STATE OF SOUTH CAROLINA
IN THE COURT OF APPEALS

APPEAL FROM LEXINGTON COUNTY
Court of Common Pleas

James O. Spence, Master-In-Equity

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SC Court of Appeals

Appellate Case No. 2017-000874

The Bank of New York Mellon, f/k/a The Bank of New York as successor-in-interest to JPMorgan Chase Bank, N.A. as successor in interest by merger to Bank One, N.A. as Trustee for Structured Asset Mortgage Investments Inc., Mortgage Pass-Through Certificates, Series 2002-AR4, ... Respondent,

v.

Cathy C. Lanier; Branch Banking and Trust Company, Regions Bank, ... Defendants,

Of Whom Cathy C. Lanier is the ..... Appellant.

RECORD ON APPEAL VOLUME II

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[i] Exhibit B is the same as Exhibit I to Exhibits Package
[ii] Exhibit F is the same as Exhibit B to Exhibits Package
[iii] Exhibit F is the same as Exhibit C to Defendant's Follow Up Memo

ORIGINAL

STATE OF SOUTH CAROLINA	**IN THE COURT OF COMMON PLEAS**
	11TH JUDICIAL CIRCUIT
COUNTY OF LEXINGTON	
	CASE NO.: 2013-CP-32-01709
The Bank of New York Mellon, f/k/a The Bank of New York as successor-in-Interest to JPMorgan Chase Bank, N.A. As successor-in-interest by merger to Bank One, N.A. as Trustee for Structured Asset Mortgage Investments Inc., Mortgage Pass-Through Certificates, Series 2002-AR4,	**DEFENDANT'S FOLLOW UP MEMORANDUM TO HEARING FOR MOTIONS FOR SUMMARY JUDGMENT**
Plaintiff,	
Vs.	
Cathy G. Lanier; Branch Banking and Trust Company; Regions Bank,	
Defendants.	

A hearing for cross-motions for Summary Judgement was held on October 29, 2015. During that hearing there were questions raised regarding evidence and other issues, and Judge Spence requested that both parties write memorandums addressing these issues. Attorney for the Plaintiff, Bank of New York Mellon ("BNYM") presented an emailed summary of the items to be covered in the memorandum, and the following represents the results of Defendant, Cathy Lanier's ("Defendant") research. All prior motions, memoranda, etc. provided by Defendant are referenced here as if included. As there is very little case law available in SC for foreclosure defense, Defendant has relied on cases from other parts of the country, but has made every effort to cite back to SC or Federal law showing why these cases apply to the instant case.

SUMMARY

In this document, by responding to the issues provided, Defendant strives to show the following:

1. It is the Plaintiff's burden to demonstrate that it possesses standing. That demonstration must be from competent, substantial evidence. Plaintiff has presented none.

2. The Plaintiff must possess standing at the time the complaint is filed. There has been no evidence to support this premise.

3. Pursuant to SC §36-3-310, in order to have standing, Plaintiff must show that it is a holder, a non-holder with the rights of a holder, or a person not in possession but who has the right to enforce a lost, destroyed, or stolen instrument or an instrument paid by mistake. Plaintiff must also be a real party in interest.

    a. Plaintiff cannot show that it is a holder of the note. A person in possession of the instrument but who is not the original lender can still be a holder, but only if the instrument bears a special endorsement in his or her favor or a blank indorsement (*McLean v. JP Morgan Chase Bank Nat'l Ass'n*, 79 So. 3d 170, 173 (Fla. 4th DCA 2012). The only endorsement to be found is on the suspiciously created and appearing allonge, and it is executed in the name of Bank One with no further documentation of how it came into possession of any subsequent owners. The allonge is undated, and appeared long after the complaint was filed and long after the note and mortgage were produced, indicating the Plaintiff could not have, and did not possess standing at the time the complaint was filed (*Lacombe v. Deutsche Bank Nat. Trust Co.*, 149 So.3d 152 (2014)).

    b. Plaintiff cannot show that it is a non-holder with rights of a holder (*St. Clair v. U.S. Bank National Association*, 173 So. 3d 1045 (Fla. 2d DCA 2015).

    c. Plaintiff cannot show that it is a person not in possession but who has the right to enforce a lost, destroyed or stolen instrument, or an instrument paid by mistake.

    d. Plaintiff is not the real party in interest because the trust documents do not authorize it to foreclose, but authorize the servicer to foreclose. The action must be brought in the name of the real party in interest (SCRCP Rule 17(a)). If that is the Servicer,

then the wrong party has brought the action. However the current party claiming to be the servicer can show no authority giving them that role, nor can they serve as an agent of a party (BNYM) without the right to enforce. In fact, no one named has any authority, since the trust (and the company that owned it), was closed fully a year prior to the inception of this case.

4. The Plaintiff must establish that the trust was still active as of the date of the lawsuit, otherwise BNYM acting as trustee, has no trust over which to serve as trustee. They must also establish that the entities named in the caption were all active. Proof of the fact that the company who owned the trust had terminated its corporate charter a full year prior to the lawsuit being filed precludes Plaintiff from establishing these facts. This likely means this court has no jurisdiction over this matter as well.
5. The Plaintiff must establish the debt (SC § 29-3-630).
    a. Plaintiff has demonstrated inadequate and erroneous accounting and lack of complete records to establish that a debt is owed, or any evidence based on GAAP to arrive at a final accounting to show that any debt is owed.

Although it is clear that the burden of proof is on the Plaintiff to overcome these fatal flaws in its case, since they have provided nothing to support their standing except a claim that they "now have the note," it is still incumbent upon them to demonstrate beyond a shadow of a doubt that they not only had the note prior to commencing the lawsuit, but that it had been placed into their hands via negotiation (a direct special endorsement to them, or a blank endorsement). There is a special endorsement, albeit provided on an allonge that appears to have been created for litigation purposes well after the case was commenced, but that special endorsement does not move the note to BNYM or any of the current parties that now seem to be a part of the Plaintiff's team. They are making

claims that simply do not exist, and that can be considered nothing but fraud. It is up to the court to require the actual proof and to not accept inadequate statements as such.

Since Plaintiff has not provided proof of any sort, even though it is not the burden of Defendant to disprove their claims, she submits the following information that should assist the court in determining where the competent and substantial evidence exists.

ISSUE 1

Is William McCaffrey's affidavit admissible, and are the exhibits to his affidavit admissible? Does the testimony in his affidavit and exhibits create an issue of fact?

DEFENDANT'S RESPONSE

Mr. McCaffrey's affidavit and exhibits were placed into this case and identified as:

"Exhibits Package for the following filings of Defendant Cathy G. Lanier, Dated April 16, 2014:

Defendant's Response to Requests for Production

Defendants Amended Response to Interrogatories

Defendant's Motion for Leave to File First Amended Answer / Demand for Jury Trial

Defendant's First Amended Answer / Affirmative Defenses / Counterclaims"

These exhibits include Mr. McCaffrey's affidavit and accompanying exhibits (including the Prospectus and Pooling and Servicing Agreement of the trust), as well as other information in possession of Defendant at that time, refuting the claims of the Plaintiff. According to the SC Rules of Evidence, the documentation submitted meets the criteria for admissibility and has been available to Plaintiff for review for more than 19 months. They have been provided ample time to refute these documents and reports, yet they have failed to do so. Also, according to Rule 702 of the SCRCP, Mr. McCaffrey's affidavit meets the requirements of "Testimony by Experts," and is admissible. Further, Rule 56(e) of the FRCP and Rule 56(e) of the SCRCP allows the court to give an opportunity to properly support or address the facts that Defendant failed to properly address.

(Therefore, in the appropriate section of this document, Defendant has supplied all documentation to support the summary spreadsheet included with her affidavit already submitted.)

As is highlighted in Defendant's response to Issues 2 and 3, Mr. McCaffrey's affidavit and exhibits are the ONLY evidence to suggest that the subject loan somehow made its way into the trust by which Defendant has been sued, so in order for Plaintiff's case to survive, these exhibits must be admissible. If they are deemed admissible, then they must be taken into consideration as documentation of the issues illustrated below, and the lack of any proof that Plaintiff has standing to enforce a foreclosure, or to prove that the trust was still in existence as of the date the complaint was filed against Defendant.

A small portion of the evidence provided by Mr. McCaffrey has been reproduced here to illustrate the issues he discovered. Exhibit A is his affidavit, in which he verifies that he is an expert in the subject matter of trusts and securities and lists several courts that have granted him expert status. He proceeds to report his findings that the trust named in this case was set up as a REMIC trust, which are "intended to do away with double taxation by not taxing at the entity level. This change automatically boosted yields over other securities that would otherwise be taxed. To obtain REMIC classification, a trust must satisfy the timing requirement stating within three months after the trust's startup date substantially all of its assets must be assigned to the trust and qualified mortgages." He goes on to report that "the Lanier Mortgage does not comply. Recorded assignments (Exhibit B) are dated 2012 or 2013. Suspect entities JPMorgan Chase Bank, N.A. ("Chase") and Mortgage Electronic Registration Systems ("MERS") recorded subject assignments over 10 years late. The failure of Chase and MERS to properly transfer the Lanier Mortgage Note cause the trust to fail the timing prerequisite to qualify for REMIC status, consequently what they do legally own does not appear to be secured by interests in real property." "The only potential party to foreclose where the alleged financial injury and right to collect the obligation, enforce the

note or enforce the security instrument is either a party who lost money or stands to lose money, or authorized representatives demonstrating authority and answerable to claims, affirmative defenses and counterclaims of borrowers for such causes of action or defenses as might be applicable. JP Morgan Chase Bank, N.A. nor any of its purported successor or trustees, fit any of these descriptions."

Notwithstanding that the mortgage assignments violated the REMIC status of the trust and the trust's own governing documents, the Pooling and Servicing Agreement and Prospectus ("PSA") (already in the record, but an easier to read version has been included here as well as Exhibit C), Plaintiff is attempting to fraudulently assign the mortgage without paying any attention to the note. "[T]he assignment of a note secured by a mortgage carries with it an assignment of the mortgage, but...the assignment of the mortgage alone does not carry with it the assignment of the note." *Hahn v. Smith*, 157 S.C. 157, 167, 154 S.E. 112, 115 (1930). The note represents the debt, the mortgage merely the security for that debt. Without owning both, a foreclosure cannot be accomplished.

Mr. McCaffrey's exhibits show very clearly that, if the subject mortgage was legally and properly (according to the PSA) assigned or transferred into the trust, then the trust must have made the profits it needed and shut it down sometime prior to December of 2010. This corroborates Defendant's testimony by affidavit of her conversations with EMC during that time after she discovered that the mortgage loan balance on her monthly statements bore no resemblance to her own records of payments toward principal kept over the years. In all likelihood, and supported by this documentation, Defendant was correct in her assumption that the loan had been paid off by the time she stopped sending monthly payments due to EMC's inability to provide documentation to support the balance it showed. In fact, it appears, from Mr. McCaffrey's documentation, that the entire trust was closed and showing a $0 balance, indicating that the mortgage loans that had been

converted to securities (MBS shares) were also paid off as of that time. Exhibit D is the report pulled from the BNYM Corporate Trust Investment database showing that the last reporting out of this trust's existence was in November 26, 2010. There is nothing further reported since that date, indicating that the trust was closed. Exhibit E is what appears to be the final Certificateholder Account Statement pulled from Wells Fargo's Security Administration Services database (Wells Fargo was the Master Servicer of the trust), clearly showing the trust at a $0 balance. Since EMC Mortgage Corporation was still listed as the Servicer on this report, it would appear this report was issued in late 2010 or early 2011, as Chase had taken over servicing for at least the subject mortgage by early 2011.

Exhibit F, pulled from the Wells Fargo Security Administration Services database shows the final Foreclosure Detail report available from them, still available on their website as of March 14, 2015. Defendant has written in her loan number on the bottom front page of this exhibit that lists all the mortgages held in the trust that were in foreclosure, bankruptcy, modified or in any way associated with a loss. As the court can see, Defendant's loan number does not appear anywhere in the report associated with a loss.

Exhibit G, also pulled from the Wells Fargo Security Administration Services database shows the Certificateholder Distribution Summary. Mr. McCaffrey located Defendant's loan number, split into at least 2 parts and showing up in tranches (this term will be explained later) A-1 and A-2 (which happen to be the lowest risk, "A" rated tranches). As is clearly shown, this report speaks in terms of "Ending Certificate Balance" and there are no "Cumulative Realized Losses" in either of those tranches, indicating that all mortgages were paid off by the normal process of monthly loan payments made by the borrowers.

The Termination of the trust and how to effect that by merely issuing final status reports (such as those in Exhibits E, F and G), is explained in the PSA, page S-60. This is one of the few areas that appears to have been complied with, as demonstrated by this final report.

The PSA, page S-60 also details the events that must take place for a successor trustee (any entity past Bank One) to be appointed by the Seller (owner). There must be an appointment and an acceptance. Plaintiff has provided no documentation indicating this appointment and acceptance, or any other means that the current Plaintiff, BNYM managed to "become" the trustee. Page 62 of the PSA contains the section entitled "Resignation of the Trustee. It goes on to explain that the Seller (owner, or SAMI in this case) is obligated to use their best efforts to appoint a successor trustee. If none has been appointed, the resigning trustee may petition any court of competent jurisdiction for appointment of a successor trustee. The trustee may also be removed at any time for a number of reasons, one of which "if the trustee ceases to be eligible to continue as such under the Agreement." Certainly, Bank One, by merging with another entity, would have become ineligible to continue as such under the authorization of Bank One. Therefore, "For any resignation or removal of the trustee and appointment of a successor trustee to be effective, the successor trustee must accept the appointment." This is not something that can just happen with a handshake. There would be documents supporting this appointment and acceptance, but none have been provided as any evidence these matters occurred properly.

But just to check all the facts, Defendant placed a call to the SEC's Investment Management Division to try to obtain a date for when the trust was actually shut down. While they were unable to supply that information, the advisor suggested that I check the filing status of the corporation that owned the trust in the state where it was incorporated, New York. She related that it was quite common for these companies to go in and out of business and leave the investors in the lurch. But

one thing is for certain, "if the company is no longer in business, you are assured the trust is no longer open or even exists."

The owner of the trust is listed in the caption of the case as an active entity, for which the Plaintiff, BNYM still served as trustee as of the date of filing the complaint, or so we are led to believe. According to the reports obtained by Mr. McCaffrey, it appears the trust closed in 2010, well before the instant case was filed. However, a simple search on the public information database for New York State's Department of State shows that Structured Asset Mortgage Investments, Inc., the company that set up, owned, managed and sold shares in this trust had actually terminated its corporate charter effective May 31, 2012, a full year prior to this case being filed! Exhibit H is the printout available to the public from the New York State Department of State showing these facts. Defendant has been sued by ghosts!

From all indications Defendant has found, if a company has been legally dissolved than it has no authority to bring a lawsuit. In order for there to still be any claim, the company would have had to transfer, assign or sell the claim to a third party. If that happened, there would be an operative agreement under which the debt arose as well as the purported assignment. The note is the debt, not the mortgage. There are none.

So what does this new information mean? It means that IF we can assume the note and mortgage were sold into the trust in the first place (which has not been shown by competent evidence), in order for any of the Plaintiffs, their agents or "partners in crime" so to speak, to claim standing, there has to be documentation showing that the subject mortgage was still active and not retired as a result of the trust shutting down AND proof of negotiation by a blank endorsement or special endorsement of the note selling it out of the trust, and into the hands of another party. That is the only manner in which the transfer, assignment or sale of real estate or a security secured by real estate can change hands. (We know the note and mortgage cannot be separated and must both

be owned by a foreclosing party, as was proven by the Ninth Judicial Circuit Court in Charleston, SC (2014), based on Carpenter v. Longan, 83 U.S. 271, 16 Wal. 271, 21 L.Ed 313 (1872))

However, this also proves that the Plaintiff, BNYM, acting as trustee of the trust, was no longer trustee of the trust, as the trust was not only closed, but the company who owned it was also closed. There was no one available to continue to pay BNYM for its trustee services after May of 2012, and there was no trust, at least not one owned by SAMI, over which to "trustee." It also indicates perjury on the part of all parties involved, including the current law firm who should have done its due diligence to at least make sure all the entities named were still in business. The judge, in his written, detailed opinion, in the Charleston Case raised concerns that it appeared the law firms had brought the case without the knowledge of the trustee they named as the Plaintiff, Deutsche Bank. That appears to be an accurate assumption in the instant case as well. Otherwise, there should be no problem getting testimony of some kind from BNYM.

Regarding, in general, the role of the Trustee (if things were not already pretty complicated since the trustee, we find was no longer one by the time this case was filed), Exhibit I is a letter received by Defendant that Mr. McCaffrey indicated was a common response from trustees of trusts when faced with a Qualified Written Request letter from a borrower. (This is a letter received by Defendant when she sent a QWR to US Bank in another case, but no such letter or response directly from BNYM was obtained when a QWR was sent to it shortly after the Complaint in this case was served. That fact alone, is a violation of RESPA laws.) This letter is placed in Mr. McCaffrey's documentation merely as a reference point where the Vice President of US Bank (another large entity that serves as a trustee for numerous REMIC trusts as does Plaintiff, BNYM) does a good job of explaining how these trusts work and the role of trustees. In his letter, Mr. Michael D. Bengtson explains, "Please note the fact that the JPMAC 2006-WMC1 Trust is the owner of your mortgage, not US Bank, as Trustee." "The mortgage (the one referenced in Defendant's QWR) is held in the

Trust and governed by the terms of the Pooling and Servicing agreement for the Trust. US Bank is neither the mortgagor nor the servicer of this mortgage. JPM Chase is the servicer for your mortgage. All actions related to your mortgage would have been done by JPM Chase as servicer. US Bank, as Trustee, would not have been aware of any actions or proceedings taken by the servicer." "The servicer is an independent, third party company and is not affiliated with US Bank in any way." Mr. McCaffrey says this is a letter that he has seen over and over in his work with victims of illegal foreclosures. Mr. Bengtson knows that under the terms of the PSA of his trust (which is virtually the same language as the PSA in the instant case), that if US Bank, as Trustee, were to even acknowledge having any information about the individual loans in the trust, they would be in violation of the IRS laws as regards REMIC trusts, and would trigger the 100% tax penalty on all certificateholders. The certificateholders would then surely sue US Bank for causing this problem for them, and in all likelihood be able to collect huge damages from US Bank. Mr. Bengtson also makes very clear that his firm, as trustee, was not even privy to the lawsuit or knowing that one had been filed in their name. That is the same situation I believe we have with BNYM in this case. The incredible amount of push-back to prevent our deposing a BNYM person with actual, first-hand knowledge of the specific trust Defendant's loan purports to be in, the status of that trust, and the ability of the trustee to own the note or to collect on the security shows just how desperate Chase is to prevent "letting the cat out of the bag."

Defendant has included some other documentation providing information as to how these trusts are set up and operate. In Exhibit J, she has provided US Bank's elaborate brochure that does a great job of explaining the Role of a Corporate Trustee, describing what a Mortgage Backed Security is, the parties to a Mortgage Backed Security Transaction (that does a good job of showing how the borrower is a party to these transactions, and would therefore have standing to discuss them, bring counterclaims, etc.), etc. Page 2 of this brochure discusses the specific subject of

foreclosures: "US Bank, as trustee for thousands of securitization transactions involving many millions of mortgages, is often mentioned in media reports about foreclosures. While trustees are listed on mortgages, and therefore in legal documents as well, as the owner of record, its interest is solely for the benefit of investors. **The trustee does not have an economic or beneficial interest in the loans and has no authority to manage or otherwise take action on the loans which is reserved for the servicer.**" (emphasis added) They are basically confirming that a trustee, no matter how well couched in a legal pleading, has no economic or beneficial interest in the loans in the trust and cannot take any actions on them. That means that in the instant case, neither does BNYM hold an economic or beneficial interest in the subject loan, and cannot pursue any action on it. Yet this case has been brought in the name of BNYM, not in the name of the servicer, and must be dismissed for that reason alone.

Defendant has also provided excerpts and a summary article on a case that is not a foreclosure case, but one of great interest in explaining the legal ramifications of securitizing mortgages to create Mortgage Backed Securities (MBS) and then splitting those up among the various risk-rated tranches contained in a trust of MBSs (securitized mortgages). According to *Cashmere Valley Bank v. Dep't. of Revenue*, Supreme Court of Washington State, Sept. 25, 2014, once these mortgages have been securitized and split into multiple parts, they no longer are secured by real estate. The following is an article by Neil Garfield[1] that does a good job of summarizing Cashmere:

> "The REAL truth behind securitization of so-called mortgage loans comes out in tax litigation. There a competent Judge who is familiar with the terms of art used in the world of

[1] Neil F. Garfield, M.B.A., J.D., 68, is the winner of dozens of academic awards, a popular speaker, and author of articles and technical treatises on law, finance and economics. He has concentrated his law practice for the last 8 years on issues related to structured finance (securitization in particular). As a former investment banker and real estate investor, he knows mortgage securitization issues from the inside out, who the deciders are, and how they arrived at a catastrophic scheme to defraud, people, agencies, institutions, and governments all over the world. As an expert witness and trial lawyer for 38 years, his efforts to spot evolving trends have helped thousands of homeowners keep their home and receive damages as compensation.

finance makes judgements based upon real evidence and real comprehension of how each part affects another in the "securitization fail" (Adam Levitin) that took us by surprise. In the beginning (2007) I was saying the loans were securitized and the banks were saying there was no securitization and there was no trust.

Within a short period of time (2008) I deduced that their securitization had failed and that no Trust was getting the money from investors who thought they were buying mortgage backed securities and therefore the Trust could never be a holder in due course. I deduced this from the complete absence of claims that they were holders in due course. Whether they initiated foreclosure as servicer, trustee or trust there was no claim of holder in due course. This was peculiar because all the elements of a holder in due course appeared to be present because that is what was required in the securitization documents — at least in the Pooling and Servicing Agreement and prospectus.

If the foreclosing party was a holder in due course they would merely have to show what the securitization required — a purchase in good faith of the loan documents for value without knowledge of any of borrower's defenses. This would bar virtually any defense by the borrower and allow them to get a judgment on the note and a foreclosure based upon the auxiliary contract for collateral — the mortgage. But they didn't allege that for reasons that I have described in recent articles — they could not, as part of their prima facie case, prove that any party in their "chain" had funded or paid any money for the loan.

After analyzing this case, **consider the possibility that there is no party in existence who has the power to foreclose**. (emphasis added) The Trust beneficiaries clearly don't have that right. The Trust doesn't either because they didn't pay anything for it. The Trustee doesn't have that right because it can only assert the rights of the Trust and Trust beneficiaries. The servicer doesn't have that right because it derives its authority from the Pooling and Servicing Agreement which does not apply because the loan never made it into the Trust. The originator doesn't have the right both because they never loaned the money and now disclaim any interest in the mortgage.

Then consider the fact that it is ONLY the investors who have their money at risk but that they failed to get any documentation securing their "involuntary loans." They might have actions to recover money from the borrower, but those actions are far from secured, and certainly subject to numerous defenses. The investors are barred from enforcing either the note or the mortgage by the terms of the instruments, the terms of the PSA and the rule of law. They are left with an unsecured common law right of action to get what they can from a claim for unjust enrichment or some other type of claim that actually reflects the true facts of the original transaction in which the borrower did receive a loan, but not from anyone represented at the loan closing.

Now we have the Cashmere case. The only assumption that the Court seems to get wrong is that the investors were trust beneficiaries because the court was assuming that the Trust received the proceeds of sale of the bonds. This does not appear to be the case. But the case also explains why the investors wanted to take the position that they were trust beneficiaries in order to get the tax treatment they thought they were getting. So here we have the victims and perpetrators of the fraud taking the same side because of potentially catastrophic results

in tax treatment — potentially treating principal payments as ordinary income. That would reduce the return on investment below zero. They lost."

From the actual Cashmere case:

> "Cashmere's investments merely gave Cashmere the right to receive specific cash flows generated by the assets of the trust at specific times. But if the REMIC trustee failed to pay Cashmere according to the terms of the investment, Cashmere had no right to sell the mortgage loans or the residential property or any other asset of the trust to satisfy this obligation. *Cf. Dep't of Revenue v. Sec. Pac. Bank of Wash. Nat'l Ass'n*, 109 Wn. App. 795, 808, 38 P.3d 354 (2002) (deduction allowed because mortgage companies transferred ownership of loans to taxpayer who could sell the loans in event of default). Cashmere's only recourse would be to sue the trustee for performance of the obligation or attempt to replace the trustee. The trustee's successor would then take legal title to the underlying securities or other assets of the related trust. At no time could Cashmere take control of trust assets and reduce them to cash to satisfy a debt obligation. **Thus, we hold that under the plain language of the statute, Cashmere's investments in REMICs are not primarily secured by mortgages or deeds of trust."** (emphasis added)
>
> "Cashmere argues that the investments are secure because the trustee is obligated to protect the investors' interests and the trustee has the right to foreclose. But, this is not always the case. The underlying mortgages back all of the tranches, and a trustee must balance competing interests between investors of different tranches. Thus, a default in one tranche does not automatically give the holders of that tranche a right to force foreclosure. **We hold that if the terms of the trust do not give beneficiaries an investment secured by trust assets, the trustee's fiduciary obligations do not transform the investment into a secured investment."** (emphasis added.)
>
> "...agency REMICs, like the Fannie Mae REMIC Trust 2000-38, guarantee payments even if mortgage borrowers default, regardless of whether the issuer expects to recover those payments. **Moreover, the assets held in a REMIC trust are often MBSs, not mortgages.** (emphasis added)

Mr. Garfield goes on to add:

> "There is no party who can enforce an unenforceable contract, which is what the mortgage is here. And the note is similarly defective – although the note gets into the hands of a party who DID PAY value in good faith without knowledge of the borrower's defenses and DID GET DELIVERY and ACCEPT DELIVERY of the loans then the note would be enforceable even if the mortgage is not."

But the problem in the instant case, as is shown in the next sections, is that there is no proof that even the note got into the hands of a party who paid value in good faith and got and accepted delivery, so even the note in this case is not enforceable. A further problem is that Mr. McCaffrey's

documentation shows that the subject loan was split into 2 tranches, neither of which ever showed any losses, foreclosures, bankruptcies or the like. The loans in those tranches were paid in full through the normal process of the borrowers making monthly payments. However, let's assume for the sake of argument that one of the tranches had shown losses, and the portion of the subject loan was in that tranche. Would someone then be able to foreclose on half a house? Hardly – it is clear that these securitizations have not only split the note from the mortgage, but have split the mortgage loan into multiple parts, making it impossible for anything to still be secured by real estate.

Mr. McCaffrey's documentation shows clearly that the mortgages in the SAMI trust in this case are MBSs, no longer mortgages. The subject mortgage alone was found to be represented by two separate CUSIP numbers, i.e. two tranches. Investors participating in this scheme have purchased fractional shares in different tranches. They are merely buying cash flow over time, but that cash flow, and nothing in the trust once it has reached this point, is secured by real estate. A mortgage cannot be split into multiple parts and still retain its security by real estate. As stated in Mr. McCaffrey's affidavit, page 3 lines 8-9: "...consequently what they do legally own does not appear to be secured by interests in real property."

So, IF BNYM or Chase could prove (which they cannot do) they actually took title to the note secured by the subject mortgage, and IF either of them could prove the note and mortgage made its way into the trust, they still have the problem, according to Mr. McCaffrey's undisputed research and testimony by affidavit, that it appears the trust had shut down nearly three (3) years PRIOR to the foreclosure case naming the trustee of the trust as the only Plaintiff, filed against Defendant. The most recent (and apparently final) records show that there was no default in the tranches where the subject loan was found, and a $0 balance on not only the entire trust, but on the foreclosure, bankruptcy and other losses report. Yet the plaintiff with no power to foreclose, BNYM, insists through their servicer (with also no chain getting them into that position until, it

appears, AFTER the trust is closed), that a great deal of money is owed to a trust that is closed and reporting out a $0 balance. If the trust is closed, then there has to be documentation of a successful negotiation and consideration for someone else purchasing the note out of the trust. But then that would lead us to yet another Plaintiff entirely, so that likely did not occur either, and there is no evidence to suggest it.

Just doesn't add up, does it? Could this be why counsel representing whichever Plaintiff we want to pick today, does not want us talking to an actual person with knowledge from BNYM?

ISSUE 2

If Ms. Lanier's claim that Plaintiff did not timely or properly document the transfers of the note or mortgage back in 2002 is true, is Plaintiff, as trustee, prevented from collecting the debt due on the loan now?

ISSUE 3

Does Plaintiff, as Trustee, have the authority to foreclose a loan in the trust?

DEFENDANT'S RESPONSE

Defendant has grouped these two issues into one to illustrate the problems with Plaintiff's claim of standing and capacity to enforce a collection action of any kind on a mortgage purportedly sold to the trust. In order to evaluate the status of the current Plaintiff, we must first ascertain if the subject mortgage was sold into the trust. We know from the Prospectus and Pooling and Serving Agreement (PSA) of this particular trust that there were various entities assigned to specific roles in the trust. The following illustration may assist in identifying the various entities and demonstrating their roles in the trust. They are listed in the order that the events would have had to happen to place the subject loan into the trust. These roles are directly from page S-4 of the PSA:

BORROWER: CATHY G. LANIER
Created the Note and Mortgage



SOUTHSTAR FUNDING
Loan Originator
Note executed to this firm
No endorsements on the actual note
The PSA(page S-24) states that mortgage loans will be assigned to the trust pursuant to an Assignment, Assumption and Recognition Agreement. There is no such agreement in the records in Lexington County, on file with the SEC, or produced in discovery by Plaintiff.

?

STRUCTURED ASSET MORTGAGE INVESTMENTS, INC. ("SAMI")
Seller (owns the trust and sells the investments)

EMC MORTGAGE CORPORATION, an affiliate of the Seller
Mortgage Loan Seller
In order for this entity to have authority to "sell" any of the mortgages into the trust, there would be an endorsement or assignment from the originator to this entity that would have had to have taken place prior to October 31, 2002 (See PSA page S-21). There are no endorsements, assignments or transfers that meet this criteria. The PSA (page S-24) states, however, that this entity is assuming servicing rights from the Master Servicer, but also entering into a Subservicing Agreement with Alliance Mortgage Company.

So, for the subject note and mortgage to have been sold into the trust, there would need to be an endorsement from Southstar Funding to EMC Mortgage Corporation, an affiliate of the Seller, on the note. This is how real estate changes hands by law. There are no original endorsements on the note itself, no assignments recorded into the County Records in Lexington, SC and no evidence of this assignment, transfer or sale provided in discovery by Plaintiff. It appears the subject loan was never actually sold into this trust.

However, for the sake of argument, let's assume that the subject loan somehow "magically" was handed over to EMC so that it could be sold into the SAMI trust via negotiation and consideration (none of which has been proven). Here are the rest of the players and pertinent information about them and their permitted transactions:

WELLS FARGO BANK MINNESOTA, NA
Master Servicer
This entity's role is to monitor the servicer (PSA, page S-24).

ALLIANCE MORTGAGE COMPANY
Servicer
The PSA provides how this entity became the servicer of all mortgages in the trust (page S-24). This is the only entity afforded collection rights in the PSA, unless they default on their duties, and then the Master Servicer or its sub-servicer would need to step in. The documentation requirements for such an action are extensive.

BANK ONE, NA
Trustee
Oversees other trust entities and acts solely on behalf of the certificateholders (investors) in the trust. According to PSA page S-21, "The Trustee, on behalf of the Trust, is expected to purchase from the Seller during the Pre-Funding Period, subject to the availability thereof, Subsequent Mortgage Loans secured by conventional, one-to four-family, adjustable-rate mortgage loans secured by first liens on residential mortgage properties." The Pre-Funding Period is defined as the time up to, but not exceeding the Closing Date of the Trust, which is October 31, 2002. (PSA page S-4) "Any conveyance of Subsequent Mortgage Loans on a Subsequent Transfer Date is subject to certain conditions including, but not limited to the following: (a) each such Subsequent Mortgage Loan must satisfy the representations and warranties specified in the related Subsequent Transfer Instrument and the Agreement; (b) The Seller will not select such Subsequent Mortgage Loans in a manner that it believes to be adverse to the interests of the Certificateholders; (d) As of the related Subsequent Cut-off Date (as defined in the Agreement), each such Subsequent Mortgage Loan will satisfy the following criteria: (i) Such Subsequent Mortgage Loan may not be 30 or more days delinquent as of the last day of the month preceding the Subsequent Cut-off Date..." (PSA page S-22) The Cut-off Date is defined as October 1, 2002. (PSA page S-4) The Trustee is not afforded collections rights in the PSA, and in its role for the benefit of the certificateholders (investors), would be out of compliance with IRS REMIC trust laws if it violated this. It would be considered a prohibited transaction. For more details there, please see PSA pages S-60 - S-63 and pages 74 - 101

So it appears that, if Plaintiff's story is to be believed, nothing agreed to in the trust's PSA was adhered to, placing the entire trust in danger of performing numerous "prohibited transactions" that would trigger a 100% tax penalty on all certificateholders, who would in turn exercise their right to hold the Trustee liable, and most certainly win their case.

But we are challenged to determine how, in case things had been done appropriately and the subject loan was legally sold into the trust by negotiation, any claim to this loan managed to wind up in the hands of parties that are not named in any way, shape or form in the PSA of the trust.

Here's what we've been told: EMC was purchased by JPM Chase Bank, N.A., the actual Plaintiff behind this action, although they are hiding behind BNYM. That purchase "might" give JPM Chase Bank some claim to servicing this loan, but what happened to Alliance Mortgage? There would have been all form of agreements to remove them as servicer and assign that role to someone else, but we find none – not in the SEC files or in discovery provided by Plaintiff. The payment records provided by Plaintiff throw in yet another servicer, Everhome. What's their role and how did they get there? So in order for EMC to have taken back the role of servicer in the first place, there has to be something, somewhere, giving them that authority. Then, and only then, would JPM Chase Bank be able to claim they inherited this role by purchasing EMC.

But JPM Chase Bank also claims to have purchased Bank One, the original Trustee. Again, there has to be documentation moving the authority of trustee to JPM Chase Bank. There is none. But then, IF all this happened as they say, that would put JPM Chase Bank in the precarious and ILLEGALLY CONFLICTED position of being both the Servicer and the Trustee. That would have triggered not only the IRS REMIC tax penalties, but likely would have put some people in jail! So, where are the documents that detail this very carefully executed plan, based on a timeline to ensure legality, to keep JPM Chase Bank safe by not allowing them to serve in two conflicting trust roles simultaneously?

But all of the theories put forth by JPM Chase Bank fall apart when we analyze the actual history of what happened in the acquisitions and mergers. Let's review the timeline and the actual entities involved in the mergers:[2]

- August 1, 2002: Borrower signed note and mortgage with **SouthStar Funding, Inc.**
- August 15, 2002 (approximately): Borrower was notified to direct payments to the loan servicer, **Alliance Mortgage.**
- 7/1/2004: **JPMorgan Chase & Co.** (Not JPM Chase Bank, N.A.) and **Bank One Corporation** completed the merger of their holding companies, which resulted in a new company known as **JPMorgan Chase & Co.** JPMorgan Chase & Co. is the parent company of **JPMorgan Chase Bank**, but **JPMorgan Chase Bank N.A.** is a separate entity. (If your parents own a car, they might let you drive the car, but the parents still OWN the car.)
- December 4, 2006: The Bank of New York and Mellon Financial Corporation announced a merger, in which the name would be changed to the **Bank of New York Mellon**. Still no tie to **JPMorgan Chase Bank N.A.**.
- Sometime in 2007: **Alliance Mortgage Company** was shut down for violations in its servicer's contracts.
- 5/30/2008: **JPMorgan Chase & Co.** acquired Bear Stearns, who owned **Structured Mortgage Assets, Inc. (SAMI)**, the Owner and Seller of the trust in question. Included in the acquisition was a servicing company owned by Bear Stearns named **EMC Mortgage Corporation**. (Even this transaction is likely to have placed JPMorgan Chase & Co. in a

[2] The historical representation of JPMorgan Chase & Co. and JPM Chase Bank are from "Affidavit of Chris Collins on behalf of JPMorgan Chase Bank, N.A." in the matter of Residential Mortgage Foreclosure Pleading and Document Irregularities, Superior Court of New Jersey, Chancery Division, General Equity Part, Mercer County, Docket No.: F-059553-10, July 28, 2011.

precarious legal position, since they may have assumed the trusteeship from Bank One, but they can't also be the Seller (owner) of the trust at the same time AND the Servicer. There would have to be extensive documentation to protect all these parties and set up the different roles, but there are none.) Still no tie with **JPMorgan Chase Bank N.A.**.

- **EMC** operated as a separate legal entity, even though **JPMorgan Chase Bank, N.A.** had its own servicing entity called Chase Home Finance, LLC. Still no tie between **Bank One, EMC, Bank of New York Mellon** or **JPMorgan Chase Bank N.A.**.
- October 1, 2010: Date of claimed default on subject loan.
- November 26, 2010 or earlier: No further reports from Trust as of at least that date. Trust appeared to be closed reporting a $0 balance. Subject loan was split into at least 2 tranches, and both tranches are reporting a $0 balance. Subject loan number or the CUSIP created for the tranches, does not show up in reports showing foreclosures, bankruptcies or losses. No proof after this date that the trust exists, or that the subject loan has a balance greater than $0. Subject loan, as do all loans in the A-1 and A-2 tranches appear to have been paid off by the normal process of borrowers' making their monthly payments.
- March 31, 2011: **EMC** converted from a Delaware Corporation to a Delaware LLC and changed its name to **EMC Mortgage, LLC**.
- April 1, 2011, **EMC Mortgage, LLC** sold its mortgage servicing rights to **JPMorgan Chase Bank N.A.**.
- May 31, 2012: **Structured Asset Mortgage, Inc. (SAMI)** terminates its corporate charter.
- May 21, 2013: Complaint filed by **BNYM**, as trustee of the **SAMI** trust that was apparently already closed, especially since **SAMI** itself was already closed, against Defendant, citing an

owed balance greater than the original loan balance after Defendant had paid hundreds of thousands of dollars toward principal for ten (10) years.

