequent	494,314.29	7.0601	6.2838	360	360	360	N/A	6.4862	60	3.0000	1.0000	18.3690	7.0601	6-Month LIBOR	12
Fixed-IO	Subsequent	283,653.66	7.2242	6.7242	360	360	360	120	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Adjustable-IO	Subsequent	12,119,625.72	6.7900	5.9372	360	360	360	60	6.0291	24	3.0000	1.0000	13.7900	6.7900	6-Month LIBOR	6
Adjustable-IO	Subsequent	2,543,946.46	6.1056	4.6706	360	360	360	60	5.4361	36	3.0000	1.0000	13.1056	6.1056	6-Month LIBOR	6

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(ii) One-Month LIBOR, Six-Month LIBOR and One year CMT remain constant at 1.09%, 1.17% and 1.23%, respectively; (iii) payments on the certificates are received, in cash, on the 25th day of each month, commencing in April 2004; (iv) there are no delinquencies or losses on the mortgage loans, and scheduled payments on the mortgage loans are timely received on the first day of each month commencing in April 2004 (or May 2004 with respect to the subsequent mortgage loans); (v) there are no repurchases or substitutions of the mortgage loans; (vi) the scheduled monthly payment for each mortgage loan is calculated based on its principal balance, gross mortgage rate and remaining amortization term such that such mortgage loan will amortize in amounts sufficient to repay the remaining principal balance of such mortgage loan by its remaining amortization term (after any interest only period); (vii) the indices remain constant at the rates listed above and the mortgage rate on each adjustable rate mortgage loan is adjusted on the next adjustment date (and on subsequent adjustment dates, as necessary) to equal the related index plus the applicable gross margin, subject to the maximum and minimum mortgage rate and the related initial periodic rate cap and periodic rate cap listed above; (viii) with respect to each mortgage loan (other than the fixed rate mortgage loans), the monthly payment on the mortgage loan is adjusted on the due date immediately following the next rate adjustment date (and on subsequent adjustment dates, as necessary) to equal a fully amortizing payment as described in clause (vi) above; (ix) payments on the mortgage loans earn no reinvestment return; (x) there are no additional ongoing trust estate expenses payable out of the trust estate; (xi) the mortgage loans experience no prepayment charges; (xii) no miscellaneous servicing fees are passed through to the certificateholders; (xiii) the subsequent mortgage loans are acquired in April 2004 with the characteristics set forth in the previous tables, with their first scheduled payment date due in May 2004, resulting in no mandatory prepayment of the certificates on the May 2004 distribution date; (xiv) the certificates will be purchased on March 11, 2004; and (xv) prepayments on the mortgage loans represent prepayments in full of individual mortgage loans and are received on the last day of each month with 30 days’ interest thereon beginning in March 2004 (April 2004 with respect to the subsequent mortgage loans).

The actual characteristics and performance of the mortgage loans will differ from the assumptions used in constructing the table set forth below, which is hypothetical in nature and is provided only to give a general sense of how the principal cash flows might behave under varying prepayment scenarios. For example, it is very unlikely that the mortgage loans will prepay at a constant level of CPR until maturity or that all of the mortgage loans will prepay at the same level of CPR or prepayment assumption. Moreover, the diverse remaining terms to stated maturity of the mortgage loans could produce slower or faster principal payments than indicated in the table at the various constant percentages of CPR specified, even if the weighted average remaining term to stated maturity of the mortgage loans is as assumed. Any difference between such assumptions and the actual characteristics and performance of the mortgage loans, or actual prepayment experience, will affect the percentages of initial Certificate Balance outstanding over time and the weighted average life of the certificates. Subject to the foregoing discussion and assumptions, the following table indicates the weighted average life of the certificates, and sets forth the percentages of the initial Certificate Balance of the certificates that would be outstanding after each of the dates shown at various percentages of the related prepayment assumption.

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Percent of Initial Class A-1A Certificate Balance Outstanding ⁽¹⁾⁽⁵⁾							
Distribution Date	Prepayment Scenario ⁽²⁾						
	0%	50%	75%	100%	125%	150%	200%
Initial Percentage	100%	100%	100%	100%	100%	100%	100%
March 25, 2005	99	83	75	67	59	51	35
March 25, 2006	98	68	54	42	31	21	4
March 25, 2007	96	54	38	24	13	3	0
March 25, 2008	95	43	30	21	13	3	0
March 25, 2009	93	35	23	15	9	3	0
March 25, 2010	92	30	18	11	6	3	0
March 25, 2011	90	25	14	8	4	2	0
March 25, 2012	88	21	11	5	3	1	0
March 25, 2013	85	18	9	4	2	0	0
March 25, 2014	83	15	7	3	1	0	0
March 25, 2015	81	13	5	2	0	0	0
March 25, 2016	78	11	4	1	0	0	0
March 25, 2017	75	9	3	1	0	0	0
March 25, 2018	72	7	2	0	0	0	0
March 25, 2019	68	6	2	0	0	0	0
March 25, 2020	65	5	1	0	0	0	0
March 25, 2021	61	4	1	0	0	0	0

March 25, 2022	57	3	1	0	0	0	0
March 25, 2023	53	3	0	0	0	0	0
March 25, 2024	49	2	0	0	0	0	0
March 25, 2025	44	2	0	0	0	0	0
March 25, 2026	39	1	0	0	0	0	0
March 25, 2027	35	1	0	0	0	0	0
March 25, 2028	31	1	0	0	0	0	0
March 25, 2029	27	0	0	0	0	0	0
March 25, 2030	22	0	0	0	0	0	0
March 25, 2031	17	0	0	0	0	0	0
March 25, 2032	12	0	0	0	0	0	0
March 25, 2033	6	0	0	0	0	0	0
March 25, 2034	0	0	0	0	0	0	0
Weighted Average Life in Years ⁽³⁾⁽⁵⁾	18.69	5.19	3.55	2.61	1.96	1.44	0.91
Weighted Average Life in Years ⁽³⁾⁽⁴⁾	18.64	4.82	3.27	2.39	1.79	1.33	0.91

(1)

Rounded to the nearest whole percentage.

(2)

As a percentage of the related prepayment assumption.

(3)

The weighted average life of a certificate is determined by (i) multiplying the amount of each distribution of principal on a certificate by the number of years from the date of issuance of the certificate to the related distribution date, (ii) adding the results, and (iii) dividing the sum by the initial Certificate Balance of the certificate.

(4)

Assumes the servicer exercises its option to purchase the mortgage loans when the principal balance of the mortgage loans is equal to or less than 10% of the sum of (x) the principal balance of the closing date mortgage loans as of the cut-off date and (y) the original pre-funded amount. See “*Description of the Certificates—Optional Termination*” herein.

⁽⁵⁾ Assumes that the certificates remain outstanding until maturity.

This table has been prepared based on the Modeling Assumptions (including the assumptions regarding the characteristics and performance of the mortgage loans which differ from the actual characteristics and performance thereof) and should be read in conjunction therewith.

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Percent of Initial Class A-1B Certificate Balance Outstanding ⁽¹⁾⁽⁵⁾							
Distribution Date	Prepayment Scenario ⁽²⁾						
	0%	50%	75%	100%	125%	150%	200%
Initial Percentage	100%	100%	100%	100%	100%	100%	100%
March 25, 2005	99	86	79	72	66	59	45
March 25, 2006	98	71	59	48	37	28	12
March 25, 2007	97	58	43	30	19	9	0
March 25, 2008	95	47	33	24	17	9	0
March 25, 2009	94	38	27	18	12	8	0
March 25, 2010	92	33	21	13	8	5	0
March 25, 2011	90	28	17	10	6	3	0
March 25, 2012	89	24	13	7	4	2	0
March 25, 2013	86	21	11	5	3	1	0
March 25, 2014	84	18	8	4	2	1	0
March 25, 2015	81	15	7	3	1	0	0
March 25, 2016	78	13	5	2	1	0	0
March 25, 2017	75	11	4	2	0	0	0
March 25, 2018	72	9	3	1	0	0	0
March 25, 2019	42	4	1	0	0	0	0
March 25, 2020	28	2	0	0	0	0	0
March 25, 2021	26	2	0	0	0	0	0

March 25, 2022	24	2	0	0	0	0	0	0
March 25, 2023	21	1	0	0	0	0	0	0
March 25, 2024	19	1	0	0	0	0	0	0
March 25, 2025	16	1	0	0	0	0	0	0
March 25, 2026	15	0	0	0	0	0	0	0
March 25, 2027	15	0	0	0	0	0	0	0
March 25, 2028	15	0	0	0	0	0	0	0
March 25, 2029	15	0	0	0	0	0	0	0
March 25, 2030	13	0	0	0	0	0	0	0
March 25, 2031	10	0	0	0	0	0	0	0
March 25, 2032	7	0	0	0	0	0	0	0
March 25, 2033	3	0	0	0	0	0	0	0
March 25, 2034	0	0	0	0	0	0	0	0
Weighted Average Life in Years ⁽³⁾⁽⁵⁾	15.62	5.43	3.89	2.98	2.32	1.81	1.09	
Weighted Average Life in Years ⁽³⁾⁽⁴⁾	15.59	5.20	3.57	2.66	2.06	1.60	1.09	

(1)

Rounded to the nearest whole percentage.

(2)

As a percentage of the related prepayment assumption.

(3)

The weighted average life of a certificate is determined by (i) multiplying the amount of each distribution of principal on a certificate by the number of years from the date of issuance of the certificate to the related distribution date, (ii) adding the results, and (iii) dividing the sum by the initial Certificate Balance of the certificate.

(4)

Assumes the servicer exercises its option to purchase the mortgage loans when the principal balance of the mortgage loans is equal to or less than 10% of the sum of (x) the principal balance of the closing date mortgage loans as of the cut-off date and (y) the original pre-funded amount. See “*Description of the Certificates—Optional Termination*” herein.

⁽⁵⁾ Assumes that the certificates remain outstanding until maturity.

This table has been prepared based on the Modeling Assumptions (including the assumptions regarding the characteristics and performance of the mortgage loans which differ from the actual characteristics and performance thereof) and should be read in conjunction therewith.

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Percent of Initial Class A-2 Certificate Balance Outstanding ⁽¹⁾⁽⁵⁾							
Distribution Date	Prepayment Scenario ⁽²⁾						
	0%	50%	75%	100%	125%	150%	200%
Initial Percentage	100%	100%	100%	100%	100%	100%	100%
March 25, 2005	99	83	75	67	59	51	35
March 25, 2006	98	67	54	42	31	20	4
March 25, 2007	96	54	37	24	12	3	0
March 25, 2008	95	43	30	21	12	3	0
March 25, 2009	93	35	23	15	9	3	0
March 25, 2010	92	30	18	10	6	3	0
March 25, 2011	90	25	14	7	4	2	0
March 25, 2012	88	21	11	5	2	1	0
March 25, 2013	86	18	8	4	2	0	0
March 25, 2014	83	15	7	3	1	0	0
March 25, 2015	81	13	5	2	0	0	0
March 25, 2016	78	11	4	1	0	0	0
March 25, 2017	75	9	3	1	0	0	0
March 25, 2018	72	7	2	0	0	0	0
March 25, 2019	68	6	2	0	0	0	0
March 25, 2020	65	5	1	0	0	0	0
March 25, 2021	62	4	1	0	0	0	0

March 25, 2022	58	3	1	0	0	0	0
March 25, 2023	54	3	0	0	0	0	0
March 25, 2024	49	2	0	0	0	0	0
March 25, 2025	44	2	0	0	0	0	0
March 25, 2026	39	1	0	0	0	0	0
March 25, 2027	36	1	0	0	0	0	0
March 25, 2028	32	1	0	0	0	0	0
March 25, 2029	27	0	0	0	0	0	0
March 25, 2030	23	0	0	0	0	0	0
March 25, 2031	18	0	0	0	0	0	0
March 25, 2032	12	0	0	0	0	0	0
March 25, 2033	6	0	0	0	0	0	0
March 25, 2034	0	0	0	0	0	0	0
Weighted Average Life in Years ⁽³⁾⁽⁵⁾	18.76	5.16	3.53	2.59	1.94	1.42	0.91
Weighted Average Life in Years ⁽³⁾⁽⁴⁾	18.71	4.81	3.26	2.38	1.77	1.32	0.91

⁽¹⁾

Rounded to the nearest whole percentage.

⁽²⁾

As a percentage of the related prepayment assumption.

⁽³⁾

The weighted average life of a certificate is determined by (i) multiplying the amount of each distribution of principal on a certificate by the number of years from the date of issuance of the certificate to the related distribution date, (ii) adding the results, and (iii) dividing the sum by the initial Certificate Balance of the certificate.

⁽⁴⁾

Assumes the servicer exercises its option to purchase the mortgage loans when the principal balance of the mortgage loans is equal to or less than 10% of the sum of (x) the principal balance of the closing date mortgage loans as of the cut-off date and (y) the original pre-funded amount. See “*Description of the Certificates—Optional Termination*” herein.

⁽⁵⁾ Assumes that the certificates remain outstanding until maturity.

This table has been prepared based on the Modeling Assumptions (including the assumptions regarding the characteristics and performance of the mortgage loans which differ from the actual characteristics and performance thereof) and should be read in conjunction therewith.

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Percent of Initial Class A-3A Certificate Balance Outstanding ⁽¹⁾⁽⁵⁾							
Distribution Date	Prepayment Scenario ⁽²⁾						
	0%	50%	75%	100%	125%	150%	200%
Initial Percentage	100%	100%	100%	100%	100%	100%	100%
March 25, 2005	97	58	38	18	0	0	0
March 25, 2006	94	19	0	0	0	0	0
March 25, 2007	91	0	0	0	0	0	0
March 25, 2008	87	0	0	0	0	0	0
March 25, 2009	83	0	0	0	0	0	0
March 25, 2010	79	0	0	0	0	0	0
March 25, 2011	74	0	0	0	0	0	0
March 25, 2012	69	0	0	0	0	0	0
March 25, 2013	63	0	0	0	0	0	0
March 25, 2014	57	0	0	0	0	0	0
March 25, 2015	50	0	0	0	0	0	0
March 25, 2016	43	0	0	0	0	0	0
March 25, 2017	36	0	0	0	0	0	0
March 25, 2018	28	0	0	0	0	0	0
March 25, 2019	19	0	0	0	0	0	0
March 25, 2020	11	0	0	0	0	0	0
March 25, 2021	2	0	0	0	0	0	0

March 25, 2022	0	0	0	0	0	0	0
Weighted Average Life in Years ⁽³⁾⁽⁵⁾	10.40	1.30	0.90	0.69	0.56	0.47	0.35
Weighted Average Life in Years ⁽³⁾⁽⁴⁾	10.40	1.30	0.90	0.69	0.56	0.47	0.35

⁽¹⁾ Rounded to the nearest whole percentage.

⁽²⁾ As a percentage of the related prepayment assumption.

⁽³⁾ The weighted average life of a certificate is determined by (i) multiplying the amount of each distribution of principal on a certificate by the number of years from the date of issuance of the certificate to the related distribution date, (ii) adding the results, and (iii) dividing the sum by the initial Certificate Balance of the certificate.

⁽⁴⁾ Assumes the servicer exercises its option to purchase the mortgage loans when the principal balance of the mortgage loans is equal to or less than 10% of the sum of (x) the principal balance of the closing date mortgage loans as of the cut-off date and (y) the original pre-funded amount. See “*Description of the Certificates—Optional Termination*” herein.

⁽⁵⁾ Assumes that the certificates remain outstanding until maturity.

This table has been prepared based on the Modeling Assumptions (including the assumptions regarding the characteristics and performance of the mortgage loans which differ from the actual characteristics and performance thereof) and should be read in conjunction therewith.