So, much to our surprise, we find that there was never any direct relationship between **JPM Chase Bank N.A.**, now claiming all sorts of rights to enforce the note, and any other entity named in the original trust documents until AFTER the purported default of the subject loan, and according to the reports discovered by Mr. McCaffrey, nearly 6 months AFTER the trust was shut down and reporting out a $0 balance with no losses from foreclosures, bankruptcies or any other event. The very company that owned the trust, SAMI is also closed a full year before these parties enter into litigation claiming all these corporate entities as active. Ironically, there is no tie from any of these entities to the named Plaintiff, Bank of New York Mellon whatsoever. "Any bank who was seriously thinking about buying into such a transaction would insist on seeing the footprints of the transaction and proof of payment. The courts should do nothing less than the banks require of each other and themselves when the transactions are real."[3]

To further drive home these points, a review of another recent appellate ruling in FL is pertinent. See *St. Clair v. U.S. Bank National Association*, 173 So. 3d 1045 (Fla. 2d DCA 2015) After St. Clair defaulted on a loan issued by original mortgagor Lenders Direct Capital Corporation, US Bank brought foreclosure proceedings. St. Clair defended, alleging that US Bank failed to prove standing. Although US Bank maintained that the mortgage and note were sold to it by Lenders Direct, neither document had been indorsed accordingly. Despite the lack of indorsements, the mortgage and note were placed in a trust with US Bank as the trustee and the loan was serviced by Specialized Loan Servicing (SLS). Based on these facts, US Bank asserted that it had the rights of a holder as a "nonholder in possession" of the documents. At a nonjury trial, US Bank relied on a pooling and servicing agreement, a default notice letter, and a fee payment schedule to show that

[3] Barry Fagan, Summary of *St. Clair v. US Bank.*

it had standing to foreclose. Agreeing with this argument, the trial court ruled in favor of US Bank and the appeal followed.

Under section 673.3011, Florida Statutes (2014) (mirrored by SC § 36-3-310), a person entitled to enforce a negotiable instrument must be either: (1) the holder of the instrument, (2) a "nonholder in possession of the instrument who has the rights of a holder," or (3) a person not in possession but who has the right to enforce a lost, destroyed, or stolen instrument or an instrument paid by mistake. A holder is a person in possession of the negotiable instrument that is payable either to bearer or to the holder. § 671.201(21)(a), Fla. Stat. (2014) (mirrored by SC § 36-1-201(21)(a)). A person in possession of the instrument but who is not the original lender can still be a holder, but only if the instrument bears a special indorsement in his or her favor or a blank indorsement. See *McLean v. JP Morgan Chase Bank Nat'l Ass'n*, 79 So. 3d 170, 173 (Fla. 4th DCA 2012). Absent a special or blank indorsement, "the mere delivery of a note and mortgage, with intention to pass the title, upon a proper consideration, will vest the equitable interest in the person to whom it is so delivered." *Seffar v. Residential Credit Solutions, Inc.*, 160 So. 3d 122, 125 (Fla. 4th DCA 2015) (quoting McLean, 79 So. 3d at 173). However, possession of the instrument alone is an insufficient basis to prove standing to foreclose. See *Murray v. HSBC Bank USA,* 157 So. 3d 355, 358 (Fla. 4th DCA 2015). The person trying to enforce the instrument must demonstrate that he or she had standing as of the time the complaint is filed. *McLean*, 79 So. 3d at 173. This court reviews issues of standing in foreclosure cases using the de novo standard of review. *Boyd v. Wells Fargo Bank, N.A.*, 143 So. 3d 1128, 1129 (Fla. 4th DCA 2014).

Here, U.S. Bank attempted to prove it had standing under section 673.3011(2) (mirrored by SC § 36-3-301(ii)) as a nonholder in possession of the instrument with the rights of a holder.[4] It

[4] Because the note and mortgage were not indorsed in blank or specially indorsed to US Bank, US Bank is unable to establish its standing as a holder of the instrument. See FL § 673.3011(1) and SC § 36-3-301(i).

argued below and on appeal that its possession of the note and mortgage, along with evidence of its servicing the loan through SLS, its pooling and servicing agreement with SLS, and SLS's notice of default letter sent to St. Clair, prove that U.S. Bank had standing to enforce the instrument. But contrary to U.S. Bank's argument, mere possession is an inadequate basis on which to affirm the lower court's final judgment. See *Murray,* 157 So. 3d at 358.

Because mere possession was inadequate to establish standing, US Bank was required to show that it received the instrument from a holder with enforcement rights. This is known as the "shelter rule." Id. But there was no competent evidence presented below to show that the US Bank had actually acquired the note and mortgage from Lenders Direct. This is the same scenario as the instant case, except in *St. Claire*, at least Lenders Direct was named in the Pooling and Servicing Agreement and had actually originated AND serviced the loan and had documents to support those facts. In the instant case, the originator was not even a party to the trust, and could not have indorsed any ownership over to the current Plaintiff, Bank of New York Mellon or the alleged servicer, JPMorgan Chase Bank. Also in *St. Claire*, US Bank at least provided documents indicating that the originator actually sold the rights to the instrument, but it did not indicate to whom they sold the rights. Despite years of Defendant's requesting them, our current Plaintiff has provided no documents of any sort that indicate that any transactions between any of the parties were ever recorded, until the fraudulent assignments placed into the County records in preparation for litigation, some 10 years past the time they could have been executed and recorded. Even if these assignments had any legitimacy, they also string together the wrong chain of title! Just as in *St. Claire*, no court can fill in the blanks of an incomplete chain in order to determine that BNYM actually acquired the instrument, as it contends, from holder Southstar Funding, or even Bank One if we are to believe the "allonge" is valid, versus a nonholder third party. "Because the transferee does not enjoy the statutorily provided assumption of the right to enforce the instrument that

accompanies a negotiated instrument...the transferee must account for possession of the unendorsed instrument by proving the transaction through which the transferee acquired it" (quoting *Anderson v. Burson*, 35 A.3d 452 (Md. 2011). In *St. Claire*, "the documentation here was simply too inadequate to constitute competent, substantial evidence of US Bank's standing." In the instant case there has been no documentation or other evidence provided whatsoever, ruling out any chance of "competent, substantial evidence" of BNYM's standing.

"Ultimately, the problem with US Bank's attempt to establish standing to foreclose is that it relies on a "paper trail" that beats around the bush but never axes the tree necessary to establish the legal requirement of standing. We cannot, as advocated by US Bank, presume standing simply because it serviced the loan. Longstanding case law prevents us from doing so. See *Withers v. Sandlin*, 18 So. 856 (Fla. 1896). Accordingly, it was error for the trial court to rule in favor of US Bank." (Quoted from *St. Claire*.)

In the mysteriously appearing allonge produced by current counsel for the Plaintiff, there appears to be an endorsement directly from SouthStar Funding (the loan originator) to Bank One, the original Trustee of the trust, handily "skipping over" the only two possible entities that held responsibility of "selling" anything into the trust, either SAMI or its affiliate, EMC. There is a further problem with the allonge itself. Very few states, SC included, even recognize such a document in its laws. The overwhelming opinion of experienced legal professionals is that an allonge is "simply an elegant-sounding legal term for a supplemental attachment to a note in which endorsements to subsequent note holders may be identified."[5] Black's Law Dictionary defines an allonge as "a piece of paper annexed to a negotiable instrument or promissory note, on which to write endorsements for which there is not room on the instrument itself. Such must be so firmly attached thereto as to become a part thereof." In the case of the allonge presented by Plaintiff

[5] Article "What is an Allonge?" by Samantha Alves Orender.

(Exhibit K), it meets neither of these criteria. It is not used as a place to endorse to "subsequent" note holders, as that would indicate there was already at least one endorsement on the note itself, which there is not (Exhibit L). And certainly, as one can see on the note, there is ample room for numerous endorsements on the front and back of the pages, which would not necessitate the need for a separate allonge according to Black's Law. Plaintiff has certainly made no effort to "firmly attach" this piece of paper to the note, indicating that this allonge, that was not, by affidavit of Defendant, included in the loan package shown to her and represented as the "complete loan package" by the initial counsel responsible for the Complaint, is fraudulent and created for the purposes of this litigation. It is apparent to Defendant that this mysterious "allonge" was manufactured to supplement the loan file AFTER the complaint was filed, and likely even after the loan file was passed to the current counsel, months after inception of the case.

This problem with the "allonge" is further highlighted in the case, *Lacombe v. Deutsche Bank Nat. Trust Co.*, 149 So.3d 152 (2014). This appeals case found that Deutsche Bank, as trustee, lacked standing to enforce the note and failed to acquire an interest in the note prior to the filing of the lawsuit, referencing *Mazine v. M & I Bank*, 67 S.3d 1129 (Fla., 1st DCA 2011) (party seeking foreclosure must prove it owns and holds the note and mortgage to establish standing). Deutsche Bank's ownership of the note was thus an issue it was required to prove. *Gee v. U.S. Bank Nat. Ass'n*, 72 So.3d 211, 214 (Fla. 5th DCA 2011) ("When Defendant denied that U.S. Bank had an interest in the Mortgage, ownership became an issue that U.S. Bank, as the Plaintiff, was required to prove."). The *Lacombe* case resulted in the finding that the Trustee lacked standing to bring foreclosure action; and remand was not warranted to permit trustee to establish ownership of note secured by mortgage.

The instant case has many similarities to this one. It was apparent from the beginning that there was no legal assignment or transfer or endorsement resulting in successful negotiation from

Southstar Funding to any other entity. Notwithstanding that the trust's own governing documents (prospectus and PSA) preclude the Trustee from acting in any manner opposed to the dictates of these documents, but there was not then, and is not now, any evidence provided by Plaintiff to show how the note and mortgage were assigned, transferred or sold to wind up in the possession of the named Plaintiff, Bank of New York Mellon ("BNYM"). However, we now have an admission by the affidavit of Mr. Devine that JPM Chase Bank ("Chase") is the actual entity behind the complaint. So if we were to be able to allow that transition (which we clearly cannot do because an action MUST be brought in the name of the party with the right to enforce the action, SCRCP Rule 17(a)), there is also no proof that places ownership of the mortgage and/or note with Chase. They claim to have merely inherited some of the roles of the trust by a series of acquisitions (which by now should be obvious that even that is a falsification), some placing them in precarious positions in conflicting roles in the trust, thereby engaging in "prohibited transactions" as defined by the trust, but failed to "clean up the trail" by ensuring that the proper endorsements, assignments or transfers to effect successful negotiation of a real estate transaction were done. Instead, they have filed into the record nothing less than fraudulent assignments, some ten (10) years after the trust closed, and nearly three (3) years after the claimed default, making the subject mortgage not meet the criteria of being able to be assigned into the trust even if the closing date were not an issue.

The *Lacombe* case relied on Florida Rules of Civil Procedure and Statutes, many of which are reflected in SC's RCP and Statutes. The case, for instance, relied upon FSA RCP Rule 1.530(e) which is the rule permitting appellate review of the sufficiency of the evidence to support a judgment obtained following a bench trial, despite any deficiencies in the objections made at trial and absence of post-trial motions. They found that this rule applies to appeals challenging the sufficiency of the evidence in mortgage foreclosure actions after bench trial. This same concept is promoted in SCRCP Rule 59. This case also cited FSA § 673.3011, which is the section of the

statute based on the Federal UCC Laws and identical to SC § 36-3-301. The case found that the "Trustee for the mortgage loan trust lacked standing to bring foreclosure action against mortgagors, where only endorsement of note was from original payee to successor payee, none of trustee's exhibits qualified as indorsement from successor payee to trustee, and none of exhibits tended to show that trustee was entity entitled to enforce note," based on FSA § 673.3011 (SC § 36-3-301). This is also true of the instant case. Plaintiff, who is the trustee, has not provided any credible evidence as to how it came to be in possession of the note or gained the right to enforce it, as per SC § 36-3-301. "Because they say so," is not legal proof.

In the *Lacombe* case, Deutsche Bank, as trustee, filed its complaint and provided copies of a promissory note payable to Tower Mortgage and secured by a mortgage on Appellant's residential real property. The note specifically named Tower Mortgage as the payee. The note itself did not contain any indorsement, but an allonge signed by a representative of Tower Mortgage was attached to the note and filed with the complaint. (In the instant case, no proof of possession of the note or mortgage was even filed with the complaint, making it virtually impossible for Plaintiff to prove these instruments were in its possession at the time of inception of the case, indicating that the circuit court judge originally assigned this case, should have dismissed it for lack of any proof whatsoever of Plaintiff's claim.)

In *Lacombe*, the allonge was a "special indorsement" because it named a specific payee, Long Beach Mortgage Company § 73.2051(1). Again, this is a section of the FL statutes making up the UCC laws. SC has an identical statute, § 36-3-205. Negotiation of the note (to a subsequent holder) thus required both possession and an indorsement by Long Beach Mortgage Company.

In the instant case, the allonge signed by SouthStar Funding was indorsed to Bank One. That, alone has problems, as it appears they violated the trust's governing documents from the beginning by failing to indorse to EMC or SAMI and then to the Trustee, Bank One, but

nonetheless, for negotiation to have been successful between Bank One and now BNYM claiming to be the trustee (although no proof has been tendered showing how they arrived in that role), there would have to be both possession and an indorsement from Bank One to BNYM, or any of the successor holders that may have fallen in-between. Yet the buck has stopped at Bank One, with no further demonstration of proof or even evidence if we stretch our imaginations to believe that BNYM somehow legally managed to come into possession of the note. In a review of the history of the various entities named in the trust and who are now showing up in this lawsuit, there is no merger activity or acquisition that moves anything from Bank One directly to BNYM, therefore negotiation cannot have occurred.

Lacombe went further to evaluate the evidence that had been placed into the record, and found that none of Deutsche Bank's exhibits qualifies as an indorsement from Long Beach Mortgage to Deutsche Bank, an assignment from Long Beach Mortgage to Deutsche Bank, or an affidavit otherwise proving that Plaintiff's standing to bring the foreclosure action on the note and mortgage at issue as a matter of law. Likewise, the record contains no assertion or proof by Deutsche Bank of its standing under any means identified in FSA § 673.3011. Absent evidence of the Plaintiff's standing the final judgment must be reversed. In our case, there is nothing in evidence that qualifies as an indorsement from Bank One to Bank of New York Mellon, as is required by the SC statute corresponding to the FL statute, SC § 36-3-301. Absent evidence of the Plaintiff's standing, the case must be dismissed.

In the decision to not remand back to the state court, the appellate court said, "We decline to remand the case for the presentation of additional evidence because "appellate courts do not generally provide parties with an opportunity to retry their case upon a failure of proof. *Morton's of Chicago, Inc. v. Lira*, 48 So.3d 76, 80 (Fla. 1st DCA 2010). Deutsche Bank filed its complaint in 2008 and had more than five years until the eventual trial to produce competent evidence to prove

its right to enforce the note at the time the suit was filed and prove the amount of the indebtedness. When Deutsche Bank finally tried its case in mid-2013, it relied upon a note secured by a mortgage payable to the order of the original lender, a specific indorsement transferring the debt to an entity other than Deutsche Bank, a single witness employed by the latest in a succession of "loan servicers," and upon unauthenticated, largely unexplained papers it advanced as proof of its standing. This failure of proof after ample opportunity is no reason to provide Deutsche Bank with a second opportunity to prove its case on remand. See *Wolkoff v. American Home Mortg. Servicing, Inc.*, So.3d -----, 39 Fla. L. Weekly D1159, 2014 WL 2378662 (Fla. 2d.DCA May 30, 2014); *Correa v. U.S. Bank, N.A.* 118 So.3d 952, 956 (Fla. 2d DCA 2013)." The final judgment of foreclosure was reversed due to the insufficiency of the evidence to support the judgment. In the instant case, BNYM has had nearly three (3) years to provide proof of their standing, which would include an indorsement to them, and not to another entity. Due to this lack of proof, this case should be dismissed with prejudice and possible sanctions against Plaintiff for bringing a fraudulent claim to the courtroom.

ISSUE 4

Is the summary of payments attached to Ms. Lanier's affidavit admissible, and does it create an issue of fact?

DEFENDANT'S RESPONSE

Just as Plaintiff has provided a summary of their accounting of the total amount owed on the subject mortgage until finally providing what few payment records they were in possession of to establish some background to their summary, Defendant has provided a similar summary. However, in Exhibit M to this memorandum, Defendant has provided a corrected summary (two of the numbers were copied incorrectly) and the redacted backup documentation that shows how this summary was derived.

All throughout her career, Defendant has provided to her CPA each year, a summary spreadsheet where she tracked not only the interest amounts provided to her at the end of each year by any bank that held a mortgage with her, but in many cases, she tracked the principal payments she had made. In most cases, Defendant's mortgage payments consisted of only interest and principal, as she generally did not escrow funds for taxes and insurance. Therefore, it was quite simple each year to total up the 12 monthly payments made to each mortgage bank, and subtract out the interest shown on the banks' year-end statements to arrive at the principal paid that year. Her redacted spreadsheets show these figures that were kept as a normal course of business, and were based on bank records available at the time the spreadsheets were created. This was a common practice so that her CPA did not have to pore through pages of bank statements to arrive at the data already compiled by Defendant. She and her CPA still, to this day, employ this method of Defendant providing her CPA with summaries of her finances each year.

For each year the loan was in force, there is a supporting spreadsheet showing the interest figure provided by the banks via their year-end reports, as well as Defendant's calculations based on her actual payment history toward principal, minus the interest amounts. What is a remarkable finding showcased by the overall summary spreadsheet (first page of the exhibit) is that in all the years reported, there was only one time when the "interest paid" figure that came directly from the year-end reports from the bank then servicing the loan (see Lanier Records, Interest Paid, 2007), matched the total derived from adding up the interest payments reported in the payment records provided by the Plaintiff. And even that one matching figure from EMC was not corroborated by the figure for the same time period provided on the payment records by Chase. This is strong evidence, even at this cursory review, that the payment records provided to Defendant in discovery were fabricated, likely in an attempt to hide the egregious accounting records (or lack thereof) that certainly would not measure up under any audit following GAAP.

Additionally, in the records provided by Plaintiff, there are fully 3.5 years of payment transactions missing. Defendant's spreadsheet that has been verified by her CPA and that was attached to his affidavit, is also provided as Exhibit N. This spreadsheet merely summarizes the data contained on the payment documents provided by Plaintiff. During the years when there were no payment transactions reported, it appears the servicer, Alliance Mortgage or Everhome, was supplying a running total of the principal balance, prompted in each display of this balance by a change in the Libor rate that impacted the interest amount owed on the interest-only loan. Exhibit O is a sample page pulled from Plaintiff's payment records presented in discovery and again in support of Mr. Devine's affidavit. This shows that the principal loan balance reported by Alliance on March 1, 2003 (only 7 months into the loan, as the first payment was due and paid on September 1, 2002) is $578,250.00. Since the original loan balance was $582,250.00, this would mean that the total amount paid to decrease the principal loan balance (while also paying the required interest) was only $4000.00. However, Defendant has located two (2) online banking printouts, one showing a payment to Alliance on October 4, 2002 for S15,000.00 and one showing a payment to Alliance on January 6, 2003 for $10.000.00 (see Exhibit P). Although we are missing the interest amounts owed for the months of October, November and December of 2002, we can surmise by looking at the spreadsheet summary (Exhibit M) that the interest owed in October of 2002 was approximately $1939.00. If you subtract that amount from the $15,000.00 payment shown on the online bank report from October, 2002, there would have been $13,061.00 applied to principal just for that one payment. We are provided with the interest owed for the January, 2003 payment, $1,934.17 (see spreadsheet). If you subtract that amount from the $10,000.00 payment shown on the online bank report for January, 2003, there would have been $8,065.83 additional applied to principal. Defendant's memory indicates that she made four (4) payments of $15,000.00 from September through December of 2002, and made several payments of $10,000 starting in January, 2003 until

near the end of the year when she used cash on hand to purchase a car for her husband for Christmas. However, if you just consider the two payments we can see from the banking statements, by March of 2003, Alliance was already off by at least $17,126.80 in their reporting of the principal balance still owed. Over time, it only got worse.

Then, if you go to the summary spreadsheet compiled from the records provided by Plaintiff, all sorts of other anomalies appear:

- No payment records are provided between the dates of September 1, 2002 and including November 1, 2005 (38 months)
- On March 1, 2006, even though their payment records show that ample funds were sent to cover the required interest payment (and they show an overage in their records), the interest for that month was short-payed by $2.85, likely resulting in some sort of penalty, but it is not shown clearly on their records.
- In September, October and November of 2006, the account was assessed late fees, although the payment dates and amounts clearly indicate that nothing was late. These fees were never returned to the account.
- The records produced by the Plaintiff show data from three (3) separate entities: Everhome (which took over servicing from Alliance at some point, likely in 2003), EMC and Chase, although the Chase data does not start until January 1, 2007.
- From January 1, 2007 through September 1, 2007, the data provided by the different entities do not match. It is impossible to determine what was actually credited to the subject loan account.
- From December 1, 2007 through October 1, 2008, the Chase data is missing.

- When the Chase data returns on November 1, 2008, there is again a mismatch between Chase and EMC (Everhome/Alliance dropped out of the picture in December of 2007) in the amounts of the payments made and how they were posted to principal and interest. That mismatch continues through March 1 of 2009.
- In February, April and May of 2009, late payments again were assessed, but the payments were clearly received on time, and included significant amounts for principal in addition to the interest amounts owed. In April and March of that year, it appears the entire payments were misapplied to late charges that were not owed, that likely resulted in additional fees because they were not posted to the appropriate categories.
- Beginning in June of 2009 and continuing through June of 2010, there were mismatches reported between EMC and Chase for each of those 13 months.
- EMC shows payments made for July and August of 2010, but Chase does not. They do show, however, large amounts ($3783.41 and $587.51) taken out of the subject loan account and posted to "HOA Dues" and "Sanitation Fees," respectively. The subject property does not have either of those expenses.
- From December of 2010 until the final date reported, December of 2013, there are unusual fees, some called "Property Preservation" assessed each month. Defendant and her family have lived in the property continually and there has been no requirement for anyone to provide anything toward "property preservation" or any of the other fees named.

This information, combined with the spreadsheets kept by Defendant for her own tax accounting purposes, should serve as valid evidence of the shoddy and incomplete records upon which the current Plaintiff now relies to establish a debt owed. Defendant disputes that there is a

debt owed, and Plaintiff has demonstrated that it cannot prove whether there is a debt, or establish an amount if there is.

Defendant has already provided information in her affidavit that explains that when she realized just how far apart in the principal balance figures her accounting and her mortgage statements by the servicer in 2010 were, she contacted the servicer to try to get a full accounting then to resolve this matter. After receiving a run-around for about 8 months, she informed them that unless and until they could demonstrate that there was still a debt owed on the mortgage, she was discontinuing payments. They never complied with her request.

It is apparent to Defendant, given the delay between that event (the loan would have been considered to be in default no later than 90 days past the last payment in September of 2010) and this foreclosure complaint filing, that in all likelihood, EMC recognized they were in error, could not cure that error because the records did not exist (dating back to Alliance Mortgage's servicing days), and wrote the loan off, or determined that it had been paid in full. The trust documents certainly support the latter. However, in 2013, in a quest to seek unjust enrichment, Plaintiff, or more likely counsel acting on their behalf without authority, decided to pursue this case. During discovery, Defendant requested any proof that the named Plaintiff, BNYM, has any knowledge of this legal action, or any proof that they had authorized anyone to pursue this action on their behalf. Nothing has been provided. When Defendant tried to clear up the question of the trust issues by deposing the named trust manager at BNYM who would have most of the knowledge necessary to resolve many of the riddles, the push-back from Plaintiff's counsel was extraordinary. All of these clues lead to a reasonable conclusion that this entire lawsuit is the action by a "foreclosure mill" who located this loan claimed in default back in 2010 or 2011, researched and found there to be a lot of equity in the property, and decided to "take a shot" to see if the Defendant would just roll over and give them a valuable property to which they had no claim.

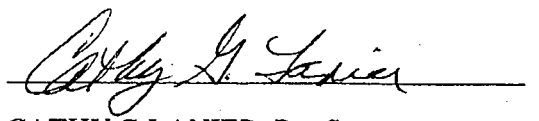
Nothing provided by Plaintiff, or in the research by Mr. McCaffrey and Defendant, places the named Plaintiff, BNYM or the purported servicer, Chase, in possession of the note according to the requirements of negotiation found in the UCC. In fact, due to the "special indorsement" contained in the suspicious allonge, there has to be further endorsements through the chain of title to have the note wind up, ultimately with BNYM. There are clearly no further endorsements. And now we discover that not only do the reports indicate the trust was closed prior to the filing of this case, that the company that owned the trust was actually shut down a full year before the case was filed. This case must be dismissed due to lack of any competent proof that anyone associated with this case on the Plaintiff's side, has standing at all.

Defendant has included as an addendum to this memorandum (in tabbed section Q), cases and case summaries used to illustrate her points, as well as a few additional ones of which she would like the court to take notice. Of particular interest is Holm v. Wells Fargo and Federal Home Loan Mortgage, Circuit Court, Clinton County, MI January 26, 2015. In this case Wells Fargo, apparently using some of the same type of "evidence" seen in the instant case, won a foreclosure case against the Holms. The foreclosure sale was also conducted, even after the Holms had obtained the necessary funds to prevent the sale. The Holms then tried to set aside the foreclosure sale and/or reinstate the loan, but were unsuccessful. An unlawful detainer action was filed against them, prompting the subject lawsuit. Without going to a lot of detail, suffice to say that the court found that the evidence provided by the Defendants in the foreclosure case and the current case was found to be insufficient proof that Defendants had any right to the note and mortgage. The Plaintiffs were awarded quiet title to their home, as well as compensatory damages including emotional distress, totaling roughly $300,000.00. They were also awarded punitive damages of nearly $3,000,000.00 for the unfair and unreasonable manner in which they were treated by the banks. Defendant has suffered business loss, emotional distress, reputational damage, and further

financial distress due to Plaintiff's actions and Defendant offers this case as an example of how courts in our country are now "on to" the various fraudulent claims and remorseless abuse of financially strapped citizens, and urges this court to consider a similar outcome in the instant case.

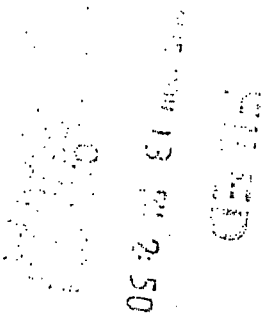
WHEREFORE, Defendant prays that the Court review the documentation provided and agree that the Plaintiff did not exist in the capacity so named in the caption as of the inception of the lawsuit, Plaintiff cannot prove standing, or the amount of, or existence of, a debt owed, and cannot be awarded Summary Judgment and this case must be dismissed. Due to the hardships placed on Defendant for the last nearly three (3) years by Plaintiff, Defendant further requests that the Complaint be dismissed with prejudice against Plaintiff and related parties, such as JPM Chase Bank, title be quieted to the Defendant, the consideration of possible sanctions against one or both Plaintiffs, compensatory and punitive damages, and for such other and further relief as the court deems appropriate that might allow Defendant to restore her life back to some state of normalcy.

Respectfully submitted,



CATHY G LANIER, Pro Se

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cathy@tsisc.com
Pro Se



Lexington, SC
November 12, 2015

480.292 7996 | AZCLDP #R1339
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Exhibit A

CATHY G. LANIER

Real Property Located:
172 BELLE CHASE DRIVE
LEXINGTON, SC
29072

AFFIDAVIT OF WILLIAM McCAFFREY

I William McCaffrey, declare as follows:

I am over the age of 18 years and qualified to make this AFFIDAVIT and a resident of the State of Arizona and make this affidavit based on my own personal knowledge and research. I have no direct or indirect interest in the outcome of the case at bar for which I offer my observations, analysis, opinions and testimony. My experience in the banking industry encompasses over three decades of service for federally insured institutions including ten years with my previous organization, Indy Mac Bank FSB, as Business Development Manager. Currently I am Consulting for Housing Mortgage Consultants Inc.

I have personal knowledge and experience to render opinions in the topic areas related to the securitization of mortgage loans, derivative securities, the securities industry, Uniform Commercial Code practices, predatory lending practices, Truth in Lending Act requirements, loan origination and underwriting, accounting in the context of securitization and pooling and servicing of securitized loans, assignment and assumption of securitized loans, creation of trusts under deeds of trust, pooling and agreements, and issuance of asset backed securities, specifically mortgage-backed securities by special purpose vehicles in which an entity is named as trustee for holders of certificates of mortgage backed securities.

I have experience in the economics of securitized residential mortgages during the period of 2001-2008, appraisal fraud, and its effect on annual percentage rate ("APR") disclosure, usury, exceeding the legal limit for interest charged, foreclosure of securitized and non-securitized residential mortgages. I have been qualified to testify in Superior Court, United States District Court, and United States Bankruptcy Court.

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in the past few years, I have served as Expert Witness in numerous civil cases and have testified at trial in Federal and Superior Courts including California, Nevada, Arizona, Texas, New Mexico, and South Carolina. Some of the Superior Court Cases include *Marshall and Isley Bank v. Izzo, Slikker v. Kondaur, Brokalakis v. National City Mortgage, and Wells Fargo Bank v. Dutson.* Superior Court Judges' Ronan, Garcia, and Budoff, US Bankruptcy Judges Markell and Reigle, as well as Commissioners' Davis, Ellis, and Hamner have affirmed my testimony.

Using software which permits investors and licensed users to access "named trust-entities" which are corporate/trust documents filed with the Securities and Exchange Commission, I can find each Mortgage Note held by this named trust-entity, and can verify its status and have the knowledge and experience to perform these searches with accuracy. I am also an experienced securitization analyst and submit this affidavit having first hand knowledge of the following facts:

AUGUST 2, 2002 subject note is generated in the amount of $582,250.00 stating "lender" as SOUTHSTAR FUNDING, LLC DBA CAPITAL HOME MORTAGE ("SOUTHSTAR"). A mortgage was then recorded having a Mortgage Identification Number ("MIN") of 1001908-3610016002-2 for subject property located at 172 BELLE CHASE DRIVE, LEXINGTON, SC, 29072.

According to my research findings, the subject loan was then securitized by SOUTHSTAR and placed into a Structured Asset Mortgage Investments, Inc., Mortgage Pass-Through Certificates, Series 2002-AR4 Trust (EXHIBIT A) This trust was initially intended to be a Real Estate Mortgage Conduit ("REMIC") within the meaning of section 860D of the Internal Revenue Code ("The Code") per the trust agreement, which governs the rules of the subject trust.

The REMIC's purpose was intended to do away with double taxation by not taxing at the entity level. This change automatically boosted yields over other securities

that would otherwise be taxed To obtain REMIC classification, a trust must satisfy the **TIMING** requirement stating within three months after the trust's startup date substantially all of its assets must be assigned to the trust and qualified mortgages.

The Lanier Mortgage does not comply. Recorded assignments (EXHIBIT B) are dated 2012 or 2013. Suspect entities JPMorgan Chase ("Chase") and Mortgage Electronic Registration Systems ("MERS") recorded subject assignments over 10 years late. The failure of Chase and MERS to properly transfer the Lanier mortgage note cause the trust to fail the timing prerequisite to qualify for REMIC status, consequently what they do legally own does not appear to be secured by interests in real property.

Further disturbing is letter from US Bank National Association ("US Bank") dated November 14, 2012 from Michael D. Bengtson, Assistant Vice President of US Bank stating the Lanier mortgage in an entirely different location named Asset Backed Pass Through Certificate Series 2006-WMC1 Trust (EXHIBIT C).

The only potential party to foreclosure where the alleged financial injury and right to collect the obligation, enforce the note or enforce the security instrument is either a party who lost money or stands to lose money, or authorized representative demonstrating authority and answerable to claims, affirmative defenses and counterclaims of borrowers for such causes of action or defenses as might be applicable. JP Morgan Chase Bank, NA nor any of its purported successors or trustees, fit any of these descriptions.

All facts and statements made in this affidavit are true according to my research and knowledge and opinions are based on decades of my relevant experience within the banking industry. I have no direct or indirect interest in the outcome of the case for which I offer my observations, analysis, opinions and testimony.

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FURTHER AFFIANT SAYETH NAUGHT.

William McCaffrey

SWORN TO AND SUBSCRIBED before me, the undersigned notary public, this 5 day of April 2014.

Notary Public

My commission expires: 10-23-15

NOTARY PUBLIC
STATE OF ARIZONA
Maricopa County
AARON ARGANDONA
My Commission Expires October 23, 2015

For Exhibit B to
This document
See Exhibit I to
Exhibits Package

Exhibit C

If your word processor does not honor RTF margins, you must manually set them to these to get good results: Left - .75"; Right - .50"; Top - .75"; Bottom - .50".

PROSPECTUS SUPPLEMENT
(TO PROSPECTUS DATED OCTOBER 29, 2002)

$494,500,100
(APPROXIMATE)

STRUCTURED ASSET MORTGAGE INVESTMENTS INC.
Seller
WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION
Master Servicer and Securities Administrator
STRUCTURED ASSET MORTGAGE INVESTMENTS TRUST 2002-AR4
Issuer

MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 2002-AR4

The Seller will form Structured Asset Mortgage Investments Trust 2002-AR4, and the trust will issue the certificates which will represent the entire beneficial interest in the trust. The assets of the trust will be primarily a pool of adjustable rate mortgage loans secured by first liens on one- to four-family residential properties. Cashflow from the mortgage loans and certain other proceeds from the mortgage loans will pay the classes of related certificates. Only the certificates identified below are offered hereby.

Consider carefully the risk factors beginning on page S-16 of this prospectus supplement and on page 2 of the prospectus before purchasing any Certificates.

The certificates are obligations only of the trust. Neither the certificates nor the mortgage loans are insured or guaranteed by any person, except as described herein. Distributions on the certificates will be payable solely from the assets transferred to the trust for the benefit of certificateholders.

Neither the Securities and Exchange Commission nor any state securities commission has approved the certificates or determined if this prospectus supplement or the prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

The Attorney General of the State of New York has not passed on or endorsed the merits of this offering. Any representation to the contrary is unlawful.

$457,500,000	Variable Rate(1)	Class A-1	$ 50	Variable	Class
R-II					
Certificates		Certificates		Rate(1)	
$494,500,000(3)	Variable Rate(1)	Class X	$ 7,000,000	Variable	Class B-1
Certificates(4)		Certificates		Rate(1)	
$ 22,250,000	Variable Rate(1)	Class A-2	$ 4,750,000	Variable	Class B-2
Certificates (4)		Certificates (2)		Rate(1)	
$ 50	Variable Rate(1)	Class R-I	$ 3,000,000	Variable	Class B-3
Certificates (4)		Certificates		Rate(1)	

(1) As described on pages S-4 through S-6 in this prospectus supplement.
(2) This class is a senior mezzanine certificate.
(3) Notional Amount.
(4) This class is a subordinate certificate.

Bear, Stearns & Co. Inc., as the underwriter, will offer the certificates set forth above, subject to certain conditions, from time to time in negotiated transactions at varying prices to be determined at the time of sale. See "Method of Distribution" herein.

The Underwriter will deliver to purchasers the Class R Certificates in physical form, and the remaining certificates set forth above in book-entry form through The Depository Trust Company, in each case on or about October 31, 2002.

BEAR, STEARNS & CO. INC.

The date of this prospectus supplement is October 29, 2002.

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IMPORTANT NOTICE ABOUT INFORMATION PRESENTED
IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS

The Issuer provides information to you about the certificates in two separate documents that progressively provide more detail: (a) the accompanying prospectus, which provides general information, some of which may not apply to your certificates; and (b) this prospectus supplement, which describes the specific terms of your certificates.

If the terms of your certificates vary between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

The Issuer includes cross-references in this prospectus supplement and the accompanying prospectus to captions in these materials where you can find further related discussions. The preceding table of contents provides the pages on which these captions are located.

The Issuer may have filed preliminary information regarding the trust's assets and the certificates with the SEC. If so, the information contained in this document supersedes all of that preliminary information, which was prepared by the underwriter for prospective investors.

Statements contained herein which do not relate to historic or current information may be deemed to contain forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended. Actual results could differ materially from those contained in those statements.

The Seller's principal offices are located at 383 Madison Avenue, New York, New York 10179 and its telephone number is (212) 272-2000.

SUMMARY OF TERMS

This summary highlights selected information appearing in greater detail elsewhere in this Prospectus Supplement and in the accompanying Prospectus. To understand the offering, you should carefully read the entire Prospectus Supplement and Prospectus. You can find the location of the meaning assigned to capitalized terms used but not defined in this summary in the Index of Principal Definitions herein.

Issuer.....Structured Asset Mortgage Investments Trust 2002-AR4, also referred to as the "trust."

Seller.....Structured Asset Mortgage Investments, Inc., or "SAMI."

Mortgage Loan Seller.....EMC Mortgage Corporation, an affiliate of the seller.

Master Servicer.....Wells Fargo Bank Minnesota, National Association.

Servicer.....Alliance Mortgage Company.

Trustee .....Bank One, National Association.

Securities Administrator.....Wells Fargo Bank Minnesota, National Association.

Cut-off Date.....October 1, 2002.

Closing Date.....On or about October 31, 2002.

The Certificates

Title.....Structured Asset Mortgage Investments Trust, Mortgage Pass-Through Certificates, Series 2002-AR4. The trust will issue the certificates pursuant to a pooling and servicing agreement to be dated as of the Cut-off Date among EMC Mortgage Corporation, the master servicer, the securities administrator, the seller and the trustee.

Offered Certificates.....The classes of certificates in the approximate principal amounts or notional amounts set forth on the cover page hereto. The offered certificates have pass-through rates as follows:

- The Class A-1 Certificates will bear interest at a variable pass-through rate equal to the least of (i) One-Month LIBOR plus a margin initially equal to 0.42%, (ii) 11.00% per annum and (iii) the weighted average of the net rates of the mortgage loans. On the first distribution date following the first possible optional termination date, the related margin will increase to 0.84%. The pass-through rate with respect to the first interest accrual period is expected to be approximately 2.25% per annum.

- The Class R-I and Class R-II Certificates will bear interest at a variable pass-through rate equal to the weighted average of the net rates of the mortgage loans. The pass-through rate with respect to the first interest accrual period is expected to be approximately 3.49% per annum.

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- The Class X Certificates will bear interest at a variable pass-through rate equal to the greater of (i) zero and (ii) the excess of (x) the weighted average of the net rates of the mortgage loans over (y) the weighted average of the pass-through rates on the Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 certificates, based on a notional amount equal to the aggregate current principal amount of the Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 certificates.

The pass-through rate with respect to the first interest accrual period is expected to be approximately 1.219% per annum, which excludes the additional payment to be made to the Class X Certificates on the first distribution date as described in this prospectus supplement. The amount of interest payable to the Class X Certificates will be reduced by any amounts necessary to fund the Carryover Shortfall Reserve Fund (as defined herein) to pay any Carryover Shortfall Amount to the Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 certificates on the related distribution date.

- The Class A-2 Certificates will bear interest at a variable pass-through rate equal to the least of (i) One-Month LIBOR plus a margin initially equal to 0.55%, (ii) 11.00% per annum and (iii) the weighted average of the net rates of the mortgage loans. On the first distribution date following the first possible optional termination date, the related margin will increase to 0.825%. The pass-through rate with respect to the first interest accrual period is expected to be approximately 2.38% per annum.

- The Class B-1 Certificates will bear interest at a variable pass-through rate equal to the least of (i) One-Month LIBOR plus a margin initially equal to 0.85%, (ii) 11.00% per annum and (iii) the weighted average of the net rates of the mortgage loans. On the first distribution date following the first possible optional termination date, the related margin will increase to 1.275%. The pass-through rate with respect to the first interest accrual period is expected to be approximately 2.68% per annum.

- The Class B-2 Certificates and Class B-3 Certificates will bear interest at a variable pass-through rate equal to the least of (i) One-Month LIBOR plus a margin initially equal to 1.00%, (ii) 11.00% per annum and (iii) the weighted average of the net rates of the mortgage loans. On the first distribution date following the first possible optional termination date, the related margin will increase to 1.50%. The pass-through rate with respect to the first interest accrual period is expected to be approximately 2.83% per annum.

Other Certificates.....The Trust also will issue the following classes of "Other Certificates," in the indicated approximate original principal amounts, which, in the case of the Class B-4, Class B-5 and Class B-6 Certificates, will provide credit support to the offered

certificates, but which are not offered by this prospectus supplement:

Class	Initial Principal Amount
Class B-4 Certificates	$1,750,000
Class B-5 Certificates	$1,000,000
Class B-6 Certificates	$2,750,000

The Class B-4, Class B-5 and Class B-6 Certificates will bear interest at a variable pass-through rate equal to the weighted average of the net rates of the mortgage loans. The pass-through rate with respect to the first interest accrual period is expected to be approximately 3.49% per annum.

The information contained herein with respect to the other certificates is provided only to permit you to better understand the offered certificates.

Other Designations -

Certificates	Offered certificates and other certificates.
Senior Certificates	The Class A-1, Class X, Class R-I and Class R-II certificates.
Interest Only Certificates	The Class X certificates.
Adjustable Rate Certificates	The Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 certificates.
Senior Mezzanine Certificates	The Class A-2 certificates.
Subordinate Certificates	The Class B-1, Class B-2, Class B-3, Class B-4, Class B-5 and Class B-6 certificates.
Offered Subordinate Certificates	The Class B-1, Class B-2 and Class B-3 certificates.
Regular Certificates	All classes of certificates other than the Residual Certificates.
Residual Certificates	The Class R-I and Class R-II certificates.
Physical Certificates	The Residual Certificates and Other Certificates.
Book-Entry Certificates	All certificates other than the physical certificates.
Denominations	Senior certificates, other than the Residual Certificates, and the senior mezzanine certificates, $1,000 and increments of $1.00 in excess thereof; each Residual Certificate, a single certificate of $50; and the offered subordinate certificates, $25,000 and increments of $1.00 in excess thereof.
Registration	Each investor in a class of book-entry certificates will hold beneficial interests in such certificates through DTC. Each class of physical certificates will be issued in certificated fully-registered form.

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Distribution Dates.....	The 19th day of each month, or if such day is not a business day, then the next succeeding business day, beginning in November 2002.
Record Date.....	With respect to the certificates, other than the adjustable rate certificates, the close of business on the last business day of the month preceding the month in which the related distribution date occurs. With respect to the adjustable rate certificates, the 18th day of the month of that distribution date.
Interest Accrual Period.....	With respect to the certificates, other than the adjustable rate certificates, the calendar month preceding the month in which the distribution date occurs, beginning in October 2002. With respect to the adjustable rate certificates, the period commencing on the 19th day of the preceding calendar month (or in the case of the first distribution date, the closing date), to the 18th day of the month of that distribution date, beginning in October 2002.
Pre-Funding Account.....	On the closing date, the Seller will pay to the Trustee $75,537,337 (the "Pre-Funded Amount"), which will be held by the Trustee in an account (the "Pre-Funding Account"). From the closing date up to and including January 29, 2003 (the "Pre-Funding Period"), the Seller may sell and the Trustee will be obligated to purchase, on behalf of the trust, subsequent mortgage loans to be included in the mortgage pool; provided that such subsequent mortgage loans satisfy the requirements described in "Description of the Mortgage Loans - Conveyance of the Subsequent Mortgage Loans and the Pre-Funding Account". The amount on deposit in the Pre-Funding Account will be reduced by the amount thereof used to purchase such subsequent mortgage loans during the Pre-Funding Period. Any amounts remaining in the Pre-Funding Account after January 29, 2003 will be distributed on the next distribution date to the Class A-1 Certificates. Although it is intended that the principal amount of subsequent mortgage loans sold to the trust will require application of substantially all of the amount deposited into the Pre-Funding Account on the closing date and it is not currently anticipated that there will be any material principal payments from amounts remaining on deposit in the Pre-Funding Account, no assurance can be given that such distributions will not occur on the distribution date immediately following the termination of the Pre-Funding Period. In any event, it is unlikely that the Seller will be able to deliver subsequent mortgage loans with aggregate principal balances that exactly equal the amount deposited into the Pre-Funding Account on the closing date.
Interest Coverage Account...	On the closing date, the Seller will pay to the Trustee for deposit in an interest coverage account, an amount which will be applied by the Trustee to cover shortfalls in the amount of interest generated by the mortgage loans attributable to the pre-funding feature. Any amounts remaining in the Interest Coverage Account after January 29, 2003 will be distributed on the next distribution date to the Seller or its designee.
Carryover Shortfall Amount..	To the extent the related weighted average net rate is paid to the Class A-1, Class A-2, Class B-1, Class B-2 or Class B-3

Certificates, the difference between the weighted average net rate and the lesser of (x) One-Month LIBOR plus the related margin and (y) 11.00% will create a shortfall that will carry forward with interest thereon. The amount of this shortfall will be covered by amounts otherwise payable to the Class X Certificates in the manner and priority described in this prospectus supplement. See "Description of the Certificates-Interest."

The Mortgage Pool.....Primarily first lien adjustable rate mortgage loans secured by one- to four-family residences and individual condominium units having original terms to stated maturity of 30 years or less.

The mortgage rates on 42.30% of the initial mortgage loans adjust monthly based on One-Month LIBOR. The mortgage rates on 57.70% of the initial mortgage loans adjust semi-annually based on Six-Month LIBOR. The indices are as described under "Description of the Initial Mortgage Loans--Indices on the Mortgage Loans" in this prospectus supplement.

Approximately 54.05% and 44.65% of the initial mortgage loans were originated by HomeBanc Mortgage Corporation and SouthStar Funding, LLC or its affiliate, respectively.

All of the mortgage loans will receive interest only for the first ten years.

The issuer has set forth below certain information regarding the initial mortgage loans and the related mortgaged properties as of the cut-off date. Schedule A, which is attached and is a part of this prospectus supplement, presents more detailed statistical information relating to such mortgage loans. You should also refer to "Description of the Mortgage Loans" in this prospectus supplement.

	Mortgage Loans
Number of Initial Mortgage Loans	1,467
Aggregate Scheduled Principal Balance	$424,462,763
Minimum Scheduled Principal Balance	$61,856
Maximum Scheduled Principal Balance	$2,634,400
Average Scheduled Principal Balance	$289,341
Minimum Mortgage Rate	3.000%
Maximum Mortgage Rate	5.750%
Weighted Average Mortgage Rate	3.865%
Weighted Average Net Rate	3.490%
Minimum Remaining Term to Maturity	297
Maximum Remaining Term to Maturity	360
Weighted Average Remaining Term to Maturity	308

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	Mortgage Loans
Weighted Average Original Loan-to-Value Ratio(1)	76.99%
Top 3 Locations of Mortgage Property	GA-51.45% FL-24.15% OH-4.61%
Weighted Average Gross Margin	2.034%
Weighted Average Cap at First Interest Adjustment Date	None
Weighted Average Periodic Cap	None
Weighted Average Maximum Lifetime Mortgage Rate	12.000%
Weighted Average Months to First Interest Adjustment Date(2)	4

(1) Loan-to-value ratios are calculated by taking the principal balance of the mortgage loan at origination and dividing it by the lesser of the original appraised value and the sales price of the property for purchase mortgage loans and by the original appraised value for refinance mortgage loans.

(2) Months to next rate adjustment is calculated by using the first rate adjustment date for mortgage loans still in the hybrid period and by using next rate adjustment for mortgage loans that are fully indexed.

Distributions on the Certificates

General. The issuer will make distributions with respect to each class of certificates primarily from certain collections and other recoveries on the mortgage loans. On each distribution date with respect to either payments of interest or principal: (1) the senior certificates will be entitled to receive all amounts distributable to them for such distribution date before any distributions are made to the senior mezzanine certificates and the subordinate certificates on such date, (2) the senior mezzanine certificates will be entitled to receive all amounts distributable to them for such distribution date before any distributions are made to the subordinate certificates on such date and (3) the subordinate certificates of each class will be entitled to receive all amounts distributable to them for such distribution date before any distributions are made on such date on any class of subordinate certificates with a higher numerical class designation.

The servicer will collect monthly payments of principal and interest on the mortgage loans and will be obligated to make advances of delinquent monthly principal and interest payments under the circumstances described herein. After retaining servicing fees due to it and amounts that reimburse it for reimbursable expenses and advances, the servicer will remit such collections and any required delinquency advances to the trustee on the 18th day of the month or the preceding business day. The master servicer will be obligated to make any required delinquency advances if the servicer fails in its obligation to do so, to the extent provided in the Agreement. The master servicer will remit such delinquency advance to the trustee on the business day prior to the distribution date. The master servicer

will be entitled to direct the trustee to remit to it the master servicing fee and any amounts due to the master servicer under the Agreement. In this prospectus supplement, the section "Description of the Certificates--Available Funds" describes the aggregate amount of such monthly collections and advances.

Distributions to Certificateholders will be made as follows:

Step 1

Distributions of interest to the Senior Certificates

Step 2

Distribution of principal to the Senior Certificates
(other than the Class X Certificates)

Step 3

Distribution of interest to the Senior Mezzanine Certificates

Step 4

Distribution of principal to the Senior Mezzanine Certificates

Step 5

Distribution to the Offered Subordinate Certificates
as follows:

- Interest to the Class B-1 Certificates
- Principal to the Class B-1 Certificates
- Interest to the Class B-2 Certificates
- Principal to the Class B-2 Certificates
- Interest to the Class B-3 Certificates
- Principal to the Class B-3 Certificates

Step 6

Distribution of interest and principal sequentially to the Other Certificates

Step 7

Distribution of any remaining funds to the Residual Certificates (1)

(1) It is very unlikely that any distributions will be made to the Residual Certificates under Step 7.

As a certificateholder, you will generally be entitled to receive on each distribution date interest on the certificates you hold, which will accrue during the preceding interest accrual period, in an amount generally equal to:

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- 1/12th

multiplied by

- the applicable pass-through rate for such class set forth in this prospectus supplement

multiplied by

- the current principal amount or notional amount of such class immediately prior to such distribution date.

You will also be entitled to receive any previously accrued and unpaid interest on such classes.

Shortfalls of interest incurred on the mortgage loans may reduce interest distributions. The servicer will make up certain interest shortfalls as a result of prepayments in full and in part with compensating interest payments from its servicing fee. Interest will generally be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Principal distributions on certificates entitled to principal distributions will be allocated among the various classes of certificates as more fully described under "Description of the Certificates--Distributions on the Certificates" in this prospectus supplement. Not all classes of offered certificates will receive principal on each distribution date.

Credit Enhancement -- General.....The subordinate certificates will provide credit enhancement for the senior mezzanine certificates and the senior certificates. The senior mezzanine certificates will provide credit enhancement for the senior certificates. Each class of subordinate certificates with a higher numerical class designation will provide credit enhancement for each class of certificates with a lower numerical class designation.

Credit Enhancement -- Subordination; Allocation of Losses.....The issuer will make distributions to senior certificates prior to distributions to the senior mezzanine certificates and the subordinate certificates. The issuer will make distributions to the senior mezzanine certificates prior to distributions to the subordinate certificates. The issuer will make distributions as among the subordinate certificates, to such classes in numerical order.

So long as the subordinate certificates are outstanding, the issuer will allocate losses on the mortgage loans first to the subordinate certificates, in reverse numerical order beginning with the class with the highest numerical designation. After the aggregate principal balance of the subordinate certificates is reduced to zero, the issuer will allocate losses on the mortgage loans to the senior mezzanine certificates, and then to the senior certificates.

The issuer will allocate a loss to a certificate by reducing its principal amount by the amount of the loss. Losses occur if:

- the trust cannot dispose of a mortgaged property upon liquidation for an amount at least equal to the total amount the mortgagor owed plus expenses of liquidation and any unreimbursed advances; or
- the mortgagor's monthly payments are reduced or the principal balance of the mortgage loan is reduced following a bankruptcy proceeding or default modification.

If no senior mezzanine or subordinate certificates remain outstanding, losses with respect to the mortgage loans will be allocated among the senior certificates in proportion to their remaining principal amounts.

Such subordination will increase the likelihood of timely receipt by the holders of the certificates with higher relative payment priority of the maximum amount to which they are entitled on any distribution date and will provide such holders protection against losses resulting from defaults on mortgage loans to the extent described in this prospectus supplement.

As of the Closing Date, the aggregate current principal amounts of the Class A-2, Class B-1, Class B-2, Class B-3, Class B-4, Class B-5 and Class B-6 certificates will equal approximately 8.50% of the aggregate current principal amounts of all the classes of certificates. As of the Closing Date, the aggregate current principal amounts of the Class B-1, Class B-2, Class B-3, Class B-4, Class B-5 and Class B-6 certificates will equal approximately 4.05% of the aggregate current principal amounts of all the classes of certificates. As of the closing date, the aggregate current principal amounts of the Class B-4, Class B-5 and Class B-6 certificates will equal approximately 1.10% of the aggregate current principal amounts of all the classes of certificates.

In addition, to extend the period during which the senior mezzanine certificates and subordinate certificates remain available as credit enhancement to the senior certificates, the issuer will allocate the entire amount of any prepayments and certain other unscheduled recoveries of principal with respect to the mortgage loans to the senior certificates to the extent described in this prospectus supplement during the first ten years after the cut-off date (with such allocation to be subject to further reduction over an additional four year period thereafter as described in this prospectus supplement), unless the amount of subordination provided to the senior certificates is at least twice the amount as of the cut-off date, and certain loss and delinquency tests are satisfied. This will accelerate the amortization of the senior certificates as a whole while, in the absence of losses in respect of the mortgage loans, increasing the percentage interest in the principal balance of the mortgage loans the senior mezzanine certificates and subordinate certificates evidence.

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Also, after the aggregate principal balance of the senior certificates is reduced to zero, the issuer will allocate the entire amount of any prepayments and certain other unscheduled recoveries of principal to the senior mezzanine certificates unless certain loss and delinquency tests are satisfied. This will accelerate the amortization of the senior mezzanine certificates while, in the absence of loss in respect of the mortgage loans, increasing the percentage interest in the principal balance of the mortgage loans the subordinate certificates evidence.

Additional information about these matters appears under the captions "Description of the Certificates-Distributions on the Certificates," "-Allocation of Losses; Subordination" and "-Subordination" in this prospectus supplement.

Monthly Advances.....The servicer will be obligated to advance delinquent scheduled payments of principal and interest on the mortgage loans under the circumstances described in this prospectus supplement.

Yield and Prepayment Considerations.....The following will affect the yield to maturity of each class of certificates:

- the amount and timing of principal payments on the mortgage loans,
- the allocation of available funds to such class of certificates,
- the applicable pass-through rate for such class of certificates,
- the purchase price paid for such class of certificates, and
- losses and net interest shortfalls allocated to such class of certificates.

The interaction of the foregoing factors may have different effects on the various classes of certificates. The effects on any class may vary at different times during the life of such class. No one can currently determine the actual rate of prepayments on the mortgage loans, the amount and timing of losses or net interest shortfalls or the yield to maturity of any certificates. You should consider your own estimates as to the anticipated rate of future prepayments on the mortgage loans and the suitability of the Certificates to your investment objectives. You should carefully review the discussions under "Yield and Prepayment Considerations" in this prospectus supplement and in the prospectus.

Liquidity .....There is currently no secondary market for the certificates, and you cannot be assured that one will develop. Bear, Stearns & Co. Inc. intends to establish a market in the offered certificates, but it is not obligated to do so. Even if such a market is established, it may not continue. Each certificateholder will receive monthly -

	reports pertaining to the certificates. There are a limited number of sources which provide certain information about mortgage pass-through certificates in the secondary market, and they may not provide information about the certificates. You should consider the effect of limited information on the liquidity of the certificates.
Assumed Final Distribution Date...	February 19, 2033 for each class of certificates. It is likely that the actual final distribution dates will occur earlier due to prepayments or the exercise of the optional termination right described below.
Optional Termination.....	SAMI or its designee may repurchase from the trust all mortgage loans at the purchase price set forth in the pooling and servicing agreement when the aggregate principal balance of the mortgage loans is equal to 10% or less than the sum of (i) the aggregate principal balance of the initial mortgage loans as of the cut-off date and (ii) the Pre-Funded Amount. Any such repurchase will result in the retirement of the certificates. In addition, if SAMI determines, based upon an opinion of counsel, that the REMIC status of any REMIC has been lost or that a substantial risk exists that such status will be lost for the then current taxable year, it may terminate the trust and retire the certificates.
Federal Income Tax Consequences...	The trust will elect to treat the mortgage loans and certain other of its assets as real estate mortgage investment conduits, commonly known as REMICs, for federal income tax purposes. The certificates (other than the Residual Certificates) will represent the regular interests in a REMIC. The Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificates also will represent the right to receive payments in respect of the Carryover Shortfall Amount, which shall not be an entitlement from any REMIC but from the Carryover Shortfall Reserve Fund. The Class X Certificates also will represent the obligation to make payments in respect of the Carryover Shortfall Amount, which shall not be an interest in any REMIC but a contractual obligation of the holder of the Class X Certificates. The Class R-I and Class R-II Certificates will each be the residual interest in a REMIC. The Residual Certificates may constitute "noneconomic" residual interests for purposes of the REMIC Regulations. You should review the material under the captions "Federal Income Tax Considerations" and "Restrictions on Purchase and Transfer of the Residual Certificates" in this prospectus supplement and "Federal Income Tax Considerations" in the prospectus for further information regarding the federal income tax consequences of investing in the certificates.
ERISA Considerations.....	Subject to the conditions and considerations set forth under "ERISA Considerations" in this prospectus supplement and in the prospectus, pension, profit-sharing or other employee benefit plans as well as individual retirement accounts and certain types of Keogh Plans may purchase the offered certificates (other than the Residual Certificates).

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Sales of the Residual Certificates to such plans or retirement accounts are prohibited, except as permitted under "ERISA Considerations" in this prospectus supplement.

Restrictions on Purchase and Transfer of the Residual Certificates.....If you wish to purchase or subsequently transfer a Residual Certificate, you must obtain the consent of the seller and you may not be, or transfer to, a "disqualified organization" or a person who is not a "United States person" under the Code.

Rating.....The issuer will issue the offered certificates only if the respective classes receive at least the ratings set forth below from Moody's Investors Service, Inc. and Standard & Poor's Ratings Service, a division of The McGraw Hill Companies, Inc. Moody's and Standard & Poor's are referred to herein as the "Rating Agencies."

	Rating	
Class	Moody's	Standard & Poor's
Class A-1	Aaa	AAA
Class X	Aaa	AAA
Class A-2	Aaa	--
Class R-I	--	AAA
Class R-II	--	AAA
Class B-1	Aa2	--
Class B-2	A2	--
Class B-3	Baa2	--

You should evaluate the ratings of the offered certificates of any class independently from similar ratings on other types of securities. A rating is not a recommendation to buy, sell or hold securities. The rating agencies may revise or withdraw ratings at any time.

Legal Investment.....The Class A-1 Certificates, the senior mezzanine certificates and the Class B-1 Certificates will constitute "mortgage related securities" for purposes of the Secondary Mortgage Market Enhancement Act of 1984 so long as a nationally recognized statistical rating organization rates such certificates in one of the two highest rating categories. It is not anticipated that the remaining classes of certificates will constitute "mortgage related securities" under the Secondary Mortgage Market Enhancement Act of 1984.

If your investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities, you should consult your own legal advisors to determine whether and to what extent there may be restrictions on your ability to invest in the certificates.

THE INITIAL MORTGAGE LOANS ARE CONCENTRATED IN THE STATES OF GEORGIA AND FLORIDA, WHICH MAY PRESENT A GREATER RISK OF LOSS WITH RESPECT TO SUCH MORTGAGE LOANS.

As of the cut-off date, approximately 75.59% of the initial mortgage loans are secured by property in Georgia or Florida. Property in Georgia and Florida may be more susceptible than properties located in other parts of the country to certain types of uninsurable hazards, such as hurricanes and other natural disasters. In addition:

- economic conditions in Georgia and Florida (which may or may not affect real property values) may affect the ability of borrowers to repay their loans on time;
- declines in the Georgia and Florida residential real estate market may reduce the values of properties located in Georgia and Florida, which would result in an increase in the loan-to-value ratios; and
- any increase in the market value of properties located in Georgia and Florida would reduce the loan-to-value ratios and could, therefore, make alternative sources of financing available to the borrowers at lower interest rates, which could result in an increased rate of prepayment of the initial mortgage loans.

THE MORTGAGE LOANS HAVE AN INITIAL INTEREST ONLY PERIOD, WHICH MAY RESULT IN INCREASED DELINQUENCIES AND LOSSES.

The mortgage loans have initial interest only periods of ten years. During this period, the payment made by the related borrower will be less than it would be if the mortgage loan amortized. In addition, the mortgage loan balance will not be reduced by the principal portion of scheduled monthly payments during this period. As a result, no principal payments will be made to the certificates from these mortgage loans during their interest only period except in the case of a prepayment.

After the initial interest only period, the scheduled monthly payment on these mortgage loans will increase, which may result in increased delinquencies by the related borrowers, particularly if interest rates have increased and the borrower is unable to refinance. In addition, losses may be greater on these mortgage loans as a result of the mortgage loan not amortizing during the early years of these mortgage loans. Although the amount of principal included in each scheduled monthly payment for a traditional mortgage loan is relatively small during the first few years after the origination of a mortgage loan, in the aggregate the amount can be significant. Any resulting delinquencies and losses, to the extent not covered by credit enhancement, will be allocated to the certificates.

Mortgage loans with an initial interest only period are relatively new in the mortgage marketplace. The performance of these mortgage loans may be significantly different than mortgage loans that fully amortize. In particular, there may be a higher expectation by these borrowers of refinancing their mortgage loans with a new mortgage loan, in particular one with an initial interest only period, which may result in higher or lower prepayment speeds than would otherwise be the case. In addition, the failure to build equity in the property by the related mortgagor may affect the delinquency and prepayment of these mortgage loans.

A TRANSFER OF SERVICING MAY RESULT IN AN INCREASED RISK OF DELINQUENCY AND LOSS ON THE MORTGAGE LOANS.

The primary servicing for the initial mortgage loans was recently or will soon be transferred to Alliance Mortgage Company. The primary servicing for the subsequent mortgage loans is expected to be transferred to Alliance Mortgage Company no later than the date on which the Subsequent Mortgage Loans are conveyed to the Trust. Investors should note, however, that when the servicing of mortgage loans is transferred, there is generally a rise in delinquencies associated with such transfer. Such increase in delinquencies may result in losses, which, to the extent they are not absorbed by credit enhancement, will cause losses or shortfalls to be incurred by the holders of the offered certificates. In addition, any higher default rate resulting from such transfer may result in an acceleration of prepayments on those mortgage loans.

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TO THE EXTENT AMOUNTS ON DEPOSIT IN THE PRE-FUNDING ACCOUNT ARE NOT USED, THERE MAY BE A MANDATORY PREPAYMENT ON THE CERTIFICATES.

To the extent that the amount on deposit in the pre-funding account has not been fully applied to the purchase of subsequent mortgage loans on or before January 29, 2003, the holders of the Class A-1 Certificates will receive on the distribution date immediately following January 29, 2003, the amounts in the pre-funding account after giving effect to any purchase of subsequent mortgage loans. Although no assurance can be given, the Seller intends that the principal amount of subsequent mortgage loans sold to the trustee will require the application of substantially all amounts on deposit in the pre-funding account and that there will be no material principal payment to the holders of the Class A-1 Certificates on such distribution date.

SOME OF THE CERTIFICATES ARE SUBJECT TO SPECIAL RISKS.

Certain of the Certificates are subject to special risks, described as follows:

- Because the Notional Amount of Class X Certificates will be based upon the aggregate Current Principal Amount of the Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificates, the yield on the Class X Certificates will be sensitive to the rate and timing of principal payments of the mortgage loans, to the extent these payments are allocated to the Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificates. A rapid rate of principal payments on the mortgage loans will have a materially negative effect on the yield to investors in the Class X Certificates. Investors should fully consider the associated risks, including the risk that a rapid rate of principal payments could result in the failure of investors in the Class X Certificates to recover fully their initial investments. In addition, holders of the Class X Certificates in most cases have rights to relatively larger portions of interest payments on mortgage loans with higher mortgage rates; thus, the yield to investors will be materially adversely affected to a greater extent than on the other offered certificates if the mortgage loans with higher mortgage rates prepay faster than the mortgage loans with lower mortgage rates.

- Amounts payable to the Class X Certificates may be used to cover any basis risk shortfalls as a result of the pass-through rate on the Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificates being limited to the weighted average net rate on the mortgage loans. As a result, any of these shortfalls may result in reduced distributions on the Class X Certificates.

- To the extent the related weighted average net rate is paid to the Class A-1, Class A-2, Class B-1, Class B-2 or Class B-3 Certificates, an interest shortfall will be created with respect to such Certificates that will carry forward with interest thereon. These shortfalls may remain unpaid on the optional termination date or the final distribution date.

- Holders of the Residual Certificates are entitled to receive distributions of principal and interest as described herein, but the holders of the Residual Certificates are not expected to receive any distributions after the first distribution date. In addition, holders of the Residual Certificates may have tax liabilities with respect to their certificates during the early years of the REMIC that substantially exceed the principal and interest payable thereon.

THE RECORDING OF MORTGAGES IN THE NAME OF MERS MAY AFFECT THE YIELD ON THE OFFERED CERTIFICATES.

The mortgages or assignments of mortgage for some of the mortgage loans have been or may be recorded in the name of Mortgage Electronic Registration Systems, Inc., or MERS, solely as nominee for the related originator and its successors and assigns. Subsequent assignments of those mortgages are registered electronically through the MERS(R) System. However, if MERS discontinues the MERS(R) System and it becomes necessary to record an assignment of the mortgage to the trustee, then any related expenses will be paid by the trust and will reduce the amount available to pay principal of and interest on the outstanding class or classes of certificates with the lowest payment priorities.

The recording of mortgages in the name of MERS is a relatively new practice in the mortgage lending industry. 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 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 certificateholders and increase the amount of losses on the mortgage loans.

OTHER RISKS. You should also review the risk factors beginning on page 2 of the Prospectus.

Source: SEC Info · www.secinfo.com · Fran Finnegan ROA481 · 19/219

DESCRIPTION OF THE MORTGAGE LOANS

The Mortgage Pool will consist of approximately 1,467 mortgage loans which will be conveyed to the Trust on the Closing Date (the "Initial Mortgage Loans") and any subsequent mortgage loans (the "Subsequent Mortgage Loans") that are acquired by the Trust during the Pre-Funding Period with amounts on deposit in the Pre-Funding Account. The Initial Mortgage Loans will have an approximate aggregate unpaid principal balance as of the Cut-off Date of $424,462,763. The Mortgage Pool consists of Mortgage Loans which are first lien adjustable-rate mortgages secured by one- to four-family residences and individual condominium units and having original terms to maturity of 30 years or less.

All of the Initial Mortgage Loans will be acquired by the Seller on the date of issuance of the Certificates from the Mortgage Loan Seller, an affiliate of the Seller and Bear, Stearns & Co. Inc. (the "Underwriter"), pursuant to the Mortgage Loan Purchase Agreement. The Mortgage Loan Seller acquired the Mortgage Loans from HomeBanc Mortgage Corporation ("HomeBanc"), BancMortgage Financial Corp. ("BancMortgage"), and SouthStar Funding, LLC or HomeStar Mortgage Services, LLC, an affiliate of SouthStar Funding, LLC (collectively, "SouthStar").

The Initial Mortgage Loans are being serviced as described below under "The Master Servicer." The Initial Mortgage Loans were originated in accordance with the guidelines described in "Mortgage Loan Origination" below.

The following paragraphs and the tables set forth in Schedule A set forth additional information with respect to the Initial Mortgage Loans in the Mortgage Pool.1

The "Net Rate" for each Mortgage Loan is the Mortgage Rate less the related Servicing Fee Rate (as defined herein) attributable thereto. For any Distribution Date, the "Due Date" for a Mortgage Loan will be the date in each month on which its Monthly Payment (as defined under "Description of the Certificates--Distributions of Principal" herein) is due if such due date is the first day of a month and otherwise is deemed to be the first day of the following month or such other date specified in the Servicing Agreement.

The "Scheduled Principal Balance" of a Mortgage Loan with respect to a Distribution Date is (i) the unpaid principal balance of such Mortgage Loan as of the close of business on the related Due Date (i.e., taking account of the principal payment to be made on such Due Date and irrespective of any delinquency in its payment), as specified in the amortization schedule at the time relating thereto (before any adjustment to such amortization schedule by reason of any bankruptcy or similar proceeding occurring after the Cut-off Date (other than a Deficient Valuation) or any moratorium or similar waiver or grace period) less (ii) any Principal Prepayments and the principal portion of any Net Liquidation Proceeds received during or prior to the immediately preceding Prepayment Period; provided that the Scheduled Principal Balance of any Liquidated Mortgage Loan is zero.

All of the Mortgage Loans are adjustable rate Mortgage Loans, with an initial interest only period of ten years. The interest rate borne by the Mortgage Loans will be adjusted either monthly based on One-Month LIBOR or semi-annually based on Six-Month LIBOR to equal the related index (the "Index") plus (or minus) a fixed percentage set forth in or computed in accordance with the related note (a "Gross Margin") generally subject to rounding and to certain other limitations (including generally a maximum lifetime Mortgage Rate (a "Maximum Lifetime Mortgage Rate") and in certain cases a minimum lifetime Mortgage Rate (a "Minimum Lifetime Mortgage Rate") and in certain cases a maximum upward or downward adjustment on each interest adjustment date.

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1 The description herein and in Schedule A hereof of the Initial Mortgage Loans is based upon estimates of the composition thereof as of the Cut-off Date, as adjusted to reflect the Scheduled Principal Balances as of the Cut-off Date. Prior to the issuance of the Certificates, Initial Mortgage Loans may be removed as a result of (i) Principal Prepayments thereof in full prior to the dates on which the Seller acquired the Initial Mortgage Loans, (ii) requirements of Moody's or Standard & Poor's or (iii) delinquencies or otherwise. In any such event, other mortgage loans may be included in the Trust. SAMI believes that the estimated information set forth herein with respect to the Initial Mortgage Loans as presently constituted is representative of the characteristics thereof at the time the Certificates are issued, although certain characteristics of the Initial Mortgage Loans may vary. In addition, Subsequent Mortgage Loans may be acquired by the Trust during the Pre-Funding Period; provided that such Subsequent Mortgage Loans satisfy the requirements described herein. The aggregate characteristics of the Mortgage Loans in the Trust will vary upon the acquisition of Subsequent Mortgage Loans.

The Mortgage Loans with current Loan-to-Value Ratios in excess of 80% are covered by primary insurance policies ("Primary Insurance Policies"). See "Administration--Realization Upon Defaulted Mortgage Loans--Primary Insurance Policies" in the Prospectus.

The original mortgages for some of the Mortgage Loans have been, or in the future may be, recorded in the name of Mortgage Electronic Registration Systems, Inc., or MERS, solely as nominee for the originator of the related Mortgage Loan and its successors and assigns, and subsequent assignments of those mortgages have been, or in the future may be, registered electronically through the MERS(R) System. In some other cases, the original mortgage was recorded in the name of the originator of the related Mortgage Loan, record ownership was later assigned to MERS, solely as nominee for the owner of the related Mortgage Loan, and subsequent assignments of the mortgage were, or in the future may be, registered electronically through the MERS(R) System. For each of these 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 interest in the related Mortgage Loan.

The recording of mortgages in the name of MERS is a relatively new practice in the mortgage lending industry. While the Seller expects that the Master Servicer or the Servicer will be able to commence foreclosure proceedings on the Mortgaged Properties, when necessary and appropriate, public recording officers and others in the mortgage industry, 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 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. In addition, if, as a result of MERS discontinuing or becoming unable to continue operations in connection with the MERS(R) System, it becomes necessary to remove any Mortgage Loan from registration on the MERS(R) System and to arrange for the assignment of the related mortgages to the Trustee, then any related expenses shall be reimbursable by the Trust to the Master Servicer, which will reduce the amount available to pay principal of and interest on the outstanding class or classes of Certificates with the lowest payment priorities.

INDICES ON THE INITIAL MORTGAGE LOANS

One-Month LIBOR. Approximately 42.30% of the Initial Mortgage Loans will adjust monthly based on One-Month LIBOR. "One-Month LIBOR" will be a per annum rate equal to the average of interbank offered rates for one-month U.S. dollar-denominated deposits in the London market based on quotations of major banks as published in The Wall Street Journal and are most recently available as of the time specified in the related mortgage note.

	ONE-MONTH LIBOR				
ADJUSTMENT DATE	1997	1998	1999	2000	2001
2002					
January 1	5.50%	5.72%	5.06%	5.82%	6.56%
1.87%					
February 1	5.44	5.60	4.94	5.89	5.57
1.85					
March 1	5.44	5.69	4.96	5.92	5.21
1.87					
April 1	5.69	5.69	4.94	6.13	5.08
1.88					
May 1	5.69	5.66	4.90	6.29	4.43
1.84					
June 1	5.69	5.66	4.94	6.65	4.06
1.84					
July 1	5.69	5.66	5.24	6.64	3.86
1.82					
August 1	5.63	5.66	5.19	6.62	3.75
1.82					
September 1	5.66	5.64	5.38	6.63	3.58
1.81					
October 1	5.66	5.38	5.40	6.62	2.63
November 1	5.65	5.24	5.41	6.62	2.29

Source: SEC Info · www.secinfo.com · Fran Finnegar ROA483 v · 21/219

(table continued)

	ONE-MONTH LIBOR				
ADJUSTMENT DATE	1997	1998	1999	2000	2001
2002					
December 1.....	5.97	5.62	6.48	6.80	2.12

Six-Month LIBOR. Approximately 57.70% of the Initial Mortgage Loans will adjust semi-annually based on Six-Month LIBOR. "Six-Month LIBOR" will be a per annum rate equal to the average of interbank offered rates for six-month U.S. dollar-denominated deposits in the London market based on quotations of major banks as published in The Wall Street Journal and are most recently available as of the time specified in the related mortgage note.