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Percent of Initial Class A-3B Certificate Balance Outstanding ⁽¹⁾⁽⁵⁾							
Distribution Date	Prepayment Scenario ⁽²⁾						
	0%	50%	75%	100%	125%	150%	200%
Initial Percentage	100%	100%	100%	100%	100%	100%	100%
March 25, 2005	100	100	100	100	99	85	58
March 25, 2006	100	100	90	70	51	34	6
March 25, 2007	100	90	63	39	20	5	0
March 25, 2008	100	71	50	34	20	5	0
March 25, 2009	100	59	39	24	15	5	0
March 25, 2010	100	50	30	17	10	5	0
March 25, 2011	100	42	23	12	6	3	0
March 25, 2012	100	35	18	9	4	2	0
March 25, 2013	100	30	14	6	3	1	0
March 25, 2014	100	25	11	4	2	0	0
March 25, 2015	100	21	8	3	1	0	0
March 25, 2016	100	17	6	2	0	0	0
March 25, 2017	100	14	5	1	0	0	0
March 25, 2018	100	12	4	1	0	0	0
March 25, 2019	100	10	3	0	0	0	0
March 25, 2020	100	8	2	0	0	0	0
March 25, 2021	100	7	1	0	0	0	0

March 25, 2022	95	5	1	0	0	0	0
March 25, 2023	88	4	0	0	0	0	0
March 25, 2024	80	4	0	0	0	0	0
March 25, 2025	72	3	0	0	0	0	0
March 25, 2026	64	2	0	0	0	0	0
March 25, 2027	58	2	0	0	0	0	0
March 25, 2028	52	1	0	0	0	0	0
March 25, 2029	45	1	0	0	0	0	0
March 25, 2030	37	0	0	0	0	0	0
March 25, 2031	29	0	0	0	0	0	0
March 25, 2032	20	0	0	0	0	0	0
March 25, 2033	10	0	0	0	0	0	0
March 25, 2034	0	0	0	0	0	0	0
Weighted Average Life in Years ⁽³⁾⁽⁵⁾	24.07	7.72	5.28	3.85	2.86	2.04	1.27
Weighted Average Life in Years ⁽³⁾⁽⁴⁾	23.99	7.14	4.82	3.50	2.58	1.88	1.27

(1)

Rounded to the nearest whole percentage.

(2)

As a percentage of the related prepayment assumption.

(3)

The weighted average life of a certificate is determined by (i) multiplying the amount of each distribution of principal on a certificate by the number of years from the date of issuance of the certificate to the related distribution date, (ii) adding the results, and (iii) dividing the sum by the initial Certificate Balance of the certificate.

(4)

Assumes the servicer exercises its option to purchase the mortgage loans when the principal balance of the mortgage loans is equal to or less than 10% of the sum of (x) the principal balance of the closing date mortgage loans as of the cut-off date and (y) the original pre-funded amount. See “*Description of the Certificates—Optional Termination*” herein.

⁽⁵⁾ Assumes that the certificates remain outstanding until maturity.

This table has been prepared based on the Modeling Assumptions (including the assumptions regarding the characteristics and performance of the mortgage loans which differ from the actual characteristics and performance thereof) and should be read in conjunction therewith.

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Percent of Initial Class M-1 Certificate Balance Outstanding ⁽¹⁾⁽⁵⁾							
Distribution Date	Prepayment Scenario ⁽²⁾						
	0%	50%	75%	100%	125%	150%	200%
Initial Percentage	100%	100%	100%	100%	100%	100%	100%
March 25, 2005	100	100	100	100	100	100	100
March 25, 2006	100	100	100	100	100	100	100
March 25, 2007	100	100	100	100	100	100	87
March 25, 2008	100	100	75	52	90	100	87
March 25, 2009	100	89	59	37	23	84	59
March 25, 2010	100	75	46	27	15	10	20
March 25, 2011	100	64	35	19	10	5	0
March 25, 2012	100	54	27	13	6	0	0
March 25, 2013	100	45	21	10	4	0	0
March 25, 2014	100	38	16	7	0	0	0
March 25, 2015	100	32	13	5	0	0	0
March 25, 2016	100	26	10	3	0	0	0
March 25, 2017	100	22	8	0	0	0	0
March 25, 2018	100	18	6	0	0	0	0
March 25, 2019	100	15	4	0	0	0	0
March 25, 2020	100	12	3	0	0	0	0
March 25, 2021	100	10	0	0	0	0	0

March 25, 2022	100	8	0	0	0	0	0	0
March 25, 2023	100	7	0	0	0	0	0	0
March 25, 2024	100	6	0	0	0	0	0	0
March 25, 2025	100	5	0	0	0	0	0	0
March 25, 2026	100	4	0	0	0	0	0	0
March 25, 2027	93	0	0	0	0	0	0	0
March 25, 2028	81	0	0	0	0	0	0	0
March 25, 2029	68	0	0	0	0	0	0	0
March 25, 2030	55	0	0	0	0	0	0	0
March 25, 2031	43	0	0	0	0	0	0	0
March 25, 2032	30	0	0	0	0	0	0	0
March 25, 2033	15	0	0	0	0	0	0	0
March 25, 2034	0	0	0	0	0	0	0	0
Weighted Average Life in Years ⁽³⁾⁽⁵⁾	26.44	9.87	6.77	5.33	4.90	5.59	5.11	
Weighted Average Life in Years ⁽³⁾⁽⁴⁾	26.32	9.04	6.12	4.82	4.50	4.37	2.87	

(1)

Rounded to the nearest whole percentage.

(2)

As a percentage of the related prepayment assumption.

(3)

The weighted average life of a certificate is determined by (i) multiplying the amount of each distribution of principal on a certificate by the number of years from the date of issuance of the certificate to the related distribution date, (ii) adding the results, and (iii) dividing the sum by the initial Certificate Balance of the certificate.

(4)

Assumes the servicer exercises its option to purchase the mortgage loans when the principal balance of the mortgage loans is equal to or less than 10% of the sum of (x) the principal balance of the closing date mortgage loans as of the cut-off date and (y) the original pre-funded amount. See “*Description of the Certificates—Optional Termination*” herein.

⁽⁵⁾ Assumes that the certificates remain outstanding until maturity.

This table has been prepared based on the Modeling Assumptions (including the assumptions regarding the characteristics and performance of the mortgage loans which differ from the actual characteristics and performance thereof) and should be read in conjunction therewith.

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Percent of Initial Class M-2 Certificate Balance Outstanding ⁽¹⁾⁽⁵⁾							
Distribution Date	Prepayment Scenario ⁽²⁾						
	0%	50%	75%	100%	125%	150%	200%
Initial Percentage	100%	100%	100%	100%	100%	100%	100%
March 25, 2005	100	100	100	100	100	100	100
March 25, 2006	100	100	100	100	100	100	100
March 25, 2007	100	100	100	100	100	100	100
March 25, 2008	100	100	75	52	35	100	38
March 25, 2009	100	89	59	37	23	13	3
March 25, 2010	100	75	46	27	15	8	0
March 25, 2011	100	64	35	19	10	5	0
March 25, 2012	100	54	27	13	6	0	0
March 25, 2013	100	45	21	10	3	0	0
March 25, 2014	100	38	16	7	0	0	0
March 25, 2015	100	32	13	5	0	0	0
March 25, 2016	100	26	10	0	0	0	0
March 25, 2017	100	22	8	0	0	0	0
March 25, 2018	100	18	6	0	0	0	0
March 25, 2019	100	15	4	0	0	0	0
March 25, 2020	100	12	0	0	0	0	0
March 25, 2021	100	10	0	0	0	0	0

March 25, 2022	100	8	0	0	0	0	0	0
March 25, 2023	100	7	0	0	0	0	0	0
March 25, 2024	100	5	0	0	0	0	0	0
March 25, 2025	100	4	0	0	0	0	0	0
March 25, 2026	100	0	0	0	0	0	0	0
March 25, 2027	87	0	0	0	0	0	0	0
March 25, 2028	77	0	0	0	0	0	0	0
March 25, 2029	67	0	0	0	0	0	0	0
March 25, 2030	55	0	0	0	0	0	0	0
March 25, 2031	43	0	0	0	0	0	0	0
March 25, 2032	30	0	0	0	0	0	0	0
March 25, 2033	15	0	0	0	0	0	0	0
March 25, 2034	0	0	0	0	0	0	0	0
Weighted Average Life in Years ⁽³⁾⁽⁵⁾	26.31	9.83	6.74	5.26	4.68	4.81	4.01	
Weighted Average Life in Years ⁽³⁾⁽⁴⁾	26.19	9.04	6.12	4.77	4.30	4.36	2.96	

⁽¹⁾

Rounded to the nearest whole percentage.

⁽²⁾

As a percentage of the related prepayment assumption.

⁽³⁾

The weighted average life of a certificate is determined by (i) multiplying the amount of each distribution of principal on a certificate by the number of years from the date of issuance of the certificate to the related distribution date, (ii) adding the results, and (iii) dividing the sum by the initial Certificate Balance of the certificate.

⁽⁴⁾

Assumes the servicer exercises its option to purchase the mortgage loans when the principal balance of the mortgage loans is equal to or less than 10% of the sum of (x) the principal balance of the closing date mortgage loans as of the cut-off date and (y) the original pre-funded amount. See “*Description of the Certificates—Optional Termination*” herein.

⁽⁵⁾ Assumes that the certificates remain outstanding until maturity.

This table has been prepared based on the Modeling Assumptions (including the assumptions regarding the characteristics and performance of the mortgage loans which differ from the actual characteristics and performance thereof) and should be read in conjunction therewith.

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Percent of Initial Class M-3 Certificate Balance Outstanding ⁽¹⁾⁽⁵⁾							
Distribution Date	Prepayment Scenario ⁽²⁾						
	0%	50%	75%	100%	125%	150%	200%
Initial Percentage	100%	100%	100%	100%	100%	100%	100%
March 25, 2005	100	100	100	100	100	100	100
March 25, 2006	100	100	100	100	100	100	100
March 25, 2007	100	100	100	100	100	100	100
March 25, 2008	100	100	75	52	35	59	9
March 25, 2009	100	89	59	37	23	13	0
March 25, 2010	100	75	46	27	15	8	0
March 25, 2011	100	64	35	19	10	2	0
March 25, 2012	100	54	27	13	6	0	0
March 25, 2013	100	45	21	10	0	0	0
March 25, 2014	100	38	16	7	0	0	0
March 25, 2015	100	32	13	3	0	0	0
March 25, 2016	100	26	10	0	0	0	0
March 25, 2017	100	22	8	0	0	0	0
March 25, 2018	100	18	6	0	0	0	0
March 25, 2019	100	15	0	0	0	0	0
March 25, 2020	100	12	0	0	0	0	0
March 25, 2021	100	10	0	0	0	0	0

March 25, 2022	100	8	0	0	0	0	0	0
March 25, 2023	100	7	0	0	0	0	0	0
March 25, 2024	100	5	0	0	0	0	0	0
March 25, 2025	100	0	0	0	0	0	0	0
March 25, 2026	97	0	0	0	0	0	0	0
March 25, 2027	87	0	0	0	0	0	0	0
March 25, 2028	77	0	0	0	0	0	0	0
March 25, 2029	67	0	0	0	0	0	0	0
March 25, 2030	55	0	0	0	0	0	0	0
March 25, 2031	43	0	0	0	0	0	0	0
March 25, 2032	30	0	0	0	0	0	0	0
March 25, 2033	15	0	0	0	0	0	0	0
March 25, 2034	0	0	0	0	0	0	0	0
Weighted Average Life in Years ⁽³⁾⁽⁵⁾	26.30	9.80	6.71	5.19	4.53	4.42	3.46	
Weighted Average Life in Years ⁽³⁾⁽⁴⁾	26.18	9.04	6.12	4.74	4.17	4.14	2.96	

(1)

Rounded to the nearest whole percentage.

(2)

As a percentage of the related prepayment assumption.

(3)

The weighted average life of a certificate is determined by (i) multiplying the amount of each distribution of principal on a certificate by the number of years from the date of issuance of the certificate to the related distribution date, (ii) adding the results, and (iii) dividing the sum by the initial Certificate Balance of the certificate.

(4)

Assumes the servicer exercises its option to purchase the mortgage loans when the principal balance of the mortgage loans is equal to or less than 10% of the sum of (x) the principal balance of the closing date mortgage loans as of the cut-off date and (y) the original pre-funded amount. See “*Description of the Certificates—Optional Termination*” herein.

⁽⁵⁾ Assumes that the certificates remain outstanding until maturity.

This table has been prepared based on the Modeling Assumptions (including the assumptions regarding the characteristics and performance of the mortgage loans which differ from the actual characteristics and performance thereof) and should be read in conjunction therewith.

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Percent of Initial Class M-4 Certificate Balance Outstanding ⁽¹⁾⁽⁵⁾							
Distribution Date	Prepayment Scenario ⁽²⁾						
	0%	50%	75%	100%	125%	150%	200%
Initial Percentage	100%	100%	100%	100%	100%	100%	100%
March 25, 2005	100	100	100	100	100	100	100
March 25, 2006	100	100	100	100	100	100	100
March 25, 2007	100	100	100	100	100	100	53
March 25, 2008	100	100	75	52	35	23	9
March 25, 2009	100	89	59	37	23	13	0
March 25, 2010	100	75	46	27	15	8	0
March 25, 2011	100	64	35	19	10	0	0
March 25, 2012	100	54	27	13	6	0	0
March 25, 2013	100	45	21	10	0	0	0
March 25, 2014	100	38	16	7	0	0	0
March 25, 2015	100	32	13	0	0	0	0
March 25, 2016	100	26	10	0	0	0	0
March 25, 2017	100	22	8	0	0	0	0
March 25, 2018	100	18	4	0	0	0	0
March 25, 2019	100	15	0	0	0	0	0
March 25, 2020	100	12	0	0	0	0	0
March 25, 2021	100	10	0	0	0	0	0

March 25, 2022	100	8	0	0	0	0	0	0
March 25, 2023	100	7	0	0	0	0	0	0
March 25, 2024	100	2	0	0	0	0	0	0
March 25, 2025	100	0	0	0	0	0	0	0
March 25, 2026	96	0	0	0	0	0	0	0
March 25, 2027	87	0	0	0	0	0	0	0
March 25, 2028	77	0	0	0	0	0	0	0
March 25, 2029	67	0	0	0	0	0	0	0
March 25, 2030	55	0	0	0	0	0	0	0
March 25, 2031	43	0	0	0	0	0	0	0
March 25, 2032	30	0	0	0	0	0	0	0
March 25, 2033	15	0	0	0	0	0	0	0
March 25, 2034	0	0	0	0	0	0	0	0
Weighted Average Life in Years ⁽³⁾⁽⁵⁾	26.30	9.76	6.68	5.15	4.44	4.23	3.24	
Weighted Average Life in Years ⁽³⁾⁽⁴⁾	26.18	9.04	6.12	4.72	4.11	3.97	2.96	

⁽¹⁾

Rounded to the nearest whole percentage.

⁽²⁾

As a percentage of the related prepayment assumption.

⁽³⁾

The weighted average life of a certificate is determined by (i) multiplying the amount of each distribution of principal on a certificate by the number of years from the date of issuance of the certificate to the related distribution date, (ii) adding the results, and (iii) dividing the sum by the initial Certificate Balance of the certificate.

⁽⁴⁾

Assumes the servicer exercises its option to purchase the mortgage loans when the principal balance of the mortgage loans is equal to or less than 10% of the sum of (x) the principal balance of the closing date mortgage loans as of the cut-off date and (y) the original pre-funded amount. See “*Description of the Certificates—Optional Termination*” herein.

⁽⁵⁾ Assumes that the certificates remain outstanding until maturity.

This table has been prepared based on the Modeling Assumptions (including the assumptions regarding the characteristics and performance of the mortgage loans which differ from the actual characteristics and performance thereof) and should be read in conjunction therewith.

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Percent of Initial Class M-5 Certificate Balance Outstanding ⁽¹⁾⁽⁵⁾							
Distribution Date	Prepayment Scenario ⁽²⁾						
	0%	50%	75%	100%	125%	150%	200%
Initial Percentage	100%	100%	100%	100%	100%	100%	100%
March 25, 2005	100	100	100	100	100	100	100
March 25, 2006	100	100	100	100	100	100	100
March 25, 2007	100	100	100	100	100	100	18
March 25, 2008	100	100	75	52	35	23	9
March 25, 2009	100	89	59	37	23	13	0
March 25, 2010	100	75	46	27	15	8	0
March 25, 2011	100	64	35	19	10	0	0
March 25, 2012	100	54	27	13	1	0	0
March 25, 2013	100	45	21	10	0	0	0
March 25, 2014	100	38	16	4	0	0	0
March 25, 2015	100	32	13	0	0	0	0
March 25, 2016	100	26	10	0	0	0	0
March 25, 2017	100	22	7	0	0	0	0
March 25, 2018	100	18	0	0	0	0	0
March 25, 2019	100	15	0	0	0	0	0
March 25, 2020	100	12	0	0	0	0	0
March 25, 2021	100	10	0	0	0	0	0

March 25, 2022	100	8	0	0	0	0	0	0
March 25, 2023	100	3	0	0	0	0	0	0
March 25, 2024	100	0	0	0	0	0	0	0
March 25, 2025	100	0	0	0	0	0	0	0
March 25, 2026	96	0	0	0	0	0	0	0
March 25, 2027	87	0	0	0	0	0	0	0
March 25, 2028	77	0	0	0	0	0	0	0
March 25, 2029	67	0	0	0	0	0	0	0
March 25, 2030	55	0	0	0	0	0	0	0
March 25, 2031	43	0	0	0	0	0	0	0
March 25, 2032	30	0	0	0	0	0	0	0
March 25, 2033	15	0	0	0	0	0	0	0
March 25, 2034	0	0	0	0	0	0	0	0
Weighted Average Life in Years ⁽³⁾⁽⁵⁾	26.29	9.70	6.64	5.10	4.35	4.07	3.06	
Weighted Average Life in Years ⁽³⁾⁽⁴⁾	26.18	9.04	6.12	4.71	4.04	3.82	2.89	

(1)

Rounded to the nearest whole percentage.

(2)

As a percentage of the related prepayment assumption.

(3)

The weighted average life of a certificate is determined by (i) multiplying the amount of each distribution of principal on a certificate by the number of years from the date of issuance of the certificate to the related distribution date, (ii) adding the results, and (iii) dividing the sum by the initial Certificate Balance of the certificate.

(4)

Assumes the servicer exercises its option to purchase the mortgage loans when the principal balance of the mortgage loans is equal to or less than 10% of the sum of (x) the principal balance of the closing date mortgage loans as of the cut-off date and (y) the original pre-funded amount. See “*Description of the Certificates—Optional Termination*” herein.

⁽⁵⁾ Assumes that the certificates remain outstanding until maturity.

This table has been prepared based on the Modeling Assumptions (including the assumptions regarding the characteristics and performance of the mortgage loans which differ from the actual characteristics and performance thereof) and should be read in conjunction therewith.

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Percent of Initial Class M-6 Certificate Balance Outstanding ⁽¹⁾⁽⁵⁾							
Distribution Date	Prepayment Scenario ⁽²⁾						
	0%	50%	75%	100%	125%	150%	200%
Initial Percentage	100%	100%	100%	100%	100%	100%	100%
March 25, 2005	100	100	100	100	100	100	100
March 25, 2006	100	100	100	100	100	100	100
March 25, 2007	100	100	100	100	100	100	18
March 25, 2008	100	100	75	52	35	23	5
March 25, 2009	100	89	59	37	23	13	0
March 25, 2010	100	75	46	27	15	1	0
March 25, 2011	100	64	35	19	10	0	0
March 25, 2012	100	54	27	13	0	0	0
March 25, 2013	100	45	21	10	0	0	0
March 25, 2014	100	38	16	0	0	0	0
March 25, 2015	100	32	13	0	0	0	0
March 25, 2016	100	26	10	0	0	0	0
March 25, 2017	100	22	0	0	0	0	0
March 25, 2018	100	18	0	0	0	0	0
March 25, 2019	100	15	0	0	0	0	0
March 25, 2020	100	12	0	0	0	0	0
March 25, 2021	100	10	0	0	0	0	0

March 25, 2022	100	3	0	0	0	0	0	0
March 25, 2023	100	0	0	0	0	0	0	0
March 25, 2024	100	0	0	0	0	0	0	0
March 25, 2025	100	0	0	0	0	0	0	0
March 25, 2026	96	0	0	0	0	0	0	0
March 25, 2027	87	0	0	0	0	0	0	0
March 25, 2028	77	0	0	0	0	0	0	0
March 25, 2029	67	0	0	0	0	0	0	0
March 25, 2030	55	0	0	0	0	0	0	0
March 25, 2031	43	0	0	0	0	0	0	0
March 25, 2032	30	0	0	0	0	0	0	0
March 25, 2033	15	0	0	0	0	0	0	0
March 25, 2034	0	0	0	0	0	0	0	0
Weighted Average Life in Years ⁽³⁾⁽⁵⁾	26.28	9.62	6.57	5.03	4.27	3.93	2.93	
Weighted Average Life in Years ⁽³⁾⁽⁴⁾	26.18	9.04	6.12	4.68	4.00	3.72	2.78	

(1)

Rounded to the nearest whole percentage.

(2)

As a percentage of the related prepayment assumption.

(3)

The weighted average life of a certificate is determined by (i) multiplying the amount of each distribution of principal on a certificate by the number of years from the date of issuance of the certificate to the related distribution date, (ii) adding the results, and (iii) dividing the sum by the initial Certificate Balance of the certificate.

(4)

Assumes the servicer exercises its option to purchase the mortgage loans when the principal balance of the mortgage loans is equal to or less than 10% of the sum of (x) the principal balance of the closing date mortgage loans as of the cut-off date and (y) the original pre-funded amount. See “*Description of the Certificates—Optional Termination*” herein.

⁽⁵⁾ Assumes that the certificates remain outstanding until maturity.

This table has been prepared based on the Modeling Assumptions (including the assumptions regarding the characteristics and performance of the mortgage loans which differ from the actual characteristics and performance thereof) and should be read in conjunction therewith.

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Percent of Initial Class B-1 Certificate Balance Outstanding ⁽¹⁾⁽⁵⁾							
Distribution Date	Prepayment Scenario ⁽²⁾						
	0%	50%	75%	100%	125%	150%	200%
Initial Percentage	100%	100%	100%	100%	100%	100%	100%
March 25, 2005	100	100	100	100	100	100	100
March 25, 2006	100	100	100	100	100	100	100
March 25, 2007	100	100	100	100	100	100	18
March 25, 2008	100	100	75	52	35	23	0
March 25, 2009	100	89	59	37	23	13	0
March 25, 2010	100	75	46	27	15	0	0
March 25, 2011	100	64	35	19	1	0	0
March 25, 2012	100	54	27	13	0	0	0
March 25, 2013	100	45	21	1	0	0	0
March 25, 2014	100	38	16	0	0	0	0
March 25, 2015	100	32	12	0	0	0	0
March 25, 2016	100	26	1	0	0	0	0
March 25, 2017	100	22	0	0	0	0	0
March 25, 2018	100	18	0	0	0	0	0
March 25, 2019	100	15	0	0	0	0	0
March 25, 2020	100	10	0	0	0	0	0
March 25, 2021	100	2	0	0	0	0	0

March 25, 2022	100	0	0	0	0	0	0
March 25, 2023	100	0	0	0	0	0	0
March 25, 2024	100	0	0	0	0	0	0
March 25, 2025	100	0	0	0	0	0	0
March 25, 2026	96	0	0	0	0	0	0
March 25, 2027	87	0	0	0	0	0	0
March 25, 2028	77	0	0	0	0	0	0
March 25, 2029	67	0	0	0	0	0	0
March 25, 2030	55	0	0	0	0	0	0
March 25, 2031	43	0	0	0	0	0	0
March 25, 2032	30	0	0	0	0	0	0
March 25, 2033	15	0	0	0	0	0	0
March 25, 2034	0	0	0	0	0	0	0
Weighted Average Life in Years ⁽³⁾⁽⁵⁾	26.26	9.48	6.47	4.95	4.18	3.80	2.81
Weighted Average Life in Years ⁽³⁾⁽⁴⁾	26.18	9.04	6.12	4.68	3.97	3.65	2.69

(1)

Rounded to the nearest whole percentage.

(2)

As a percentage of the related prepayment assumption.

(3)

The weighted average life of a certificate is determined by (i) multiplying the amount of each distribution of principal on a certificate by the number of years from the date of issuance of the certificate to the related distribution date, (ii) adding the results, and (iii) dividing the sum by the initial Certificate Balance of the certificate.

(4)

Assumes the servicer exercises its option to purchase the mortgage loans when the principal balance of the mortgage loans is equal to or less than 10% of the sum of (x) the principal balance of the closing date mortgage loans as of the cut-off date and (y) the original pre-funded amount. See “*Description of the Certificates—Optional Termination*” herein.

⁽⁵⁾ Assumes that the certificates remain outstanding until maturity.

This table has been prepared based on the Modeling Assumptions (including the assumptions regarding the characteristics and performance of the mortgage loans which differ from the actual characteristics and performance thereof) and should be read in conjunction therewith.

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Percent of Initial Class B-2 Certificate Balance Outstanding ⁽¹⁾⁽⁵⁾							
Distribution Date	Prepayment Scenario ⁽²⁾						
	0%	50%	75%	100%	125%	150%	200%
Initial Percentage	100%	100%	100%	100%	100%	100%	100%
March 25, 2005	100	100	100	100	100	100	100
March 25, 2006	100	100	100	100	100	100	100
March 25, 2007	100	100	100	100	100	100	16
March 25, 2008	100	100	75	52	35	23	0
March 25, 2009	100	89	59	37	23	1	0
March 25, 2010	100	75	46	27	5	0	0
March 25, 2011	100	64	35	17	0	0	0
March 25, 2012	100	54	27	1	0	0	0
March 25, 2013	100	45	21	0	0	0	0
March 25, 2014	100	38	10	0	0	0	0
March 25, 2015	100	32	0	0	0	0	0
March 25, 2016	100	26	0	0	0	0	0
March 25, 2017	100	22	0	0	0	0	0
March 25, 2018	100	16	0	0	0	0	0
March 25, 2019	100	5	0	0	0	0	0
March 25, 2020	100	0	0	0	0	0	0
March 25, 2021	100	0	0	0	0	0	0

March 25, 2022	100	0	0	0	0	0	0
March 25, 2023	100	0	0	0	0	0	0
March 25, 2024	100	0	0	0	0	0	0
March 25, 2025	100	0	0	0	0	0	0
March 25, 2026	96	0	0	0	0	0	0
March 25, 2027	87	0	0	0	0	0	0
March 25, 2028	77	0	0	0	0	0	0
March 25, 2029	67	0	0	0	0	0	0
March 25, 2030	55	0	0	0	0	0	0
March 25, 2031	43	0	0	0	0	0	0
March 25, 2032	30	0	0	0	0	0	0
March 25, 2033	6	0	0	0	0	0	0
March 25, 2034	0	0	0	0	0	0	0
Weighted Average Life in Years ⁽³⁾⁽⁵⁾	26.22	9.24	6.28	4.79	4.03	3.64	2.68
Weighted Average Life in Years ⁽³⁾⁽⁴⁾	26.18	9.04	6.12	4.66	3.93	3.57	2.62

(1)

Rounded to the nearest whole percentage.

(2)

As a percentage of the related prepayment assumption.

(3)

The weighted average life of a certificate is determined by (i) multiplying the amount of each distribution of principal on a certificate by the number of years from the date of issuance of the certificate to the related distribution date, (ii) adding the results, and (iii) dividing the sum by the initial Certificate Balance of the certificate.

(4)

Assumes the servicer exercises its option to purchase the mortgage loans when the principal balance of the mortgage loans is equal to or less than 10% of the sum of (x) the principal balance of the closing date mortgage loans as of the cut-off date and (y) the original pre-funded amount. See “*Description of the Certificates—Optional Termination*” herein.

⁽⁵⁾ Assumes that the certificates remain outstanding until maturity.

This table has been prepared based on the Modeling Assumptions (including the assumptions regarding the characteristics and performance of the mortgage loans which differ from the actual characteristics and performance thereof) and should be read in conjunction therewith.

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Percent of Initial Class B-3 Certificate Balance Outstanding ⁽¹⁾⁽⁵⁾							
Distribution Date	Prepayment Scenario ⁽²⁾						
	0%	50%	75%	100%	125%	150%	200%
Initial Percentage	100%	100%	100%	100%	100%	100%	100%
March 25, 2005	100	100	100	100	100	100	100
March 25, 2006	100	100	100	100	100	100	100
March 25, 2007	100	100	100	100	100	100	0
March 25, 2008	100	100	75	52	32	7	0
March 25, 2009	100	89	59	36	7	0	0
March 25, 2010	100	75	46	14	0	0	0
March 25, 2011	100	64	32	0	0	0	0
March 25, 2012	100	54	16	0	0	0	0
March 25, 2013	100	45	3	0	0	0	0
March 25, 2014	100	37	0	0	0	0	0
March 25, 2015	100	25	0	0	0	0	0
March 25, 2016	100	14	0	0	0	0	0
March 25, 2017	100	5	0	0	0	0	0
March 25, 2018	100	0	0	0	0	0	0
March 25, 2019	100	0	0	0	0	0	0
March 25, 2020	100	0	0	0	0	0	0
March 25, 2021	100	0	0	0	0	0	0

March 25, 2022	100	0	0	0	0	0	0
March 25, 2023	100	0	0	0	0	0	0
March 25, 2024	100	0	0	0	0	0	0
March 25, 2025	100	0	0	0	0	0	0
March 25, 2026	96	0	0	0	0	0	0
March 25, 2027	87	0	0	0	0	0	0
March 25, 2028	77	0	0	0	0	0	0
March 25, 2029	67	0	0	0	0	0	0
March 25, 2030	55	0	0	0	0	0	0
March 25, 2031	43	0	0	0	0	0	0
March 25, 2032	20	0	0	0	0	0	0
March 25, 2033	0	0	0	0	0	0	0
Weighted Average Life in Years ⁽³⁾⁽⁵⁾	26.05	8.65	5.85	4.46	3.75	3.38	2.49
Weighted Average Life in Years ⁽³⁾⁽⁴⁾	26.05	8.65	5.85	4.46	3.75	3.38	2.49

⁽¹⁾

Rounded to the nearest whole percentage.

⁽²⁾

As a percentage of the related prepayment assumption.

⁽³⁾

The weighted average life of a certificate is determined by (i) multiplying the amount of each distribution of principal on a certificate by the number of years from the date of issuance of the certificate to the related distribution date, (ii) adding the results, and (iii) dividing the sum by the initial Certificate Balance of the certificate.

⁽⁴⁾

Assumes the servicer exercises its option to purchase the mortgage loans when the principal balance of the mortgage loans is equal to or less than 10% of the sum of (x) the principal balance of the closing date mortgage loans as of the cut-off date and (y) the original pre-funded amount. See “*Description of the Certificates—Optional Termination*” herein.

⁽⁵⁾

Assumes that the certificates remain outstanding until maturity.

This table has been prepared based on the Modeling Assumptions (including the assumptions regarding the characteristics and performance of the mortgage loans which differ from the actual characteristics and performance thereof) and should be read in conjunction therewith.

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The Pooling and Servicing Agreement

The following summary describes certain terms of the pooling and servicing agreement. The summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the pooling and servicing agreement.

Servicing and Other Compensation

With respect to each mortgage loan and each distribution date, the servicer will be entitled to a servicing fee equal to 1/12 of the servicing fee rate times the principal balance of such mortgage loan as of such date. The servicing fee for each mortgage loan is payable out of the interest payments on such mortgage loan. The servicing fee rate in respect of each mortgage loan will be equal to 0.50% per annum of the outstanding principal balance of such mortgage loan. The servicer will not be entitled to any additional servicing compensation (other than late payment charges) such as prepayment penalties and any such amount, to the extent received by the servicer, will be included in available funds.

With respect to any distribution date, any prepayment interest shortfalls during the preceding calendar month will be covered by the servicer, but only up to the total servicing fee payable to the servicer with respect to such distribution date. These payments are referred to as “compensating interest”. The “prepayment interest shortfall” for any distribution date is equal to the aggregate shortfall, if any, in collections of interest resulting from mortgagor prepayments in full or in part on the mortgage loans during the preceding calendar month. Such shortfalls will result because interest on prepayments in full is distributed only to the date of prepayment, and because no interest is distributed on prepayments in part, as such prepayments in part are applied to reduce the outstanding principal balance of the related mortgage loans as of the due date in the month of prepayment. No assurance can be given that compensating interest will be sufficient to cover prepayment interest shortfalls for any distribution date.