	SIX-MONTH LIBOR				
ADJUSTMENT DATE	1996	1997	1998	1999	2000
2001 2002					
January 1.....	5.51%	5.60%	5.84%	5.07%	6.13%
6.20% 2.03%					
February 1.....	5.27	5.69	5.63	4.97	6.29
5.26 2.03					
March 1.....	5.30	5.69	5.70	5.13	6.33
4.91 2.33					
April 1.....	5.50	5.94	5.75	5.06	6.53
4.71 2.12					
May 1.....	5.56	6.00	5.81	5.04	6.73
4.30 2.08					
June 1.....	5.63	6.00	5.75	5.25	7.11
3.98 1.96					
July 1.....	5.79	5.91	5.78	5.65	7.00
3.91 1.87					
August 1.....	5.88	5.80	5.75	5.71	6.89
3.69 1.80					
September 1.....	5.77	5.84	5.59	5.92	6.83
3.45 1.71					
October 1.....	5.73	5.84	5.25	5.96	6.76
2.52					
November 1.....	5.57	5.79	4.98	6.12	6.72
2.15					
December 1.....	5.54	5.91	5.15	6.06	6.64
2.03					

CONVEYANCE OF SUBSEQUENT MORTGAGE LOANS AND THE PRE-FUNDING ACCOUNT

The Trustee, on behalf of the Trust, is expected to purchase from the Seller during the Pre-Funding Period, subject to the availability thereof, Subsequent Mortgage Loans secured by conventional, one- to four-family, adjustable-rate mortgage loans secured by first liens on residential mortgage properties. The Subsequent Mortgage Loans will be transferred to the Trustee, on behalf of the Trust, pursuant to subsequent transfer instruments between the Seller and the Trustee (each such date, a "Subsequent Transfer Date"). In connection with the purchase of Subsequent Mortgage Loans on such Subsequent Transfer Dates, the Trustee, on behalf of the Trust, will be required to pay to the Seller from amounts on deposit in the Pre-Funding Account, a cash purchase price of 100% of the principal balance thereof. The amount paid from the Pre-Funding Account on each Subsequent Transfer Date will not include accrued interest on the related Subsequent Mortgage Loans. Following each Subsequent Transfer Date, the aggregate principal balance of the Mortgage Loans will increase by an amount equal to the aggregate principal balance of the related Subsequent Mortgage Loans so purchased and the amount in the Pre-Funding Account will decrease accordingly. Although it is intended that the principal amount of Subsequent Mortgage Loans sold to the Trust will require application of substantially all of the amount deposited into the Pre-Funding Account on the Closing Date and it is not currently anticipated that there will be any material principal payments from amounts remaining on deposit in the Pre-Funding Account, no assurance can be given that such distributions will not occur on the distribution date immediately following the termination of the Pre-Funding Period. In any event, it is unlikely that the Seller will be able to deliver Subsequent Mortgage Loans with aggregate principal balances that exactly equal the amount deposited into the Pre-Funding Account on the Closing Date. The aggregate characteristics of the Mortgage Loans in the Trust will vary upon the acquisition of Subsequent Mortgage Loans.

The Pre-Funding Account will be established to provide the Trustee, on behalf of the Trust, with sufficient funds to purchase Subsequent Mortgage Loans. During the Pre-Funding Period, the Pre-Funded Amount will be reduced by the amount used to purchase Subsequent Mortgage Loans for the Mortgage Pool in accordance with the

Agreement. Any investment income on funds in the Pre-Funding Account will either be transferred to the Interest Coverage Account or paid to the Seller or its designee as provided in the Agreement.

Any conveyance of Subsequent Mortgage Loans on a Subsequent Transfer Date is subject to certain conditions including, but not limited to the following:

(a) Each such Subsequent Mortgage Loan must satisfy the representations and warranties specified in the related Subsequent Transfer Instrument and the Agreement;

(b) The Seller will not select such Subsequent Mortgage Loans in a manner that it believes to be adverse to the interests of the Certificateholders;

(c) The Seller will deliver certain Opinions of Counsel with respect to the validity of the conveyance of such Subsequent Mortgage Loans;

(d) As of the related Subsequent Cut-off Date (as defined in the Agreement), each such Subsequent Mortgage Loan will satisfy the following criteria:

(i) Such Subsequent Mortgage Loan may not be 30 or more days delinquent as of the last day of the month preceding the Subsequent Cut-off Date;

(ii) The original term to stated maturity of such Subsequent Mortgage Loan will not be less than 180 months and will not exceed 360 months;

(iii) Each Subsequent Mortgage Loan must be a One-Month LIBOR or Six-Month LIBOR adjustable rate Mortgage Loan with a first lien on the related Mortgaged Property;

(iv) No Subsequent Mortgage Loan will have a first payment date occurring after February 1, 2003;

(v) The latest maturity date of any Subsequent Mortgage Loan will be no later than January 1, 2033;

(vi) Such Subsequent Mortgage Loan will have a credit score of not less than 620;

(vii) Such Subsequent Mortgage Loan will have a Gross Margin as of the related Subsequent Cut-Off Date ranging from approximately 1.375% per annum to approximately 2.875% per annum;

(viii) Such Subsequent Mortgage Loan will have a Gross Lifecap as of the related Subsequent Cut-Off Date greater than 5%; and

(ix) Such Subsequent Mortgage Loan shall, to the extent underwritten by HomeBanc or SouthStar, have been underwritten in accordance with the HomeBanc Underwriting Guidelines or the SouthStar Underwriting Guidelines (each as defined below), respectively;

(e) As of the related Subsequent Cut-off Date, the Subsequent Mortgage Loans in the aggregate will satisfy the following criteria:

(i) Have a weighted average Gross Margin ranging from 1.95% to 2.10% per annum;

(ii) Have a weighted average credit score greater than 710;

(iii) Have no less than 90% of the Mortgaged Properties be owner occupied;

(iv) Have no less than 80% of the Mortgaged Properties be single family detached or planned unit developments;

Source: SEC Info · www.secinfo.com · Fran Finnegan ROA485 · 23/219

(v) Have no more than 40% of the Subsequent Mortgage Loans be cash-out refinance;

(vi) Have all of such Subsequent Mortgage Loans with a Loan-to-Value Ratio greater than 80% be covered by a Primary Mortgage Insurance Policy;

(vii) Have a weighted average Gross Lifecap greater than or equal to 8%; and

(viii) Be acceptable to the Rating Agencies.

THE MASTER SERVICER AND THE SERVICER

GENERAL

Wells Fargo Bank Minnesota, National Association ("Wells Fargo" or the "Master Servicer") will act as the Master Servicer of the Mortgage Loans pursuant to the Pooling and Servicing Agreement, dated as of October 1, 2002 (the "Agreement"), among the Seller, EMC Mortgage Corporation ("EMC" or the "Mortgage Loan Seller"), the Master Servicer, the Securities Administrator and the Trustee.

EMC, as holder of the servicing rights with respect to the Mortgage Loans, has entered into a Subservicing Agreement (the "Servicing Agreement"), dated as of August 1, 2002, between EMC and Alliance Mortgage Company ("Alliance" or the "Servicer"). Primary servicing of the Mortgage Loans will be provided for in accordance with the Servicing Agreement, which will be assigned to the trust pursuant to an Assignment, Assumption and Recognition Agreement; provided, however, that EMC will retain the right to enforce the representations and warranties made by the Servicer with respect to the Mortgage Loans. The Master Servicer will be required to monitor the performance of the Servicer. In the event of a default by the Servicer under the Servicing Agreement, the Master Servicer will be required to enforce any remedies against the Servicer, and either find a successor Servicer or assume the primary servicing obligations for the related Mortgage Loans itself.

The information set forth in the following paragraphs with respect to Wells Fargo and the Servicer has been provided by the respective party. None of SAMI, the Mortgage Loan Seller, the Securities Administrator, the Underwriter, the Trustee or any of their respective affiliates have made or will make any representation as to the accuracy or completeness of such information.

THE MASTER SERVICER

Wells Fargo is a national banking association, with its master servicing offices located at 9062 Old Annapolis Road, Columbia, Maryland 21045. Wells Fargo is engaged in the business of master servicing single family residential mortgage loans secured by properties located in all 50 states and the District of Columbia.

THE SERVICER

The primary servicing for the Initial Mortgage Loans was recently transferred or soon will be transferred to Alliance Mortgage Company ("Alliance" or the "Servicer"). The primary servicing for the Subsequent Mortgage Loans is expected to be transferred to Alliance commencing no later than the date on which the Subsequent Mortgage Loans are conveyed to the Trust. The Servicing Agreement will be assigned to the Trust on the Closing Date.

ALLIANCE MORTGAGE COMPANY

The information set forth in the following paragraphs has been provided by Alliance. None of the Seller, the Master Servicer, the Mortgage Loan Seller, the Trustee, the Underwriter or any of their respective affiliates have made or will make any representation as to the accuracy or completeness of such information.

The principal executive offices of Alliance are located at 8100 Nations Way, Jacksonville, Florida 33256. Alliance was founded in Jacksonville in 1962. As of December 31, 2001, Alliance's servicing portfolio consisted of approximately 290,456 loans. Alliance specializes in servicing seasoned loan portfolios, especially those with higher delinquencies. Alliance services loans for Freddie Mac, Fannie Mae, Ginnie Mae and private investors. Besides loan servicing, Alliance also originates conforming and non-conforming loans through both wholesale and retail channels. Alliance may perform its duties through one or more subservicers.

DELINQUENCY EXPERIENCE OF ALLIANCE

The following table summarizes the delinquency experience, on the dates indicated, of all mortgage loans serviced by Alliance. The data included in the following table is for informational purposes only. There is no assurance that the delinquency experience of the mortgage loans in the Trust will be similar to that set forth in such table.

Source: SEC Info · www.secinfo.com · Fran Finnegan ROA487 · 25/219

MONTHLY DELINQUENCY RATIO AT APRIL 30, 2002

	Loan Count	30-Day		60-Day		90-Day		120-Day		Total Delinquencies*	
		# Loan	% Loan	# Loan	% Loan	# Loan	% Loan	# Loan	% Loan	# Loan	% Loan
Total Portfolio	277,649	11,192	4.03%	2,632	0.95%	1,121	0.40%	2,351	0.85%	17,296	6.23%
VA	25,046	1,418	5.66%	314	1.25%	132	0.53%	332	1.33%	2,196	8.77%
FHA	51,505	3,612	7.01%	939	1.82%	489	0.95%	1,244	2.42%	6,284	12.20%
CONV (INS)	29,534	1,478	5.00%	335	1.13%	110	0.37%	222	0.75%	2,145	7.26%
CONV (UNINS)	170,736	4,612	2.70%	1,033	0.61%	381	0.22%	522	0.31%	6,548	3.84%
FMHA	828	72	8.70%	11	1.33%	9	1.09%	31	3.74%	123	14.86%

* Includes mortgage loans in bankruptcy.

MONTHLY DELINQUENCY RATIO AT DECEMBER 2001

	Loan Count	30-Day		60-Day		90-Day		120-Day		Total Delinquencies*	
		# Loan	% Loan	# Loan	% Loan	# Loan	% Loan	# Loan	% Loan	# Loan	% Loan
Total Portfolio	282,639	14,632	5.18%	3,450	1.22%	1,442	0.51%	2,773	0.98%	22,297	7.89%
VA	26,372	1,791	6.79%	448	1.70%	186	0.71%	372	1.41%	2,797	10.61%
FHA	53,235	4,567	8.58%	1,241	2.33%	577	1.08%	1,328	2.49%	7,713	14.49%
CONV (INS)	30,406	1,928	6.34%	437	1.44%	163	0.54%	297	0.98%	2,825	9.29%
CONV (UNINS)	171,740	6,253	3.64%	1,299	0.76%	502	0.29%	750	0.44%	8,804	5.13%
FMHA	886	93	10.50%	25	2.82%	14	1.58%	26	2.93%	158	17.83%

* Includes mortgage loans in bankruptcy.

MONTHLY DELINQUENCY RATIO AT DECEMBER 2000

	Loan Count	30-Day		60-Day		90-Day		120-Day		Total Delinquencies*	
		# Loan	% Loan	# Loan	% Loan	# Loan	% Loan	# Loan	% Loan	# Loan	% Loan
Total Portfolio	221,994	11,012	4.96%	2,425	1.09%	843	0.38%	1,606	0.72%	15,886	7.15%
VA	28,019	1,722	6.15%	402	1.43%	138	0.49%	222	0.79%	2,484	8.86%
FHA	45,731	3,493	7.64%	788	1.72%	314	0.69%	725	1.59%	5,320	11.64%
CONV (INS)	31,747	1,936	6.10%	445	1.40%	161	0.51%	237	0.75%	2,779	8.76%
CONV (UNINS)	115,588	3,761	3.25%	790	0.66%	219	0.19%	4030	0.35%	5,143	4.45%
FMHA	909	100	11.00%	30	3.30%	11	1.21%	19	2.09%	160	17.60%

* Includes mortgage loans in bankruptcy.

MONTHLY DELINQUENCY RATIO AT DECEMBER 1999

	Loan Count	30-Day		60-Day		90-Day		120-Day		Total Delinquencies*	
		# Loan	% Loan	# Loan	% Loan	# Loan	% Loan	# Loan	% Loan	# Loan	% Loan
Total Portfolio	142,723	6,216	4.36%	1,439	1.01%	621	0.44%	928	0.65%	9,204	6.46%
VA	28,609	1,059	5.69%	239	1.28%	110	0.49%	146	-/78%	1,554	8.34%
FHA	28,936	1,883	6.51%	461	1.59%	223	-/77%	349	1.21%	2,916	10.08%
CONV (INS)	23,144	1,120	4.84%	258	1.11%	102	0.44%	153	0.66%	2,633	7.05%
CONV (UNINS)	71,752	2,131	2.97%	475	0.66%	183	0.26%	272	0.38%	3,061	4.27%
FMHA	282	23	8.16%	6	2.13%	3	1.06%	8	2.84%	40	14.19%

* Includes mortgage loans in bankruptcy.

Source: SEC Info · www.secinfo.com · Fran Finnegan ROA489

MORTGAGE LOAN ORIGINATION

The information set forth in the following paragraphs with respect to SouthStar and HomeBanc has been provided by the respective party. None of SAMI, the Mortgage Loan Seller, the Securities Administrator, the Underwriter, the Master Servicer, the Trustee or any of their respective affiliates have made or will make any representation as to the accuracy or completeness of such information.

THE ORIGINATORS

44.65% of the Initial Mortgage Loans were originated by SouthStar, 54.05% of the Initial Mortgage Loans were originated by HomeBanc and 1.30% of the Initial Mortgage Loans were originated by BancMortgage. The Initial Mortgage Loans originated by SouthStar and HomeBanc were originated in accordance with the respective related underwriting guidelines set forth below. In addition to the following, HomeBanc and SouthStar also may use automated underwriting systems such as Fannie Mae's Desktop Underwriter or Freddie Mac's Loan Prospector in connection with the origination of mortgage loans which have principal balances equal to or less than the principal balances which would make them eligible for purchase by Fannie Mae or Freddie Mac. These mortgage loans are treated in this prospectus supplement as if they were originated with full documentation.

HOMEBANC MORTGAGE CORPORATION

Approximately 54.05% of the Initial Mortgage Loans have been originated generally in accordance with the following underwriting guidelines established by HomeBanc (the "HomeBanc Underwriting Guidelines").

HomeBanc Underwriting Guidelines are applied to evaluate an applicant's credit standing, financial condition, and repayment ability, as well as the value and adequacy of the mortgaged property as collateral for any loan made by HomeBanc. As part of the loan application process, the applicant is required to provide information concerning his or her assets, liabilities, income and expenses (except as described below), along with an authorization permitting HomeBanc to obtain any necessary third party verifications, including a credit report summarizing the applicant's credit history. Unless prohibited by applicable state law, the applicant is typically required to pay an application fee to HomeBanc.

In evaluating the applicant's ability and willingness to repay the proposed loan, HomeBanc reviews the applicant's credit history and outstanding debts, as reported on the credit report. If an existing mortgage or other significant debt listed on the loan application is not adequately reported on the credit report, HomeBanc may request a written or oral verification of the balance and payment history of such debt from the servicer of such debt.

HomeBanc verifies the applicant's liquid assets to ensure that the client has adequate liquid assets to apply toward any required down payment, closing costs, prepaid interest, and at least two months' worth of cash reserves.

HomeBanc also evaluates the applicant's income to determine its stability, probability of continuation, and adequacy to service the proposed HomeBanc debt payment. HomeBanc's guidelines for verifying an applicant's income and employment are generally as follows. For salaried applicants, HomeBanc typically requires a written verification of employment from the applicant's employer, or a copy of the applicant's two most recent IRS forms 1040 or W-2, a current pay stub, and verbal verification of employment. For non-salaried applicants, including self-employed applicants, HomeBanc requires copies of the applicant's two most recent federal income tax returns, along with all supporting schedules. A self-employed applicant is generally required to submit a signed profit and loss statement.

In determining the adequacy of the property as collateral for the loan, a Fannie Mae/Freddie Mac conforming appraisal of the property is performed by an independent appraiser approved by HomeBanc. The appraiser is required to inspect the property and verify that it is in good condition and that construction or renovation, if new, has been completed. The appraisal report indicates a value for the property and provides information concerning marketability, the neighborhood, the property site, interior and exterior improvements, and the condition of the property.

Once sufficient employment, credit and property information is obtained, the decision as to whether to approve the loan is based upon the applicant's income and credit history, the status of title to the mortgaged property, and the appraised value of the mortgaged property. HomeBanc also reviews the level of an applicant's liquid assets as an indication of creditworthiness. The approval process generally requires that the applicant have a good credit history and a total debt-service-to-income ratio ("DTI") that generally does not exceed 38%; however, this limit may be raised to 50% or greater if the borrower demonstrates satisfactory disposable income and/or other mitigating factors are present. The DTI ratio is calculated as the ratio of the borrower's total monthly debt obligations (including the interest-only payment on the proposed loan at an interest rate that is 2% higher than the original rate), divided by the borrower's total verified monthly income. In general, it is HomeBanc's belief that the DTI ratio is only one of several factors, such as LTV, credit history, and reserves, that should be considered in making a determination of an applicant's ability to repay the proposed loan. As part of the underwriting process, HomeBanc typically reviews an applicant's Credit Score. HomeBanc considers an applicant's Credit Score in connection with other factors, including the applicant's overall credit payment history, level of income, debts, and assets. It is not HomeBanc's practice to accept or reject an application based solely on the basis of the applicant's Credit Score. HomeBanc's practice is to continuously review LTV limits and to adjust such limits where economic conditions dictate that such adjustments are appropriate. Any negative comments concerning the quality, condition and current market conditions as noted in the appraisal report may result in a reduction of the maximum LTV permitted for the loan. In the case of a loan which is a purchase money mortgage, HomeBanc computes the loan's LTV as the original loan balance divided by the appraised value of the property or the contract sales price, whichever is lower.

SOUTHSTAR FUNDING, LLC AND HOMESTAR MORTGAGE SERVICES, LLC

Approximately 33.88% of the Initial Mortgage Loans have been originated by SouthStar Funding, LLC and approximately 10.77% of the Initial Mortgage Loans have been originated by HomeStar Mortgage Services, LLC. HomeStar Mortgage Services, LLC owns approximately 51% of SouthStar Funding, LLC. HomeStar Mortgage Services, LLC generally is a retail originator and SouthStar Funding, LLC generally is a wholesale originator. All of the Initial Mortgage Loans originated by HomeStar Mortgage Services, LLC and SouthStar Funding, LLC (collectively, "SouthStar") have been originated generally in accordance with the following underwriting guidelines (the "SouthStar Underwriting Guidelines").

SouthStar Underwriting Guidelines are applied to evaluate an applicant's credit standing, financial condition, and repayment ability, as well as the value and adequacy of the mortgaged property as collateral for any loan made by SouthStar. As part of the loan application process, the applicant is required to provide information concerning his or her assets, liabilities, income and expenses, along with an authorization permitting SouthStar to obtain any necessary third party verifications, including a credit report summarizing the applicant's credit history.

In evaluating the applicant's ability and willingness to repay the proposed loan, SouthStar reviews the applicant's credit history and outstanding debts, as reported on the credit report. If an existing mortgage or other significant debt listed on the loan application is not adequately reported on the credit report, SouthStar may request a written or oral verification of the balance and payment history of such debt from the servicer of such debt.

SouthStar verifies the applicant's liquid assets to ensure that the client has adequate liquid assets to apply toward any required down payment, closing costs, prepaid interest and at least two months' worth of cash reserves.

SouthStar also evaluates the applicant's income to determine its stability, probability of continuation, and adequacy to service the proposed SouthStar debt payment. SouthStar's guidelines for verifying an applicant's income and employment are generally as follows. For salaried applicants, SouthStar typically requires a written verification of employment from the applicant's employer, or a copy of the applicant's two most recent IRS form 1040 or W-2, a current pay stub with year-to-date earnings, and a verbal verification of employment. For non-salaried applicants, including self-employed applicants, SouthStar requires copies of the applicant's two most recent federal tax returns, along with all supporting schedules. A self-employed applicant is generally required to submit a signed year-to-date profit and loss statement.

In determining adequacy of the property as collateral for the loan, a Fannie Mae/Freddie Mac URAR appraisal of the property is performed by an independent appraiser approved by SouthStar. The appraiser is required

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to inspect the property and verify that it is in good condition and that any construction or renovation, if new, has been completed. The appraisal report indicates a value for the property and provides information concerning marketability, the neighborhood, the property site, interior and exterior improvements, and the condition of the property.

Once sufficient employment, credit and property information is obtained, the decision as to whether to approve the loan is based on the applicant's income and credit history, the status of time to the mortgaged property and the appraised value of the property. SouthStar also reviews the level of an applicant's liquid assets as an indication of creditworthiness. The approval process generally requires that the applicant have good credit history and a total debt-service-to-income ratio ("DTI") that generally does not exceed 38%; however, this limit may be raised if the borrower demonstrates satisfactory disposable income and/or other mitigating factors are present. The DTI ratio is calculated as the ratio of the borrower's total monthly debt obligations, divided by the borrower's total verified monthly income. In general, it is SouthStar's belief that the DTI ratio is only one of several factors, such as LTV, credit history and reserves, that should be considered in making a determination of an applicant's ability to repay the proposed loan.

As part of the underwriting process, SouthStar typically reviews an applicant's Credit Score. Credit Scores are obtained by mortgage lenders in connection with mortgage loan applications to help assess a borrower's credit-worthiness. Credit Scores are obtained from credit reports provided by various credit reporting organizations, each of which may employ differing computer models and methodologies. The Credit Score is designed to assess a borrower's credit history at a single point in time, using objective information currently on file for the borrower at a particular credit reporting organization. Information utilized to create a Credit Score may include, among other things, payment history, delinquencies on accounts, levels of outstanding indebtedness, length of credit history, types of credit, and bankruptcy experience. Credit Scores range from approximately 350 to approximately 840, with higher scores indicating an individual with a more favorable credit history compared to an individual with a lower score. However, a Credit Score purports only to be a measurement of the relative degree of risk a borrower represents to a lender, i.e., a borrower with a higher score is statistically expected to be less likely to default in payment than a borrower with a lower score. In addition, it should be notes that Credit Scores were developed to indicate a level of default probability over a two-year period, which does not correspond to the life of a mortgage loan. Furthermore, Credit Scores were not developed specifically for use in connection with mortgage loans, but for consumer loans in general, and assesses only the borrower's past credit history. Therefore, a Credit Score does not take into consideration the differences between mortgage loans and consumer loans generally, or the specific characteristics of the related mortgage loan, for example, the LTV ratio, the collateral for the mortgage loan, or the DTI ratio. SouthStar generally requires a minimum Credit Score of 650. It is not SouthStar's practice to accept or reject an application based solely on the basis of the applicant's Credit Score.

SouthStar's Underwriting Guidelines generally allow an LTV at origination of up to 95% for purchase money or rate and term refinance mortgage loans with original principal balances of up to $400,000, up to 90% for mortgage loans with original principal balances of up to $500,000, up to 85% for mortgage loans with original principal balances up to $700,000, up to 80% for mortgage loans with original principal balances up to $800,000, up to 75% for mortgage loans with original principal balances up to $1,250,000, and up to 70% for mortgage loans with original principal balances up to $1,750,000. For cash-out refinance mortgage loans with original principal balances of up to $800,000, SouthStar generally allows LTV ratios at origination of up to 80%, up to 75% for mortgage loans with original principal balances up to $1,250,000, and up to 70% for mortgage loans with principal balances up to $1,750,000. In addition, SouthStar will allow secondary financing with a Combined Loan-to-Value Ratio ("CLTV") of up to 100% for mortgage loans secured by primary residences and up to 95% for mortgage loans secured by second/vacation homes. SouthStar's practice is to continuously review LTV limits and to adjust such limits where economic conditions dictate that such adjustment are appropriate. Any negative comments concerning the quality, condition and current market conditions as noted in the appraisal report may result in a reduction of the maximum LTV permitted for the loan.

SouthStar requires that each mortgage loan with an LTV ratio at origination in excess of 80% be insured by a primary mortgage insurance policy covering at least 30% of the principal balance of the mortgage loan at origination if the LTV is between 95.00% and 90.01%, at least 25% of the balance if the LTV ratio is between 90.00% and 85.01%, and at least 12% if the LTV ratio is between 85.00% and 80.01%.

DESCRIPTION OF THE CERTIFICATES

The following summaries describing certain provisions of the Certificates do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the Prospectus and the provisions of the Agreement relating to the Certificates offered hereby.

GENERAL

The Structured Asset Mortgage Investments Trust Mortgage Pass-Through Certificates, Series 2002-AR4 (the "Certificates") will consist of the classes of Certificates offered hereby (the "Offered Certificates") in addition to the other classes of Certificates (the "Other Certificates"), which are not being offered hereby as described under "Summary of Terms-Other Certificates."

The Certificates will evidence in the aggregate the entire beneficial ownership interest in the Trust. The Trust will consist of (i) the Mortgage Loans; (ii) such assets as from time to time are identified as deposited in respect of the Mortgage Loans in the Protected Accounts (as defined in the Agreement) established for the collection of payments on the Mortgage Loans serviced by the Servicer and the Distribution Account (as defined below) and belonging to the Trust; (iii) property acquired by foreclosure of such Mortgage Loans or by deed in lieu of foreclosure; (iv) any applicable Primary Insurance Policies (as defined below) and standard hazard insurance policies; (v) the Carryover Shortfall Reserve Fund (as defined below); (vi) the Pre-Funding Account and the Interest Coverage Account; and (vii) all proceeds of the foregoing.

Each Class of Book-Entry Certificates will be represented initially by a single certificate registered in the name of Cede & Co. ("Cede") as the nominee of The Depository Trust Company ("DTC") and beneficial interests will be held by investors through the book-entry facilities of DTC in minimum denominations of (i) in the case of the Senior Certificates (other than the Residual Certificates) and the Senior Mezzanine Certificates, $1,000 and increments of $1.00 in excess thereof and (ii) in the case of the Offered Subordinate Certificates, $25,000 and increments of $1.00 in excess thereof. One Certificate of each such Class may be issued in a different principal (or notional) amount to accommodate the remainder of the initial principal (or notional) amount of the Certificates of such Class. Each Class of Residual Certificates will be issued in certificated fully-registered form in a single certificate of $50.

Distributions of principal and interest as set forth below initially will be made by the Trustee to Cede, as the registered holder of the Book-Entry Certificates, and to each holder of the Physical Certificates. Upon the issuance of Definitive Certificates (as defined in "Description of the Securities--Book-Entry Registration" in the Prospectus) to persons other than Cede, distributions will be made by the Trustee to the persons in whose names such Certificates are registered at the close of business on the last Business Day of the month preceding the month in which the related Distribution Date occurs (each, a "Record Date"). Such distributions will be made (i) by check mailed to each Certificateholder entitled thereto at the address appearing in the Certificate Register or (ii) upon receipt by the Trustee on or before the fifth Business Day preceding the Record Date of written instructions from a Certificateholder by wire transfer to a United States dollar account maintained by the payee at any United States depository institution with appropriate facilities for receiving such a wire transfer, provided, however, that the final payment in respect of each Class of Certificates will be made only upon presentation and surrender of such respective Certificates at the office or agency of the Trustee specified in the notice to Certificateholders of such final payment.

A "Business Day" is generally any day other than a Saturday, a Sunday or a day on which the New York Stock Exchange or Federal Reserve is closed or on which banking institutions in New York City or in the jurisdiction in which the Trustee, the Master Servicer or the Servicer is located are obligated by law or executive order to be closed.

The Certificates will not be listed on any securities exchange or quoted in the automated quotation system of any registered securities association. As a result, investors in the Certificates may experience limited liquidity. See "Risk Factors--You May Have Difficulty Selling the Securities" in the Prospectus.

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BOOK-ENTRY REGISTRATION

The Book-Entry Certificates will be issued in one or more certificates which equal the initial Current Principal Amount of the Offered Certificates (other than the Physical Certificates) and will initially be registered in the name of Cede.

Unless and until Definitive Certificates are issued, it is anticipated that the only "Certificateholder" of the Book-Entry Certificates will be Cede & Co. Beneficial owners of the Book-Entry Certificates will not be Certificateholders, as that term is used in the Agreement. Beneficial owners are only permitted to exercise the rights of Certificateholders indirectly through Depository Participants (as defined in the Agreement). Monthly and annual reports to the Trust provided to Cede, as nominee of DTC, may be made available to beneficial owners upon request, in accordance with the rules, regulations and procedures creating and affecting DTC and to Depository Participants to whose DTC accounts the Book-Entry Certificates are credited. For a description of the features of the book-entry registration system, see "Description of the Securities--Book-Entry Registration" in the Prospectus.

Physical Certificates and Definitive Certificates will be transferable and exchangeable on a "Certificate Register" to be maintained by the Trustee at the office or agency of the Trustee maintained for that purpose. Physical Certificates and Definitive Certificates surrendered to the Trustee for registration or transfer or exchange must be accompanied by a written instrument or transfer in form satisfactory to the Trustee. No service charge may be made for any registration of transfer or exchange of Physical Certificates and Definitive Certificates, but payment of a sum sufficient to cover any tax or other governmental charge may be required. Such office or agency of the Trustee is currently located at 1 Bank One Plaza, Suite IL1-0126, Chicago, IL 60670, and at 55 Water Street, 1st Floor, New York, NY 10041. Certain representations will be required in connection with the transfer of the Residual Certificates. See "Restrictions on Purchase and Transfer of the Residual Certificates."

AVAILABLE FUNDS

Available funds for any Distribution Date (the "Available Funds") will be an amount equal to the aggregate of the following with respect to the Mortgage Loans: (a) all previously undistributed payments on account of principal (including the principal portion of Monthly Payments, Principal Prepayments and the principal amount of Liquidation Proceeds) and all previously undistributed payments on account of interest received after the Cut-off Date and on or prior to the related Determination Date, (b) any Monthly Advances and Compensating Interest Payments by the Servicer and the Master Servicer, (c) any amounts deposited in the Distribution Account from the Pre-Funding Account and the Interest Coverage Account and (d) any amount reimbursed by the Master Servicer in connection with losses on certain eligible investments in the Distribution Account, except:

(i) all payments that were due on or before the Cut-off Date;

(ii) all Principal Prepayments and Liquidation Proceeds received after the applicable Prepayment Period;

(iii) all payments, other than Principal Prepayments, that represent early receipt of scheduled payments due on a date or dates subsequent to the related Due Date;

(iv) amounts received on particular Mortgage Loans as late payments of principal or interest and respecting which, and to the extent that, there are any unreimbursed Monthly Advances;

(v) amounts of Monthly Advances determined to be nonrecoverable;

(vi) any investment earnings on amounts on deposit in the Distribution Account and amounts permitted to be withdrawn from the Distribution Account pursuant to the Servicing Agreement or the Agreement;

(vii) to pay the Servicing Fees or to reimburse the Servicer, the Trustee, the Custodian or the Master Servicer for such amounts as are due under the Servicing Agreement, the Agreement or the

Custodial Agreement and have not been retained by or paid to the Servicer, the Trustee, the Custodian or the Master Servicer; and

(viii) to pay to the Securities Administrator any amounts as are due under the Agreement, and have not been retained by or paid to the Securities Administrator.

DISTRIBUTIONS ON THE CERTIFICATES

(A) On each Distribution Date, the Available Funds will be distributed to the Senior Certificates as follows:

first, pro rata, to the Senior Certificates, the Accrued Certificate Interest on such Classes for such Distribution Date; provided, however, that the amount of Accrued Certificate Interest paid to the Class X Certificates will be reduced by the aggregate amount of any Carryover Shortfall Amounts on the Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificates for that Distribution Date, which will be deposited into the Carryover Shortfall Reserve Fund;

second, pro rata, to the Senior Certificates, the Accrued Certificate Interest thereon pursuant to clause first remaining undistributed from previous Distribution Dates, to the extent of remaining Available Funds;

third, sequentially, in the following order, to the Class R-I and Class R-II and Class A-1 Certificates, in reduction of the Current Principal Amount thereof, the Senior Optimal Principal Amount for such Distribution Date to the extent of remaining Available Funds, in each case until the Current Principal Amount of such Class has been reduced to zero;

(B) On each Distribution Date on or prior to the Distribution Date on which the Current Principal Amounts of the Senior Mezzanine Certificates and Subordinate Certificates are reduced to zero (the "Cross-Over Date"), an amount equal to the remaining Available Funds after the distributions in (A) above will be distributed to the Class A-2 Certificates, up to an amount equal to and in the following order: (a) the Accrued Certificate Interest thereon for such Distribution Date, (b) any Accrued Certificate Interest thereon remaining undistributed from previous Distribution Dates and (c) such Class's Allocable Share for such Distribution Date, in each case, to the extent of the remaining Available Funds;

(C) On each Distribution Date on or prior to the Cross-Over Date, an amount equal to the remaining Available Funds after the distributions in (A) and (B) above will be distributed sequentially, in the following order, to the Class B-1, Class B-2, Class B-3, Class B-4, Class B-5 and Class B-6 Certificates, in each case up to an amount equal to and in the following order: (a) the Accrued Certificate Interest thereon for such Distribution Date, (b) any Accrued Certificate Interest thereon remaining undistributed from previous Distribution Dates and (c) such Class's Allocable Share for such Distribution Date, in each case, to the extent of the remaining Available Funds;

If, after distributions have been made pursuant to priorities first and second of clause (A) above on any Distribution Date, the remaining Available Funds are less than the Senior Optimal Principal Amount, such amount shall be reduced, and such remaining funds will be distributed on the related Senior Certificates (other than the Class X Certificates) on the basis of such reduced amount.

On each Distribution Date, any Available Funds remaining after payment of interest and principal to the Classes of Certificates entitled thereto, as described above, will be distributed to the Class R-II Certificates; provided that if on any Distribution Date there are any Available Funds remaining after payment of interest and principal to a Class or Classes of Certificates entitled thereto, such amounts will be distributed to the other Classes of Senior Certificates (other than the Class X Certificates), pro rata, based upon their Current Principal Amounts, until all amounts due to all such Classes of Senior Certificates have been paid in full, before any amounts are distributed to the Class R-II Certificates. It is not anticipated that there will be any significant amounts remaining for such distribution.

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On each Distribution Date, any amounts in the Carryover Shortfall Reserve Fund will be distributed sequentially, in the following order, to the Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificates, in each case up to an amount equal to any Carryover Shortfall Amounts with respect to such Class of Certificates.

INTEREST

Interest will accrue during the preceding Interest Accrual Period for each Class of Certificates at its then applicable Pass-Through Rate on the Current Principal Amount of such Class immediately preceding such Distribution Date.

The "Pass-Through Rates" on each Class of the Certificates are set forth in "Summary of Terms--Offered Certificates" or "--Other Certificates." The effective yield to the holders of Certificates (other than the Adjustable Rate Certificates) will be lower than the yield otherwise produced by the applicable Pass-Through Rate and purchase price, because interest will not be distributed to such Certificateholders until the 19th day (or if such day is not a Business Day, then on the next succeeding Business Day) of the month following the month in which interest accrues on the Mortgage Loans. See "Yield and Prepayment Considerations" herein.

To the extent the related weighted average net rate is paid to the Class A-1, Class A-2, Class B-1, Class B-2 or Class B-3 Certificates, the difference between the weighted average net rate and the lesser of (i) One-Month LIBOR plus the related margin and (ii) 11.00% will create a shortfall that will carry forward with interest thereon at a rate equal to the lesser of (i) One-Month LIBOR plus the related margin or (ii) 11.00% per annum (in each case, the "Carryover Shortfall Amount"). On the closing date, the Trustee will establish a reserve fund (the "Carryover Shortfall Reserve Fund"). On each Distribution Date, the aggregate amount of Carryover Shortfall Amount payable to the Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificates will be taken from amounts otherwise payable to the Class X Certificates in respect of Accrued Certificate Interest and will be deposited in the Carryover Shortfall Reserve Fund.

The "Accrued Certificate Interest" for any Certificate for any Distribution Date will equal the amount of interest accrued during the related Interest Accrual Period at the applicable Pass-Through Rate on the Current Principal Amount (or Notional Amount) of such Certificate immediately prior to such Distribution Date less (i) in the case of a Senior Certificate, such Certificate's share of any Net Interest Shortfall from the related Mortgage Loans and, after the Cross-Over Date, the interest portion of any Realized Losses on the related Mortgage Loans, (ii) in the case of a Senior Mezzanine Certificate, such Certificate's share of any Net Interest Shortfall and the interest portion of any Realized Losses on the Mortgage Loans and (iii) in the case of a Subordinate Certificate, such Certificate's share of any Net Interest Shortfall (as defined below) and the interest portion of any Realized Losses on the Mortgage Loans. Such Net Interest Shortfalls will be allocated among the Certificates in proportion to the amount of Accrued Certificate Interest that would have been allocated thereto in the absence of such shortfalls. The interest portion of Realized Losses for the Mortgage Loans will be allocated sequentially, in the following order, to the Class B-6, Class B-5, Class B-4, Class B-3, Class B-2, Class B-1 and Class A-2 Certificates, and, following the Cross-Over Date, the interest portion of Realized Losses on the Mortgage Loans will be allocated on a pro rata basis to the Senior Certificates. Accrued Certificate Interest is calculated on the basis of a 360-day year consisting of twelve 30-day months. No Accrued Certificate Interest will be payable with respect to any Class of Certificates after the Distribution Date on which the outstanding Current Principal Amount or Notional Amount of such Certificate has been reduced to zero.