Purchase of Delinquent Mortgage Loans

The servicer has limited rights, but not the obligation, to purchase mortgage loans from the issuer which become 90 days or more delinquent at a price equal to 100% of the outstanding principal balance thereof, plus accrued interest. The servicer has such purchase right only (i) during the 29 day period immediately following the date the mortgage loan becomes 90 days delinquent and (ii) on the date the servicer liquidates the related mortgaged property, and must purchase the most delinquent mortgage loans first before purchasing other less delinquent mortgage loans.

Servicing Defaults

The following events constitute servicing defaults:

- (i) any failure by the servicer to make any deposit required to be made under the pooling and servicing agreement, which continues unremedied for a period of three business days after written notice has been given; or
- (ii) failure on the part of the servicer duly to observe or perform in any material respect any other covenants or agreements of the servicer set forth in the pooling and servicing agreement, which failure, in each case, materially and adversely affects the interests of certificateholders or the breach of any representation or warranty of the servicer in the pooling and servicing agreement which materially and adversely affects the interests of the certificateholders, and which in either case continues unremedied for a period of 30 days after the date on which written notice has been given; or

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(iii) the entry against the servicer of an order for the appointment of a trustee in any insolvency or similar proceeding, and the continuance of this order in effect for a period of 60 consecutive days; or

(iv) the servicer shall voluntarily go into liquidation, consent to the appointment of a conservator or similar person in any insolvency or similar proceeding relating to the servicer or all or substantially all of its property; or the servicer shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable insolvency or reorganization statute, make an assignment for the benefit of its creditors or voluntarily suspend payment of its obligations.

So long as a servicing default shall not have been remedied within the applicable grace period, with respect to a failure to make a required advance, if such advance is not made by 5:00 P.M., New York time, on the business day immediately following the date the servicer was required to make such advance, the trustee shall terminate the servicer.

In the case of all other servicing defaults, the trustee shall, at the direction of the majority holders, by notice then given in writing to the servicer, terminate the servicer. Upon the termination of the servicer, the trustee, or another successor servicer, shall assume the duties of a successor servicer.

Notice, as required above, may be given (i) to the servicer by the trustee or (ii) to the servicer and the trustee by the holders of certificates evidencing at least 51% of the voting rights.

If the trustee is unwilling or is legally unable to act as successor servicer, the trustee shall appoint or petition a court of competent jurisdiction to appoint a successor servicer satisfying the requirements set forth in the pooling and servicing agreement. Pending appointment of a successor to the servicer, unless the trustee is prohibited by law from so acting, the trustee shall act as successor servicer.

The majority holders may waive any events permitting removal of the servicer, although the majority holders may not waive a default in making a required distribution on a certificate without the consent of the holder of such certificate.

The “majority holders” are holders of certificates evidencing at least 51% of the voting rights. Voting rights are allocated as follows:

- the class A certificates, the mezzanine certificates and the class B certificates will have 95% of the voting rights (allocated in proportion to the respective then outstanding Certificate Balances);
- each of class X, class O, class P, class I and residual certificates will have 1% of the voting rights; and
- when none of the class A, mezzanine, class B, class I, class X, class O or class P certificates are outstanding, 100% of the voting rights will be allocated among holders of the residual certificates.

Limitation on Suits

No certificateholder will have any right to institute any proceedings with respect to the pooling and servicing agreement unless:

- such certificateholder has previously given written notice to the trustee of a continuing event of default;

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- certificateholders representing not less than 51% of the Certificate Balances of the certificates have made written request to the trustee to institute proceedings in respect of such event of default in its own name as the trustee;
- such certificateholders have offered to the trustee reasonable indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request;
- for 60 days after its receipt of such notice of, request and offer of indemnity the trustee have failed to institute any such proceedings; and
- no direction inconsistent with such written request has been given to the trustee during such 60-day period by the certificateholders representing more than 50% of the Certificate Balances of the certificates.

The Custodian and the Trustee

The custodian or the trustee also may be removed at any time by the Majority Certificateholders. The custodian or the trustee shall be removed if the custodian or the trustee ceases to be eligible to continue as such under the pooling and servicing agreement or if the custodian or the trustee becomes incapable of acting, bankrupt, insolvent or if a receiver or public officer takes charge of the custodian or the trustee or its property. Any resignation or removal of the custodian or the trustee and appointment of a successor custodian or the trustee, as applicable, will not become effective until acceptance of the appointment by the successor custodian or trustee. The trustee may terminate the custodian at any time for failure to perform its obligations under the pooling and servicing agreement or related agreements provided it or an acceptable successor custodian assumes the obligations of the custodian.

Material Federal Income Tax Consequences

The following discussion of certain material federal income tax consequences of the purchase, ownership and disposition of the certificates is to be considered only in connection with “Material Federal Income Tax Consequences” in the accompanying prospectus. The discussion in this prospectus supplement and in the accompanying prospectus is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. The discussion below and in the accompanying prospectus does not purport to deal with all federal income tax consequences applicable to all categories of investors, some of which may be subject to special rules. Investors should consult their own tax advisors in determining the federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of the certificates. References in this section and in the “ERISA Considerations” section to the *code* and *sections* are to the Internal Revenue Code.

REMIC Elections

The trustee will cause one or more REMIC elections to be made with respect to the assets of the trust (excluding the pre-funding account, the hedging agreements and the supplemental interest trust). Dewey Ballantine LLP, tax counsel, will deliver its opinion that, for federal income tax purposes, assuming (i) the REMIC elections are timely made, and (ii) all parties comply with the pooling and

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servicing agreement, the trust (excluding the pre-funding account, the hedging agreements and the supplemental interest trust) will be treated as one or more REMICs for federal income tax purposes.

The class P certificate will be a regular interest in a REMIC. A holder of a class A, class M or class B certificate will be treated for tax purposes: (i) as holding an undivided interest in a REMIC regular interest corresponding to that class A, class M or class B certificate and (ii) as having entered into a limited recourse interest rate cap contract (the “Cap Contract”). The REMIC regular interest corresponding to a class A, class M or class B certificate will be entitled to receive interest and principal payments at the times and in the amounts equal to those made on the certificate to which it corresponds, except that the interest payments on the REMIC regular interest will be determined (i) without regard to payments of any Available Funds Cap Shortfalls and (ii) without regard to any interest payments on subsequent mortgage loans in the case of each of the first four distribution dates. Any amount paid on a class A, class M or class B certificate in excess of the amounts payable on the corresponding REMIC regular interest will be deemed to have been paid pursuant to the Cap Contract.

For federal income tax purposes, the offered certificates (other than the Cap Contract component in the case of the class A, class M and class B certificates), as regular interests in a REMIC, are treated as debt instruments issued by the REMIC on the date on which those interests are created, and not as ownership interests in the REMIC or its assets. Owners of offered certificates that otherwise report income under a cash method of accounting will be required to report income with respect to the offered certificates under an accrual method. See “*Material Federal Income Tax Consequences – REMIC Securities – Taxation of Beneficial Owners of REMIC Regular Securities*” in the prospectus.

Special Tax Attributes

The offered certificates (other than the Cap Contract component in the case of the class A, class M and class B certificates) possess special tax attributes by virtue of the REMIC provisions of the code. See “*Material Federal Income Tax Consequences –REMIC Securities – Special Tax Attributes*” in the prospectus.

Discount and Premium

It is not anticipated that the offered certificates (other than the class P certificates) will be issued with any original issue discount (“OID”) other than possibly OID within a *de minimis* exception and that accordingly the provisions of sections 1271 through 1273 and 1275 generally will not apply to the offered certificates (other than the class P certificates). OID will be considered *de minimis* if it is less than 0.25% of the principal amount of an offered certificate multiplied by its expected weighted average life. The class P certificates will be issued with OID. Because regulations regarding the accrual of income on prepayable debt instruments such as the offered certificates have not yet been issued by the Internal Revenue Service, the proper treatment regarding possible OID and the accrual of income on the offered certificates is not clear. See “*Material Federal Income Tax Consequences – Discount and Premium – Original Issue Discount*” in the prospectus. The prepayment assumption that will be used in determining the rate of accrual of the OID, if any, on the offered certificates is 100% of the related prepayment assumption for the fixed rate and adjustable rate mortgage loans. No representation is made that any of the mortgage loans will prepay at this rate or any other rate. A subsequent purchaser who buys an offered certificate for more than its remaining stated redemption price at maturity may be subject to the “market premium” rules of the code. See “*Material Federal Income Tax Consequences – Discount and Premium – Securities Purchased at a Premium*” in the prospectus. A subsequent purchaser who buys an offered certificate with more than a *de minimus* amount of “market discount” will be subject to the “market discount” rules of the code. See “*Material Federal Income Tax Consequences – Discount and Premium – Market Discount*” in the prospectus.

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Sale or Redemption of the Offered Certificates

If a class P certificate is sold or retired, the seller of such certificate will recognize gain or loss equal to the difference between the amount realized on the sale and such seller’s adjusted basis in the offered certificate. The adjusted basis of an offered certificate generally will equal the cost of the certificate to the seller, increased by any original issue discount or market discount included in the seller’s gross income on the certificate and reduced by distributions on the certificate previously received by the seller of amounts included in the stated redemption price at maturity and by any premium that has reduced the seller’s interest income on the certificates. With respect to sales or redemptions of the class A, class M or class B certificates, see “*Cap Contract*” below.

Cap Contract

The holders of the class A, class M or class B certificates must allocate the purchase price of their certificates between the REMIC regular interest component and Cap Contract component based on their relative fair market values. The purchase price allocated to the REMIC regular interest component will be the issue price of the class A, class M or class B certificates for calculating accruals of original issue discount. See “*Material Federal Income Tax Consequences — Discount and Premium — Original Issue Discount*” in the prospectus.

The Trust intends to treat the Cap Contract as a notional principal contract for federal income tax purposes. Treasury Regulations under section 446 of the code relating to notional principal contracts (the “Notional Principal Contract Regulations”) provide that taxpayers, regardless of their method of accounting, generally must recognize the ratable daily portion of a periodic payment for the taxable year to which that portion relates. Any amounts payable to a holder from the Cap Contract will be periodic payments. The portion of a holder’s purchase price allocated to the Cap Contract will be treated as a nonperiodic payment under the Notional Principal Contract Regulations. Such a nonperiodic payment may be amortized using several methods, including the level payment method described in the Notional Principal Contract Regulations. To the extent the sum of the periodic payments for any year exceeds that year’s amortized cost of the Cap Contract, such excess represents net income for that year. Conversely, to the extent that the amount of that year’s amortized cost exceeds the sum of the periodic payments, such excess shall represent a net deduction for that year. Although not clear, net income or a net deduction should be treated as ordinary income or as an ordinary deduction.

A holder’s ability to recognize a net deduction with respect to the Cap Contract is limited under sections 67 and 68 of the code in the case of (i) estates and trusts and (ii) individuals owning an interest in such component directly or through a “pass-through entity” (other than in connection with such individual’s trade or business). Pass-through entities include partnerships, S corporations, grantor trusts and non-publicly offered regulated investment companies, but do not include estates, nongrantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies. Further, such a holder will not be able to recognize a net deduction with respect to the Cap Contract in computing the holder’s alternative minimum tax liability.

Alternative federal income tax characterization of the Cap Contract is possible, including treatment of the Cap Contract as debt of the supplemental interest trust or an interest in a partnership. The amount, timing and character of the income and deductions for a class A, class M or class B certificateholder with respect to the Cap Contract would differ if the Cap Contract was held to constitute indebtedness or an interest in a partnership. Because the Trust will treat the Cap Contract as a right to receive amounts under a notional principal contract, the servicer will not attempt to satisfy the tax reporting requirements that would apply under these alternative characterizations of the Cap Contract. Investors, including those that are foreign persons, should consult their own tax advisors in determining

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the federal, state, local and other tax consequences to them of the purchase, ownership and disposition of class A, class M, or class B certificates.

The Cap Contract will not constitute: (i) a “real estate asset” within the meaning of section 856(c)(5)(B) of the code if held by a real estate investment trust; (ii) a “qualified mortgage” within the meaning of section 860G(a)(3) of the code or a “permitted investment” within the meaning of section 860G(a)(5) of the code if held by a REMIC; or (iii) assets described in section 7701(a)(19)(C)(xi) of the code if held by a thrift. Moreover, other special rules may apply to certain investors, including dealers in securities and dealers in notional principal contracts.

Upon the sale, exchange, or other disposition of a class A, class M or class B certificates, the beneficial owner of the certificate must allocate the amount realized between the two investment components of the certificate based on the relative fair market values of those components at the time of sale, exchange, or other disposition and must treat the sale, exchange or other disposition as a sale, exchange or disposition of the REMIC regular interest component and the Cap Contract. Assuming that the certificate is held as a “capital asset” within the meaning of section 1221 of the code, gain or loss on the disposition of an interest in the Cap Contract should be capital gain or loss. Upon the sale, exchange, or other disposition of the regular interest component of a class A, class M or class B certificates, the seller will recognize gain or loss equal to the difference between the amount realized on the sale, exchange, or other disposition and such seller’s adjusted basis in the regular interest component. The adjusted basis generally will equal the seller’s cost, increased by any original issue discount or market discount previously included in the seller’s income, and reduced by distributions previously received by the seller of amounts included in the stated redemption price at maturity of the regular interest component and further reduced by any bond premium amortized by the seller as an offset to interest income on the regular interest component.

Other Matters

For a discussion of information reporting, backup withholding and taxation of foreign investors in the Certificates, see “*Material Federal Income Tax Consequences—Taxes on a REMIC Trust—Reporting and Other Administrative Matters,*” “*— Backup Withholding*” and “*—Foreign Investors — Grantor Trust Securities and REMIC Regular Securities*” in the prospectus.

ERISA Considerations

Investors may wish to review the material set forth in this section together with the information in the section “*ERISA Considerations*” in the prospectus.

A fiduciary of any pension, profit sharing or other employee benefit plans subject to ERISA, or any other person investing plan assets of any such plan, including an insurance company investing through its general or separate accounts, may wish to review with its legal advisors whether the purchase or holding of class A certificates, mezzanine certificates or class B certificates could give rise to a transaction prohibited or not otherwise permissible under ERISA or section 4975 of the code.

The Department of Labor has issued to the underwriters an individual prohibited transaction exemption which, as described under the section “*ERISA Considerations-Certificates*” in the prospectus, provides exemptive relief for certain transactions relating to investments in pass-through certificates issued by trusts which hold obligations such as the mortgage loans. The underwriter’s exemption will not apply until the expiration of the pre-funding period. Accordingly, until such time, none of the class A certificates, the mezzanine certificates nor the class B certificates may be purchased with plan assets. Any investor purchasing class A certificates, mezzanine certificates or class B

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certificates prior to the expiration of such period is hereby deemed to represent that it is not purchasing such certificates with plan assets. Before purchasing a class A certificate, mezzanine certificate or class B certificates following the expiration of the pre-funding period based on the underwriter’s exemption, a fiduciary of a plan should itself confirm (1) that such certificate constitutes a certificate for purposes of the underwriter’s exemption and (2) that the conditions and other requirements set forth in the underwriter’s exemption would be satisfied.

The rating of the class A certificates, mezzanine certificates and class B certificates may change. If any such class of certificates no longer has a rating of at least BBB- or its equivalent, then certificates of that class will no longer be eligible for relief under the underwriter’s exemption. Although a plan that had purchased a certificate of such class when it had a permitted rating would not be required by the underwriter’s exemption to dispose of it, certificates of such class could no longer be purchased with plan assets unless the purchaser was an insurance company general account and the conditions for exemptive relief under Sections I and III of Prohibited Transaction Class Exemption 95-60 were satisfied.

The class P certificates may not be purchased with plan assets.

Any person purchasing a certificate and the right to receive payments from the supplemental interest trust will have acquired, for purposes of ERISA, the certificate without the right to receive payments from the supplemental interest trust, together with the right to receive payments from the supplemental interest trust. The underwriter’s exemption may not apply to the acquisition, holding or resale of the right to receive payments from the supplemental interest trust. Accordingly, the acquisition of the right to receive payments from the supplemental interest trust by a plan could result in a prohibited transaction unless another administrative exemption to ERISA’s prohibited transaction rules is applicable. One or more alternative exemptions may be available with respect to the initial purchase, holding and resale of the right to receive payments from the supplemental interest trust, including, but not limited to:

- Prohibited Transaction Class Exemption 91-38, regarding investments by bank collective investment funds;
- Prohibited Transaction Class Exemption 90-1, regarding investments by insurance company pooled separate accounts;
- Prohibited Transaction Class Exemption 84-14, regarding transactions negotiated by qualified professional asset managers;
- Prohibited Transaction Class Exemption 96-23, regarding transactions negotiated by in-house asset managers;
- Prohibited Transaction Class Exemption 75-1, Part II, regarding principal transactions by broker-dealers; or
- Prohibited Transaction Class Exemption 95-60, regarding investments by insurance company general accounts.