The "Current Principal Amount" of any Certificate as of any Distribution Date will equal such Certificate's initial principal amount on the Closing Date, as reduced by (i) all amounts distributed on previous Distribution Dates on such Certificate on account of principal, (ii) the principal portion of all Realized Losses previously allocated to such Certificate (taking account of its applicable Loss Allocation Limitation), (iii) in the case of a Senior Mezzanine Certificate, such Certificate's pro rata share, if any, of the Senior Mezzanine Certificate Writedown Amount, as applicable, for previous Distribution Dates and (iv) in the case of a Subordinate Certificate, such Certificate's pro rata share, if any, of the Subordinate Certificate Writedown Amount, as applicable, for previous Distribution Dates. With respect to any Class of Certificates (other than the Interest Only Certificates), the Current Principal Amount thereof will equal the sum of the Current Principal Amounts of all Certificates in such Class.

As of any Distribution Date, the "Subordinate Certificate Writedown Amount" will equal the amount by which (a) the sum of the Current Principal Amounts of all of the Certificates (after giving effect to the distribution of principal and the allocation of Realized Losses in reduction of the Current Principal Amounts of such Certificates on such Distribution Date) exceeds (b) the Scheduled Principal Balances of the Mortgage Loans on the Due Date related to such Distribution Date. As of any Distribution Date on or after the aggregate Current Principal Amount of Subordinate Certificates is reduced to zero, the "Senior Mezzanine Certificate Writedown Amount" will equal the amount by which (a) the sum of the Current Principal Amounts of all of the Certificates (after giving effect to the distribution of principal and the allocation of Realized Losses in reduction of the Current Principal Amounts of such Certificates on such Distribution Date) exceeds (b) the Scheduled Principal Balances of the Mortgage Loans on the Due Date related to such Distribution Date.

The Subordinate Certificate Writedown Amount will be allocated to the Subordinate Certificates in inverse order of their numerical Class designations, until the Current Principal Amount of each such Class has been reduced to zero. The Senior Mezzanine Certificate Writedown Amount will be allocated to the Senior Mezzanine Certificates until the Current Principal Amount of such Class has been reduced to zero.

On any Distribution Date, the "Notional Amount" of the Class X Certificates is equal to the aggregate Current Principal Amount of the Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificates immediately preceding that Distribution Date.

The initial Interest Accrual Period for the Adjustable Rate Certificates is only 19 days. The additional 11 days of interest will be paid to the Class X Certificates as an additional distribution on the first Distribution Date.

With respect to any Distribution Date, the "Interest Shortfall" is equal to the aggregate shortfall, if any, in collections of interest (adjusted to the related Net Rates) on Mortgage Loans resulting from (a) prepayments in full received during the related Prepayment Period, (b) partial prepayments received during the related Prepayment Period to the extent applied prior to the Due Date in the month of the Distribution Date, and (c) interest payments on certain of the Mortgage Loans being limited pursuant to the provisions of the Soldiers' and Sailors' Civil Relief Act of 1940 (the "Relief Act"). Interest Shortfalls will result because (i) obligors on each Mortgage Loan (each a "Mortgagor") are obligated to pay interest on prepayments in full only to the date of prepayment by such Mortgagor, (ii) partial prepayments are generally not required to be accompanied by interest on the amount of such partial prepayment, and (iii) the Relief Act limits, in certain circumstances, the interest rate required to be paid by a Mortgagor in the military service, to 6% per annum. Any Interest Shortfalls resulting from a prepayment in full or in part are required to be paid by the Servicer, but only to the extent that such amount does not exceed the aggregate of the Servicing Fees on the Mortgage Loans serviced by it for the applicable Distribution Date. Any Interest Shortfalls required to be funded but not funded by the Servicer are required to be paid by the Master Servicer, but only to the extent that such amount does not exceed the aggregate Master Servicing Fee for the applicable Distribution Date. Neither the Servicer nor the Master Servicer are obligated to fund Interest Shortfalls resulting from the application of the Relief Act. The amount of the Master Servicing Compensation (as defined in the Agreement) and Servicing Fees used to offset such Interest Shortfalls is referred to herein as "Compensating Interest Payments." Interest Shortfalls net of Compensating Interest Payments are referred to herein as "Net Interest Shortfalls."

If on any Distribution Date the Available Funds for the Senior Certificates is less than the Accrued Certificate Interest on such Senior Certificates for such Distribution Date prior to reduction for Net Interest Shortfall and the interest portion of Realized Losses on the Mortgage Loans, the shortfall will be allocated among the holders of each Class of Senior Certificates in proportion to the respective amounts of Accrued Certificate Interest that would have been allocated thereto in the absence of such Net Interest Shortfall and/or Realized Losses for such Distribution Date. In addition, the amount of any interest shortfalls with respect to the Mortgage Loans that are covered by subordination will constitute unpaid Accrued Certificate Interest and will be distributable to holders of the related Certificates entitled to such amounts on subsequent Distribution Dates, to the extent of the Available Funds after current interest distributions as required herein. Any such amounts so carried forward will not bear interest. Shortfalls in interest payments will not be offset by a reduction in the servicing compensation of the Master Servicer or otherwise, except to the extent of applicable Compensating Interest Payments.

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CALCULATION OF ONE-MONTH LIBOR

On the second LIBOR business day preceding the commencement of each Interest Accrual Period for the Adjustable Rate Certificates bearing interest at an adjustable rate (the "Interest Determination Date"), the Securities Administrator will determine One-Month LIBOR for such Interest Accrual Period on the basis of such rate as it appears on Telerate Screen Page 3750, as of 11:00 a.m. London time on such Interest Determination Date. If such rate does not appear on such page, or such other page as may replace that page on that service, or if such service is no longer offered, such other service for displaying One-Month LIBOR or comparable rates as may be reasonably selected by the Securities Administrator, One-Month LIBOR for the applicable Interest Accrual Period will be the Reference Bank Rate. If no such quotations can be obtained and no Reference Bank Rate is available, One-Month LIBOR will be the One-Month LIBOR applicable to the preceding Interest Accrual Period.

The "Reference Bank Rate" with respect to any Interest Accrual Period, means the arithmetic mean, rounded upwards, if necessary, to the nearest whole multiple of 0.03125%, of the offered rates for United States dollar deposits for one month that are quoted by the Reference Banks, as described below, as of 11:00 a.m., New York City time, on the related Interest Determination Date to prime banks in the London interbank market for a period of one month in amounts approximately equal to the aggregate certificate principal balance of all Classes of Adjustable Rate Certificates bearing interest at an adjustable rate for such Interest Accrual Period, provided that at least two such Reference Banks provide such rate. If fewer than two offered rates appear, the Reference Bank Rate will be the arithmetic mean, rounded upwards, if necessary, to the nearest whole multiple of 0.03125%, of the rates quoted by one or more major banks in New York City, selected by the Securities Administrator, as of 11:00 a.m., New York City time, on such date for loans in U.S. dollars to leading European banks for a period of one month in amounts approximately equal to the aggregate Current Principal Amount of all Classes of Adjustable Rate Certificates bearing interest at an adjustable rate for such Interest Accrual Period. As used in this section, "LIBOR business day" means a day on which banks are open for dealing in foreign currency and exchange in London and New York City; and "Reference Banks" means leading banks selected by the Securities Administrator and engaged in transactions in Eurodollar deposits in the international Eurocurrency market

(i) with an established place of business in London,

(ii) which have been designated as such by the Trustee and

(iii) which are not controlling, controlled by, or under common control with, the Seller or the Master Servicer.

The establishment of One-Month LIBOR on each Interest Determination Date by the Securities Administrator and the Securities Administrator's calculation of the rate of interest applicable to the classes of Adjustable Rate Certificates bearing interest at an adjustable rate for the related Interest Accrual Period shall, in the absence of manifest error, be final and binding.

PRINCIPAL

Distributions in reduction of the Current Principal Amount of the Senior Certificates will be made on each Distribution Date pursuant to priority third above of clause (A) under "--Distributions on the Certificates." In accordance with such priority third, the Available Funds remaining after distribution of interest on the Senior Certificates will be allocated to such Certificates in an aggregate amount not to exceed the Senior Optimal Principal Amount for such Distribution Date.

Distributions in reduction of the Current Principal Amount of the Senior Mezzanine Certificates will be made pursuant to priority (c) of clause (B) under "--Distributions on the Certificates." In accordance with such priority, the Available Funds, if any, remaining after distributions of principal and interest on the Senior Certificates on such Distribution Date will be allocated to the Senior Mezzanine Certificates in an amount equal to such Class's Allocable Share for such Distribution Date, provided that no distribution of principal will be made on such Class until such Class has received distributions of interest on such Distribution Date.

Distributions in reduction of the Current Principal Amounts of the Subordinate Certificates will be made pursuant to priority (c) of clause (C) above under "--Distributions on the Certificates." In accordance with such priority, the Available Funds, if any, remaining after distributions of principal and interest on the Senior Certificates and the Senior Mezzanine Certificates on such Distribution Date will be allocated to the Subordinate Certificates in an amount equal to each such Class's Allocable Share for such Distribution Date, provided that no distribution of principal will be made on any such Class until any Class ranking prior thereto has received distributions of interest and principal, and such Class has received distributions of interest, on such Distribution Date.

The "Senior Optimal Principal Amount" for the Senior Certificates with respect to each Distribution Date will be an amount equal to the sum of the following (but in no event greater than the aggregate Current Principal Amount of the Senior Certificates immediately prior to such Distribution Date):

(i) the applicable Senior Percentage of the principal portion of all Monthly Payments due on the Mortgage Loans on the related Due Date, as specified in the amortization schedule at the time applicable thereto (after adjustment for previous Principal Prepayments but before any adjustment to such amortization schedule by reason of any bankruptcy or similar proceeding or any moratorium or similar waiver or grace period);

(ii) the applicable Senior Prepayment Percentage of the Scheduled Principal Balance of each Mortgage Loan which was the subject of a prepayment in full received by the Master Servicer during the applicable Prepayment Period;

(iii) the applicable Senior Prepayment Percentage of all partial prepayments allocated to principal received during the applicable Prepayment Period; and

(iv) the lesser of (a) the applicable Senior Prepayment Percentage of the sum of (A) all Net Liquidation Proceeds allocable to principal received in respect of each Mortgage Loan which became a Liquidated Mortgage Loan during the related Prepayment Period (other than Mortgage Loans described in the immediately following clause (B)) and (B) the Scheduled Principal Balance of each such Mortgage Loan purchased by an insurer from the Trustee during the related Prepayment Period pursuant to the related Primary Mortgage Insurance Policy, if any, or otherwise; and (b) the Senior Percentage of the sum of (A) the Scheduled Principal Balance of each Mortgage Loan which became a Liquidated Mortgage Loan during the related Prepayment Period (other than the Mortgage Loans described in the immediately following clause (B)) and (B) the Scheduled Principal Balance of each such Mortgage Loan that was purchased by an insurer from the Trustee during the related Prepayment Period pursuant to the related Primary Mortgage Insurance Policy, if any or otherwise; and

(v) the applicable Senior Prepayment Percentage of the sum of (a) the Scheduled Principal Balance of each Mortgage Loan which was repurchased by the Mortgage Loan Seller in connection with such Distribution Date and (b) the excess, if any, of the Scheduled Principal Balance of a Mortgage Loan that has been replaced by the Mortgage Loan Seller with a substitute Mortgage Loan pursuant to the Mortgage Loan Purchase Agreement in connection with such Distribution Date over the Scheduled Principal Balance of such substitute Mortgage Loan.

The "Senior Percentage" for the Senior Certificates on any Distribution Date will equal the lesser of (i) 100% and (ii) the percentage (carried to six places rounded up) obtained by dividing the aggregate Current Principal Amount of the Senior Certificates immediately preceding such Distribution Date by the aggregate Scheduled Principal Balance of the Mortgage Loans as of the beginning of the related Due Period. The initial Senior Percentage for the Senior Certificates will be equal to approximately 91.50%.

With respect to any Distribution Date, the "Due Period" is the period commencing on the second day of the month preceding the month in which the Distribution Date occurs and ending at the close of business on the first day of the month in which the Distribution Date occurs.

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The "Senior Prepayment Percentage" for the Senior Certificates on any Distribution Date occurring during the periods set forth below will be as follows:

Period (dates inclusive)	Senior Prepayment Percentage
November 19, 2002 - October 19, 2012	100%
November 19, 2012 - October 19, 2013	Senior Percentage plus 70% of the Senior Mezzanine and Subordinate Percentage.
November 19, 2013 - October 19, 2014	Senior Percentage plus 60% of the Senior Mezzanine and Subordinate Percentage.
November 19, 2014 - October 19, 2015	Senior Percentage plus 40% of the Senior Mezzanine and Subordinate Percentage.
November 19, 2015 - October 19, 2016	Senior Percentage plus 20% of the Senior Mezzanine and Subordinate Percentage.
November 19, 2016 and thereafter	Senior Percentage

In addition, no reduction of the Senior Prepayment Percentage shall occur on any Distribution Date unless, as of the last day of the month preceding such Distribution Date, (A) the aggregate Scheduled Principal Balance of the Mortgage Loans delinquent 60 days or more (including for this purpose any such Mortgage Loans in foreclosure and Mortgage Loans with respect to which the related Mortgaged Property (as defined in the Agreement) has been acquired by the Trust), averaged over the last six months, as a percentage of the aggregate Current Principal Amount of the Senior Mezzanine Certificates and the Subordinate Certificates does not exceed 50%; and (B) cumulative Realized Losses on the Mortgage Loans do not exceed (a) 30% of the aggregate Current Principal Amount of the Senior Mezzanine Certificates and the Subordinate Certificates as of the Cut-off Date (the "Original Senior Mezzanine and Subordinate Principal Balance") if such Distribution Date occurs between and including November 2012 and October 2013, (b) 35% of the Original Senior Mezzanine and Subordinate Principal Balance if such Distribution Date occurs between and including November 2013 and October 2014, (c) 40% of the Original Senior Mezzanine and Subordinate Principal Balance if such Distribution Date occurs between and including November 2014 and October 2015, (d) 45% of the Original Senior Mezzanine and Subordinate Principal Balance if such Distribution Date occurs between and including November 2015 and October 2016, and (e) 50% of the Original Senior Mezzanine and Subordinate Principal Balance if such Distribution Date occurs during or after November 19, 2016.

In addition, if the current Senior Mezzanine and Subordinate Percentage for the Certificates is equal to or greater than two times the initial Senior Mezzanine and Subordinate Percentage for the Certificates, and (a) the aggregate Scheduled Principal Balance of the Mortgage Loans delinquent 60 days or more (including for this purpose any such Mortgage Loans in foreclosure and such Mortgage Loans with respect to which the related Mortgaged Property has been acquired by the Trust), averaged over the last six months, as a percentage of the aggregate Current Principal Amount of the Senior Mezzanine and Subordinate Certificates does not exceed 50% and (b)(i) prior to the Distribution Date in November 2005, cumulative Realized Losses on the Mortgage Loans do not exceed 20% of the Original Senior Mezzanine and Subordinate Principal Balance and (ii) on or after the Distribution Date in November 2005, cumulative Realized Losses on the Mortgage Loans do not exceed 30% of the Original Senior Mezzanine and Subordinate Principal Balance, then, in each case, the Senior Prepayment Percentage for such Distribution Date will equal the Senior Percentage; provided, however, if the current Senior Mezzanine and Subordinate Percentage for the Certificates is equal to or greater than two times the initial Senior Mezzanine and Subordinate Percentage for the Certificates prior to the Distribution Date in November 2005 and the above delinquency and loss tests are met, then the Senior Prepayment Percentage for such Distribution Date will equal the Senior Percentage, plus 50% of the Senior Mezzanine and Subordinate Percentage (such test, the "Two-Times Test").

Notwithstanding the foregoing, if on any Distribution Date, the percentage, the numerator of which is the aggregate Current Principal Amount of the Senior Certificates immediately preceding such Distribution Date, and the denominator of which is the Scheduled Principal Balance of the Mortgage Loans as of the beginning of the

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related Due Period, exceeds such percentage as of the Cut-off Date, then the Senior Prepayment Percentage with respect to the Senior Certificates for such Distribution Date will equal 100%.

With respect to any Mortgage Loan and any Distribution Date, the "Prepayment Period" is the period from the first day through the last day of the month preceding the month of such Distribution Date.

The "Senior Mezzanine and Subordinate Percentage" for the Senior Mezzanine Certificates and the Subordinate Certificates on any Distribution Date will equal 100% minus the Senior Percentage for the Senior Certificates. The "Senior Mezzanine and Subordinate Prepayment Percentage" for the Senior Mezzanine Certificates and Subordinate Certificates on any Distribution Date will equal 100% minus the Senior Prepayment Percentage for the Senior Certificates, except that on any Distribution Date after the aggregate Current Principal Amount of the Senior Certificates (other than the Interest Only Certificates) have each been reduced to zero, the Senior Mezzanine and Subordinate Prepayment Percentage for the Senior Mezzanine Certificates and the Subordinate Certificates will equal 100%. The initial Senior Mezzanine and Subordinate Percentage will be equal to approximately 8.50%.

The "Senior Mezzanine and Subordinate Optimal Principal Amount" for the Senior Mezzanine Certificates and Subordinate Certificates with respect to each Distribution Date will be an amount equal to the sum of the following for the Mortgage Loans (but in no event greater than the aggregate Current Principal Amount of the Senior Mezzanine Certificates and Subordinate Certificates immediately prior to such Distribution Date):

(i) the applicable Senior Mezzanine and Subordinate Percentage of the principal portion of all Monthly Payments due on each Mortgage Loan on the related Due Date, as specified in the amortization schedule at the time applicable thereto (after adjustment for previous Principal Prepayments but before any adjustment to such amortization schedule by reason of any bankruptcy or similar proceeding or any moratorium or similar waiver or grace period);

(ii) the applicable Senior Mezzanine and Subordinate Prepayment Percentage of the Scheduled Principal Balance of each Mortgage Loan which was the subject of a prepayment in full received by the Master Servicer during the applicable Prepayment Period;

(iii) the applicable Senior Mezzanine and Subordinate Prepayment Percentage of all partial prepayments of principal received during the applicable Prepayment Period for each Mortgage Loan;

(iv) the excess, if any, of (a) the Net Liquidation Proceeds allocable to principal received during the related Prepayment Period in respect of each Liquidated Mortgage Loan over (b) the sum of the amounts distributable to the Senior Certificateholders pursuant to clause (iv) of the definition of Senior Optimal Principal Amount on such Distribution Date;

(v) the applicable Senior Mezzanine and Subordinate Prepayment Percentage of the sum of (a) the Scheduled Principal Balance of each Mortgage Loan which was repurchased by the Mortgage Loan Seller in connection with such Distribution Date and (b) the difference, if any, between the Scheduled Principal Balance of a Mortgage Loan that has been replaced by the Mortgage Loan Seller with a substitute Mortgage Loan pursuant to the Mortgage Loan Purchase Agreement in connection with such Distribution Date and the Scheduled Principal Balance of such substitute Mortgage Loan; and

(vi) on the Distribution Date on which the Current Principal Amounts of the Senior Certificates (other than the Interest Only Certificates) have all been reduced to zero, 100% of any applicable Senior Optimal Principal Amount.

The "Allocable Share" with respect to any Class of Senior Mezzanine and Subordinate Certificates on any Distribution Date will generally equal such Class's pro rata share (based on the Current Principal Amount of each Class entitled thereto) of the sum of each of the components of the definition of the Senior Mezzanine and Subordinate Optimal Principal Amount; provided, that, if the loss and delinquency levels in the second paragraph of

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the definition of "Senior Prepayment Percentage" are exceeded so that the scheduled reduction in the amount of these Senior Prepayment Percentages does not or would not occur, then 100% of the amounts provided in clauses (ii), (iii) and (v) of the definition of Senior Mezzanine and Subordinate Optimal Principal Amount shall be allocated to the Senior Mezzanine Certificates; and provided further, that, except as described in the second succeeding sentence, no Class of Senior Mezzanine Certificates or Subordinate Certificates (other than the Senior Mezzanine Certificates, or if the Current Principal Amount of the Senior Mezzanine Certificates has been reduced to zero, the Class of Subordinate Certificates outstanding with the lowest numerical designation) shall be entitled on any Distribution Date to receive distributions pursuant to clauses (ii), (iii) and (v) of the definition of the Senior Mezzanine and Subordinate Optimal Principal Amount unless the Class Prepayment Distribution Trigger for the related Class is satisfied for such Distribution Date. The "Class Prepayment Distribution Trigger" for a Class of Senior Mezzanine or Subordinate Certificates for any Distribution Date is satisfied if the fraction (expressed as a percentage), the numerator of which is the aggregate Current Principal Amount of such Class and each Class subordinated thereto, if any, and the denominator of which is the Scheduled Principal Balances of all of the Mortgage Loans as of the related Due Date, equals or exceeds such percentage calculated as of the Closing Date. If on any Distribution Date the Current Principal Amount of any Class of Senior Mezzanine and Subordinate Certificates for which the related Class Prepayment Distribution Trigger was satisfied on such Distribution Date is reduced to zero, any amounts distributable to such Class pursuant to clauses (ii), (iii) and (v) of the definition of "Senior Mezzanine and Subordinate Optimal Principal Amount," to the extent of such Class's remaining Allocable Share, shall be distributed to the remaining Classes of Senior Mezzanine and Subordinate Certificates in reduction of their respective Current Principal Amounts, sequentially, in the order of their numerical Class designations. If the Class Prepayment Distribution Trigger is not satisfied for any Class of Senior Mezzanine or Subordinate Certificates on any Distribution Date, this may have the effect of accelerating the amortization of more senior Classes of Senior Mezzanine and Subordinate Certificates.

"Determination Date" means the date as defined in the Servicing Agreement.

"Insurance Proceeds" are amounts paid by an insurer under any Primary Mortgage Insurance Policy, standard hazard insurance policy, flood insurance policy or title insurance policy covering any Mortgage Loan or Mortgaged Property other than amounts required to be paid over to the Mortgagor pursuant to law or the related Mortgage Note and other than amounts used to repair or restore the Mortgaged Property or to reimburse certain expenses.

"Repurchase Proceeds" are proceeds of any Mortgage Loan repurchased by the Mortgage Loan Seller and any cash deposit in connection with the substitution of a Mortgage Loan pursuant to the provisions described under "The Pooling and Servicing Agreement-Assignment of Mortgage Loans" and "-Representations and Warranties" herein.

"Principal Prepayment" is any payment or other recovery of principal on a Mortgage Loan which is received in advance of its scheduled Due Date to the extent that it is not accompanied by an amount as to interest representing scheduled interest due on any date or dates in any month or months subsequent to the month of prepayment, including Insurance Proceeds and Repurchase Proceeds, but excluding Liquidation Proceeds received at the time a Mortgage Loan becomes a Liquidated Mortgage Loan.

"Monthly Payment" with respect to any Mortgage Loan and any month is the scheduled payment or payments of principal and interest due during such month on such Mortgage Loan which either is payable by a Mortgagor in such month under the related Mortgage Note, or in the case of any Mortgaged Property acquired through foreclosure or deed-in-lieu of foreclosure (each such Mortgaged Property, an "REO Property"), would otherwise have been payable under the related Mortgage Note.

ALLOCATION OF LOSSES; SUBORDINATION

A "Realized Loss" with respect to a Mortgage Loan is (i) a Bankruptcy Loss or (ii) as to any Liquidated Mortgage Loan, the unpaid principal balance thereof plus accrued and unpaid interest thereon at the Mortgage Rate through the last day of the month of liquidation less the Net Liquidation Proceeds with respect to such Mortgage Loan and the related Mortgaged Property. A "Liquidated Mortgage Loan" is any defaulted Mortgage Loan as to

which the Master Servicer has determined that all amounts which it expects to recover from or on account of such Mortgage Loan have been recovered.

"Liquidation Proceeds" are amounts received by the Master Servicer in connection with the liquidation of a defaulted Mortgage Loan, whether through trustee's sale, foreclosure sale, proceeds of insurance policies, condemnation proceeds or otherwise.

"Net Liquidation Proceeds" with respect to a Mortgage Loan are Liquidation Proceeds net of unreimbursed advances by the Master Servicer, Monthly Advances and expenses incurred by the Master Servicer in connection with the liquidation of such Mortgage Loan and the related Mortgaged Property.

In the event of a personal bankruptcy of a Mortgagor, the bankruptcy court may establish the value of the Mortgaged Property at an amount less than the then Outstanding Principal Balance of the Mortgage Loan secured by such Mortgaged Property and could reduce the secured debt to such value. In such case, the holder of such Mortgage Loan would become an unsecured creditor to the extent of the difference between the Outstanding Principal Balance of such Mortgage Loan and such reduced secured debt (such difference, a "Deficient Valuation"). In addition, certain other modifications of the terms of a Mortgage Loan can result from a bankruptcy proceeding, including the reduction of the amount of the monthly payment on the related Mortgage Loan (a "Debt Service Reduction"). A "Bankruptcy Loss" with respect to any Mortgage Loan is a Deficient Valuation or Debt Service Reduction.

The principal portion of Realized Losses on the Mortgage Loans will not be allocated to any Senior Certificates until the Cross-Over Date. Prior to the Cross-Over Date any such Realized Losses will be allocated as follows: with respect to such loss on a Mortgage Loan, first to the Class B-6 Certificates, second to the Class B-5 Certificates, third, to the Class B-4 Certificates, fourth, to the Class B-3 Certificates, fifth, to the Class B-2 Certificates, sixth, to the Class B-1 Certificates and seventh, to the Class A-2 Certificates. Commencing on the Cross-Over Date, the principal portion of Realized Losses on the Mortgage Loans will be allocated to the Senior Certificates pro rata based upon their respective Current Principal Amounts.

No reduction of the Current Principal Amount of any Certificate shall be made on any Distribution Date on account of Realized Losses to the extent that such reduction would have the effect of reducing the aggregate Current Principal Amount of all of the Certificates as of such Distribution Date to an amount less than the aggregate Scheduled Principal Balance of the Mortgage Loans as of the related Due Date (such limitation being the applicable "Loss Allocation Limitation" with respect to each such certificate).

The principal portion of Debt Service Reductions will not be allocated in reduction of the Current Principal Amount of any Certificate. However, after the Cross-Over Date, the amounts distributable under clause (i) of the definitions of Senior Optimal Principal Amount and Senior Mezzanine and Subordinate Optimal Principal Amount will be reduced by the amount of any Debt Service Reductions applicable to the Mortgage Loans. Regardless of when they occur, Debt Service Reductions may reduce the amount of Available Funds that would otherwise be available for distribution on a Distribution Date. As a result of the subordination of the Senior Mezzanine and Subordinate Certificates in right of distribution, any Debt Service Reductions relating to the Mortgage Loans prior to the Cross-Over Date, will be borne by the Subordinate Certificates (to the extent then outstanding) in inverse order of priority and then by the Senior Mezzanine Certificates.

All allocations of Realized Losses will be accomplished on a Distribution Date by reducing the Current Principal Amount of the applicable Classes of Certificates by their appropriate shares of any such losses occurring during the month preceding the month of such Distribution Date and, accordingly, will be taken into account in determining the distributions of principal and interest on the Certificates commencing on the following Distribution Date.

The interest portion of Realized Losses will be allocated among the outstanding Classes of Certificates offered hereby to the extent described under "Distributions on the Certificates--Interest" above.

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SUBORDINATION

Priority of Senior Certificates. As of the Closing Date, (i) the aggregate Current Principal Amount of the Class A-2, Class B-1, Class B-2, Class B-3, Class B-4, Class B-5 and Class B-6 Certificates will equal approximately 8.50% of the aggregate Current Principal Amounts of all the Classes of Certificates, (ii) the aggregate Current Principal Amount of the Class B-1, Class B-2, Class B-3, Class B-4, Class B-5 and Class B-6 Certificates will equal approximately 4.05% of the aggregate Current Principal Amounts of all the Classes of Certificates and (iii) the aggregate Current Principal Amount of the Class B-4, Class B-5 and Class B-6 Certificates will equal approximately 1.10% of the aggregate Current Principal Amount of all the Classes of Certificates.

The rights of the holders of the Subordinate Certificates to receive distributions with respect to the Mortgage Loans will be subordinated to such rights of the holders of the Senior Certificates, the Senior Mezzanine Certificates and to each Class of Subordinate Certificates having a lower numerical designation than such Class. The rights of the holders of the Senior Mezzanine Certificates to receive distributions with respect to the Mortgage Loans will be subordinated to such rights of the holders of the Senior Certificates. The subordination of the Senior Mezzanine Certificates and the Subordinate Certificates to the Senior Certificates, the subordination of a Class of Subordinate Certificates to the Senior Mezzanine Certificates and the Senior Certificates and the further subordination among the Subordinate Certificates, are each intended to increase the likelihood of timely receipt by the holders of the Certificates with higher relative payment priority of the maximum amount to which they are entitled on any Distribution Date and to provide such holders with protection against losses resulting from defaults on Mortgage Loans to the extent described above.

However, in certain circumstances, the amount of available subordination may be exhausted and shortfalls in distributions on the Offered Certificates could result. Holders of Senior Certificates will bear their proportionate share of Realized Losses in excess of the total subordination amount.

In addition, in order to extend the period during which the Senior Mezzanine and Subordinate Certificates remain available as credit enhancement for the Senior Certificates, the entire amount of any prepayment or other unscheduled recovery of principal with respect to a Mortgage Loan will be allocated to the Senior Certificates to the extent described herein during the first ten years after the Closing Date (with such allocation to be subject to further reduction over an additional four year period thereafter as described in this prospectus supplement), unless the amount of subordination provided to the Senior Certificates is at least twice the amount as of the Cut-off Date, and certain loss and delinquency tests are satisfied. This allocation has the effect of accelerating the amortization of the Senior Certificates while, in the absence of losses in respect of the Mortgage Loans, increasing the percentage interest in the principal balance of the Mortgage Loans evidenced by the Senior Mezzanine and Subordinate Certificates. Also, after the aggregate principal balance of the Senior Certificates is reduced to zero, the entire amount of any prepayments and other unscheduled recoveries of principal will be allocated to the Senior Mezzanine Certificates unless certain loss and delinquency tests are satisfied. This will accelerate the amortization of the Senior Mezzanine Certificates while, in the absence of losses in respect of the Mortgage Loans, increasing the percentage interest in the principal balance of the Mortgage Loans evidenced by the Subordinate Certificates.

After the payment of amounts distributable in respect of the Senior Certificates on each Distribution Date, the Senior Mezzanine Certificates will be entitled on such date to the remaining portion, if any, of the Available Funds in an aggregate amount equal to the Accrued Certificate Interest on the Senior Mezzanine Certificates for such date, any remaining undistributed Accrued Certificate Interest thereon from previous Distribution Dates and the Allocable Share of the Senior Mezzanine Certificates for such date. Amounts so distributed to Senior Mezzanine Certificateholders will not be available to cover any delinquencies or any Realized Losses on Mortgage Loans in respect of subsequent Distribution Dates. After the payment of amounts distributable in respect of the Senior Certificates and Senior Mezzanine Certificates on each Distribution Date, the Subordinate Certificates will be entitled on such date to the remaining portion, if any, of the Available Funds in an aggregate amount equal to the Accrued Certificate Interest on the Subordinate Certificates for such date, any remaining undistributed Accrued Certificate Interest thereon from previous Distribution Dates and the sum of the Allocable Shares of the Subordinate Certificates for such date. Amounts so distributed to Subordinate Certificateholders will not be available to cover any delinquencies or any Realized Losses on Mortgage Loans in respect of subsequent Distribution Dates.

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Priority Among Senior Mezzanine and Subordinate Certificates. On each Distribution Date, the holders of any particular Class of Senior Mezzanine or Subordinate Certificates will have a preferential right to receive the amounts due them on such Distribution Date out of the Available Funds, prior to any distribution being made on such date on each Class of Certificates subordinated to such Class. In addition, except as described herein, Realized Losses for the Mortgage Loans will be allocated, to the extent set forth herein, in reduction of the Current Principal Amounts of the Classes of Senior Mezzanine or Subordinate Certificates in the inverse order of their payment priority. The effect of the allocation of such Realized Losses to a Class of Senior Mezzanine and Subordinate Certificates will be to reduce future distributions allocable to such Class and increase the relative portion of distributions allocable to more senior Classes of Senior Mezzanine and Subordinate Certificates.

In order to maintain the relative levels of subordination among the Classes of Senior Mezzanine and Subordinate Certificates, prepayments on the Mortgage Loans and certain other unscheduled recoveries of principal in respect of the Mortgage Loans (which, except as described herein, will not be distributable to such Certificates for at least the first ten years after the Cut-off Date) will not be distributable to the holders of any Class of Senior Mezzanine and Subordinate Certificates on any Distribution Date for which the related Class Prepayment Distribution Trigger is not satisfied, except as described above. See "Description of the Certificates-Distributions on the Certificates-Principal." If the Class Prepayment Distribution Trigger is not satisfied with respect to any Class of Subordinate Certificates, the amortization of more senior Classes of Subordinate Certificates may occur more rapidly than would otherwise have been the case and, in the absence of losses on the Mortgage Loans, the percentage interest in the principal balance of the Mortgage Loans evidenced by such Subordinate Certificates may increase.

As a result of the subordination of any Class of Senior Mezzanine or Subordinate Certificates, such Class of Certificates will be more sensitive than more senior Classes of Certificates to the rate of delinquencies and defaults on the Mortgage Loans, and under certain circumstances investors in such Certificates may not recover their initial investment.

OPTIONAL PURCHASE OF DEFAULTED LOANS

Subject to the conditions set forth in the Agreement, EMC may, at its option, purchase from the Trust any Mortgage Loan which has become delinquent at least 91 days. That purchase shall be at a purchase price equal to the Repurchase Price.

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YIELD AND PREPAYMENT CONSIDERATIONS

GENERAL

The yield to maturity and weighted average life of each Class of Certificates will be affected by the amount and timing of principal payments on the Mortgage Loans, the allocation of Available Funds to such Class of Certificates, the applicable Pass-Through Rate for such Class of Certificates and the purchase price paid for such Certificates. In addition, the yields on the Certificates will be adversely affected by Realized Losses and Net Interest Shortfalls. The interaction of the foregoing factors may have different effects on the various Classes of Certificates, and may have varying effects with respect to any one Class of Certificates during the life of such Class. No representation is made as to the anticipated rate of prepayments on the Mortgage Loans, the amount and timing of Realized Losses or Net Interest Shortfalls or as to the anticipated yield to maturity of any Class of Certificates. Prospective investors are urged to consider their own estimates as to the anticipated rate of future prepayments on the Mortgage Loans and the suitability of the Certificates to their investment objectives. Investors should carefully consider the associated risks discussed below and under the heading "Legal Investment" herein and under the headings "Yield and Prepayment Considerations" and "Legal Investment" in the Prospectus.

Mortgage Loan Payments. If prevailing mortgage rates fall significantly below the Mortgage Rates on the Mortgage Loans, the Mortgage Loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the Mortgage Rates on the Mortgage Loans. Other factors affecting prepayments of Mortgage Loans include changes in Mortgagors' housing needs, job transfers, unemployment, net equity in the Mortgaged Properties and servicing decisions. Amounts received by virtue of liquidations of Mortgage Loans, repurchases of Mortgage Loans upon breach of representations or warranties and optional termination of the Trust also affect the receipt of principal on the Mortgage Loans. In addition, the rates of prepayments will be affected by the rate and timing of the sale of Mortgaged Properties to the extent that the Mortgage Loans contain due-on sale clauses. The Mortgage Loans may be prepaid at any time.

Timing of Payments and Distributions. Unlike certain corporate bonds, the timing and amount of principal payments on the Certificates are not fixed because they are generally determined by the timing and amount of principal payments on the Mortgage Loans. The timing of payments on the Mortgage Loans may significantly affect an investor's yield. In general, the earlier a prepayment of principal on the Mortgage Loans, the greater will be the effect on an investor's yield to maturity. As a result, the effect on an investor's yield of principal prepayments that occur at a rate which is higher (or lower) than the rate anticipated by the investor during the period immediately following the issuance of the Certificates will not be offset by a subsequent like reduction (or increase) in the rate of principal prepayments. Furthermore, the effective yield to holders of the Certificates (other than holders of the Adjustable Rate Certificates) will be slightly lower than the yield otherwise produced by the applicable Pass-Through Rate and purchase price because, while interest generally will accrue on each such Certificates from the first day of the month, the distribution of such interest will not be made earlier than the 19th day of the month following the month of accrual. Moreover, to the extent any Net Interest Shortfall or the interest portion of any Realized Loss is allocated to a Class of Certificates the yield to investors in such Class will be reduced.

Discounts and Premiums. In the case of any Certificates purchased at a discount, a slower than assumed rate of principal payments on the Mortgage Loans could result in an actual yield that is lower than the assumed yield. In the case of any Certificates purchased at a premium, a faster than assumed rate of principal payments on the Mortgage Loans could result in an actual yield that is lower than the anticipated yield. A discount or premium would be determined in relation to the price at which a Certificate will yield its Pass-Through Rate, after giving effect to any payment delay.

Reinvestment Risk. Because the Mortgage Loans may be prepaid at any time, it is not possible to predict the rate at which distributions on the Certificates will be received. Since prevailing interest rates are subject to fluctuation, there can be no assurance that investors in the Certificates will be able to reinvest the distributions thereon at yields equaling or exceeding the yields on the Certificates. Yields on any such reinvestments may be lower, and may even be significantly lower, than yields on the Certificates. Generally, when prevailing interest rates increase, prepayment rates on mortgage loans tend to decrease, resulting in a reduced rate of 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 greater rate of return of principal to investors at a time when reinvestment at comparable yields may not be possible.