Any plan fiduciary considering the purchase of class A certificates, mezzanine certificates or class B certificates may wish to consult with its counsel as to the potential applicability of ERISA, the Internal Revenue Code, the underwriter’s exemption and other administrative exemptions prior to making an investment in these certificates and the right to receive payments from the supplemental interest trust. Moreover, each plan fiduciary may wish to determine whether, under the general fiduciary standards of investment prudence and diversification, an investment in the class A

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certificates, the mezzanine certificates or the class B certificates is appropriate for the plan, taking into account the overall investment policy of the plan and the composition of the plan’s investment portfolio.

The sale of the class A certificates, the mezzanine certificates or the class B certificates to a plan is in no respect a representation by us that this investment meets all relevant legal requirements with respect to investments by plans generally or by any particular plan or that this investment is appropriate for plans generally or any particular plan.

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Method of Distribution

Subject to the terms and conditions set forth in an underwriting agreement, dated March 3, 2004, among the seller, the company and the underwriters named below, the company has agreed to sell to the underwriters and each of the underwriters has severally agreed to purchase from the company, the principal amount of underwritten certificates set forth opposite its name below:

Underwriter	Class A-1A Certificates	Class A-1B Certificates
	Principal Amount	Principal Amount
Wachovia Capital Markets, LLC	\$ 136,688,000	\$ 15,187,000
Greenwich Capital Markets, Inc.	156,937,000	17,438,000
Deutsche Bank Securities Inc.	60,750,000	6,750,000
Morgan Stanley & Co. Incorporated	50,625,000	5,625,000
Total	\$ 405,000,000	\$ 45,000,000

Underwriter	Class A-2 Certificates	Class A-3A Certificates
	Principal Amount	Principal Amount
Wachovia Capital Markets, LLC	\$ 135,000,000	\$ 82,013,000
Greenwich Capital Markets, Inc.	155,000,000	94,162,000
Deutsche Bank Securities Inc.	60,000,000	36,450,000
Morgan Stanley & Co. Incorporated	50,000,000	30,375,000
Total	\$ 400,000,000	\$ 243,000,000

Class A-3B Certificates Class M-1 Certificates

Underwriter	Principal Amount	Principal Amount
Wachovia Capital Markets, LLC	\$ 121,331,000	\$ 14,470,000
Greenwich Capital Markets, Inc.	139,306,000	16,614,000
Deutsche Bank Securities Inc.	53,925,000	6,431,000
Morgan Stanley & Co. Incorporated	44,938,000	5,360,000
Total	\$ 359,500,000	\$ 42,875,000

Underwriter	Class M-2 Certificates Principal Amount	Class M-3 Certificates Principal Amount
Wachovia Capital Markets, LLC	\$ 17,719,000	\$ 10,336,000
Greenwich Capital Markets, Inc.	20,344,000	11,867,000
Deutsche Bank Securities Inc.	7,875,000	4,594,000
Morgan Stanley & Co. Incorporated	6,562,000	3,828,000
Total	\$ 52,500,000	\$ 30,625,000

Underwriter	Class M-4 Certificates Principal Amount	Class M-5 Certificates Principal Amount
Wachovia Capital Markets, LLC	\$ 8,859,000	\$ 10,336,000
Greenwich Capital Markets, Inc.	10,172,000	11,867,000
Deutsche Bank Securities Inc.	3,938,000	4,594,000
Morgan Stanley & Co. Incorporated	3,281,000	3,828,000

Total	\$	26,250,000	\$	30,625,000
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Underwriter	Class M-6 Certificates	Class B-1 Certificates
	Principal Amount	Principal Amount
Wachovia Capital Markets, LLC	\$ 7,383,000	\$ 8,859,000
Greenwich Capital Markets, Inc.	8,477,000	10,172,000
Deutsche Bank Securities Inc.	3,281,000	3,938,000
Morgan Stanley & Co. Incorporated	2,734,000	3,281,000
Total	\$ 21,875,000	\$ 26,250,000

Underwriter	Class B-2 Certificates	Class B-3 Certificates
	Principal Amount	Principal Amount
Wachovia Capital Markets, LLC	\$ 7,383,000	\$ 7,383,000
Greenwich Capital Markets, Inc.	8,477,000	8,477,000
Deutsche Bank Securities Inc.	3,281,000	3,281,000
Morgan Stanley & Co. Incorporated	2,734,000	2,734,000
Total	\$ 21,875,000	\$ 21,875,000

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The class P certificates are not being underwritten by the underwriters. The class P certificates may be resold from time to time in negotiated transactions at prices to be determined at the time of the related transaction. This prospectus supplement and the prospectus also cover the resale of the class P certificates from time to time by an affiliate of the seller and servicer.

The company has been advised that the underwriters propose initially to offer the underwritten certificates to the public at the respective offering prices set forth on the cover of this prospectus supplement and to dealers at those prices less a selling concession not to exceed the percentage of the certificate denomination set forth below, and that the underwriter may allow and such dealers may reallocate a reallocation discount not to exceed the percentage of the certificate denomination set forth below:

Class	Selling Concession	Reallowance Discount
A-1A	0.1200%	0.0800%
A-1B	0.1200%	0.0800%
A-2	0.1200%	0.0800%
A-3A	0.1080%	0.0720%
A-3B	0.1320%	0.0880%
M-1	0.1800%	0.1200%
M-2	0.2100%	0.1400%
M-3	0.2400%	0.1600%
M-4	0.2700%	0.1800%
M-5	0.3000%	0.2000%
M-6	0.3510%	0.2340%
B-1	0.4200%	0.2800%
B-2	0.4800%	0.3200%
B-3	0.5400%	0.3600%

After the initial public offering of the underwritten certificates, the public offering prices and concessions may be changed.

The underwriting agreement provides that the underwriters’ obligations hereunder are subject to certain conditions precedent, and that the underwriters will be obligated to purchase all of the underwritten certificates if any are purchased.

Until the distribution of the underwritten certificates is completed, rules of the SEC may limit the ability of the underwriters and certain selling group members to bid for and purchase the certificates. As an exception to these rules, the underwriters are permitted to

engage in certain transactions that stabilize the price of the underwritten certificates. Those transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the underwritten certificates.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of those purchases.

Neither the company nor any underwriter makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the certificates. In addition, neither the company nor any underwriter makes any representation that the underwriters will engage in those transactions or that those transactions, once commenced, will not be discontinued without notice.

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It is expected that delivery of the underwritten certificates will be made only in book-entry form through the Same Day Funds Settlement System of DTC, and upon request through Clearstream S.A. and the Euroclear System, on or about March 11, 2004, against payment therefor in immediately available funds.

The underwriting agreement provides that the company will indemnify the underwriters, and that under limited circumstances, the underwriters will indemnify the company, against certain civil liabilities under the Securities Act of 1933, or contribute to payments required to be made in respect thereof.

There can be no assurance that a secondary market for the offered certificates will develop or, if it does develop, that it will continue or provide the certificateholders with sufficient liquidity of investment. The primary source of information available to investors concerning the offered certificates will be the monthly statements discussed in the prospectus under “*Description of the Certificates—Reports to Certificateholders*,” which will include information as to the outstanding principal balance (or notional balance) of the offered certificates. There can be no assurance that any additional information regarding the offered certificates will be available through any other source. In addition, the company is not aware of any source through which price information about the offered certificates will be generally available on an ongoing basis. The limited nature of such information regarding the offered certificates may adversely affect the liquidity of the offered certificates, even if a secondary market for the offered certificates becomes available.

Wachovia Capital Markets, LLC is an affiliate of the custodian.

Immediately prior to the transfer of the mortgage loans to the trust, certain of the mortgage loans were subject to financing arrangements provided by affiliates of one or more of the underwriters. A portion of the proceeds from the sale of the certificates to the underwriters will be used to repay the financing. Any underwriter may retain the underwritten certificates, purchase the underwritten certificates for its own account or sell the underwritten certificates to an affiliate of such underwriter. In addition, any affiliate of an underwriter may purchase the underwritten certificates directly from the trust.

Certain Legal Matters

Certain legal matters relating to the certificates will be passed upon for the seller, the servicer and the company by Dewey Ballantine LLP, New York, New York, and for the underwriters by McKee Nelson LLP, New York, New York.

Ratings

It is a condition to the issuance of the offered certificates that the class A-1A certificates be rated “Aaa” by Moody’s Investors Service, Inc. and “AAA” by Standard and Poor’s Ratings Services, that the class A-1B certificates be rated “Aaa” by Moody’s and “AAA” by S&P, that the class A-2 certificates be rated “Aaa” by Moody’s and “AAA” by S&P, that the class A-3A certificates be rated “Aaa” by Moody’s and “AAA” by S&P, that the class A-3B certificates be rated “Aaa” by Moody’s and “AAA” by S&P, that the class P certificates be rated “AAA” by S&P, that the class M-1 certificates be rated “Aa1” by Moody’s and “AA+” by S&P, that the class M-2 certificates be rated “Aa2” by Moody’s and “AA” by S&P, that the class M-3 certificates be rated “Aa3” by Moody’s and “AA-” by S&P, that the class M-4 certificates be rated “A1” by Moody’s and “A+” by S&P, that the class M-5 certificates be rated “A2” by Moody’s and “A+” by S&P, that the class M-6 certificates be rated “A3” by Moody’s and “A” by S&P, that the class B-1 certificates be rated “Baa1” by Moody’s and “A-” by S&P, that the class B-2

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certificates be rated “Baa2” by Moody’s and “BBB” by S&P and that the class B-3 certificates be rated “Baa3” by Moody’s and “BBB-” by S&P.

S&P’s ratings on mortgage pass-through certificates address the likelihood of the receipt by certificateholders of payments required under the pooling and servicing agreement. S&P’s ratings take into consideration the credit quality of the mortgage pool, structural and legal aspects associated with the certificates, and the extent to which the payment stream in the mortgage pool is adequate to make payments required under the certificates. S&P’s rating on the certificates does not, however, constitute a statement regarding frequency of prepayments on the mortgages. See “*Certain Yield and Prepayment Considerations*” herein. The ratings issued by S&P on payment of principal and interest do not cover the payment of any prepayment interest shortfalls, any Relief Act shortfalls or the Available Funds Cap Shortfall. The rating of S&P on the class P certificates is based solely upon the credit risk with respect to payment of the principal balance on the class P certificates.

The rating process of Moody’s addresses the structural and legal aspects associated with the certificates, including the nature of the underlying mortgage loans. The ratings assigned to the certificates do not represent any assessment of the likelihood or rate of principal prepayments. The ratings do not address the possibility that certificateholders might suffer a lower than anticipated yield. The ratings do not address the likelihood that certificateholders will be paid the Available Funds Cap Shortfall.

The company has not requested a rating on the certificates by any rating agency other than S&P and Moody’s. However, there can be no assurance as to whether any other rating agency will rate the certificates, or, if it does, what rating would be assigned by any such other rating agency. A rating on the certificates by another rating agency, if assigned at all, may be lower than the ratings assigned to the certificates by S&P and Moody’s.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization. Each security rating should be evaluated independently of any other security rating. In the event that the ratings initially assigned to the certificates are subsequently lowered for any reason, no person or entity is obligated to provide any additional support or credit enhancement with respect to the certificates.

Legal Investment

After the end of the pre-funding period, the class A-1A, class A-2, class A-3A and class A-3B certificates are expected to be considered “mortgage related securities” for purposes of SMMEA for so long as they are rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization. The class A-1B, mezzanine and class B certificates are not expected to be SMMEA eligible.

We make no representations as to the proper characterization of the certificates for legal investment or other purposes, or as to the ability of particular investors to purchase the certificates under applicable legal investment restrictions. These uncertainties may adversely affect the liquidity of the certificates. Accordingly, all institutions whose investment activities are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult with their legal advisors in determining whether and to what extent the certificates constitute a legal investment or are subject to investment, capital or other restrictions.

See “*Legal Investment*” in the prospectus.

Annex I
Global Clearance, Settlement and Tax Documentation Procedures

Except in certain limited circumstances, the globally offered NovaStar Home Equity Loan Asset-Backed Certificates, Series 2004-1, will be available only in book-entry form. Investors in the global certificates may hold such global certificates through any of The Depository Trust Company, and upon request through Clearstream or Euroclear. The global certificates will be tradable as home market instruments in both the European and U.S. domestic markets. Initial settlement and all secondary trades will settle in same-day funds.

Secondary market trading between investors global certificates through Clearstream and Euroclear will be conducted in the ordinary way in accordance with their normal rules and operating procedures and in accordance with conventional Eurocertificate practice (i.e., seven calendar day settlement).

Secondary market trading between investors holding global certificates through DTC will be conducted according to the rules and procedures applicable to U.S. corporate debt obligations and prior collateralized mortgage certificate issues.

Secondary cross-market trading between Clearstream or Euroclear and DTC participants holding global certificates will be effected on a delivery-against-payment basis through the respective depositories of Clearstream and Euroclear (in such capacity) and as DTC participants.

Non-U.S. holders (as described below) of global certificates will be subject to U.S. withholding taxes unless such holders meet certain requirements and deliver appropriate U.S. tax documents to the securities clearing organizations or their participants.

Initial Settlement

All global certificates will be held in book-entry form by DTC in the name of Cede & Co. as nominee of DTC. Investors’ interests in the global certificates will be represented through financial institutions acting on their behalf as direct and indirect participants in DTC. As a result, Clearstream and Euroclear will hold positions on behalf of their participants through their respective Depositories, which in turn will hold such positions in accounts as DTC participants.

Investors electing to hold their global certificates through DTC will follow the settlement practices applicable to other collateralized mortgage certificate issues. Investor securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Investors electing to hold their global certificates through Clearstream or Euroclear accounts will follow the settlement procedures applicable to conventional Eurocertificates, except that there will be no temporary global security and no “lock-up” or restricted period. global certificates will be credited to the securities custody accounts on the settlement date against payment in same-day funds.

Secondary Market Trading

Since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser’s and seller’s accounts are located to ensure that settlement can be made on the desired value date.

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Trading between DTC participants. Secondary market trading between DTC participants will be settled using the procedures applicable to prior collateralized mortgage certificate issues in same-day funds.

Trading between Clearstream and/or Euroclear participants. Secondary market trading between Clearstream participants or Euroclear participants will be settled using the procedures applicable to conventional Eurocertificates in same-day funds.

Trading between DTC seller and Clearstream or Euroclear purchaser. When global certificates are to be transferred from the account of a DTC participant to the account of a Clearstream participant or a Euroclear participant, the purchaser will send instructions to Clearstream or Euroclear through a Clearstream participant or Euroclear participant at least one business day prior to settlement. Clearstream or Euroclear will instruct the respective Depositary, as the case may be, to receive the global certificates against payment. Payment will include interest accrued on the global certificates from and including the last coupon distribution date to and excluding the settlement date, on the basis of the actual number of days in such accrual period and a year is assumed to consist of 360 days. For transactions settling on the 31st of the month, payment will include interest accrued to and excluding the first day of the following month. Payment will then be made by the respective Depositary of the DTC participant’s account against delivery of the global certificates. After settlement has been completed, the global certificates will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Clearstream participant’s or Euroclear participant’s account. The securities credit will appear the next day (European time) and the cash debt will be back-valued to, and the interest on the global certificates will accrue from, the value date (which would be the preceding day when settlement occurred in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Clearstream or Euroclear cash debt will be valued instead as of the actual settlement date.

Clearstream participants and Euroclear participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to preposition funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Clearstream or Euroclear. Under this approach, they may take on credit exposure to Clearstream or Euroclear until the global certificates are credited to their accounts one day later.

As an alternative, if Clearstream or Euroclear has extended a line of credit to them, Clearstream participants or Euroclear participants can elect not to preposition funds and allow that credit line to be drawn upon the finance settlement. Under this procedure, Clearstream participants or Euroclear participants purchasing global certificates would incur overdraft charges for one day, assuming they cleared the overdraft when the global certificates were credited to their accounts. However, interest on the global certificates would accrue from the value date. Therefore, in many cases the investment income on the global certificates earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each Clearstream participant’s or Euroclear participant’s particular cost of funds. Since the settlement is taking place during New York business hours, DTC participants can employ their usual procedures for sending global certificates to the respective European depository for the benefit of Clearstream participants or Euroclear participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC participants a cross-market transaction will settle no differently than a trade between two DTC participants.

Trading between Clearstream or Euroclear seller and DTC purchaser. Due to time zone differences in their favor, Clearstream participants and Euroclear participants may employ their customary procedures for transactions in which global certificates are to be transferred by the respective clearing system, through the respective Depositary, to a DTC participant. The seller will send instructions

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to Clearstream or Euroclear through a Clearstream participant or Euroclear participant at least one business day prior to settlement. In these cases Clearstream or Euroclear will instruct the respective Depository, as appropriate, to deliver the global certificates to the DTC participant’s account against payment. Payment will include interest accrued on the global certificates from and including the last coupon payment to and excluding the settlement date on the basis of the actual number of days in such accrual period and a year is assumed to consist of 360 days. For transactions settling on the 31st of the month, payment will include interest accrued to and excluding the first day of the following month. The payment will then be reflected in the account of the Clearstream participant or Euroclear participant the following day, and receipt of the cash proceeds in the Clearstream participant’s or Euroclear participant’s account would be back-valued to the value date (which would be the preceding day, when settlement occurred in New York). Should the Clearstream participant or Euroclear participant have a line of credit with its respective clearing system and elect to be in debt in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft incurred over that one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Clearstream participant’s or Euroclear participant’s account would instead be valued as of the actual settlement date.

Finally, day traders that use Clearstream or Euroclear and that purchase global certificates from DTC participants for delivery to Clearstream participants or Euroclear participants should note that these trades would automatically fail on the sale side unless affirmative action were taken. At least three techniques should be readily available to eliminate this potential problem:

- (a) borrowing through Clearstream or Euroclear for one day (until the purchase side of the day trade is reflected in their Clearstream or Euroclear accounts) in accordance with the clearing system’s customary procedures;
- (b) borrowing the global certificates in the U.S. from a DTC participant no later than one day prior to settlement, which would give the global certificates sufficient time to be reflected in their Clearstream or Euroclear account in order to settle the sale side of the trade; or
- (c) staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the DTC participant is at least one day prior to the value date for the sale to the Clearstream participant or Euroclear participant.

Certain U.S. Federal Income Tax Documentation Requirements

A beneficial owner of the certificates holding securities through Clearstream or Euroclear (or through DTC if the holder has an address outside the U.S.) will be subject to the 30% U.S. withholding tax that generally applies to payments of interest (including original issue discount) on registered debt issued by U.S. Persons, unless:

- (i) each clearing system, bank or other financial institution that holds customers’ securities in the ordinary course of its trade or business in the chain of intermediaries between such beneficial owner and the U.S. entity required to withhold tax complies with applicable certification requirements; and
- (ii) such beneficial owner takes one of the following steps to obtain an exemption or reduced tax rate.

This summary does not deal with all aspects of U.S. federal income tax withholding that may be relevant to foreign holders of the securities as well as the application of the withholding

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regulations. You should consult your own tax advisors for specific advice regarding the holding and disposing of the securities.

Exemption for Non- U.S. Persons - Form W-8BEN.

Beneficial owners of global securities that are Non-U.S. Persons, as defined below, generally can obtain a complete exemption from the withholding tax by filing a signed Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding). Generally, a Form W-8BEN provided without a U.S. taxpayer identification number (TIN) is valid for a period of three years beginning on the date that the form is signed. If the information shown on Form W-8BEN changes, a new Form W-8BEN must be filed within 30 days of the change. A Form W-8BEN provided with a U.S. TIN is valid until a change in circumstances renders any information on the form incorrect, provided that the withholding agent reports on Form 1042-S at least one payment annually to such beneficial owner.

Exemption for Non-U.S. Persons with effectively connected income - Form W-8ECI

A Non-U.S. Person may claim an exemption from U.S. withholding on income effectively connected with the conduct of a trade or business in the United States by filing Form W-8ECI (Certificate of Foreign Person’s Claim for Exemption from Withholding on Income Effectively Connected with the Conduct of a Trade or Business in the United States). The Form W-8ECI is valid for a period of three years beginning on the date that the form is signed. If the information shown on Form W-8ECI changes, a new Form W-8ECI must be filed within 30 days of the change.

Exemption or reduced rate for Non-U.S. Persons resident in treaty countries - Form W-8BEN.

A Non-U.S. Person may claim treaty benefits by filing Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding). Generally, a Form W-8BEN provided without a U.S. taxpayer identification number (TIN) is valid for a period of three years beginning on the date that the form is signed. If the information shown on Form W-8BEN changes, a new Form W-8BEN must be filed within 30 days of the change. A Form W-8BEN provided with a U.S. TIN is valid until a change in circumstances renders any information on the form incorrect, provided that the withholding agent reports on Form 1042-S at least one payment annually to such beneficial owner.

Exemption for U.S. Persons (Form W-9).

U.S. Persons can obtain a complete exemption from the withholding tax by filing Form W-9 (Payer’s Request for Taxpayer Identification Number and Certification).

A “U.S. Person” is:

- (i) a citizen or resident of the United States;
- (ii) a corporation, partnership or other entity organized in or under the laws of the United States or any political subdivision thereof;
- (iii) an estate that is subject to U.S. federal income tax regardless of the source of its income; or
- (iv) a trust if a court within the United States can exercise primary supervision over its administration and at least one United States person has the authority to control all substantial decisions of the trust.

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A “Non-U.S. Person” is any person who is not a U.S. Person.

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PROSPECTUS

NovaStar Mortgage Funding Corporation
Depositor

*NovaStar Home Equity Loan
Asset-Backed Securities
Issuable in Series*

The Trusts

You should read the section entitled “Risk Factors” starting on page 5 of this prospectus before making a decision to invest in the closed-end or revolving home equity securities.

NovaStar Mortgage Funding Corporation will establish a separate trust for each series of securities to hold the assets for that series. The assets for a series will be specified in the prospectus supplement and will generally consist of:

- mortgage loans secured by first or entitled “Risk Factors” subordinate liens on one- to four-family residential properties or condominiums, loans, secured by first or subordinate liens on one- to four-family residential properties or condominiums,
- loans secured by manufactured housing, home improvement retail installment sales contracts or shares issued by cooperative housing corporations,
- mortgage-related securities backed or secured by the foregoing, or
- credit enhancements such as insurance policies, letters of credit or reserve funds.

The Securities

NovaStar Mortgage Funding Corporation, as depositor, will sell either mortgage pass-through certificates or mortgage-backed notes pursuant to a prospectus supplement. Each issue of securities will have its own series designation and will evidence either ownership of assets in the related trust fund or a debt obligation secured by assets of the related trust fund. Each series of securities will be issued in one or more classes. A prospectus supplement for a series will specify all of the terms of the series and of each class in the series.

This prospectus may not be used to consummate sales of securities unless accompanied by the prospectus supplement relating to the offering of the securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

NovaStar Mortgage Funding Corporation

The date of this prospectus is March 3, 2004

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SUMMARY OF PROSPECTUS

This summary highlights selected information from this prospectus and does not contain all of the information that you need to consider in making your investment decision. To understand all of the terms of the offering of your series of securities, read carefully this entire prospectus and the accompanying prospectus supplement.

The Depositor

The depositor, NovaStar Mortgage Funding Corporation, will establish the issuers, act as a conduit for the assets that will secure the securities and cause the issuers to issue the securities. The depositor is a wholly-owned subsidiary of the seller. The principal executive address of the depositor is located at 8140 Ward Parkway, Suite 300, Kansas City, Missouri 64114, telephone no. (816) 237-7000.

The Seller and Servicer

NovaStar Mortgage, Inc. will act as the seller, meaning that it will be the primary source of the loans that will secure each series of securities that are issued. NovaStar Mortgage, Inc. will also act as the servicer of the loans.

Securities Offered

Each series of securities will consist of one or more classes of ownership securities or debt securities. Ownership securities represent beneficial ownership interests in the assets held by the issuer. Ownership securities will be issued in the form of certificates. Debt securities represent indebtedness secured by the assets of the issuer. Debt securities will be issued in the form of bonds.

Each series of securities will be issued in one or more classes, one or more of which may be classes of:

- fixed-rate or adjustable-rate securities,
- compound-interest or accrual securities,
- planned-amortization-class securities,
- targeted-amortization securities,
- non-accelerating securities,
- zero-coupon securities,
- principal-only securities,
- interest-only securities,

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- prepayment-only securities,
- participating securities,
- senior securities, or
- subordinated securities.

The interest rate, principal balance, notional balance, minimum denomination and form of each class of securities will be described in the accompanying prospectus supplement. The securities will be available in either fully registered or book-entry form, as described in the accompanying prospectus supplement.

The Loans

Each issuer will hold one or more pools of loans, which may include:

- mortgage loans or manufactured housing contracts secured by one-to-four family residential properties, condominium units and/or manufactured homes,
- mortgage loans secured by security interests in shares issued by private, non-profit cooperative housing corporations,
- mortgage loans secured by junior liens on the mortgaged properties,
- mortgage loans with high loan-to-value ratios in excess of the appraised value of the mortgaged property,
- home improvement retail installment contracts,
- closed-end or revolving home equity loans, and
- private securities backed by mortgage loans or contracts.

The depositor will direct the issuer to acquire the loans from the depositor. The depositor will acquire the loans from its parent, NovaStar Mortgage.

The loans may be divided into two or more groups of loans with different groups backing or securing different classes of securities.

Some or all of the mortgage loans may be “alt-A” or “non-conforming” credits that do not satisfy the creditworthiness requirements for “A” businesses established by Fannie Mae or Freddie Mac.

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Distributions on the Securities

Owners of securities will be entitled to receive payments in the manner described in the accompanying prospectus supplement, which will specify:

- whether distributions will be made monthly, quarterly, semi-annually or at other intervals and dates,
- the amount allocable to payments of principal and interest on any distribution date, and
- whether distributions will be made on a pro rata, random lot or other basis.

Credit Enhancement

A series of securities, or classes within a series, may have the benefit of one or more types of credit enhancement, including:

- the use of excess interest to cover losses and to create over-collateralization,
- the subordination of distributions on the lower classes to the distributions on more senior classes,
- the allocation of losses on the underlying loans to the lower classes,
- the use of excess cash flow from one group of loans to cover shortfalls on other groups of loans,
- the use of cross support, reserve funds, mortgage insurance policies, financial guarantee insurance policies, guarantees or letters of credit, and
- interest rate swap agreements, cap agreements or other derivative contracts to hedge against interest rate or other risks.

The protection against losses afforded by any credit enhancement will be limited in the manner described in the accompanying prospectus supplement.

Redemption or Repurchase of Securities

One or more classes of securities may be redeemed or repurchased in whole or in part at the times described in the prospectus supplement and at a price at least equal to the amount necessary to pay all principal and interest on the redeemed classes.

Legal Investment

The accompanying prospectus supplement will state whether or not the securities will constitute “mortgage related securities” under the Secondary Mortgage Market Enhancement Act of 1984.

Considerations For Benefit Plan Investors

If you are buying the offered securities on behalf of an individual retirement account, Keogh plan or employee benefit plan, special rules may apply to you. These rules are described in general in this prospectus under the caption “Considerations for Benefit Plan Investors.”

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However, due to the complexity of regulations that govern these plans, if you are subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), you are urged to consult your own counsel regarding any consequences under ERISA of the acquisition, ownership and disposition of the securities of any series offered by this prospectus and the related prospectus supplement.

Federal Income Tax Consequences

Each class of securities offered by this prospectus and the accompanying prospectus supplement will constitute one of the following for federal income tax purposes:

- interests in a trust treated as a grantor trust,
- “regular interests” or “residual interests” in a trust treated as one or more “real estate mortgage investment conduits” (“REMIC”),
- debt issued by the issuer, or
- interests in an issuer which is treated as a partnership.

Ratings

The securities offered by this prospectus and the accompanying prospectus supplement will be rated at the time of issuance in one of the four highest rating categories by at least one statistical rating organization.

RISK FACTORS

You should consider the following risk factors prior to any purchase of any class of securities. You should also consider the information under the caption “Risk Factors” in the accompanying prospectus supplement.

Your investment in any security may be an illiquid investment; you should be prepared to hold your security to maturity.

A secondary market for the securities is unlikely to develop. If it does develop, it may not provide you with sufficient liquidity of investment or continue for the life of these securities. The underwriters may establish a secondary market in the securities, although no underwriter will be obligated to do so. We neither expect to list the securities on any securities exchange nor to have the securities quoted in the automated quotation system of a registered securities association.

The assets of the trust fund will be limited and, if the assets become insufficient to service the securities, losses may result.

The securities will be payable solely from the assets of the trust fund. Neither the depositor nor any other person will be obligated to make payments to the security holders, except to the extent of any credit enhancement as specifically provided in the prospectus supplement. Consequently, security holders must rely solely upon the assets of the trust fund for the payment of principal and interest on the securities.

As a result of prepayment on the loans or early redemption of the securities, you could be fully paid significantly earlier than would otherwise be the case, which may adversely affect the yield on the maturity on your securities.

The yield to maturity of the securities may be adversely affected by a higher or lower than anticipated rate of prepayments on the loans. The yield to maturity on interest-only securities purchased at premiums or discounts to par will be extremely sensitive to the rate of prepayments on the loans.

The underlying loans may be prepaid in full or in part at any time, although prepayment may require the borrower to pay a prepayment penalty or premium. These penalties may or may not be property of the issuer. The accompanying prospectus supplement will state whether or not such penalties will be available to fund distributions owing to you. We cannot predict the rate of prepayments of the loans, which is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing, local and regional economic conditions and homeowner mobility. Therefore, we can give no assurance as to the level of prepayments that a trust fund will experience.

Prepayments may result from mandatory prepayments relating to unused monies held in pre-funding accounts, voluntary early payments by borrowers, including payments in connection with refinancings, sales of mortgaged properties subject to “due-on-sale” provisions and liquidations due to default, as well as the receipt of proceeds from insurance policies. In

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addition, repurchases or purchases from the issuer of loans or the payment of substitution adjustments will have the same effect on the securities as a prepayment of the loans.

One or more classes of securities of any series may be subject to optional or mandatory redemption or auction sale in whole or in part, on or after a specified date, or on or after the time when the aggregate outstanding principal amount of the underlying loans or the securities is less than a specified amount. You will bear the risk of reinvesting unscheduled distributions resulting from redemption.

Any of the foregoing principal prepayments may adversely affect the yield to maturity of the prepaid securities. Since prevailing interest rates are subject to fluctuation, there can be no assurance that you will be able to reinvest these prepayments at a yield equaling or exceeding the yield on your securities.

The types of mortgage loans included in the trust fund related to your securities may be especially prone to defaults which may expose your securities to greater losses.

The types of mortgage loans included in the trust fund may have a greater likelihood of delinquency and foreclosure, and greater likelihood of loss in the event of delinquency and foreclosure. If the mortgaged properties fail to provide adequate security for the mortgage loans included in a trust fund, any resulting losses, to the extent not covered by credit support, will be allocated to the related securities in the manner described in the related prospectus supplement and consequently would adversely affect the yield to maturity on those securities. The prospectus supplement for each series of securities will describe the mortgage loans which are to be included in the trust fund for each series of securities.

In the event of foreclosure, the value of the property securing high LTV loans may be insufficient which may expose your securities to losses.

High LTV loans are mortgage loans with loan-to-value ratios in excess of 80% and as high as 125% and not insured by primary mortgage insurance policies. High LTV loans with combined loan-to-value ratios in excess of 100% may have been originated with a limited expectation of recovering any amounts from the foreclosure of the related mortgaged property and are underwritten with an emphasis on the creditworthiness of the related borrower. If these mortgage loans go into foreclosure and are liquidated, there may be no amounts recovered from the related mortgaged property unless the value of the property increases or the principal amount of the related senior liens have been reduced such as to reduce the current combined loan-to-value ratio of the related mortgage loan to below 100%.