ADDITIONAL YIELD CONSIDERATIONS FOR SPECIFIC CLASSES

Class X Certificates. Because the Notional Amount of the Class X Certificates will be based upon the aggregate Current Principal Amount of the Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificates, the yield on the Class X Certificates will be sensitive to the rate and timing of principal payments of the mortgage loans, to the extent these payments are allocated to the Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificates. A rapid rate of principal payments on the Mortgage Loans, to the extent allocated to the Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificates, will have a materially negative effect on the yield to investors in the Class X Certificates. In addition, the Class X Certificates will not be entitled to interest distributions to the extent necessary to fund the Interest Shortfall Carryover Fund which will be used to cover any Carryover Shortfall Amounts on the related Distribution Date. Investors should fully consider the associated risks, including the risk that a rapid rate of principal payments on the Mortgage Loans (in particular, a rapid rate of principal payments on Mortgage Loans with higher Mortgage Rates) or an increase in the amount of One-Month LIBOR could result in the failure of investors in the Class X Certificates to recover fully their initial investments.

To the extent the related weighted average net rate is paid to the Class A-1, Class A-2, Class B-1, Class B-2 or Class B-3 Certificates, a Carryover Shortfall Amount will be created with respect to such Certificates. These Carryover Shortfall Amounts may remain unpaid on the optional termination date or the final Distribution Date.

Residual Certificates. Holders of the Residual Certificates are entitled to receive distributions of principal and interest as described herein. However, holders of such Certificates may have tax liabilities with respect to their Certificates during the early years of the related REMIC that substantially exceed the principal and interest payable thereon during such periods.

ASSUMED FINAL DISTRIBUTION DATE

The "Assumed Final Distribution Date" for distributions on the Certificates is February 19, 2033. The Assumed Final Distribution Date in each case is the Distribution Date in the month following the month of the latest scheduled maturity date of any of the Subsequent Mortgage Loans. Since the rate of payment (including prepayments) of principal on the Mortgage Loans can be expected to exceed the scheduled rate of payments, and could exceed the scheduled rate by a substantial amount, the disposition of the last remaining Mortgage Loan may be earlier, and could be substantially earlier, than the Assumed Final Distribution Date. In addition, SAMI or its designee may repurchase from the Trust all Mortgage Loans at the purchase price set forth in the Agreement when the aggregate Outstanding Principal Balance of the Mortgage Loans is equal to 10% or less than the sum of (i) the aggregate principal balance of the Initial Mortgage Loans as of the Cut-off Date and (ii) the Pre-Funded Amount. See "The Pooling and Servicing Agreement-Termination" herein.

WEIGHTED AVERAGE LIVES

The weighted average life of a security refers to the average amount of time that will elapse from the date of its issuance until each dollar of principal of such security will be distributed to the investor. The weighted average life of a Certificate is determined by (a) multiplying the amount of the reduction, if any, of the principal amount of such Certificate from one Distribution Date to the next Distribution Date by the number of years from the date of issuance to the second such Distribution Date, (b) summing the results and (c) dividing the sum by the aggregate amount of the reductions in the principal amount of such Certificate referred to in clause (a). The weighted average lives of the Certificates will be influenced by, among other factors, the rate at which principal is paid on Mortgage Loans. Principal payments of Mortgage Loans may be in the form of scheduled amortization, prepayments, liquidations as a result of foreclosure proceedings or otherwise, or by virtue of the purchase of a Mortgage Loan in advance of its stated maturity as required or permitted by the Agreement. In general, the Mortgage Loans may be prepaid by the Mortgagors at any time and without payment of any prepayment fee or penalty. The actual weighted average life and term to maturity of each Class of Certificates, in general, will be shortened if the level of such prepayments of principal on the Mortgage Loans increase.

PREPAYMENT MODEL

Prepayments on mortgage loans are commonly measured relative to a prepayment standard or model. The prepayment model used in this Prospectus Supplement with respect to the Mortgage Loans represents a constant rate

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of prepayment each month ("CPR") relative to the then outstanding principal balance of a pool of mortgage loans. To assume a 25% CPR or any other CPR is to assume that the stated percentage of the outstanding principal balance of the related mortgage pool is prepaid over the course of a year. No representation is made that the Mortgage Loans will prepay at these or any other rates.

PRICING ASSUMPTIONS

The Certificates were structured assuming, among other things, a 25% CPR for the Certificates. The prepayment assumption to be used for pricing purposes for the respective Classes may vary as determined at the time of sale. The actual rate of prepayment may vary considerably from the rate used for any prepayment assumption.

DECREMENT TABLES

The following tables entitled "Percent of Initial Principal Amount Outstanding" indicate the percentages of the initial principal amount of each Class of Offered Certificates (other than the Interest Only Certificates and the Residual Certificates) that would be outstanding after each of the dates shown at various percentages of CPR and the corresponding weighted average lives of such Classes of Offered Certificates.

The following tables have been prepared based on the assumptions (the "Structuring Assumptions") that: (i) the Mortgage Loans have the characteristics set forth in Appendix A, (ii) the Mortgage Loans prepay at the specified percentages of the CPR, (iii) no defaults in the payment by Mortgagors of principal of and interest on the Mortgage Loans are experienced, (iv) scheduled payments on the Mortgage Loans are received on the first day of each month commencing in November 2002 and are computed prior to giving effect to prepayments received on the last day of the prior month, (v) prepayments are allocated as described herein assuming the loss and delinquency tests are satisfied, (vi) there are no Net Interest Shortfalls and prepayments represent prepayments in full of individual Mortgage Loans and are received on the last day of each month, commencing in October 2002, (vii) scheduled Monthly Payments of principal and interest on the Mortgage Loans are calculated on their respective principal balances (prior to giving effect to prepayments received thereon during the preceding calendar month), Mortgage Rate and remaining terms to stated maturity such that the Mortgage Loans will fully amortize by their stated maturities, (viii) the levels of One-Month LIBOR and Six-Month LIBOR remain constant at 1.83% and 1.82%, respectively, (ix) the Mortgage Rate on each Mortgage Loan will be adjusted on each Interest Adjustment Date (as necessary) to a rate equal to the applicable Index (as described above), plus the applicable Gross Margin, subject to Maximum Lifetime Mortgage Rates and Minimum Lifetime Mortgage Rates, as applicable, (x) the initial principal amounts of the Certificates are as set forth on the cover page hereof and under "Summary of Terms-Other Certificates"; (xi) none of the Indices on the Index Conversion Mortgage Loans, if any, convert to another Index, (xii) distributions in respect of the Certificates are received in cash on the 19th day of each month, commencing in November 2002, (xiii) the Offered Certificates are purchased on October 31, 2002, (xiv) the initial Pass-Through Rate of the Class X Certificates is approximately 2.05% per annum, (xv) SAMI does not exercise the option to repurchase the Mortgage Loans described under the caption "The Pooling and Servicing Agreement-Termination" and (xvi) Subsequent Mortgage Loans were acquired by the Trust in October 2002 and payments thereon are included in distribution amounts on the first distribution date. While it is assumed that each of the Mortgage Loans prepays at the related specified percentages of CPR, this is not likely to be the case.

Discrepancies will exist between the characteristics of the actual Mortgage Loans which will be delivered to the Trustee and characteristics of the Mortgage Loans assumed in preparing the tables. To the extent that the Mortgage Loans have characteristics which differ from those assumed in preparing the tables, the Certificates may mature earlier or later than indicated by the tables. In addition, Subsequent Mortgage Loans shall be conveyed to the Trustee on behalf of the Trust during the Pre-Funding Period, which will increase the aggregate principal balance of the Mortgage Loans and otherwise affect the Structuring Assumptions. The Subsequent Mortgage Loans shall have the characteristics with respect thereto set forth in "Description of the Mortgage Loans - Conveyance of the Subsequent Mortgage Loans and the Pre-Funding Account."

Based on the foregoing assumptions, the tables below indicate the weighted average life of each Class of Offered Certificates (other than the Class X Certificates) and set forth the percentages of the initial Current Principal Amount of each such Class that would be outstanding after the Distribution Date in October of each of the years indicated, assuming that the Mortgage Loans prepay at the percentage of CPR indicated therein. None of the

percentages of CPR, or any other prepayment model or assumption, purports to be an historical description of prepayment experience or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Mortgage Loans. Variations in the actual prepayment experience and the balance of the Mortgage Loans that prepay may increase or decrease the percentage of initial Current Principal Amount (and weighted average life) shown in the following tables. Such variations may occur even if the average prepayment experience of all such Mortgage Loans equals any of the specified percentages of the CPR.

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PERCENT OF INITIAL PRINCIPAL AMOUNT OUTSTANDING
CLASS A-2, CLASS B-1, CLASS B-2 AND CLASS B-3

CERTIFICATES	CLASS A-1 CERTIFICATES							
DISTRIBUTION DATE	CPR PERCENTAGE					CPR		
PERCENTAGE	0%	15%	25%	35%	50%	0%	15%	25%
35% 50%								
Initial Percentage.....	100%	100%	100%	100%	100%	100%	100%	100%
100% 100%								
October, 2003....	100	84	73	62	45	100	100	100
100 100								
October, 2004....	100	70	52	38	21	100	100	100
93 71								
October, 2005....	100	58	38	23	9	100	100	92
75 51								
October, 2006....	100	48	28	15	4	100	100	69
49 25								
October, 2007....	100	40	21	10	2	100	90	52
32 13								
October, 2008....	100	34	16	6	1	100	76	39
21 6								
October, 2009....	100	29	12	4	1	100	65	29
13 3								
October, 2010....	100	25	9	3	*	100	55	22
9 2								
October, 2011....	100	21	7	2	*	100	47	16
6 1								
October, 2012....	99	18	5	1	*	99	40	12
4 *								
October, 2013....	95	14	4	1	*	95	32	9
2 *								
October, 2014....	90	12	3	*	*	90	26	6
1 *								
October, 2015....	84	9	2	*	*	84	21	4
1 *								
October, 2016....	79	7	1	*	*	79	16	3
1 *								
October, 2017....	74	6	1	*	*	74	13	2
* *								
October, 2018....	68	5	1	*	*	68	10	1
* *								
October, 2019....	62	4	*	*	*	62	8	1
* *								
October, 2020....	56	3	*	*	*	56	6	1
* *								
October, 2021....	49	2	*	*	*	49	5	*
* *								
October, 2022....	42	1	*	*	*	42	3	*
* *								
October, 2023....	35	1	*	*	*	35	2	*
* *								
October, 2024....	28	1	*	*	*	28	2	*
* *								
October, 2025....	20	*	*	*	*	20	1	*
* *								
October, 2026....	13	*	*	*	*	13	1	*
* *								
October, 2027....	4	*	*	*	*	4	*	*
* *								
October, 2028....	*	*	*	*	*	*	*	*
* *								
October, 2029....	*	*	*	*	*	*	*	*
* *								
October, 2030....	0	0	0	0	0	0	0	0
0 0								
Weighted Average Life to Maturity (years)**.....	18.49	5.40	3.20	2.12	1.29	18.49	9.69	6.10
4.57 3.19								
Weighted Average Life to Call (years)**.....	18.42	5.07	2.93	1.93	1.19	18.42	8.95	5.44
3.96 2.59								

* Indicates a number that is greater than zero but less than 0.5%.

** The weighted average life of a Certificate is determined by (a) multiplying the amount of the reduction, if any, of the principal amount of such Certificate from one Distribution Date to the next Distribution Date by the number of years from the date of issuance to the second such Distribution Date, (b) summing the results and (c) dividing the sum by the aggregate amount of the reductions in the principal amount of such Certificate.

INTEREST ONLY CERTIFICATE YIELD CONSIDERATIONS

The yield to maturity on the Interest Only Certificates will be extremely sensitive to both the timing of receipt of prepayments and the overall rate of principal prepayments and defaults on the Mortgage Loans, which rate may fluctuate significantly over time. Investors in the Interest Only Certificates should fully consider the risk that a rapid rate of prepayments on the Mortgage Loans could result in the failure of such investors to fully recover their investments.

The following table indicates the sensitivity of the pre-tax yield to maturity on the Interest Only Certificates to various constant rates of prepayment on the Mortgage Loans by projecting the monthly aggregate payments on the Certificates and computing the corresponding pre-tax yields to maturity on a corporate bond equivalent basis, based on the Structuring Assumptions including the assumptions regarding the characteristics and performance of such Mortgage Loans which differ from the actual characteristics and performance thereof, and assuming the aggregate purchase prices set forth below. Any differences between such assumptions and the actual characteristics and performance of the Mortgage Loans and of such Certificates may result in yields being different from those shown in such table. Discrepancies between assumed and actual characteristics and performance underscore the hypothetical nature of the table, which are provided only to give a general sense of the sensitivity of yields in varying prepayment scenarios.

PRE-TAX YIELD TO MATURITY OF THE CLASS X
CERTIFICATES AT THE FOLLOWING CPR PERCENTAGES

ASSUMED PURCHASE PRICE	0%	15%	25%	35%	50%
3.000%	42.80%	23.61%	9.51%	(-6.21%)	(-32.33%)

Each pre-tax yield to maturity set forth in the preceding table was calculated by determining the monthly discount rate which, when applied to the assumed stream of cash flows to be paid on the Interest Only Certificates, would cause the discounted present value of such assumed stream of cash flows to equal the assumed purchase price listed in the table (plus accrued interest). Accrued interest is added to the assumed purchase price in computing the yields shown. These yields do not take into account the different interest rates at which investors may be able to reinvest funds received by them as distributions on the Interest Only Certificates, and thus do not reflect the return on any investment in the Interest Only Certificates when any reinvestment rates other than the discount rates set forth in the preceding table are considered.

Notwithstanding the assumed prepayment rates reflected in the preceding table, it is highly unlikely that the Mortgage Loans will be prepaid according to one particular pattern. For this reason, and because the timing of cash flows is critical to determining yields, the pre-tax yield to maturities on the Interest Only Certificates are likely to differ from those shown in the table above, even if the average prepayment rate on all of the Mortgage Loans equals the percentages of CPR indicated in the table above over any given time period or over the entire life of the Certificates.

There can be no assurance that the Mortgage Loans will prepay at any particular rate or that the yield on the Interest Only Certificates will conform to the yields described herein. Moreover, the various remaining terms to maturity of the Mortgage Loans could produce slower or faster principal distributions than indicated in the preceding table at the various percentages of CPR specified, even if the weighted average remaining term to maturity and weighted average Mortgage Rate of the Mortgage Loans are as assumed. Investors are urged to make their investment decisions based on their determinations as to anticipated rates of prepayment under a variety of scenarios. Investors in the Interest Only Certificates should fully consider the risk that a rapid rate of prepayments on the Mortgage Loans could result in the failure of such investors to fully recover their investments. In addition, holders of the Interest Only Certificates in most cases have rights to relatively larger portions of interest payments on Mortgage Loans with higher Mortgage Rates; thus, the yield on the Interest Only Certificates will be materially adversely affected to a greater extent than on the other Offered Certificates if the Mortgage Loans with higher Mortgage Rates prepay faster than the Mortgage Loans with lower Mortgage Rates.

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For additional considerations relating to the yield on the Certificates, see "Yield and Prepayment Considerations" in the Prospectus.

THE POOLING AND SERVICING AGREEMENT

GENERAL

The Certificates will be issued pursuant to a Pooling and Servicing Agreement, dated as of October 1, 2002 (the "Agreement"), among EMC, the Master Servicer, the Securities Administrator, the Seller and the Trustee. Reference is made to the Prospectus for important information additional to that set forth herein regarding the terms and conditions of the Agreement and the Certificates. SAMI will provide to a prospective or actual Certificateholder without charge, upon written request, a copy (without exhibits) of the Agreement. Requests should be addressed to Structured Asset Mortgage Investments Inc., 383 Madison Avenue, New York, New York 10179.

VOTING RIGHTS

Voting rights of the Trust in general will be allocated among the Classes of Certificates, other than the Class X Certificates, based upon their respective Current Principal Amounts; provided that 1.00% of voting rights will be allocated to the Class X Certificates, based upon its Notional Amount, and provided that voting rights equal to 0.25% will be allocated to each Class of Residual Certificates.

ASSIGNMENT OF MORTGAGE LOANS

At the time of issuance of the Certificates, SAMI will cause the Mortgage Loans, together with all principal and interest due on or with respect to such Mortgage Loans after the Cut-off Date, to be sold to the Trust. The Mortgage Loans will be identified in a schedule appearing as an exhibit to the Agreement. Such schedule will include information as to the principal balance of each Mortgage Loan as of the Cut-off Date, as well as information including, among other things, the Mortgage Rate, the Net Rate, the Monthly Payment, the maturity date of each Mortgage Note, the Servicing Fee and the Loan-to-Value Ratio.

In addition, SAMI will deposit with the Trustee, with respect to each Mortgage Loan, the original Mortgage Note, endorsed without recourse to the order of the Trustee and showing to the extent available to SAMI an unbroken chain of endorsements from the original payee thereof to the person endorsing it to the Trustee; the original Mortgage which shall have been recorded, with evidence of such recording indicated thereon; the assignment (which may be in the form of a blanket assignment) to the Trustee of the Mortgage, with evidence of recording with respect to each Mortgage Loan in the name of the Trustee thereon; all intervening assignments of the Mortgage to SAMI, if any, with evidence of recording thereon; the original or a copy of the policy or certificate of primary mortgage guaranty insurance, if any; and originals of all assumption and modification agreements. Notwithstanding the foregoing, SAMI will not be required to deliver assignments of the Mortgage with evidence of recording thereon if the Mortgaged Properties relating thereto are located in a jurisdiction in which, based on an opinion of counsel delivered by SAMI to the Trustee, such recordation is not necessary to protect the interests of the Certificateholders in the related Mortgage Loans. The documents delivered to the Trustee with respect to each Mortgage Loan are referred to collectively as the "Mortgage File." SAMI will cause the Mortgage and intervening assignments, if any, and the assignment of the Mortgage to be recorded not later than 180 days after the Closing Date.

The Trustee will review each item of the Mortgage File within 45 days of the Closing Date (and will review each document permitted to be delivered to the Trustee after the Closing Date, if received by the Trustee after the initial 45-day period, promptly after its delivery to the Trustee). If, as a result of its review, the Trustee determines that any document is missing, does not appear regular on its face, or appears to be unrelated to the Mortgage Loans identified in the Mortgage Loan Schedules (a "Material Defect"), the Trustee shall notify the Mortgage Loan Seller of such Material Defect. The Mortgage Loan Seller shall correct or cure any such Material Defect within 90 days from the date of notice from the Trustee of the Material Defect, and, if the Mortgage Loan Seller does not correct or cure such Material Defect within such period and such defect materially and adversely affects the interests of the Certificateholders in the related Mortgage Loan, the Mortgage Loan Seller will, within 90 days of the date of notice, provide the Trustee with a substitute Mortgage Loan (if within two years of the Closing Date) or purchase the related Mortgage Loan at the applicable Repurchase Price.

The Trustee also will review the Mortgage Files within 180 days of the Closing Date. If the Trustee discovers a Material Defect, the Trustee shall notify the Mortgage Loan Seller of such Material Defect. The Mortgage Loan Seller shall correct or cure any such Material Defect within 90 days from the date of notice from the

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Trustee of the Material Defect, and, if the Mortgage Loan Seller does not correct or cure such Material Defect within such period and such defect materially and adversely affects the interests of the Certificateholders in the related Mortgage Loan, the Mortgage Loan Seller will, within 90 days of the date of notice, provide the Trustee with a substitute Mortgage Loan (if within two years of the Closing Date) or purchase the related Mortgage Loan at the applicable Repurchase Price.

The "Repurchase Price" means, with respect to any Mortgage Loan required to be repurchased, an amount equal to (i) 100% of the Outstanding Principal Balance of such Mortgage Loan plus accrued but unpaid interest on the Outstanding Principal Balance at the related Mortgage Rate through and including the last day of the month of repurchase, reduced by (ii) any portion of the Servicing Fee or advances payable to the purchaser of the Mortgage Loan.

As of any time of determination, the "Outstanding Principal Balance" of a Mortgage Loan is the principal balance of such Mortgage Loan remaining to be paid by the Mortgagor or, in the case of an REO Property, the principal balance of the related Mortgage Loan remaining to be paid by the Mortgagor at the time such property was acquired by the Trust.

REPRESENTATIONS AND WARRANTIES

In the Mortgage Loan Purchase Agreement, pursuant to which SAMI purchased the Mortgage Loans from EMC, EMC made certain representations and warranties to SAMI concerning the Mortgage Loans. The Trustee will be assigned all right, title and interest in the Mortgage Loan Purchase Agreement insofar as they relate to such representations and warranties, other than the remedies provided for breach of such representations and warranties.

The representations and warranties of EMC with respect to the Mortgage Loans primarily include the following:

(a) The information set forth in the Mortgage Loan Schedule (as defined in the Agreement) was true, complete and correct in all material respects as of the date such representation was made;

(b) Immediately prior to the sale of the Mortgage Loans pursuant to the Mortgage Loan Purchase Agreement, EMC was the sole owner of record and holder of the Mortgage Loans. As of the Closing Date or as of another specified date, the Mortgage Loans were not assigned or pledged, and EMC had good and marketable title thereto, and had full right to transfer and sell the Mortgage Loans therein free and clear of any encumbrance, equity, participation interest, lien, pledge, charge, claim or security interest, and had full right and authority, subject to no interest or participation of, or agreement with, any other party, to sell and assign each Mortgage Loan pursuant to the Mortgage Loan Purchase Agreement; and

(c) As of the date of the related agreement, none of the Mortgage Loans were thirty (30) days or more delinquent. As of such date, there was no material event which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default, breach or event of acceleration with respect to the Mortgage Loans; neither EMC nor any of its respective affiliates has taken any action to waive any default, breach or event of acceleration with respect to the Mortgage Loans; and no foreclosure action is threatened or has been commenced with respect to the Mortgage Loans.

In the case of a breach of any representation or warranty set forth above which materially and adversely affects the value of the interests of Certificateholders or the Trustee in any of the Mortgage Loans, within 90 days from the date of discovery or notice from the Trustee, SAMI, the Master Servicer, the Securities Administrator or EMC, EMC will (i) cure such breach in all material respects, (ii) provide the Trustee with a substitute Mortgage Loan (if within two years of the Closing Date) or (iii) purchase the related Mortgage Loan at the applicable Repurchase Price. The obligations of EMC to cure, purchase or substitute shall constitute the Trustee's sole and exclusive remedy respecting a breach of such representations and warranties.

COLLECTION AND OTHER SERVICING PROCEDURES

The Servicer, as independent contract servicer, will service and administer the Mortgage Loans in accordance with the Servicing Agreement and with accepted servicing practices (giving due consideration to the Trust's reliance on the Servicer), and will have full power and authority, acting alone, to do or cause to be done any and all things in connection with such servicing and administration which the Servicer may deem necessary or desirable and consistent with the terms of the Servicing Agreement and with accepted servicing practices, and will exercise the same care that it customarily employs for its own account. Except as set forth in the Servicing Agreement, the Servicer will service the Mortgage Loans in accordance with accepted servicing practices in compliance with the servicing provisions of the Fannie Mae Selling Guide and the Fannie Mae Servicing Guide (collectively, the "Fannie Mae Guide"), which include, but are not limited to, provisions regarding the liquidation of Mortgage Loans, the collection of Mortgage Loan payments, the payment of taxes, insurance and other charges, the maintenance of hazard insurance with a qualified insurer, the maintenance of fidelity bond and errors and omissions insurance, inspections, the restoration of Mortgaged Property, the maintenance of primary mortgage insurance policies, insurance claims, and title insurance, the management of REO Property, permitted withdrawals with respect to REO Property, liquidation reports, reports of foreclosures and abandonments of Mortgaged Property, the transfer of Mortgaged Property, the release of mortgage loan files, annual statements, and the examination of records and facilities. In the event of any conflict, inconsistency or discrepancy between any of the servicing provisions of the Servicing Agreement and any of the servicing provisions of the Fannie Mae Guide, the provisions of the Servicing Agreement will control and be binding upon the Servicer. The Trustee may, at its option, deliver powers-of-attorney to the Servicer sufficient to allow the Servicer as servicer to execute all documentation requiring execution on behalf of the Trust with respect to the servicing of the Mortgage Loans, including satisfactions, partial releases, modifications and foreclosure documentation or, in the alternative, will as promptly as reasonably possible, execute and return such documentation to the Servicer.

Consistent with the terms of the Servicing Agreement, the Servicer may waive, modify or vary any term of any Mortgage Loan or consent to the postponement of any such term or in any manner grant indulgence to any Mortgagor if, in the Servicer's reasonable and prudent determination, such waiver, modification, postponement or indulgence is not materially adverse to the Trust; provided, however, that the Servicer will not permit any modification with respect to any Mortgage Loan that would change the mortgage interest rate, forgive the payment of principal or interest, reduce or increase the Outstanding Principal Balance (except for actual payments of principal) or change the final maturity date on such Mortgage Loan. In the event of any such modification which permits the deferral of interest or principal payments on any Mortgage Loan, the Servicer will, on the Business Day immediately preceding the related Servicer Remittance Date (as defined below) in any month in which any such principal or interest payment has been deferred, deposit in the Protected Account from its own funds, in accordance with the terms of the Servicing Agreement, the difference between (a) such month's principal and one month's interest at the related Mortgage Loan remittance rate, as set forth in the Servicing Agreement, on the unpaid principal balance of such Mortgage Loan and (b) the amount paid by the Mortgagor. The Servicer will be entitled to reimbursement for such advances to the same extent as for all other advances pursuant to the Servicing Agreement. Without limiting the generality of the foregoing, the Servicer will continue, and is hereby authorized and empowered, to prepare, execute and deliver, all instruments of satisfaction or cancellation, or of partial or full release, discharge and all other comparable instruments, with respect to the Mortgage Loans and with respect to the Mortgaged Properties.

The Servicer will, to the extent it has knowledge of any conveyance or prospective conveyance by any Mortgagor of a Mortgaged Property (whether by absolute conveyance or by contract of sale, and whether or not the Mortgagor remains or is to remain liable under the related Mortgage Note and/or the mortgage), exercise its rights to accelerate the maturity of such Mortgage Loan under any "due-on-sale" clause to the extent permitted by law; provided, however, that the Servicer will not exercise any such rights if prohibited by law or the terms of the Mortgage Note from doing so or if the exercise of such rights would impair or threaten to impair any recovery under the related Primary Mortgage Insurance Policy, if any. If the Servicer reasonably believes it is unable under applicable law to enforce such "due-on-sale" clause, the Servicer will enter into an assumption agreement with the person to whom the Mortgaged Property has been conveyed or is proposed to be conveyed, pursuant to which such person becomes liable under the related note and, to the extent permitted by applicable state law, the Mortgagor remains liable thereon. Where an assumption is allowed pursuant to the Servicing Agreement, the Servicer, with the prior consent of the primary mortgage insurer, if any, is authorized to enter into a substitution of liability agreement

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with the person to whom the Mortgaged Property has been conveyed or is proposed to be conveyed pursuant to which the original Mortgagor is released from liability and such person is substituted as Mortgagor and becomes liable under the related Mortgage Note. Any such substitution of liability agreement will be in lieu of an assumption agreement.

The Servicer will proceed with reasonable diligence to collect all payments due under each Mortgage Loan, and will, to the extent such procedures will be consistent with the Servicing Agreement and the terms and provisions of the related Primary Mortgage Insurance Policy, follow such collection procedures as it follows with respect to mortgage loans comparable to the Mortgage Loans and held for its own account. Further, the Servicer will take reasonable care in ascertaining and estimating annual ground rents, taxes, assessments, water rates, fire and hazard insurance premiums, mortgage insurance premiums, and all other charges that, as provided in the mortgage, will become due and payable, to the end that the installments payable by the Mortgagors will be sufficient to pay such charges as and when they become due and payable.

The Servicer will segregate and hold all funds collected and received pursuant to each Mortgage Loan which constitute ground rents, taxes, assessments, water rates, sewer rents, municipal charges, mortgage insurance premiums, fire and hazard insurance premiums, condominium charges, and any other payments required to be escrowed by the Mortgagor with the mortgagee pursuant to the mortgage or any other document ("Escrow Payments"), separate and apart from any of the Servicer's own funds and general assets and will establish and maintain, in addition to the Protected Account described under "--Protected Account," one or more accounts (each a "Servicing Account"). Each Servicing Account will be established with a qualified depository as set forth in the Servicing Agreement. To the extent such funds are not deposited in a Servicing Account, such funds may be invested in Permitted Investments (as defined in the Agreement). Funds deposited in a Servicing Account may be drawn on by the Servicer in accordance with the terms of the Servicing Agreement. The Servicer will bear any losses incurred with respect to the Permitted Investments. The amount of any such losses will be immediately deposited by the Servicer in the Servicing Account, as appropriate, out of the Servicer's own funds, with no right to reimbursement therefor.

The Servicer will deposit in a mortgage clearing account on a daily basis, and in the Escrow Account or Accounts no later than the second Business Day after receipt of funds and retain therein:

(i) all Escrow Payments collected on account of the Mortgage Loans, for the purpose of effecting timely payment of any items as are required under the terms of the Servicing Agreement;

(ii) all Insurance Proceeds which are to be applied to the restoration or repair of any Mortgaged Property; and

(iii) all servicing advances for Mortgagors whose Escrow Payments are insufficient to cover escrow disbursements.

The Servicer will make withdrawals from an Escrow Account only to effect such payments as are required under the Servicing Agreement, and for such other purposes as will be as set forth below. Except as provided below, the Servicer will be entitled to retain any interest paid on funds deposited in an Escrow Account by the qualified depository.

Withdrawals from the Escrow Account may be made by the Servicer only:

(i) to effect timely payments of ground rents, taxes, assessments, water rates, fire and hazard insurance premiums, primary mortgage insurance policy premiums, if applicable, and comparable items;

(ii) to reimburse Servicer for any servicing advance made by Servicer with respect to a related Mortgage Loan, but only from amounts received on the related Mortgage Loan which represent late payments or collections of Escrow Payments thereunder;

(iii) to refund to the Mortgagor any funds as may be determined to be overages;

(iv) for transfer to the Protected Account in connection with an acquisition of REO Property;

(v) for application to restoration or repair of the Mortgaged Property;

(vi) to pay to the Servicer, or to the Mortgagor to the extent required by law, any interest paid on the funds deposited in the Servicing Account;

(vii) to pay to the Mortgagors or other parties Insurance Proceeds deposited in accordance with the terms of the Servicing Agreement;

(viii) to remove funds inadvertently placed in a Servicing Account in error by the Servicer; and

(ix) to clear and terminate the Servicing Account on the termination of the Servicing Agreement.

As part of its servicing duties, the Servicer will pay to the Mortgagors interest on funds in a Servicing Account, to the extent required by law, and to the extent that interest earned on funds in the Servicing Account is insufficient, will pay such interest from its own funds, without any reimbursement therefor.

The Servicer will maintain errors and omissions insurance and fidelity bonds in certain specified amounts.

HAZARD INSURANCE

The Servicer will cause to be maintained for each Mortgage Loan fire and hazard insurance with extended coverage as is customary in the area where the Mortgaged Property is located, in an amount which is equal to the lesser of (i) the maximum insurable value of the improvements securing such Mortgage Loan or (ii) the greater of (a) the Outstanding Principal Balance of the Mortgage Loan, and (b) the percentage such that the proceeds thereof will be sufficient to prevent the Mortgagor and/or the mortgagee from becoming a co-insurer. If the Mortgaged Property is in an area identified in the Federal Register by the Federal Emergency Management Agency as being a special flood hazard area that has federally-mandated flood insurance requirements, the Servicer will cause to be maintained a flood insurance policy meeting the requirements of the current guidelines of the Federal Insurance Administration with a generally acceptable insurance carrier, in an amount representing coverage not less than the least of (i) the Outstanding Principal Balance of the Mortgage Loan, (ii) the maximum insurable value of the improvements securing such Mortgage Loan or (iii) the maximum amount of insurance which is available under the Flood Disaster Protection Act of 1973, as amended. The Servicer will also maintain on the REO Property, fire and hazard insurance with extended coverage in an amount which is at least equal to the maximum insurable value of the improvements which are a part of such property, liability insurance and, to the extent required and available under the Flood Disaster Protection Act of 1973, as amended, flood insurance in an amount as provided above. Any amounts collected by the Servicer under any such policies other than amounts to be applied to the restoration or repair of the Mortgaged Property or REO Property, or released to the Mortgagor in accordance with the Servicer's normal servicing procedures, will be deposited in the Protected Account, subject to withdrawal pursuant to the terms of the Servicing Agreement. It is understood and agreed that no other additional insurance need be required by the Servicer or the Mortgagor or maintained on property acquired in respect of the Mortgage Loans, other than pursuant to the Fannie Mae Guide or such applicable state or federal laws and regulations as will at any time be in force and as will require such additional insurance. All such policies will be endorsed with standard mortgagee clauses with loss payable to the Servicer and its successors and/or assigns, and will provide for at least thirty days' prior written notice of any cancellation, reduction in the amount or material change in coverage to the Servicer. The Servicer will not interfere with the Mortgagor's freedom of choice in selecting either his insurance carrier or agent, provided, however, that the Servicer will not accept any such insurance policies from insurance companies unless such companies currently reflect a General Policy Rating in Best's Key Rating Guide currently acceptable to Fannie Mae and are licensed to do business in the state wherein the property subject to the policy is located.

The Servicer, on behalf of the Trustee and Certificateholders, will present claims to the insurer under any applicable hazard insurance policy. As set forth above, all collections under such policies that are not applied to the

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restoration or repair of the related Mortgaged Property or released to the Mortgagor in accordance with normal servicing procedures are to be deposited in a Protected Account.

REALIZATION UPON DEFAULTED MORTGAGE LOANS

The Servicer will use its reasonable efforts, consistent with the procedures that the Servicer would use in servicing loans for its own account and the requirements of the Fannie Mae Guide, to foreclose upon or otherwise comparably convert the ownership of properties securing such of the Mortgage Loans as come into and continue in default and as to which no satisfactory arrangements can be made for collection of delinquent payments pursuant to the Servicing Agreement. The Servicer will use its reasonable efforts to realize upon defaulted Mortgage Loans in such manner as will maximize the receipt of principal and interest by the Trust, taking into account, among other things, the timing of foreclosure proceedings. The foregoing is subject to the provisions that, in any case in which Mortgaged Property will have suffered damage, the Servicer will not be required to expend its own funds toward the restoration of such property unless it will determine in its discretion (i) that such restoration will increase the proceeds of liquidation of the related Mortgage Loan to the Trust after reimbursement to itself for such expenses, and (ii) that such expenses will be recoverable by the Servicer through Insurance Proceeds or Liquidation Proceeds from the related Mortgaged Property, as contemplated in the Servicing Agreement. The Servicer will be responsible for all costs and expenses incurred by it in any such proceedings or functions as servicing advances; provided, however, that it will be entitled to reimbursement therefor as provided in the Servicing Agreement. Notwithstanding anything to the contrary contained herein, in connection with a foreclosure or acceptance of a deed in lieu of foreclosure, in the event the Servicer has reasonable cause to believe that a Mortgaged Property is contaminated by hazardous or toxic substances or wastes, or if the Trustee otherwise requests an environmental inspection or review of such Mortgaged Property, such an inspection or review is to be conducted by a qualified inspector. Upon completion of the inspection, the Servicer will promptly provide the Trustee with a written report of the environmental inspection. After reviewing the environmental inspection report, the Trustee will determine how the Servicer will proceed with respect to the Mortgaged Property.

Since Insurance Proceeds cannot exceed deficiency claims and certain expenses incurred by the Master Servicer, no insurance payments will result in a recovery to Certificateholders which exceeds the principal balance of the defaulted Mortgage Loan together with accrued interest thereon at its Net Rate.

SERVICING COMPENSATION AND PAYMENT OF EXPENSES

As compensation for its services under the Servicing Agreement, the Servicer will be entitled to receive a fee (the "Servicing Fee") equal to the Servicing Fee Rate multiplied by the Scheduled Principal Balance of each Mortgage Loan as of the Due Date in the month preceding the month in which such Distribution Date occurs. The "Servicing Fee Rate" for each Mortgage Loan will be 0.375% per annum. The Servicer will be entitled to withdraw from the Protected Account or to retain from interest payments on the Mortgage Loans the amounts provided for as the Servicer's Servicing Fee. Additional servicing compensation in the form of assumption fees, late payment charges and other ancillary fees (excluding any prepayment penalties) will be retained by the Servicer to the extent not required to be deposited in the Protected Account. The Servicer will be required to pay all expenses incurred by it in connection with its servicing activities under the Servicing Agreement and will not be entitled to reimbursement therefor except as specifically provided for in the Servicing Agreement.

PROTECTED ACCOUNT

The Servicer will segregate and hold all funds collected and received pursuant to each Mortgage Loan separate and apart from any of its own funds and general assets and will establish and maintain one or more Protected Accounts. Each Protected Account will be established with a qualified depository. To the extent such funds are not deposited in a Protected Account, such funds may be invested in Permitted Investments for the benefit of the Trust (with any income earned thereon for the benefit of the Servicer). Funds deposited in the Protected Account may be drawn on by the Servicer in accordance with the terms of the Servicing Agreement. The creation of any Protected Account will be evidenced by a letter agreement in the form shown in the Servicing Agreement. The original of such letter agreement will be furnished to the Trustee upon request. The Servicer will bear any losses incurred with respect to Permitted Investments. The amount of any such losses will be immediately deposited by the Servicer in the Protected Account, as appropriate, out of the Servicer's own funds, with no right to reimbursement therefor.

The Servicer will deposit in a mortgage clearing account on a daily basis, and in the Protected Account or Accounts no later than the second Business Day after receipt of funds, and retain therein, the following payments and collections:

(i) all payments on account of principal, including principal prepayments, on the Mortgage Loans;

(ii) all payments on account of interest on the Mortgage Loans adjusted to the related Mortgage Loan remittance rate;

(iii) all Liquidation Proceeds and proceeds received in connection with the final sale by the Servicer of any REO Property;

(iv) any net amounts received by the Servicer in connection with any REO Property pursuant to the terms of the Servicing Agreement;

(v) all Insurance Proceeds, other than proceeds to be applied to the restoration or repair of the Mortgaged Property or released to the Mortgagor in accordance with the Servicer's normal servicing procedures, the related Mortgage Loan documents or applicable law;

(vi) any Monthly Advances;

(vii) with respect to each full or partial principal prepayment, any prepayment interest shortfalls, to the extent of the Servicer's aggregate servicing fee received with respect to the related due period; and

(viii) any other amounts required to be deposited in the Protected Account pursuant to the terms of the Servicing Agreement.

The foregoing requirements for deposit in the Protected Account will be exclusive, it being understood that, without limiting the generality of the foregoing, payments in the nature of late payment charges and assumption fees, to the extent permitted by the terms of the Servicing Agreement, need not be deposited by the Servicer in the Protected Account.

The Servicer may, from time to time, make withdrawals from the Protected Account for the following purposes:

(i) to make payments to the Trustee in the amounts and in the manner provided for in the Servicing Agreement;

(ii) to reimburse itself for Monthly Advances as set forth in the Servicing Agreement, the Servicer's right to reimburse itself pursuant to this subclause (ii) being limited to amounts received on the related Mortgage Loan which represent late collections (net of the related Servicing Fees) of principal and/or interest respecting which any such advance was made;

(iii) to reimburse itself for unreimbursed servicing advances and Monthly Advances, the Servicer's right to reimburse itself pursuant to this subclause (iii) with respect to any Mortgage Loan being limited to Liquidation Proceeds and Insurance Proceeds received after the Cut-off Date related to such Mortgage Loan;

(iv) to pay to itself as servicing compensation (a) any interest earned on funds in the Protected Account (all such interest to be withdrawn monthly not later than each Servicer Remittance Date) and (b) any payable Servicing Fee;

(v) to reimburse itself for any nonrecoverable advances, as set forth in the Servicing Agreement;

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(vi) to transfer funds to another qualified depository in accordance with the terms of the Servicing Agreement;

(vii) to reimburse itself as provided in the Servicing Agreement;

(viii) to remove funds inadvertently placed in the Protected Account in error by the Servicer; and

(ix) to clear and terminate the Protected Account upon the termination of the related Servicing Agreement.

On the 18th day of each month, or, if such day is not a Business Day, the preceding Business Day (the "Servicer Remittance Date"), the Servicer will withdraw or cause to be withdrawn from the Protected Accounts and any other permitted accounts, and will remit to the Trustee for deposit in the Distribution Account, the Available Funds for such Distribution Date.

As additional compensation for its servicing obligations, the Servicer is entitled to receive all investment earnings on amounts in the Protected Accounts.

DISTRIBUTION ACCOUNT

The Trustee shall establish and maintain in the name of the Trustee, for the benefit of the Certificateholders, an account (the "Distribution Account"). The Distribution Account and amounts at any time credited thereto shall comply with the requirements of the Agreement and shall meet the requirements of the Rating Agencies. The Trustee shall invest amounts on deposit in the Distribution Account in Permitted Investments at the direction of the Master Servicer, who shall be entitled to any amounts earned on deposit in such account (such amounts, the "Master Servicing Fee"). The Trustee will deposit in the Distribution Account, as received, the following amounts:

(i) Any amounts withdrawn from a Protected Account or other permitted account;

(ii) Any Monthly Advance and Compensating Interest Payments;

(iii) Any Insurance Proceeds or Liquidation Proceeds received by the Servicer which were not deposited in a Protected Account or other permitted account;

(iv) The Repurchase Price with respect to any Mortgage Loans repurchased, and all proceeds of any Mortgage Loans or property acquired in connection with the optional termination of the Trust;

(v) Any amounts required to be deposited with respect to losses on Permitted Investments; and

(vi) Any other amounts received by or on behalf of the Servicer, the Master Servicer or the Trustee and required to be deposited in the Distribution Account pursuant to the Agreement.

On each Distribution Date, the Trustee shall pay the Master Servicing Fee to the Master Servicer, and shall pay the Certificateholders in accordance with the provisions set forth under "Description of the Certificates-Distributions on the Certificates." The Trustee, the Master Servicer and the Securities Administrator shall be entitled to the reimbursement of expenses incurred in connection with their respective duties as permitted under the Agreement out of the funds on deposit in the Distribution Account.

CERTAIN MATTERS REGARDING THE MASTER SERVICER

The Agreement will generally provide that the Master Servicer may not resign from its obligations and duties thereunder, except upon determination, evidenced by an opinion of counsel to such effect, that the performance of such duties is no longer permissible under applicable law. No such resignation will become effective until the Trustee or a successor has assumed the obligations and duties of the Master Servicer to the extent required under the Agreement. The Master Servicer, however, has the right, with the written consent of the Trustee (which

consent will not be unreasonably withheld), to assign, sell or transfer its rights and delegate its duties and obligations under the Agreement; provided that the purchaser or transferee accepting such assignment, sale, transfer or delegation is qualified to service mortgage loans for Fannie Mae or Freddie Mac and shall satisfy the other requirements listed in the Agreement with respect to the qualifications of such purchaser or transferee.

The Agreement will generally provide that neither the Master Servicer nor any of its directors, officers, employees and agents shall be under any liability to the Trustee for taking any action or for refraining from taking any action in good faith pursuant to the Agreement, or for errors in judgment made in good faith; provided, however, that neither the Master Servicer nor any such person will be protected against any breach of warranties or representations made in the Agreement or any liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence in the performance of the Master Servicer's duties or by reason of reckless disregard of the Master Servicer's obligations and duties thereunder. In addition, the Agreement will provide that the Master Servicer is under no obligation to appear in, prosecute or defend any legal action which is not incidental to its duties and which in its opinion may involve it in any expense or liability. The Master Servicer may, however, with the consent of the Trustee, undertake any such action which it may deem necessary or desirable in respect of the Agreement and the rights and duties of the parties thereto. In such event, the legal expenses and costs of such action and any liability resulting therefrom will be expenses, costs and liabilities of the accounts thereunder, and the Master Servicer will be entitled to be reimbursed therefor from the related accounts.

Any corporation into which the Master Servicer may be merged or consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Master Servicer is a party, or any corporation succeeding to the business of the Master Servicer will be the successor of the Master Servicer under the Agreement, provided that any such successor to the Master Servicer shall be qualified to service mortgage loans, including without limitation the Mortgage Loans, on behalf of Fannie Mae or Freddie Mac.

EMC will have certain rights with respect to the Agreement in respect of the Master Servicer, including the selection of a new Master Servicer in the event of a default by the Master Servicer pursuant to the Agreement. EMC may also terminate the Master Servicer without cause, upon payment of a termination fee, provided that a successor master servicer has been appointed.

EVENTS OF DEFAULT

"Events of Default" under the Agreement consist of (i) failure by the Master Servicer to cause to be deposited in the Distribution Account amounts required to be deposited by the Master Servicer pursuant to the Agreement, and such failure continues unremedied for three Business Days after the date upon which written notice of such failure, requiring the same to be remedied, shall have been given to the Master Servicer, (ii) failure by the Master Servicer to observe or perform in any material respect any other material covenants and agreements set forth in the Agreement to be performed by it, and such failure continues unremedied for 60 days after the date on which written notice of such failure has been given to the Master Servicer by the Trustee, (iii) the entry against the Master Servicer of a decree or order by a court or agency or supervisory authority having jurisdiction in the premises for the appointment of a conservator, receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings, or for the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days, (iv) consent by the Master Servicer to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings of or relating to the Master Servicer or substantially all of its property, or (v) admission by the Master Servicer in writing of its inability to pay its debts generally as they become due, filing of a petition to take advantage of any applicable insolvency or reorganization statute, any assignment for the benefit of its creditors, or voluntary suspension of payment of its obligations.

In each and every such case, so long as such Event of Default with respect to the Master Servicer shall not have been remedied, the Trustee or the holders of Certificates aggregating ownership of not less than 51% of the Trust may, in each case by notice in writing to the Master Servicer (and to the Trustee, if given by such Certificateholders); with a copy of such notice to the Rating Agencies, terminate all of the rights and obligations (but not the liabilities accruing prior to the date of termination) of the Master Servicer under the Agreement and in and to the Mortgage Loans serviced by the Master Servicer and the proceeds thereof.

Upon the receipt by the Master Servicer of such written notice, all authority and power of the Master Servicer under the Agreement, whether with respect to the Certificates, the Mortgage Loans or under any other related agreements (but only to the extent that such other agreements relate to the Mortgage Loans), shall, subject to the provisions of the Agreement and to bankruptcy, insolvency or similar laws, if applicable, automatically and without further action pass to and be vested in the Trustee. Upon the receipt by the Master Servicer of a notice of termination or an opinion of counsel to the effect that the Master Servicer is legally unable to act or to delegate its duties to a person which is legally able to act, the Trustee shall automatically become the successor in all respects to the Master Servicer in its capacity under the Agreement and the transactions set forth or provided for therein and shall thereafter be subject to all the responsibilities, duties, liabilities and limitations on liabilities relating thereto placed on the Master Servicer by the terms and provisions thereof; provided, however, that the Trustee (i) shall be under no obligation to repurchase any Mortgage Loan; and (ii) shall have no obligation whatsoever with respect to any liability incurred by the Master Servicer at or prior to the time of receipt by the Master Servicer of such notice or of such opinion of counsel. As compensation therefor, the Trustee shall be entitled to all funds relating to the Mortgage Loans which the Master Servicer would have been entitled to retain if the Master Servicer had continued to act as such, except for those amounts due the Master Servicer as reimbursement for advances previously made or expenses previously incurred. Notwithstanding the above, the Trustee may, if it shall be unwilling so to act, or shall, if it is legally unable so to act, appoint, or petition a court of competent jurisdiction to appoint, any established housing and home finance institution which is a Fannie Mae or Freddie Mac approved servicer as the successor to the Master Servicer under the Agreement in the assumption of all or any part of the responsibilities, duties or liabilities of the Master Servicer under the Agreement. Pending appointment of a successor to the Master Servicer under the Agreement, the Trustee shall act in such capacity as provided under the Agreement. In connection with such appointment and assumption, the Trustee may make such arrangements for the compensation of such successor out of payments on Mortgage Loans as it and such successor shall agree; provided, however, that no such compensation shall be in excess of that permitted the Trustee as provided above, and that such successor shall undertake and assume the obligations of the Trustee to pay compensation to any third person acting as an agent or independent contractor in the performance of master servicing responsibilities under the Agreement. Notwithstanding the foregoing, in the case of such appointment and assumption, the Trustee will be entitled to reimbursement for any costs and expenses incurred in connection with the appointment of such successor master servicer.

MONTHLY ADVANCES

If the Scheduled Payment on a Mortgage Loan which was due on a related Due Date is delinquent other than as a result of application of the Relief Act, the Servicer will remit to the Trustee on the Servicer Remittance Date an amount equal to such delinquency, net of the Servicing Fee Rate except to the extent the Servicer determines any such advance to be nonrecoverable from Liquidation Proceeds, Insurance Proceeds or from future payments on the Mortgage Loan for which such advance was made. Subject to the foregoing, such advances will be made by the Servicer through final disposition or liquidation of the related Mortgaged Property, or until such time as specified in the related Servicing Agreement. Failure by the Servicer to remit any required advance, which failure goes unremedied for the days specified in the related Servicing Agreement, would constitute an event of default under such Servicing Agreement. Such event of default shall then obligate the Master Servicer to advance such amounts to the Distribution Account to the extent provided in the Agreement. Any failure of the Master Servicer to make such advances would constitute an Event of Default as discussed under "--Events of Default" above. The Trustee, as successor master servicer, will be required to make an advance which the Master Servicer is required to make but fails to do so.

REPORTS TO CERTIFICATEHOLDERS

On each Distribution Date, the Securities Administrator will make available a report setting forth certain information with respect to the composition of the payment being made, the Current Principal Amount of an individual Certificate following such payment and certain other information relating to the Certificates and the Mortgage Loans (and, at its option, any additional files containing the same information in an alternative format), to be provided to each holder of Certificates and the Rating Agencies via the Securities Administrator's internet website. The address of the Securities Administrator's internet website can be obtained by calling the Securities Administrator's customer service desk at (301) 815-6600. Parties that are unable to use the above distribution options are entitled to have a paper copy mailed to them via first class mail by calling the Securities Administrator's customer service desk and indicating such. The Securities Administrator will have the right to change the way such

reports are distributed in order to make such distribution more convenient and/or more accessible to the above parties, and the Securities Administrator will provide timely and adequate notification to all above parties regarding any such changes.

TERMINATION

The obligations of the Seller, the Trustee, the Master Servicer and the Securities Administrator created by the Agreement will terminate upon (i) the later of the making of the final payment or other liquidation, or any advance with respect thereto, of the last Mortgage Loan subject thereto or the disposition of all property acquired upon foreclosure or acceptance of a deed in lieu of foreclosure of any such Mortgage Loans and (ii) the payment to Certificateholders of all amounts required to be paid to them pursuant to such Agreement.

On any Distribution Date on which the aggregate Scheduled Principal Balance of the Mortgage Loans is equal to 10% or less of the sum of (i) the aggregate Scheduled Principal Balance of the Mortgage Loans as of the Cut-off Date, and (ii) the Pre-Funded Amount, SAMI or its designee may repurchase from the Trust all Mortgage Loans remaining outstanding and any REO Property remaining in the Trust at a purchase price equal to (a) the unpaid principal balance of such Mortgage Loans (other than Mortgage Loans related to REO Property), net of the principal portion of any unreimbursed Monthly Advances made by the purchaser, plus accrued but unpaid interest thereon at the applicable Mortgage Rate to, but not including, the first day of the month of repurchase, plus (b) the appraised value of any REO Property, less the good faith estimate of the Master Servicer of liquidation expenses to be incurred in connection with its disposal thereof (but not more than the unpaid principal balance of the related Mortgage Loan, together with accrued but unpaid interest on that balance at the applicable Mortgage Rate, but not including the first day of the month of repurchase). Any such repurchase will result in the retirement of all or a portion of the Certificates and the termination of the obligations of the Seller, the Trustee, the Master Servicer and the Securities Administrator created by the Agreement. The Trust may also be terminated and the Certificates retired on any Distribution Date upon SAMI's determination, based upon an opinion of counsel, that the status of the Trust Fund (as defined in the Agreement) as a REMIC has been lost or that a substantial risk exists that such status will be lost for the then current taxable year.

THE TRUSTEE

The fee of the Trustee will be payable by the Master Servicer. The Trustee may resign at any time, in which event the Seller will be obligated to appoint a successor Trustee. The Seller may also remove the Trustee if the Trustee ceases to be eligible to continue as such under the Agreement, if the Trustee becomes incapable of acting, bankrupt, insolvent or if a receiver or public officer takes charge of the Trustee or its property, or if the credit rating of the Trustee falls below certain levels. Upon such resignation or removal of the Trustee, the Seller will be entitled to appoint a successor Trustee. The Trustee may also be removed at any time by the holders of Certificates evidencing ownership of not less than 51% of the Trust. In the event that the Certificateholders remove the Trustee, the compensation of any successor Trustee shall be paid by the Certificateholders to the extent that such compensation exceeds the amount agreed to by the Seller and the Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee will not become effective until acceptance of the appointment by the successor Trustee.

THE SECURITIES ADMINISTRATOR

The Securities Administrator may resign at any time, in which event the Trustee will be obligated to appoint a successor Securities Administrator. The Trustee may also remove the Securities Administrator if the Securities Administrator ceases to be eligible to continue as such under the Agreement or if the Securities Administrator becomes incapable of acting, bankrupt, insolvent or if a receiver or public officer takes charge of the Securities Administrator or its property. Upon such resignation or removal of the Securities Administrator, the Trustee will be entitled to appoint a successor Securities Administrator. The Securities Administrator may also be removed at any time by the holders of Certificates evidencing ownership of not less than 51% of the Trust. In the event that the Certificateholders remove the Securities Administrator, the compensation of any successor Securities Administrator shall be paid by the Certificateholders to the extent that such compensation exceeds the amount agreed to by the Trustee and the Securities Administrator. Any resignation or removal of the Securities Administrator and appointment of a successor Securities Administrator will not become effective until acceptance of the appointment by the successor Securities Administrator.

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FEDERAL INCOME TAX CONSIDERATIONS

Upon the issuance of the Offered Certificates, Greenberg Traurig, LLP, counsel to the Seller, will deliver its opinion generally to the effect that, assuming compliance with all provisions of the Agreement, for federal income tax purposes, the Trust Fund (other than the Carryover Shortfall Reserve Fund) will qualify as two REMICs under the Internal Revenue Code of 1986 (the "Code"). The Certificates (other than the Residual Certificates) will represent regular interests in a REMIC and are herein referred to as the "Regular Certificates" or the "REMIC Regular Certificates." The Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificates also will represent the right to receive payments in respect of Shortfall Carryover Amounts, which shall not be an entitlement from any REMIC but from the Carryover Shortfall Reserve Fund. The Class X Certificates also will represent the obligation to make payments in respect of Shortfall Carryover Amounts, which shall not be an interest in any REMIC but a contractual obligation of the holder of the Class X Certificates. The Class R-I and Class R-II Certificates will be designated as the residual interest in each REMIC and are herein referred to as the "Residual Certificates" or the "REMIC Residual Certificates". All Certificateholders are advised to see "Federal Income Tax Consequences" in the Prospectus for a discussion of the anticipated federal income tax consequences of the purchase, ownership and disposition of the REMIC Regular Certificates and the REMIC Residual Certificates.

Because the Regular Certificates will be considered to represent regular interests in a REMIC, they generally will be taxable as debt obligations under the Code, and interest paid or accrued on the Regular Certificates, including original issue discount with respect to any Regular Certificates issued with original issue discount, will be taxable to Certificateholders in accordance with the accrual method of accounting, regardless of their usual method of accounting. It is anticipated that, for federal income tax purposes, the Interest Only Certificates, the Class B-2 Certificates and the Class B-3 Certificates may, and the remaining Offered Certificates that are Regular Certificates will not, be issued with original issue discount. See "Federal Income Tax Consequences--REMIC Regular Securities--Original Issue Discount" in the Prospectus. The Internal Revenue Service, or IRS, has issued OID regulations under Sections 1271 to 1275 of the Code generally addressing the treatment of debt instruments issued with original issue discount (the "OID Regulations"). All purchasers of REMIC Regular Certificates are urged to consult their tax advisors for advice regarding the effect, in any, of the original issue discount provisions and regulations on the purchase of the Regular Certificates. The prepayment assumption that will be used in determining the rate of accrual of original issue discount with respect to the Certificates is 25% CPR. The prepayment assumption represents a rate of payment of unscheduled principal on a pool of mortgage loans, expressed as an annualized percentage of the outstanding principal balance of such mortgage loans at the beginning of each period. See "Yield and Prepayment Considerations--Prepayment Model" herein for a description of the prepayment assumption model used herein. However, no representation is made as to the rate at which prepayments actually will occur.

In certain circumstances the OID Regulations permit the holder of a debt instrument to recognize original issue discount under a method that differs from that used by the issuer. Accordingly, it is possible that the holder of a Regular Certificate may be able to select a method for recognizing original issue discount that differs from that used by the Trustee in preparing reports to the Certificateholders and the IRS.

Certain Classes of the Offered Certificates that are Regular Certificates may be treated for federal income tax purposes as having been issued at a premium. Whether any holder of such a Class of Certificates will be treated as holding a certificate with amortizable bond premium will depend on such Certificateholder's purchase price and the distributions remaining to be made on such Certificate at the time of its acquisition by such Certificateholder. Holders of such Classes of Certificates should consult their tax advisors regarding the possibility of making an election to amortize such premium. See "Federal Income Tax Consequences--REMIC Regular Certificates--Original Issue Discount" and "--Premium" in the Prospectus.

Each holder of a Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificate is deemed to own an undivided beneficial ownership interest in two assets, a REMIC regular interest and the right to receive payments in respect of the Carryover Shortfall Amount. Each holder of a Class X Certificate is deemed to own an undivided beneficial ownership interest in a REMIC regular interest and the obligation to make payments in respect of the Carryover Shortfall Amount. Under the REMIC regulations, each holder of Class A-1, Class A-2, Class B-1, Class

B-2 and Class B-3 Certificates must allocate its purchase price for such certificates between its undivided interest in the related REMIC regular interest and its undivided interest in the right to receive payments in respect of the Carryover Shortfall Amount, in accordance with the relative fair market values thereof; and, in computing its purchase price for its Class X Certificates, each holder of a Class X Certificate must take into account its share of the amounts so allocated by the holders of Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificates to the right to receive payments in respect of the Carryover Shortfall Amount. For tax reporting purposes, the Underwriter estimates that the right to receive, and the obligation to pay, the Carryover Shortfall Amount has a de minimis value. The OID Regulations provide that an issuer's allocation of the issue price is binding on all holders unless the holder explicitly discloses on its tax return that its allocation is different from the trust's allocation. Under the REMIC regulations, the Trustee is required to account for each REMIC regular interest and the right to receive (or the obligation to make) payments in respect of the Carryover Shortfall Amount as discrete property rights (or obligations). Holders of the Class X Certificates will be treated for federal income tax purposes as receiving all amounts deposited into the Carryover Shortfall Reserve Fund and as paying such amounts to holders of the Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificates in respect of the Carryover Shortfall Amount. In addition, holders of the Class X Certificates will be treated for federal income tax purposes as receiving the amounts allocable by holders of the Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificates to the right to receive payments in respect of the Carryover Shortfall Amount.

The Trustee shall treat payments made to the holders of the Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificates with respect to the Carryover Shortfall Amount in accordance with the tax regulations relating to notional principal contracts. It is possible that the right to receive payments in respect of the Carryover Shortfall Amount could be treated as a partnership among the holders of the Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificates and the Class X Certificates in respect of the Class X Certificateholders' entitlement to distributions from REMIC II (as defined in the Agreement), in which case holders of the Class A-1, Class A-2, Class B-1, Class B-2, Class B-3 and Class X Certificates potentially would be subject to different timing of income and foreign holders of such Certificates could be subject to withholding in respect of any related Carryover Shortfall Amount. It is unclear what tax rules govern payments in respect of the Carryover Shortfall Amount, and holders of Class A-1, Class A-2, Class B-1, Class B-2, Class B-3 and Class X Certificates are advised to consult their own tax advisors regarding the consequences of the arrangements with respect to the Carryover Shortfall Reserve Fund and payments of the Carryover Shortfall Amount on their allocation or computation of issue price, timing, character and source of income and deductions. U.S. Treasury Department regulations have been promulgated under Section 1275 of the Code generally providing for the integration of a "qualifying debt instrument" with a hedge if the combined cash flows of the components are substantially equivalent to the cash flows on a variable rate debt instrument. However, such regulations specifically disallow integration of debt instruments subject to Section 1272(a)(6) of the Code. Therefore, holders of the Class A-1, Class A-2, Class B-1, Class B-2, Class B-3 and Class X Certificates will be unable to use the integration method provided for under such regulations with respect to such Certificates.

In the event that the right to receive, and the obligation to pay, the Carryover Shortfall Amount is characterized as a "notional principal contract" for federal income tax purposes, holders of the Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificates will be entitled to amortize, and holders of the Class X Certificates will be required to include in income, the separate price paid for the right to receive the Carryover Shortfall Amount, in each case under the notional principal contract regulations. Further, upon the sale of a Class A-1, Class A-2, Class B-1, Class B-2, Class B-3 or Class X Certificate, the amount allocated to the selling Certificateholder's right to receive, or obligation to make, payments in respect of the Carryover Shortfall Amount would be considered a "termination payment" under the notional principal contract regulations allocable to such Certificate. A Class X Certificateholder would have gain or loss from a termination of the obligation to make such payments equal to the amount of any termination payment it paid or is deemed to have paid in connection with the transfer of the Class X Certificate less the unamortized portion of any amount received, or deemed received, by the Certificateholder in respect of its obligation to make payments in respect of the Carryover Shortfall Amount. Gain or loss realized upon the termination of the right to receive payments in respect of the Carryover Shortfall Amount may be treated as capital gain or loss.

With respect to the Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificates, this paragraph applies exclusive of any rights, and with respect to the Class X Certificates, exclusive of any obligation, in respect of the Carryover Shortfall Amounts. The Offered Certificates will be treated as assets described in Section 7701(a)(19)(C) of the Code and "real estate assets" under Section 856(c)(4)(A) of the Code generally in the same

proportion that the assets of the Trust would be so treated. In addition, interest on the Offered Certificates will be treated as "interest on obligations secured by mortgages on real property" under Section 856(c)(3)(B) of the Code generally to the extent that such Offered Certificates are treated as "real estate assets" under Section 856(c)(4)(A) of the Code. Moreover, the Offered Certificates will be "qualified mortgages" within the meaning of Section 860G(a)(3) of the Code. However, prospective investors in Offered Certificates that will be generally treated as assets described in Section 860G(a)(3) of the Code should note that, notwithstanding such treatment, any repurchase of such a Certificate pursuant to the right of the Master Servicer or the Seller to repurchase such Offered Certificates may adversely affect any REMIC that holds such Offered Certificates if such repurchase is made under circumstances giving rise to a Prohibited Transaction Tax. See "Pooling and Servicing Agreement--Termination" in this Prospectus Supplement and "Material Federal Income Tax Consequences" in the Prospectus.

The holders of the Offered Certificates will be required to include in income interest on their Certificates in accordance with the accrual method of accounting. As noted above, each holder of a Class A-1, Class A-2, Class B-1, Class B-2 or Class B-3 Certificate will be required to allocate a portion of the purchase price paid for its Certificates to the right to receive payments in respect of Carryover Shortfall Amounts. The value of the right to receive any such Carryover Shortfall Amounts is a question of fact which could be subject to differing interpretations. Because the Carryover Shortfall Amount is treated as a separate right of the Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificates not payable by any REMIC and a separate obligation of the Class X Certificateholders, such right (or obligation) will not be treated as a qualifying asset for any such Certificateholder that is a mutual savings bank, domestic building and loan association, real estate investment trust, or real estate mortgage investment conduit, and any amounts received in respect of Carryover Shortfall Amounts will not be qualifying real estate income for real estate investment trusts.

SPECIAL TAX CONSIDERATIONS APPLICABLE TO RESIDUAL CERTIFICATES

The Residual Certificates generally will not be treated as evidences of indebtedness for federal income tax purposes. Instead, the Residual Certificates will be treated as residual interests in each REMIC, representing rights to the taxable income or net loss of each REMIC. Holders of the Residual Certificates will be required to report and will be taxed on their pro rata share of such income or loss, and such reporting requirements will continue until there are no Certificates of any Class outstanding, even though holders of Residual Certificates previously may have received full payment of any stated interest and principal. The taxable income of holders of the Residual Certificates attributable to the Residual Certificates may exceed any principal and interest payments received by such Certificateholders during the corresponding period, which would result in a negligible (or even negative) after-tax return, in certain circumstances. Furthermore, because the tax on income may exceed the cash distributions with respect to the earlier accrual periods of the term of the REMIC, Residual Certificateholders should have other sources of funds sufficient to pay any federal income taxes due in the earlier years of the REMIC's term as a result of their ownership of the Residual Certificates.

An individual, trust or estate that holds (whether directly or indirectly through certain pass-through entities) a Residual Certificate may have significant additional gross income with respect to, but may be subject to limitations on the deductibility of, the Servicing Fee and other administrative expenses properly allocable to the REMIC in computing such Certificateholder's regular tax liability, and will not be able to deduct such fees or expenses to any extent in computing such Certificateholder's alternative minimum tax liability. Such expenses will be allocated, for federal income tax information reporting purposes, entirely to the Residual Certificates. See "Federal Income Tax Consequences--REMIC Residual Certificates" and "--REMIC Residual Certificates--Mismatching of Income and Deductions; Excess Inclusions" in the Prospectus.

The IRS has issued final REMIC regulations that add to the conditions described in the Prospectus necessary to assure that a transfer of a non-economic residual interest would be respected. The additional conditions require that in order to qualify as a safe harbor transfer of a residual interest, the transferee represent that it will not cause the income "to be attributable to a foreign permanent establishment or fixed base (within the meaning of an applicable income tax treaty) of the transferee or another U.S. taxpayer" and either (i) the amount received by the transferee be no less on a present value basis than the present value of the net tax detriment attributable to holding the residual interest reduced by the present value of the projected payments to be received on the residual interest or (ii) the transfer is to a domestic taxable corporation with specified large amounts of gross and net assets and that meets certain other requirements where agreement is made that all future transfers will be to taxable domestic

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corporations in transactions that qualify for the same "safe harbor" provision. Eligibility for the safe harbor requires, among other things, that the facts and circumstances known to the transferor at the time of transfer not indicate to a reasonable person that the taxes with respect to the residual interest will not be paid, with an unreasonably low cost for the transfer specifically mentioned as negating eligibility. The regulations generally apply to transfers of residual interests occurring on or after February 4, 2000, although certain provisions apply only to transfers of residual interests occurring after October 19, 2002. See "Federal Income Tax Consequences--Transfers of REMIC Residual Securities--Restrictions on Transfer; Holding by Pass-Through Entities" in the Prospectus.

CHARACTERIZATION OF THE OFFERED CERTIFICATES

With respect to the Class A-1, Class A-2, Class B-1, Class B-2 and Class B-3 Certificates, this paragraph applies exclusive of any rights, and with respect to the Class X Certificates, exclusive of any obligation, in respect of Carryover Shortfall Amounts. The Offered Certificates (including the Residual Certificates) will be treated as "regular" or "residual interests in a REMIC" for domestic building and loan associations, and "real estate assets" for real estate investment trusts ("REITs"), subject to the limitations described in "Federal Income Tax Consequences--REMIC Securities--Status of REMIC Securities" in the Prospectus. Similarly, interest on the Offered Certificates will be considered "interest on obligations secured by mortgages on real property" for REITs, subject to the limitations described in "Federal Income Tax Consequences--REMIC Securities--Status of REMIC Securities" in the Prospectus.

ERISA CONSIDERATIONS

Fiduciaries of employee benefit plans subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") should consider the ERISA fiduciary investment standards before authorizing an investment by a plan in the Certificates. In addition, fiduciaries of employee benefit plans subject to Title I of ERISA, as well as certain plans or other retirement arrangements not subject to ERISA, but which are subject to Section 4975 of the Code (such as individual retirement accounts and Keogh plans covering only a sole proprietor, or partners), or any entity whose underlying assets include plan assets by reason of a plan or account investing in such entity, including an insurance company general account (collectively, "Plan(s)"), should consult with their legal counsel to determine whether an investment in the Certificates will cause the assets of the Trust ("Trust Assets") to be considered plan assets pursuant to the plan asset regulations set forth at 29 C.F.R. ss. 2510.3-101 (the "Plan Asset Regulations"), thereby subjecting the Plan to the prohibited transaction rules with respect to the Trust Assets and the Trustee or the Master Servicer to the fiduciary investments standards of ERISA, or cause the excise tax provisions of Section 4975 of the Code to apply to the Trust Assets, unless an exemption granted by the Department of Labor applies to the purchase, sale, transfer or holding of the Certificates.

On November 13, 2000, the Department of Labor amended Prohibited Transaction Exemption 90-30 (the "Exemption") issued to the Underwriter to permit a pass-through certificate, whether senior or subordinate, representing beneficial ownership in a trust primarily consisting of residential or home equity loans that have loan-to-value ratios of 100% or less to be purchased and held by or on behalf of, or with plan assets of, a Plan so long as that certificate is rated "BBB-" or better at the time of purchase. See Prohibited Transaction Exemption 2000-58, 65 Fed. Reg. 67765 (November 13, 2000). Accordingly, the exemptive relief provided by the Exemption may be available with respect to the purchase or holding of the Offered Certificates (other than the Residual Certificates), but such availability depends, in part, upon facts unknown to SAMI or which it cannot control, such as those relating to the circumstances of the Plan purchaser or the Plan fiduciary making the decision to purchase such Class of Offered Certificates. Therefore, before purchasing such Offered Certificate, a fiduciary of a Plan should make its own determination as to the availability of exemptive relief provided by the Exemption (including the requirement that such Certificates be rated "BBB-" or better at the time of purchase) or the availability of any other prohibited transaction exemptions, and whether the conditions of any such exemption will be applicable to such Certificates. See "ERISA Considerations" in the Prospectus.

Because the exemptive relief afforded by the Exemption or any similar exemption that may be available will not likely apply to the purchase, sale or holding of the Residual Certificates, no Residual Certificate or any interest therein may be acquired or held by any Plan, any Trustee or other person acting on behalf of any Plan, or any other person using plan assets to effect such acquisition or holding-- a plan investor--unless the transferee provides the Seller, the Master Servicer and the Trustee with an opinion of counsel satisfactory to those entities, which opinion will not be at the expense of those entities, that the purchase of the Residual Certificates by or on behalf of the plan investor will not constitute or result in the assets of the Trust being deemed to be "plan assets" subject to the prohibited transactions provisions of ERISA or Code Section 4975 and will not subject the Seller, the Master Servicer or the Trustee to any obligation in addition to those undertaken in the Agreement. Each beneficial owner of a Residual Certificate or any interest therein, unless it has provided the above opinion of counsel, shall be deemed to have represented, by virtue of its acquisition or holding of that certificate or interest therein, that it is not a plan investor.

Any Plan fiduciary which proposes to cause a Plan to purchase Residual Certificates should consult with its own counsel with respect to the potential consequences under ERISA and the Code of the Plan's acquisition and ownership of such Certificates. Assets of a Plan should not be invested in the Certificates unless it is clear that the Exemption or any other prohibited transaction exemption will apply and exempt all potential prohibited transactions.

A governmental plan as defined in Section 3 (32) of ERISA is not subject to ERISA, or Section 4975 of the Code. However, such governmental plan may be subject to federal, state and local law, which is, to a material extent, similar to the provisions of ERISA or Section 4975 of the Code ("Similar Law"). A fiduciary of a governmental plan should make its own determination as to the propriety of such investment under applicable fiduciary or other investment standards, and the need for and the availability of any exemptive relief under any Similar Law.

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The sale of any Certificates to a Plan is in no respect a representation by the Seller or the Underwriter that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan or that such an investment is appropriate for Plans generally or any particular Plan.

LEGAL INVESTMENT

The Class A-1, Class A-2 and Class B-1 Certificates will constitute "mortgage related securities" for purposes of the Secondary Mortgage Market Enhancement Act of 1984, as amended ("SMMEA") so long as they are rated in one of the two highest rating categories by a nationally recognized statistical rating organization and, as such, will be legal investments for certain entities to the extent provided in SMMEA, subject to state laws overriding SMMEA. Certain states have enacted legislation overriding the legal investment provisions of SMMEA. It is not anticipated that the remaining Classes of Certificates will be so rated in one of the two highest rating categories and therefore will not constitute "mortgage related securities" under SMMEA (the "Non-SMMEA Certificates"). The appropriate characterization of the Non-SMMEA Certificates under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase Non-SMMEA Certificates, may be subject to significant interpretive uncertainties.

The Office of Thrift Supervision (the "OTS") has issued Thrift Bulletins 73a, entitled "Investing in Complex Securities" ("TB 73a"), which is effective as of December 18, 2001 and applies to savings associations regulated by the OTS, and 13a, entitled "Management of Interest Rate Risk, Investment Securities, and Derivatives Activities" ("TB 13a"), which is effective as of December 1, 1998 and applies to thrift institutions regulated by the OTS.

One of the primary purposes of TB 73a is to require savings associations, prior to taking any investment position, to determine that the investment position meets applicable regulatory and policy requirements (including those set forth in TB 13a (see below)) and internal guidelines, is suitable for the institution, and is safe and sound. The OTS recommends, with respect to purchases of specific securities, additional analysis, including, among others, analysis of repayment terms, legal structure, expected performance of the issuer and any underlying assets as well as analysis of the effects of payment priority, with respect to a security which is divided into separate tranches with unequal payments, and collateral investment parameters, with respect to a security that is prefunded or involves a revolving period. TB 73a reiterates the OTS's due diligence requirements for investing in all securities and warns that if a savings association makes an investment that does not meet the applicable regulatory requirements, the savings association's investment practices will be subject to criticism, and the OTS may require divestiture of such securities. The OTS also recommends, with respect to an investment in any "complex securities," that savings associations should take into account quality and suitability, interest rate risk, and classification factors. For the purposes of each of TB 73a and TB 13a, "complex security" includes among other things any collateralized mortgage obligation or real estate mortgage investment conduit security, other than any "plain vanilla" mortgage pass-through security (that is, securities that are part of a single class of securities in the related pool that are non-callable and do not have any special features). Accordingly, all Classes of the Offered Certificates would likely be viewed as "complex securities." With respect to quality and suitability factors, TB 73a warns (i) that a savings association's sole reliance on outside ratings for material purchases of complex securities is an unsafe and unsound practice, (ii) that a savings association should only use ratings and analyses from nationally recognized rating agencies in conjunction with, and in validation of, its own underwriting processes, and (iii) that it should not use ratings as a substitute for its own thorough underwriting analyses. With respect the interest rate risk factor, TB 73a recommends that savings associations should follow the guidance set forth in TB 13a.