Credit enhancement, even if provided, will in any event be limited in both amount and scope of coverage, and may not be sufficient to cover all losses or risks on your investment.

Credit enhancement may be provided in limited amounts to cover some, but not all, types of losses on the underlying loans and, in most cases, will reduce over time in accordance with a schedule or formula. Furthermore, credit enhancement may provide only very limited coverage as to some types of losses, and may provide no coverage as to other types of losses. Generally, credit enhancement does not directly or indirectly guarantee to the investors any specified rate of prepayments, which is one of the principal risks of your investment. The amount and types of

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coverage, the identification of any entity providing the coverage, the terms of any subordination and any other information will be described in the accompanying prospectus supplement.

Property values may decline, leading to higher losses on the loans.

An investment in the securities, which are backed by residential real estate loans, may be affected by a decline in real estate values. A decline could be caused by a general decline in the real estate market, the borrower’s failure to maintain the property or a natural disaster, among other things. If property values were to decline, the rates of delinquencies and foreclosures may rise, thereby increasing the likelihood of loss. If these losses are not covered by any credit enhancement, you will bear all risk of these losses and will have to look primarily to the value of the mortgaged properties for recovery of the outstanding principal and unpaid interest on the defaulted loans.

Foreclosure on mortgaged properties involves delays and expense and could cause losses on the loans.

Even if the mortgaged properties provide adequate security for the loans, substantial delays could be encountered in connection with the foreclosure of defaulted loans, and corresponding delays in the receipt of the foreclosure proceeds could occur. Foreclosures are regulated by state statutes, rules and judicial decisions and are subject to many of the delays and expenses of other lawsuits, sometimes requiring several years to complete. The servicer will be entitled to reimburse itself for any expenses it has paid in attempting to recover amounts due on the liquidated loans, including payments to prior lienholders, accrued fees of the servicer, legal fees and costs of legal action, real estate taxes, and maintenance and preservation expenses, all of which will reduce the amount of the net recovery by the trust.

Environmental conditions on the mortgaged property may give rise to liabilities.

Real property pledged as security to a lender may be subject to environmental risks which could cause losses on your securities. Under the laws of some states, contamination of a mortgaged property may give rise to a lien on the mortgaged property to assure the costs of clean-up. In several states, this type of lien has priority over the lien of an existing mortgage or owner’s interest against the property. In addition, under the laws of some states and under CERCLA, a lender may be liable, as an “owner” or “operator,” for costs of addressing releases or threatened releases of hazardous substances that require remedy at a property, if agents or employees of the lender have become sufficiently involved in the operations of the borrower, regardless of whether or not the environmental damage or threat was caused by a prior owner. A lender also will increase its risk of environmental liability upon the foreclosure of the mortgaged property, since the lender may then become the legal owner of the property.

State and federal credit protection laws may limit collection of principal and interest on the loans.

Residential mortgage lending is highly regulated at both the federal and state levels and violations of these laws, policies and principles may limit the ability of the servicer to collect all or part of the amounts due on the loans, may entitle the borrower to a refund of amounts previously paid and, in addition, could subject the issuer, as the owner of the loan, to damages

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and administrative enforcement. The occurrence of any of the foregoing could cause losses on your securities.

The Servicemembers Civil Relief Act may limit the ability to collect on the loans.

The terms of the Servicemembers Civil Relief Act, or similar state legislation, benefit mortgagors who enter military service after the origination of his or her loan, including a mortgagor who is a member of the National Guard or is in reserve status at the time of the origination of the loan and is later called to active duty. These mortgagors may not be charged interest, including fees and charges, above an annual rate of 6% during the period of the mortgagor’s active duty status, unless a court orders otherwise upon application of the lender. The implementation of the Servicemembers Civil Relief Act could have an adverse effect, for an indeterminate period of time, on the ability of the servicer to collect full amounts of interest on these loans.

In addition, the Servicemembers Civil Relief Act imposes limitations that would impair the ability of the servicer to foreclose on loans during the mortgagor’s period of active duty status. Thus, in the event that these loans go into default, there may be delays and losses occasioned by the inability to realize upon the mortgaged property in a timely fashion.

Ratings are not recommendations; the ratings assigned to your securities may be lowered or withdrawn.

Each series of securities will be rated in one of the four highest rating categories by one or more rating agencies. Any rating would be based on, among other things, the adequacy of the value of the assets and any credit enhancement. A rating is not a recommendation to purchase, hold or sell securities, because it does not address market price or suitability for a particular investor.

The ratings assigned to the securities will be based on, among other things, the adequacy of the value of the trust fund and any credit enhancement. Any rating which is assigned may not remain in effect for any given period of time or may be lowered or withdrawn entirely by the rating agencies if, in their judgment, circumstances in the future so warrant. Ratings may also be lowered or withdrawn because of an adverse change in the financial or other condition of a provider of credit enhancement or a change in the rating of a credit enhancement provider’s long term debt.

ERISA may restrict the acquisition, ownership and disposition of securities.

Generally, ERISA applies to investments made by benefit plans and transactions involving the assets of benefit plans. Due to the complexity of regulations that govern benefit plans, prospective investors that are subject to ERISA are urged to consult their own counsel regarding consequences under ERISA of acquisition, ownership and disposition of securities.

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The registration of mortgages under the MERS system may result in delays and additional costs in commencing, prosecuting and completing foreclosure proceedings.

The assignment of mortgages to Mortgage Electronic Registration Systems, Inc. (“MERS”) is a new practice in the mortgage lending industry. The servicer will be able to commence foreclosure proceedings on MERS-registered mortgages when necessary and appropriate. Public recording officers and others, however, may have limited, if any, experience with lenders seeking to foreclose mortgages, assignments of which are registered with MERS. Accordingly, delays and additional costs in commencing, prosecuting and completing foreclosure sales of the mortgaged properties could result. Those delays and additional costs could in turn delay the distribution of liquidation proceeds and increase the amount of realized losses on the mortgaged loans.

THE DEPOSITOR

The depositor, NovaStar Mortgage Funding Corporation, was incorporated in the State of Delaware on January 7, 1998. The depositor is a wholly-owned subsidiary of NovaStar Mortgage, Inc., a Virginia corporation with its headquarters in Kansas City, Missouri. The depositor’s principal executive offices are located at NovaStar Mortgage Funding Corporation, 8140 Ward Parkway, Suite 300, Kansas City, Missouri 64114. Its telephone number is (816) 237-7000.

THE SELLER AND SERVICER

The seller, NovaStar Mortgage, Inc., was incorporated in the State of Virginia on May 16, 1996, and is a wholly-owned subsidiary of NFI Holding Corporation, Inc., a Delaware corporation. The seller originates subprime residential mortgage loans through a network of unaffiliated wholesale loan brokers. The seller utilizes a network of approximately 10,000 wholesale loan brokers in 50 different states. In addition, the seller services loans nationwide, and is licensed to do business as a foreign corporation in 49 states. The seller’s principal executive offices are located at 8140 Ward Parkway, Suite 300, Kansas City, Missouri 64114. Its telephone number is (816) 237-7000. The principal offices for the seller’s mortgage lending operations are located in Lake Forest, California and Independence, Ohio. The seller is an approved HUD lender. The seller will also act as the servicer of the loans.

USE OF PROCEEDS

The net proceeds from the sale of each series of securities will be applied to one or more of the following purposes: to acquire the primary assets, to repay indebtedness which has been incurred to obtain funds to acquire the primary assets, to establish any reserve funds described in the prospectus supplement and to pay costs of structuring and issuing the securities, including the costs of obtaining credit enhancement, if any. The acquisition of the primary assets for a series may be effected by an exchange of securities with the seller of the primary assets. The seller may agree to reimburse the depositor for fees and expenses of the depositor incurred in connection with the offering of the securities.

DESCRIPTION OF THE SECURITIES

The depositor may offer from time to time the securities, which may be asset-backed bonds or certificates, in one or more series.

The certificates of a series will evidence undivided interests in assets deposited into a trust fund. The bonds of a series will represent indebtedness secured by the trust fund. A series may consist of both bonds and certificates.

Each series of securities will consist of one or more classes of securities, one or more of which may be fixed-rate securities, adjustable-rate securities, compound-interest securities, variable interest securities, planned-amortization-class securities, targeted-amortization securities, non-accelerating securities, zero coupon securities, principal-only securities, interest-only securities, prepayment-only securities or participating securities. A series may also include one or more classes of subordinate securities.

If a series includes multiple classes, the amount, percentage and timing of distributions of principal, interest or both to each class may vary and one or more classes’ right to distributions of principal, interest or both may be subordinated to other classes. The primary assets and other assets comprising the trust fund may be divided into one or more groups and one or more classes may evidence beneficial ownership of or be secured by the corresponding group.

The trustee, or a paying agent on its behalf, will make payments of principal of and interest on the securities. Interest on and principal of the securities of a series will be payable on each distribution date at the times, at the rates, in the amounts and in the order of priority described in the prospectus supplement. Payments will be made either by check mailed to holders of record at their addresses appearing on the security register, or by wire transfer, as described in the prospectus supplement. Final payments of principal in retirement of each security will be made only upon presentation and surrender of the security at the office of the trustee specified in the prospectus supplement. The trustee will mail notice of the final payment on a security to the holder of the security before the distribution date on which the trustee expects to make the final principal payment.

Payments of Interest

The interest-bearing securities of each class will bear interest from the date and at the rate per annum specified, or calculated in the method described in, the prospectus supplement. The rate of interest on securities of a series may be variable or may change with changes in the annual percentage rates of the loans and/or as prepayments occur on the loans. Principal-only securities may not be entitled to receive any interest distributions or may be entitled to receive only nominal interest distributions.

Interest payable on the securities on a distribution date will include all interest accrued during the period specified in the prospectus supplement. In the event interest accrues during the calendar month preceding a distribution date, the effective yield to holders will be reduced from the yield that would otherwise be obtainable if interest payable on the securities were to accrue through the day immediately preceding the distribution date.

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Payments of Principal

On each distribution date for a series, principal payments will be made to the holders of the securities of the series on which principal is then payable, as described in the prospectus supplement. Principal payments will be allocated among the classes of a series in the manner, at the times and in the priority described in the prospectus supplement.

The rate of principal payments of each class may depend principally upon the rate of payment, including prepayments, on the primary assets. A rate of prepayment lower or higher than anticipated will affect the yield on the securities of a series in the manner described under “—Weighted Average Life of the Securities.” Under limited circumstances, a series of securities may be subject to termination or redemption. See “—Optional Redemption, Purchase or Termination” below.

Final Scheduled Distribution Date

The final scheduled distribution date on each class of securities is the date no later than which the principal balance is expected to be reduced to zero, calculated on the basis of the assumptions described in the prospectus supplement. The final scheduled distribution date will be specified in the prospectus supplement. Since payments on the primary assets will be used to make distributions in reduction of the outstanding principal amount of the securities, it is likely that the actual final distribution date of any class will occur earlier, and may occur substantially earlier, than its final scheduled distribution date.

Furthermore, as a result of delinquencies, defaults and liquidations of the primary assets in the trust fund, the actual final distribution date of any certificate may occur later than its final scheduled distribution date. No assurance can be given as to the actual prepayment experience of a series. See “—Weighted Average Life of the Securities” below.

Optional Redemption, Purchase or Termination

One or more classes of securities of any series may be subject to optional redemption or repurchase, in whole or in part, on any distribution date by the seller, servicer or credit enhancer or an affiliate thereof. Redemption or repurchase may occur on or after a specified date, or on or after the time as the aggregate outstanding principal amount of the securities or primary assets, is less than a percentage not to exceed 25% of the initial aggregate principal balance of the securities or primary assets. The redemption, purchase or repurchase price may not be less than an amount necessary to pay all principal and interest on the securities outstanding. If we have made a REMIC election, the trustee shall receive a satisfactory opinion of counsel that the optional redemption, purchase or termination will be conducted so as to constitute a “qualified liquidation” under section 860F of the Internal Revenue Code. The risk of reinvesting unscheduled distributions resulting from prepayments of the securities will be borne by the holders. Neither the trust nor the holders will have any continuing liability under an optional redemption or repurchase.

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Mandatory Termination; Auction Sale

The trustee, the servicer or the seller may be required to effect early retirement of a series of securities by auction sale. Within a period following the failure of the holder of the optional termination right to exercise its right, the required party shall solicit bids for the purchase of all primary assets remaining in the trust. In the event that satisfactory bids are received, the net sale proceeds will be distributed to holders in the same order of priority as collections on the loans. A satisfactory bid will not be less than an amount necessary to pay all principal and interest on the bonds. If satisfactory bids are not received, the required party shall decline to sell the loans and shall not be under any obligation to solicit any further bids or otherwise negotiate any further sale of the loans. The sale and consequent termination of the trust must constitute a “qualified liquidation” of each REMIC.

Defeasance

The indenture may provide that a trust fund may be discharged through defeasance. In a defeasance, a party will deposit with the trustee money and/or direct obligations of or obligations guaranteed by the United States of America which will provide money in an amount sufficient to pay each installment of interest and, on the final scheduled distribution date, principal on the bonds. In the event of any defeasance and discharge of bonds, bond holders would be able to look only to the deposited money and/or direct obligations for payment of principal and interest, if any, on their bonds until maturity.

Weighted Average Life of the Securities

“Weighted average life” refers to the average amount of time that will elapse from the date of issue of a security until each dollar of principal of the security will be repaid to the investor. The weighted average life of the securities of a class will be influenced by the rate at which the amount financed under primary assets included in the trust fund for a series is paid. Repayment may be in the form of scheduled amortization or prepayments.

Prepayments on loans and other receivables can be measured relative to a prepayment standard or model. The prospectus supplement will describe the prepayment standard or model, if any, used and may contain tables setting forth the projected weighted average life of each class of securities and the percentage of the original principal amount of each class of securities that would be outstanding on specified distribution dates based on the assumptions stated in the prospectus supplement, including assumptions that prepayments on the mortgage loans or underlying loans relating to the private securities, as applicable, included in the trust fund are made at rates corresponding to various percentages of the prepayment standard or model specified in the prospectus supplement.

There is, however, no assurance that prepayment of the loans will conform to any level of any prepayment standard or model specified in the prospectus supplement. The rate of principal prepayments on pools of loans may be influenced by a variety of factors, including job related factors such as transfers, layoffs or promotions and personal factors such as divorce, disability or prolonged illness. Economic conditions, either generally or within a particular geographic area or industry, also may affect the rate of principal prepayments. Demographic and social factors

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may influence the rate of principal prepayments in that some borrowers have greater financial flexibility to move or refinance than do other borrowers. The deductibility of mortgage interest payments, servicing decisions and other factors also affect the rate of principal prepayments. As a result, there can be no assurance as to the rate or timing of principal prepayments of the mortgage loans or underlying loans either from time to time or over the lives of the loans.

The rate of prepayments of conventional housing loans and other receivables has fluctuated significantly in recent years. In general, however, if prevailing interest rates fall significantly below the interest rates on the loans, the loans are likely to prepay at rates higher than if prevailing interest rates remain at or above the interest rates borne by the loans. In this regard, it should be noted that the loans may have different interest rates. In addition, the weighted average life of the securities may be affected by the varying maturities of the loans. If any loans have actual terms-to-stated maturity of less than those assumed in calculating the final scheduled distribution date of the securities, one or more classes of the series may be fully paid prior to their respective final scheduled distribution date, even in the absence of prepayments.

Form of Securities

The securities in each series will either be issued as physical certificates or in book-entry form. Physical certificates in fully registered form will be transferable and exchangeable at the corporate trust office of the registrar of the securities named in the prospectus supplement. No service charge will be made for any registration of exchange or transfer of securities, but the trustee may require payment of a sum sufficient to cover any tax or other government charge.

Securities issued in book-entry form will be registered in the name of Cede & Co., the nominee of the Depository Trust Company. DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the Uniform Commercial Code and a “clearing agency” registered under the provisions of section 17A of the Securities Exchange Act of 1934. DTC was created to hold securities for its participating organizations and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in their accounts, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to the DTC system also is available to brokers, dealers, banks and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Under a book-entry format, holders that are not participants or indirect participants but desire to purchase, sell or otherwise transfer ownership of the securities registered in the name of Cede & Co., as nominee of DTC, may do so only through participants and indirect participants. In addition, the holders will receive all distributions of principal of and interest on the securities from the trustee through DTC and its participants. Under a book-entry format, holders will receive payments after each distribution date because, while payments are required to be forwarded to Cede & Co., as nominee for DTC, on each distribution date, DTC will forward payments to its participants, which thereafter will be required to forward payments to indirect participants or holders. Unless and until physical securities are issued, it is anticipated that the only holder will be Cede & Co., as nominee of DTC, and that the beneficial holders of securities

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will not be recognized by the trustee as holders under the agreements. The beneficial holders will only be permitted to exercise the rights of holders under the agreements indirectly through DTC and its participants who in turn will exercise their rights through DTC.

DTC is required to make book-entry transfers of securities among participants and is required to receive and transmit payments of principal of and interest on the securities. Participants and indirect participants with which holders have securities accounts similarly are required to make book-entry transfers and receive and transmit payments on behalf of their respective holders. Accordingly, although holders will not process securities, the rules provide a mechanism by which holders will receive distributions and will be able to transfer their interests.

Unless and until physical certificates are issued, holders who are not participants may transfer ownership of securities only through participants by instructing participants to transfer securities, by book-entry transfer, through DTC for the account of the purchasers of securities, which account is maintained with their respective participants. In accordance with DTC’s normal procedures, transfers of ownership of securities will be executed through DTC and the accounts of the respective participants at DTC will be debited and credited. Similarly, the respective participants will make debits or credits, as the case may be, on their records on behalf of the selling and purchasing holders.

Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and banks, the ability of a holder to pledge securities to persons or entities that do not participate in the DTC system, or otherwise act as the owner of the securities may be limited due to the lack of a physical certificate.

DTC in general advises that it will take any action permitted to be taken by a holder under an agreement only at the direction of one or more participants to whose account with DTC the securities are credited. Additionally, DTC in general advises that it will take actions on behalf of specified percentages of the holders only at the direction of participants whose holdings include current principal amounts of outstanding securities that satisfy the specified percentages. DTC may take conflicting actions with respect to other current principal amounts of outstanding securities to the extent that actions are taken on behalf of participants whose holdings include current principal amounts of outstanding securities.

Any securities initially registered as physical certificates in the name of Cede & Co., as nominee of DTC, will be issued in fully registered, certificated form to holders or their nominees, rather than to DTC or its nominee only under the events specified in the agreements and described in the prospectus supplement. Upon the occurrence of any of the events specified in the agreements and the prospectus supplement, DTC will be required to notify all participants of the availability through DTC of physical certificates. Upon surrender by DTC of the securities representing the securities and instruction for re-registration, the trustee will take the securities in the form of physical certificates, and thereafter the trustee will recognize the holders of physical certificates as holders. Thereafter, payments of principal of and interest on the securities will be made by the trustee directly to holders. The final distribution of any security, whether physical certificates or securities registered in the name of Cede & Co., however, will be made only upon presentation and surrender of the securities on the final distribution date at the office or agency specified in the notice of final payment to holders.

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THE TRUST FUNDS

Each trust fund will include assets originated or acquired by the seller or sellers specified in the prospectus supplement composed of:

- primary assets, which may include one or more pools of (1) mortgage loans that are secured by mortgages or deeds of trust on residential properties, (2) manufactured housing conditional sale contracts and installment agreements that are secured by manufactured homes, and (3) securities backed or secured by such loans,
- all monies due on the loans net, if and as provided in the prospectus supplement, of amounts payable to the servicer of the loans,
- funds on deposit in any pre-funding and interest coverage accounts,
- reserve funds, letters of credit, surety bonds, insurance policies, interest rate cap agreements or other derivative contracts or other forms of credit support,
- any mortgaged property acquired by foreclosure or deed in lieu of foreclosure or repossession,
- any manufactured home acquired by repossession, and
- any amount on deposit in the collection account or distribution account.

The mortgage loans will be secured by mortgages and deeds of trust or other similar security instruments creating a lien on a mortgaged property, which may be subordinated to one or more senior liens on the mortgaged property. The contracts will be secured by security interests taken in the manufactured homes.

An immaterial portion of the assets that are included in a trust fund at the closing date may deviate from the characteristics that are described in the prospectus supplement.

The securities will be non-recourse obligations secured by or representing ownership of the trust fund. Holders of a series of bonds may only proceed against the collateral securing the bonds in the case of a default and may not proceed against any assets of the depositor or the trust fund not pledged to secure the bonds.

The primary assets securing a series will be acquired from the seller. The loans relating to a series generally will be originated or purchased by the seller in the ordinary course of business on a loan by loan basis. If the assets securing a series include a significant number of loans that were purchased in bulk by the seller from a third party, then the prospectus supplement will describe such purchase. Loans relating to a series will be serviced by the servicer specified in the prospectus supplement, under a servicing agreement between the trust fund and the servicer. NovaStar Mortgage or such other entities stated in the prospectus supplement will be the servicer.

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“Agreement” means the mortgage loan purchase agreement and, as to a series of certificates, the pooling and servicing agreement, and as to a series of bonds, the trust agreement, the indenture and the servicing agreement, as the context requires.

A trust fund relating to a series of securities may be held by (i) either a common law trust or a business trust or a limited partnership, limited liability company or corporation, in each case formed under the laws of the state specified in the prospectus supplement.

Prior to the initial offering of a series of securities, the trust fund will have no assets or liabilities. We do not expect any trust fund to engage in any activities other than acquiring, managing and holding the trust assets and the proceeds thereof, issuing securities and making distributions thereon. No trust fund will have any significant source of capital other than its assets and any credit enhancement.

Primary assets included in the trust fund for a series may consist of any combination of mortgage loans, contracts and private securities. Some of the loans may be 30 or more days delinquent, although the loans that are 30 or more days delinquent as of the cut-off date will not exceed 20% of the initial aggregate principal balance of the primary assets for that series.

The assets in a trust fund may be divided into two or more separately identified groups, as described in the prospectus supplement. A group may consist of mortgage loans with similar characteristics, such as fixed or variable rate loans, jumbo or conforming loans, or closed-end or revolving loans. Assets in a specific group may back or secure a specific class of securities, and cash flows from assets in a group may be used primarily for payments on the related class of securities.

The following is a brief description of the loans we expect to be include as trust property.

The Mortgage Loans

Mortgage Loans. The primary assets for a series may consist, in whole or in part, of mortgage loans secured by mortgages on one- to four-family residential housing, including condominium units and cooperative dwellings. The mortgage loans may be first priority or subordinate to other mortgages on the same mortgaged property. The mortgage loans may have fixed interest rates or adjustable interest rates and may provide for other payment characteristics as described below and in the prospectus supplement.

The mortgage loans may be “closed-end” loans, which do not permit the borrower to obtain future advances. The mortgage loans may also include revolving home equity loans that permit the borrower to obtain future advances. The mortgage loans will be secured by first or junior liens on fee simple or leasehold interests in one- to four-family residential properties. The principal and interest on the mortgage loans included in the trust for a series of securities will be payable either on the first day of each month or on different scheduled days throughout each month, and the interest will be calculated either on a simple interest, actuarial method or “Rule of 78s” method. When a full principal prepayment is paid on a mortgage loan during a month, the mortgagor is generally charged interest only on the days of the month actually elapsed up to the date of prepayment, at a daily interest rate that is applied to the principal amount of the mortgage loan so prepaid.

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Underwriting. The prospectus supplement for a series will set forth the underwriting standards used to underwrite the mortgage loans that are included in the trust for that series of securities.

High LTV Loans. The mortgage loans for a series of securities may include high LTV loans. High LTV loans are mortgage loans with loan-to-value ratios in excess of 80% and as high as 125% and not insured by primary mortgage insurance policies. High LTV loans with combined loan-to-value ratios in excess of 100% may have been originated with a limited expectation of recovering any amounts from the foreclosure of the related mortgaged property and are underwritten with an emphasis on the creditworthiness of the related borrower. If these mortgage loans go into foreclosure and are liquidated, there may be no amounts recovered from the related mortgaged property unless the value of the property increases or the principal amount of the related senior liens have been reduced such as to reduce the current combined loan-to-value ratio of the related mortgage loan to below 100%.

Payment Terms. The payment terms of the mortgage loans to be included in a trust fund for a series will be described in the prospectus supplement and may include any of the following features or combinations thereof or other features described in the prospectus supplement:

- Interest may be payable at a fixed rate, a rate adjustable from time to time in relation to an index, a rate that is fixed for a period of time or under specified circumstances and is followed by an adjustable rate, a rate that otherwise varies from time to time, or a rate that is convertible from and adjustable rate to a fixed rate. Changes to an adjustable rate may be subject to periodic limitations, maximum rates, minimum rates or a combination of limitations. Accrued interest may be deferred and added to the principal of a mortgage loan for periods and under circumstances specified in the prospectus supplement. Mortgage loans may provide for the payment of interest at a rate lower than the specified loan rate for a period of time of for the life of the mortgage loan, and the amount of any difference may be contributed from funds supplied by the seller of the mortgaged property or another source.
- Principal may be payable on a level debt service basis to fully amortize the mortgage loan over its term, may be calculated on the basis of an assumed amortization schedule that is significantly longer than the original term to maturity or on an interest rate that is different from the loan rate or may not be amortized during all or a portion of the original term. Payment of all or a substantial portion of the principal may be due on maturity. Principal may include interest that has been deferred and added to the principal balance of the mortgage loan.
- Monthly payments of principal and interest may be fixed for the life of the mortgage loan, may increase over a specified period of time or may change from period to period. Mortgage loans may include limits on periodic increases or decreases in the amount of monthly payments and may include maximum or minimum amounts of monthly payments.
- Prepayments of principal may be subject to a prepayment fee, which may be fixed for the life of the mortgage loan or may decline over time, and may be prohibited for the life of

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the mortgage loan or for specified periods. Some mortgage loans may permit prepayments after expiration of the applicable lockout period and may require the payment of a prepayment fee in connection with any subsequent prepayment. Other mortgage loans may permit prepayments without payment of a fee unless the prepayment occurs during specified time periods. The mortgage loans may include “due on sale” clauses which permit the mortgagee to demand payment of the entire mortgage loan in connection with the sale or transfer of the mortgaged property. Other mortgage loans may be assumable by persons meeting the then applicable underwriting standards of the seller.

Amortization of the Mortgage Loans. The mortgage loans will provide for payments that are allocated to principal and interest according to either the actuarial method, the simple interest method or the “Rule of 78s” method. The prospectus supplement will state whether any of the mortgage loans will provide for deferred interest or negative amortization.

An actuarial mortgage loan provides for payments in level monthly installments except, in the case of a balloon loan, the final payment, consisting of interest equal to one-twelfth of the applicable loan rate times the unpaid principal balance, with the remainder of the payment applied to principal.

A simple interest mortgage loan provides for the amortization of the amount financed under the mortgage loan over a series of equal monthly payments except, in the case of a balloon loan, the final payment. Each monthly payment consists of an installment of interest which is calculated on the basis of the outstanding principal balance of the mortgage loan being multiplied by the stated loan rate and further multiplied by a fraction, the numerator of which is the number of days in the period elapsed since the preceding payment of interest was made and the denominator of which is the number of days in the annual period for which interest accrues on the mortgage loan. As payments are received under a simple interest mortgage loan, the amount received is applied first to interest accrued to the date of payment and the balance is applied to reduce the unpaid principal balance. Accordingly, if a borrower pays a fixed monthly installment on a simple interest mortgage loan before its scheduled due date, the portion of the payment allocable to interest for the period since the preceding payment was made will be less than it would have been had the payment been made as scheduled, and the portion of the payment applied to reduce the unpaid principal balance will be correspondingly greater. However, the next succeeding payment will result in an allocation of a greater amount to interest if the payment is made on its scheduled due date.

Conversely, if a borrower pays a fixed monthly installment after its scheduled due date, the portion of the payment allocable to interest for the period since the preceding payment was made will be greater than it would have been had the payment been made as scheduled, and the remaining portion, if any, of the payment applied to reduce the unpaid principal balance will be correspondingly less. If each scheduled payment under a simple interest mortgage loan is made on or prior to its scheduled due date, the principal balance of the mortgage loan will amortize in the manner described in the preceding paragraph. However, if the borrower consistently makes scheduled payments after the scheduled due date, the mortgage loan will amortize more slowly than scheduled. If a simple interest mortgage loan is prepaid, the borrower is required to pay interest only to the date of prepayment.

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Some mortgage loans may be insured under the Federal Housing Authority Title I credit insurance program created under sections 1 and 2(a) of the National Housing Act of 1934. Under the Title I program, the Federal Housing Authority is authorized and empowered to insure qualified lending institutions against losses on eligible loans. The Title I program operates as a coinsurance program in which the Federal Housing Authority insures up to 90% of specified losses incurred on an individual insured loan, including the unpaid principal balance of the loan, but only to the extent of the insurance coverage available in the lender’s Federal Housing Authority insurance coverage reserve account. The owner of the loan bears the uninsured loss on each loan.

The mortgaged properties will include single family property, which is one-to-four family residential housing, including condominium units and cooperative dwellings. The mortgaged properties may consist of detached individual dwellings, individual condominiums, townhouses, duplexes, row houses, individual units in planned unit developments and other attached dwelling units. Each single family property will be located on land owned in fee simple by the borrower or on land leased by the borrower for a term at least equal to the term of the mortgage. Attached dwellings may include owner-occupied structures where each borrower owns the land upon which the unit is built, with the remaining adjacent land owned in common or dwelling units subject to a proprietary lease or occupancy agreement in a cooperatively owned apartment building.

The prospectus supplement will specify whether or not mortgages on cooperative dwellings consist of a lien on the shares issued by the cooperative dwelling and the proprietary lease or occupancy agreement relating to the cooperative dwelling.

The aggregate principal balance of mortgage loans secured by mortgaged properties that are owner-occupied will be disclosed in the prospectus supplement. The sole basis for a representation that a given percentage of the mortgage loans are secured by single family property that is owner-occupied will be either (1) the making of a representation by the mortgagor at origination of the mortgage loan either that the underlying mortgaged property will be used by the mortgagor for a period of at least six months every year or that the mortgagor intends to use the mortgaged property as a primary residence, or (2) a finding that the address of the underlying mortgaged property is the mortgagor’s mailing address as reflected in the servicer’s records. To the extent specified in the prospectus supplement, the mortgaged properties may include non-owner occupied investment properties and vacation and second homes.

The initial combined loan-to-value ratio of a mortgage loan is computed in the manner described in the prospectus supplement, taking into account the amounts of any senior loans.

Additional Information. The selection criteria for the mortgage loans, including loan-to-value ratios, original terms to maturity and delinquency information, will be specified in the prospectus supplement.

The trust fund may include mortgage loans that do not amortize their entire principal balance by their stated maturity in accordance with their terms and require a balloon payment of

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the remaining principal balance at maturity. The trust fund may include mortgage loans that do not have a specified stated maturity.

The prospectus supplement for a series for which the primary assets include mortgage loans will specify, to the extent relevant and to the extent the information is reasonably available to the depositor and the depositor reasonably believes the information to be reliable:

- the aggregate unpaid principal balance;
- the range and weighted average loan rate, and, in the case of adjustable rate loans, the range and weighted average of the current loan rates and the lifetime rate caps, if any;
- the range and average outstanding principal balance;
- the weighted average original and remaining term-to-stated maturity and the range of original and remaining terms-to-stated maturity, if applicable;
- the range and weighted average of combined loan-to-value ratios or loan-to-value ratios;
- the percentage of mortgage loans that accrue interest at adjustable or fixed interest rates;
- the geographic distribution of the mortgaged properties;
- the percentage of mortgage loans that are secured by single family mortgaged properties, shares relating to cooperative dwellings, condominium units, investment property and vacation or second homes;
- the lien priority;
- the maximum remaining term of the mortgage loans; and
- the delinquency status, including the duration and history of delinquencies and the percentage of delinquent mortgage loans.

The prospectus supplement will also specify any other limitations on the types or characteristics of mortgage loans for a series.

Revolving Credit Loans

The prospective supplement for a series will indicate whether revolving credit loans are included in the trust for the series. Revolving credit loans will be originated under credit line agreements subject to a maximum amount or credit limit. The revolving credit loans may be fixed or variable rate loans. In most instances, interest on a revolving credit loan will be calculated based on the average daily balance outstanding during the billing cycle, which is typically monthly.