One of the primary purposes of TB 13a is to require thrift institutions, prior to taking any investment position, to (i) conduct a pre-purchase portfolio sensitivity analysis for any "significant transaction" involving securities or financial derivatives, and (ii) conduct a pre-purchase price sensitivity analysis of any "complex security" or financial derivative. The OTS recommends that while a thrift institution should conduct its own in-house pre-acquisition analysis, it may rely on an analysis conducted by an independent third-party as long as management understands the analysis and its key assumptions. Further, TB 13a recommends that the use of "complex securities with high price sensitivity" be limited to transactions and strategies that lower a thrift institution's portfolio interest rate risk. TB 13a warns that investment in complex securities by thrift institutions that do not have adequate risk measurement, monitoring and control systems may be viewed by OTS examiners as an unsafe and unsound practice.

All investors 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. Any such institution should consult its own legal advisors in determining whether and to what extent there may be restrictions on its ability to invest in the Certificates. See "Legal Investment" in the Prospectus.

RESTRICTIONS ON PURCHASE AND TRANSFER OF THE RESIDUAL CERTIFICATES

The Residual Certificates are not offered for sale to any investor that is a "disqualified organization" as described in "Federal Income Tax Consequences-Transfers of REMIC Residual Certificates-Tax on Disposition of REMIC Residual Certificates" and "-Restrictions on Transfer; Holding by Pass-Through Entities" in the Prospectus.

A Residual Certificate (or interests therein) may not be transferred without the prior express written consent of the holder of the Residual Certificate who is a "Tax Matters Person" as defined in the Code and by SAMI. SAMI will not give its consent to any proposed transfer to a disqualified organization, including any publicly traded partnership. As a prerequisite to such consent to any other transfer, the proposed transferee must provide the Tax Matters Person, the Trustee and SAMI with an affidavit that the proposed transferee is not a "disqualified organization" or publicly traded partnership (and, unless the Tax Matters Person and SAMI consent to the transfer to a person who is not a U.S. Person (as defined below), an affidavit that it is a U.S. Person). Notwithstanding the fulfillment of the prerequisites described above, the Tax Matters Person or SAMI may withhold its consent to a transfer, but only to the extent necessary to avoid a risk of REMIC disqualification or REMIC-level tax. In the event that legislation is enacted which would subject the Trust to tax (or disqualify any REMIC as a REMIC) on the transfer of an interest in the Residual Certificate to any other person or persons, the Tax Matters Person and SAMI may, without action on the part of Holders, amend the Agreement to restrict or prohibit prospectively such transfer. A transfer in violation of the restrictions set forth herein may subject a Residual Certificateholder to taxation. See "Federal Income Tax Consequences-Transfers of REMIC Residual Certificates-Tax on Disposition of REMIC Residual Certificates" and "-Restrictions on Transfer; Holding by Pass-Through Entities" in the Prospectus. Moreover, certain transfers of a Residual Certificate that are effective to transfer legal ownership may nevertheless be ineffective to transfer ownership for federal income tax purposes, if at the time of the transfer the Residual Certificate represents a "non-economic residual interest" as defined in the REMIC Regulations and if avoiding or impeding the assessment or collection of tax is a significant purpose of the transfer. See "Federal Income Tax Consequences-Transfers of REMIC Residual Certificates" and "-Restrictions on Transfer; Holding by Pass-Through Entities" in the Prospectus. Further, unless the Tax Matters Person and SAMI consent in writing (which consent may be withheld in the Tax Matters Person's or SAMI's sole discretion), a Residual Certificate (including a beneficial interest therein) may not be purchased by or transferred to any person who is not a "United States person," as such term is defined in Section 7701(a)(30) of the Code (a "U.S. Person").

METHOD OF DISTRIBUTION

Subject to the terms and conditions set forth in the Underwriting Agreement, the Offered Certificates are being purchased from SAMI by the Underwriter upon issuance. The Underwriter is an affiliate of SAMI and EMC. The Offered Certificates will be offered by the Underwriter (only as and if issued and delivered to and accepted by the Underwriter) from time to time in negotiated transactions or otherwise at varying prices to be determined at the time of sale. Proceeds to SAMI are expected to be approximately 99% of the aggregate principal balance of the Offered Certificates, as of the Cut-off Date, plus accrued interest thereon, but before deducting expenses payable by SAMI in connection with the Offered Certificates, which are estimated to be $460,000. In connection with the purchase and sale of the Offered Certificates, the Underwriter may be deemed to have received compensation from SAMI in the form of an underwriting discount.

SAMI will indemnify the Underwriter against certain civil liabilities, including liabilities under the Securities Act of 1933, as amended, or will contribute to payments the Underwriter may be required to make in respect thereof.

There is currently no secondary market for the Certificates and no assurances are made that such a market will develop. The Underwriter intends to establish a market in the Offered Certificates, but is not obligated to do so. Any such market, even if established, may or may not continue.

LEGAL MATTERS

Certain legal matters relating to the Certificates will be passed upon for SAMI and the Underwriter by Greenberg Traurig, LLP, New York, New York.

RATINGS

It is a condition to the issuance of each Class of Offered Certificates that it receives at least the ratings set forth below from Moody's and Standard and Poor's.

	Rating	
Class	Moody's	Standard & Poor's
Class A-1	Aaa	AAA
Class X	Aaa	AAA
Class A-2	Aaa	--
Class R-I	--	AAA
Class R-II	--	AAA
Class B-1	Aa2	--
Class B-2	A2	--
Class B-3	Baa2	--

The ratings assigned by Moody's and Standard & Poor's to mortgage pass-through certificates address the likelihood of the receipt of all distributions on the mortgage loans by the related certificateholders under the agreements pursuant to which such certificates were issued. Moody's and Standard & Poor's ratings take into consideration the credit quality of the related mortgage pool, structural and legal aspects associated with such certificates, and the extent to which the payment stream in the mortgage pool is adequate to make payments required under such certificates. Moody's and Standard & Poor's ratings on such certificates do not, however, constitute a statement regarding the frequency of prepayments on the mortgages.

The ratings of the Rating Agencies do not address the possibility that, as a result of principal prepayments or recoveries, Certificateholders might suffer a lower than anticipated yield. The ratings on the Residual Certificates address only the return of their principal balance and interest thereon at their respective Pass-Through Rates. The ratings of the Interest Only Certificates do not address the possibility that the holders of those Certificates may fail to fully recover their initial investments.

The ratings assigned to the Offered Certificates should be evaluated independently from similar ratings on other types of securities. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the Rating Agencies.

SAMI has not requested a rating of the Offered Certificates by any rating agency other than the Rating Agencies. However, there can be no assurance as to whether any other rating agency will rate the Offered Certificates or, in such event, what rating would be assigned to the Offered Certificates by such other rating agency. The ratings assigned by such other rating agency to the Offered Certificates may be lower than the ratings assigned by the Rating Agencies.

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APPENDIX A

MORTGAGE LOAN ASSUMPTIONS

LOAN NUMBER	CURRENT BALANCES ($)	CURRENT MORTGAGE RATE (%)	CURRENT NET MORTGAGE RATE (%)	ORIGINAL TERM TO MATURITY (IN MONTHS)	REMAINING TERM TO MATURITY (IN MONTHS)	GROSS MARGIN (%)
1	90,726,583.31	3.876615799	3.501615799	305	303	2.0328041
2	50,173,950.00	3.871462034	3.496462034	302	301	2.0341762
3	38,645,165.00	3.993990338	3.618990338	301	301	2.1175935
4	901,368.28	4.680683261	4.305683261	324	321	2.0744833
5	39,999,130.34	3.988467332	3.613467332	314	312	2.0602026
6	103,535,876.20	3.826554319	3.451554319	305	304	2.0293736
7	94,827,145.00	3.778799790	3.403799790	313	313	1.9880098
8	5,653,545.00	3.910009450	3.535009450	330	330	2.1562790
9	31,952,251.20	3.900439114	3.525439114	303	303	2.0514375
10	43,585,085.68	3.839577732	3.464577732	310	310	2.0214887

LOAN NUMBER	MAXIMUM GROSS MORTGAGE RATE (%)	NUMBER OF MONTHS UNTIL NEXT RATE ADJUSTMENT DATE	RATE ADJUSTMENT FREQUENCY (IN MONTHS)	INTEREST ONLY PERIOD	LIFETIME FLOOR (%)	INDEX
1	12.00000	1	1	117	2.03280	One Month LIBOR
2	12.00000	2	1	118	2.03418	One Month LIBOR
3	12.00000	3	1	119	2.11759	One Month LIBOR
4	12.00000	3	6	116	2.07448	Six Month LIBOR
5	12.00000	4	6	117	2.06020	Six Month LIBOR
6	12.00000	5	6	118	2.02937	Six Month LIBOR
7	12.00000	6	6	119	1.98801	Six Month LIBOR
8	12.00000	7	6	119	2.15628	Six Month LIBOR
9	12.00000	2	1	120	2.05144	One Month LIBOR
10	12.00000	6	6	120	2.02149	Six Month LIBOR

SCHEDULE A

CERTAIN CHARACTERISTICS OF THE INITIAL MORTGAGE LOANS

The description herein of the Initial Mortgage Loans is based upon estimates of the composition thereof as of the Cut-off Date, as adjusted to reflect the Scheduled Principal Balances as of the Cut-off Date. Prior to the issuance of the Certificates, Initial Mortgage Loans may be removed as a result of (i) Principal Prepayments thereof in full prior to the Cut-off Date, (ii) requirements of Moody's or Standard & Poor's, or, (iii) delinquencies or otherwise. In any such event, other Mortgage Loans may be included in the Trust. SAMI believes that the estimated information set forth herein with respect to the Initial Mortgage Loans as presently constituted is representative of the characteristics thereof at the time the Certificates are issued, although certain characteristics of the Initial Mortgage Loans may vary.

Scheduled Principal Balances of the Initial Mortgage Loans at Origination

Original Principal Balance	Number of Initial Mortgage Loans	Aggregate Scheduled Balance Outstanding as of Cut-Off Date	% of Initial Mortgage Loans
$ 0 - $ 100,000	43	$ 3,870,967	0.91%
$100,001 - $ 200,000	557	81,211,054	19.13
$200,001 - $ 300,000	287	70,388,567	16.58
$300,001 - $ 400,000	307		24.92
		105,785,084	
$400,001 - $ 500,000	123	54,926,365	12.94
$500,001 - $ 600,000	66	35,793,853	8.43
$600,001 - $ 700,000	35	22,809,301	5.37
$700,001 - $ 800,000	21	15,938,700	3.76
$800,001 - $ 900,000	4	3,355,300	0.79
$900,001 - $1,000,000	8	7,755,297	1.83
$1,000,001- $1,100,000	4	4,079,076	0.96
$1,100,001- $1,200,000	1	1,158,750	0.27
$1,200,001- $1,300,000	2	2,517,500	0.59
$1,300,001- $1,400,000	2	2,660,000	0.63
$1,400,001- $1,500,000	4	5,873,550	1.38
$1,500,001- or greater	3	6,339,400	1.49
Total	1,467	$424,462,763	100.00%

Minimum Original Principal Balance: $ 61,856
Maximum Original Principal Balance: $2,634,400
Average Original Principal Balance: $ 289,341

Scheduled Principal Balances of the Initial Mortgage Loans as of the Cut-off Date

Scheduled Principal Balance	Number of Initial Mortgage Loans	Aggregate Scheduled Balance Outstanding as of Cut-Off Date	% of Initial Mortgage Loans
$ 0 - $ 100,000	44	$ 3,969,944	0.94%
$100,001 - $ 200,000	556	81,112,077	19.11
$200,001 - $ 300,000	287	70,388,567	16.58
$300,001 - $ 400,000	309	106,555,884	25.10
$400,001 - $ 500,000	121	54,155,565	12.76
$500,001 - $ 600,000	66	35,793,853	8.43
$600,001 - $ 700,000	35	22,809,301	5.37
$700,001 - $ 800,000	21	15,938,700	3.76
$800,001 - $ 900,000	4	3,355,300	0.79
$900,001 - $1,000,000	8	7,755,297	1.83
$1,000,001- $1,100,000	4	4,079,076	0.96
$1,100,001- $1,200,000	1	1,158,750	0.27
$1,200,001- $1,300,000	2	2,517,500	0.59
$1,300,001- $1,400,000	2	2,660,000	0.63
$1,400,001- $1,500,000	4	5,873,550	1.38
$1,500,001- or greater	3	6,339,400	1.49
Total	1,467	$424,462,763	100.00%

Minimum Original Principal Balance:	$ 61,856
Maximum Original Principal Balance:	$2,634,400
Average Original Principal Balance:	$ 289,341

Mortgage Rates of the Initial Mortgage Loans as of the Cut-Off Date

Mortgage Interest Rates	Number of Initial Mortgage Loans	Aggregate Scheduled Balance Outstanding as of Cut-Off Date	% of Initial Mortgage Loans
3.000% - 3.249%	4	$ 1,862,550	0.44%
3.250% - 3.499%	31	12,925,874	3.05
3.500% - 3.749%	257	81,313,167	19.16
3.750% - 3.999%	602	164,181,680	38.68
4.000% - 4.249%	457	133,684,945	31.50
4.250% - 4.499%	100	27,143,619	6.39
4.500% - 4.749%	3	472,200	0.11
4.750% - 4.999%	5	1,135,396	0.27
5.250% - 5.499%	1	276,000	0.07
5.500% - 5.749%	6	1,282,533	0.30
5.750% - 5.999%	1	184,800	0.04
Total	1,467	$ 424,462,763	100.00%

Minimum Mortgage Rate: 3.000%
Maximum Mortgage Rate: 5.750%
Weighted Average Mortgage Rate: 3.865%

Original Loan-to-Value Ratios of the Initial Mortgage Loans*

Loan-to-Value Ratio	Number of Initial Mortgage Loans	Aggregate Scheduled Balance Outstanding as of Cut-Off Date	% of Initial Mortgage Loans
30.00% or less	3	$1,279,050	0.30%
30.01% - 40.00%	11	4,897,450	1.15
40.01% - 50.00%	17	9,926,374	2.34
50.01% - 55.00%	16	6,549,773	1.54
55.01% - 60.00%	25	10,132,979	2.39
60.01% - 65.00%	35	20,084,331	4.73
65.01% - 70.00%	43	20,878,819	4.92
70.01% - 75.00%	110	37,108,019	8.74
75.01% - 80.00%	941	250,007,374	58.90
80.01% - 85.00%	25	8,105,453	1.91
85.01% - 90.00%	85	22,615,497	5.33
90.01% - 95.00%	156	32,877,644	7.75
Total	1,467	$424,462,763	100.00%

Weighted Average Original Loan-to-Value: 76.99%

* Loan-to-Value Ratios calculated by taking the Original Principal Balance and dividing by the lesser of the original appraised value of the related Mortgaged Property and the sale price of the related Mortgaged Property.

Source: SEC Info · www.secinfo.com · Fran Finnega

Geographic Distribution of the Mortgaged Properties*

State	Number of Initial Mortgage Loans	Aggregate Scheduled Balance Outstanding as of Cut-Off Date	% of Initial Mortgage Loans
Florida	286	$102,488,557	24.15%
Georgia	829	218,369,863	51.45
North Carolina	48	15,034,906	3.54
Ohio	94	19,555,945	4.61
Texas	43	13,861,575	3.27
Other (21 States)	167	55,151,918	12.98
Total	1,467	$424,462,763	100.00%

* No more than approximately 2.34% of the Initial Mortgage Loans by Scheduled Principal Balance will be secured by properties located in any one zip code area.

Credit Scores as of the Date of Origination of the Initial Mortgage Loans

Range of Credit Scores	Number of Initial Mortgage Loans	Aggregate Scheduled Balance Outstanding as of Cut-off Date	% of Initial Mortgage Loans
620 - 639	27	$6,410,844	1.51%
640 - 659	127	33,397,511	7.87
660 - 679	270	66,153,056	15.59
680 - 699	231	72,120,671	16.99
700 - 719	180	53,109,207	12.51
720 - 739	152	44,547,304	10.49
740 - 759	177	52,001,131	12.25
760 - 779	172	54,299,648	12.79
780 - 799	110	35,257,766	8.31
800 - 819	20	6,665,625	1.57
820 - 839	1	500,000	0.12
Total	1,467	$424,462,763	100.00%

Weighted Average Credit Score: 717

Property Types of Mortgaged Properties

Property Type	Number of Initial Mortgage Loans	Aggregate Scheduled Balance Outstanding as of Cut-off Date	% of Initial Mortgage Loans
2-4 Family	6	$1,254,900	0.30%
Condominium	95	23,100,580	5.44
PUD	613	184,824,399	43.54
Single Family	747	213,670,084	50.34
Townhouse	6	1,612,800	0.38
Total	1,467	$424,462,763	100.00%

Occupancy Status of Mortgaged Properties

Occupancy Status	Number of Initial Mortgage Loans	Aggregate Scheduled Balance Outstanding as of Cut-off Date	% of Initial Mortgage Loans
Investor	17	$4,412,496	1.04%
Owner Occupied	1391	397,123,137	93.56
Second Home	59	22,927,131	5.40
Total	1,467	$424,462,763	100.00%

Loan Purpose of the Initial Mortgage Loans

Loan Purpose	Number of Initial Mortgage Loans	Aggregate Scheduled Balance Outstanding as of Cut-Off Date	% of Initial Mortgage Loans
Cash Out Refinance	461	$417,859,214	98.44%
Purchase	701	344,160	0.08
Rate/Term Refinance	305	6,259,389	1.47
Total	1,467	$424,462,763	100.00%

Documentation Type of the Initial Mortgage Loans

Documentation Type	Number of Initial Mortgage Loans	Aggregate Scheduled Balance Outstanding as of Cut-off Date	% of Initial Mortgage Loans
Full Documentation	1,442	$417,859,214	98.44%
No Docs	1	344,160	0.08
Stated Income	24	6,259,389	1.47
Total	1,467	$424,462,763	100.00%

Original Terms to Stated Maturity of the Initial Mortgage Loans

Original Term	Number of Initial Mortgage Loans	Aggregate Scheduled Balance Outstanding as of Cut-off Date	% of Initial Mortgage Loans
300 Months	1258	$373,287,447	87.94%
360 Months	209	51,175,316	12.06
Total	1,467	$424,462,763	100.00%

Minimum Original Term to Stated Maturity (Months):300
Maximum Original Term to Stated Maturity (Months):360
Weighted Average Original Term to Stated Maturity (Months): 309

Remaining Terms to Stated Maturity of the Initial Mortgage Loans

Stated Remaining Term to Maturity	Number of Initial Mortgage Loans	Aggregate Scheduled Balance Outstanding as of Cut-off Date	% of Initial Mortgage Loans
240 - 299 Months	802	$231,431,972.00	54.52%
300 - 359 Months	578	168,343,201.48	39.66
360 Months	87	24,687,590.00	5.82
Total	1,467	$424,462,763.00	100.00%

Minimum Remaining Term to Stated Maturity (Months):297
Maximum Remaining Term to Stated Maturity (Months):360
Weighted Average Remaining Term to Stated Maturity (Months): 308

Index of the Initial Mortgage Loans

Index	Number of Initial Mortgage Loans	Aggregate Scheduled Balance Outstanding as of Cut-off Date	% of Initial Mortgage Loans
1 Month LIBOR	597	$179,545,698	42.30%
6 Month LIBOR	870	244,917,065	57.70
Total	1,467	$424,462,763	100.00%

Rate Adjustment Frequency of the Initial Mortgage Loans

Rate Adjustment Frequency	Number of Initial Mortgage Loans	Aggregate Scheduled Balance Outstanding as of Cut-off Date	% of Initial Mortgage Loans
1 Month	597	$179,545,698	42.30%
6 Months	870	244,917,065	57.70
Total	1,467	$424,462,763	100.00%

Maximum Lifetime Mortgage Rate of the Initial Mortgage Loans

Range	Number of Initial Mortgage Loans	Aggregate Scheduled Balance Outstanding as of Cut-off Date	% of Initial Mortgage Loans
12.000%.....	1,467	424,462,763	100.00%
Total.....	1,467	$424,462,763	100.00%

Weighted Average Maximum Mortgage Rate: 12.000%

Periodic Rate Cap of the Initial Mortgage Loans

Periodic Rate Cap	Number of Initial Mortgage Loans	Aggregate Scheduled Balance Outstanding as of Cut-off Date	% of Initial Mortgage Loans
None.....	1,467	$424,462,763	100.00%
Total.....	1,467	$424,462,763	100.00%

Weighted Average Periodic Rate Cap: None

Initial Rate Cap of the Initial Mortgage Loans

Initial Rate Cap	Number of Initial Mortgage Loans	Aggregate Scheduled Balance Outstanding as of Cut-off Date	% of Initial Mortgage Loans
None.....	1,467	$424,462,763	100.00%
Total.....	1,467	$424,462,763	100.00%

Weighted Average Initial Rate Cap: None

Gross Margin of the Initial Mortgage Loans

Gross Margin	Number of Initial Mortgage Loans	Aggregate Scheduled Balance Outstanding as of Cut-off Date	% of Initial Mortgage Loans
1.375%.....	7	$ 3,117,077	0.73%
1.500%.....	7	2,720,765	0.64
1.625%.....	28	11,515,532	2.71
1.750%.....	134	48,294,080	11.38
1.875%.....	229	64,342,353	15.16
2.000%.....	359	89,718,359	21.14
2.125%.....	389	113,709,703	26.79
2.250%.....	183	56,319,621	13.27
2.375%.....	116	29,830,729	7.03
2.500%.....	8	3,764,448	0.89
2.750%.....	3	438,700	0.10
Total.....	4	691,396	0.16
	1,467	$424,462,763	100.00%

Weighted Average Gross Margin: 2.034%

PROSPECTUS

MORTGAGE-BACKED CERTIFICATES

MORTGAGE-BACKED NOTES

(ISSUABLE IN SERIES)

STRUCTURED ASSET MORTGAGE INVESTMENTS INC.

SELLER

Structured Asset Mortgage Investments Inc. may offer to sell mortgage-backed certificates and mortgage-backed notes in one or more series with one or more classes. The certificates of a series will evidence the beneficial ownership of one or more trusts and the notes will evidence the debt obligations of a trust fund. Each trust will consist primarily of the following mortgage related assets:

- mortgage loans or participations in mortgage loans secured by one- to four-family residential properties
- mortgage loans or participations in mortgage loans secured by multifamily residential properties o loans or participations in loans secured by security interests on shares in cooperative housing corporations
- conditional sales contracts and installment sales or loan agreements or participations in such contracts or agreements secured by manufactured housing
- mortgage pass-though securities issued or guaranteed by the Government National Mortgage Association; the Federal National Mortgage Association, Freddie Mac or other government agencies or government-sponsored agencies or privately issued mortgage-backed securities

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AN INVESTMENT IN THE CERTIFICATES OR NOTES OF ANY SERIES INVOLVES SIGNIFICANT RISKS. YOU SHOULD REVIEW THE INFORMATION UNDER THE CAPTION "RISK FACTORS" BEGINNING ON PAGE 2 IN THIS PROSPECTUS BEFORE DECIDING WHETHER TO MAKE AN INVESTMENT.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. MAKING ANY CONTRARY REPRESENTATION IS A CRIMINAL OFFENSE.

Prior to issuance there will have been no market for the certificates or notes of any series. We cannot assure you that a secondary market for the certificates or notes will develop.

Offers of the notes or certificates, as applicable, may be made through one or more different methods, including offerings through underwriters. Underwritten notes and underwritten certificates will be distributed by, or sold by underwriters managed by:

BEAR, STEARNS & CO. INC.

The date of this Prospectus is October 29, 2002

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PROSPECTUS SUPPLEMENT

We provide information to you about the certificates and notes in two separate documents that provide progressively more detail:

- this prospectus, which provides general information, some of which may not apply to your series of certificates or notes;
- the accompanying prospectus supplement, which describes the specific terms of your series of certificates or notes.

You should rely primarily on the description of your certificates or notes in the accompanying prospectus supplement. This prospectus may not be used to consummate sales of any certificates or any notes unless it is accompanied by a prospectus supplement relating to the certificates or notes being sold.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to "incorporate by reference" information that we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and the information that we file later with the SEC will automatically update and supersede this information.

All documents filed by us with respect to a trust fund referred to in the accompanying prospectus supplement and the related series of securities after the date of this prospectus and before the end of the related offering pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, are incorporated by reference in this prospectus and are a part of this prospectus from the date of their filing. Any statement contained in a document incorporated by reference in this prospectus is modified or superseded for all purposes of this prospectus to the extent that a statement contained in this prospectus (or in the accompanying prospectus supplement) or in any other subsequently filed document that also is incorporated by reference differs from that statement. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this prospectus. If so specified in any such document, such document shall also be deemed to be incorporated by reference in the registration statement of which this prospectus forms a part.

You may request a copy of these filings, at no cost, by writing or telephoning us at our principal executive offices at the following address:

President
Structured Asset Mortgage Investments Inc.
383 Madison Avenue
New York, New York 10179
Telephone: (212) 272-2000.

You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. Do not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of these documents.

RISK FACTORS

AN INVESTMENT IN THE CERTIFICATES OR NOTES OF ANY SERIES INVOLVES SIGNIFICANT RISKS. BEFORE MAKING AN INVESTMENT DECISION, YOU SHOULD CAREFULLY REVIEW THE FOLLOWING INFORMATION AND THE INFORMATION UNDER THE CAPTION RISK FACTORS IN THE APPLICABLE PROSPECTUS SUPPLEMENT.

YOU MAY HAVE DIFFICULTY SELLING THE SECURITIES

There will be no market for the mortgage-backed notes or mortgage-backed certificates of any series before their issuance. We cannot assure you that a secondary market will develop or, if a secondary market does develop, that it will provide liquidity of investment or will continue for the life of the certificates or notes. The market value of the certificates or notes will fluctuate with changes in prevailing rates of interest. Consequently, the sale of the certificates or notes in any market that may develop may be at a discount from the certificates' or notes' par value or purchase price. You generally have no right to request redemption of the notes or certificates. The certificates and notes are redeemable only under the limited circumstances, if any, described in the supplement to this prospectus. We do not intend to list any class of notes or certificates on any securities exchange or to quote the certificates or notes in the automated quotation system of a regulated securities association. However, if we intend such listing or such quotation with respect to some or all of the certificates in a series of certificates or some or all of the notes in a series of notes, we will include information relevant to such listing in the related prospectus supplement. If the notes or certificates are not listed or quoted, you may experience more difficulty selling notes or certificates. The prospectus supplement for a series may indicate that a specified underwriter intends to establish a secondary market in some or all of the classes of a series. However, no underwriter will be obligated to do so.

BOOK-ENTRY SECURITIES MAY DELAY RECEIPT OF PAYMENT AND REPORTS

If the trust fund issues certificates or notes in book-entry form, you may experience delays in receipt of your payments and/or reports since payments and reports will initially be made to the book-entry depository or its nominee. In addition, the issuance of certificates or notes in book-entry form may reduce the liquidity of certificates and notes so issued in the secondary trading market since some investors may be unwilling to purchase notes and certificates for which they cannot receive physical certificates.

YOUR RETURN ON AN INVESTMENT IN THE SECURITIES IS UNCERTAIN

Your pre-tax return on any investment in certificates or notes of any series will depend on (1) the price you pay for those certificates or notes, (2) the rate at which interest accrues on the certificates or notes and (3) the rate at which you receive a return of the principal and, consequently, the length of time that your certificates or notes are outstanding and accruing interest. The last factor is the biggest uncertainty in an investment in the notes or certificates.

- THE RATE OF RETURN OF PRINCIPAL IS UNCERTAIN. The amount of distributions of principal of the certificates or notes of any series and when you will receive those distributions depends on the amount and the times at which borrowers make principal payments on the mortgage assets. Those principal payments may be regularly scheduled payments or unscheduled payments resulting from prepayments of, or defaults on, the mortgage assets.

- Principal payments also result from repurchases due to conversions of adjustable rate loans to fixed rate loans or breaches of representations and warranties. A series of certificates or notes may have (1) certain classes that are paid principal after other classes or (2) certain types of certificates or notes that are more sensitive to prepayments. If you own either of these types of

certificates or notes, changes in timing and the amount of principal payments by borrowers may adversely affect you. A variety of economic, social, competitive and other factors, including changes in interest rates may influence the rate of prepayments on the mortgage loans. We cannot predict the amount and timing of payments that will be received and paid to holders of notes or holders of certificates in any month or over the period of time that such certificates or notes remain outstanding.

- OPTIONAL TERMINATION MAY ADVERSELY AFFECT YIELD. A trust fund may be subject to optional termination. Any such optional termination may adversely affect the yield to maturity on the related series of certificates or notes. If the mortgage assets include properties which the related trust fund acquired through foreclosure or deed-in-lieu of foreclosure, the purchase price paid to exercise the optional termination may be less than the outstanding principal balances of the related series of notes or certificates. In such event, the holders of one or more classes of certificates or notes may incur a loss.

- CREDIT ENHANCEMENT WILL NOT COVER ALL LOSSES. An investment in the certificates or notes involves a risk that you may lose all or part of your investment. Although a trust fund may include some form of credit enhancement, that credit enhancement may not cover every class of note or every class of certificate issued by such trust fund. In addition, every form of credit enhancement will have certain limitations on, and exclusions from, coverage. In most cases, credit enhancements will be subject to periodic reduction in accordance with a schedule or formula. The trustee may be permitted to reduce, terminate or substitute all or a portion of the credit enhancement for any series, if the applicable rating agencies indicate that the reduction, termination or substitution will not adversely affect the then-current rating of such series.

INTEREST ONLY AND PRINCIPAL ONLY SECURITIES INVOLVE ADDITIONAL RISK

Certain securities, called "interest only securities" or "principal only securities," involve greater uncertainty regarding the return on investment. An interest only security is not entitled to any principal payments. If the mortgage assets in a pool prepay at rapid rates, it will reduce the amount of interest available to pay a related interest only security and may cause an investor in that interest only security to fail to recover the investor's initial investment.

A principal only security is not entitled to any interest payments, and is usually sold at a price that is less than the face amount of the security. If an investor in a principal only security receives payments on the security at a slow rate, the return on the investment will be low (because, in part, there are no interest payments to compensate the investor for the use of the investor's money).

The prices offered by potential purchasers for interest only securities and principal only securities vary significantly from time to time, and there may be times when no potential purchaser is willing to buy an interest only security or principal only security. As a result, an investment in such securities involves a high degree of risk.

SUBORDINATED SECURITIES INVOLVE MORE RISKS AND MAY INCUR LOSSES

A series of notes or certificates may provide that one or more classes of such notes or certificates are subordinated in right of payment to one or more other classes of that series. Certificates or notes that are subordinated to other certificates have a greater risk of loss because the subordinated certificates or notes will not receive principal, interest, or both until the more senior certificates or notes receive the payments to which they are entitled. Losses are generally allocated first to subordinate securities. If the amount available for payments to holders of notes and certificates is less than the amount required, including as a result of losses on the mortgage assets, the holders of the subordinated certificates or notes will not receive the payments that they would have if there had not been a shortfall in the amount available.

TRUST FUND ASSETS ARE THE ONLY SOURCE OF PAYMENTS ON THE SECURITIES

The trust funds will not have any significant assets or sources of funds other than the mortgage assets and the credit enhancement identified in the related prospectus supplement. The issuing trust fund will be the only person obligated to make payments on the certificates or notes issued by that trust fund. In general, investors will not have recourse against us, the trustee, the master servicer, or any of our or their affiliates. Proceeds of the assets included in the related trust funds (including the mortgage assets and any form of credit enhancement) will be the sole source of payments on the securities, and there will be no recourse to the seller, a master servicer or any other entity in the event that such proceeds are insufficient or otherwise unavailable to make all payments provided for under the securities. As a result, you must depend on payments on the mortgage assets and any related credit enhancement for the required payments on your certificates or notes. Any credit enhancement will not cover all contingencies, and losses in excess of the coverage the credit enhancement provides will be borne directly by the affected securityholders.

THE CONCENTRATION OF MORTGAGE ASSETS IN SPECIFIC GEOGRAPHIC AREAS MAY INCREASE THE RISK OF LOSS

The mortgage assets underlying a series of certificates or notes may be concentrated in certain geographic regions of the United States. These states may suffer economic problems or reductions in market values for properties that other states will not experience. Because of the concentration of mortgage assets in these states, those types of problems may have a greater effect on the certificates or notes of such series.

FINANCIAL INSTRUMENTS MAY NOT AVOID LOSSES

A trust fund may include one or more financial instruments, such as interest rate or other swap agreements and interest rate cap, collar or floor agreements, to provide protection against certain types of risks or to provide certain cash flow characteristics for one or more classes of a series. The protection or benefit any such financial instrument provides will be dependent on the performance of the provider of such financial instrument. If such provider were unable or unwilling to perform its obligations under the related financial instrument, the related class or classes of certificates or notes could be adversely affected. Any withdrawal or reduction in a credit rating assigned to such provider may reduce the market price of the applicable certificates or notes and may affect a holder's ability to sell them. If a financial instrument is intended to provide an approximate or partial hedge for certain risks or cash flow characteristics, holders of the applicable class or classes will bear the risk that such an imperfect hedge may result in a material adverse effect on the yield to maturity, the market price and the liquidity of such class or classes.

ENVIRONMENTAL CONDITIONS AFFECTING MORTGAGED PROPERTIES MAY RESULT IN LOSSES

Environmental conditions may diminish the value of the mortgage assets and give rise to liability of various parties. There are many federal and state environmental laws concerning hazardous waste, hazardous substances, petroleum substances (including heating oil and gasoline), radon and other materials which may affect the property securing the mortgage assets. For example, under the Federal Comprehensive Environmental Response Compensation and Liability Act, as amended, and possibly under state law in certain states, a secured party which takes a deed in lieu of foreclosure or purchases a mortgaged property at a foreclosure sale may become liable in certain circumstances for the costs of a remedial action if hazardous wastes or hazardous substances have been released or disposed of on the property. Such costs may be substantial. It is possible that costs for remedial action could become a liability of a trust fund. Such costs would reduce the amounts otherwise distributable to holders of notes or certificates if a mortgaged property securing a mortgage loan became the property of a trust fund and if

such trust fund incurred such costs. Moreover, certain states by statute impose a priority lien for any such costs incurred by such state on the property. In such states, liens for the cost of any remedial action have priority even over prior recorded liens. In these states, the security interest of the trustee in a property that is subject to such a lien could be adversely affected.

SECURITY INTERESTS IN MANUFACTURED HOMES MAY BE LOST

The method of perfecting a security interest in a manufactured home depends on the laws of the state in which the manufactured home is located and, in some cases, the facts and circumstances surrounding the location of the manufactured home (for example, whether the manufactured home has become permanently affixed to its site). If a manufactured home is moved from one state to another, the master servicer or the sub-servicer must take steps to re- perfect the security interest under the laws of the new state. Generally the master servicer or the sub-servicer would become aware of the need to take such steps following notice due to the notation of the lender's lien on the applicable certificate of title. However, if through fraud or administrative error the master servicer or the sub-servicer did not take such steps in a timely manner, the perfected status of the lien on the related manufactured home could be lost.

Similarly, if a manufactured home were to become or be deemed to be permanently affixed to its site, the master servicer or sub-servicer may have to take additional steps to maintain the priority and/or perfection of the security interest granted by the related manufactured housing contract. Although the borrower will have agreed not to permit the manufactured home to become or to be deemed to be permanently affixed to the site, we cannot assure you that the borrower will comply with this agreement. If the borrower does not comply, the sub-servicer would be unlikely to discover such noncompliance, which would hinder the sub-servicer's ability to take additional steps, if any, required under applicable law to maintain the priority and/or perfection of the lien on the manufactured home.

RESIDENTIAL REAL ESTATE VALUES MAY FLUCTUATE AND ADVERSELY AFFECT YOUR INVESTMENT IN THE SECURITIES.

We can not assure you 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 experiences an overall decline in property values such that the outstanding principal balances of the mortgage loans, and any secondary financing on the mortgaged properties, in a particular mortgage pool 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. In addition, adverse economic conditions and other factors (which may or may not affect real property values) may affect the mortgagors' timely payment of scheduled payments of principal and interest on the mortgage loans and, accordingly, the actual rates of delinquencies, foreclosures and losses with respect to any mortgage pool. In the case of multifamily loans, such other factors could include excessive building resulting in an oversupply of rental housing stock or a decrease in employment reducing the demand for rental units in an area; federal, state or local regulations and controls affecting rents; prices of goods and energy; environmental restrictions; increasing labor and material costs; and the relative attractiveness to tenants of the mortgaged properties. To the extent that credit enhancements do not cover such losses, such losses will be borne, at least in part, by the holders of the securities of the related series.

THE SECURITIES ARE NOT SUITABLE INVESTMENTS FOR ALL INVESTORS

The certificates and the notes are complex investments that are not appropriate for all investors. The interaction of the factors described above is difficult to analyze and may change from time to time while the certificates or notes of a series are outstanding. It is impossible to predict with any certainty the amount or timing of distributions on the certificates or notes of a series or the likely return on an

investment in any such securities. As a result, only sophisticated investors with the resources to analyze the potential risks and rewards of an investment in the notes or certificates should consider such an investment.

THE TRUST FUNDS

A trust fund for a series of securities will consist primarily of mortgage assets consisting of:

1. a mortgage pool(1) comprised of

- Single family loans. "Single family loans" consist of mortgage loans or participations in mortgage loans secured by one-to-four-family residential properties,

- Multifamily loans. "Multifamily loans" consist of mortgage loans or participations in mortgage loans secured by multifamily residential properties,

- Cooperative loans. "Cooperative loans" consist of loans or participations in loans secured by security interests or similar liens on shares in cooperative housing corporations and the related proprietary leases or occupancy agreements.

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1. Whenever the terms "mortgage pool" and "securities" are used in this prospectus, such terms will be deemed to apply, unless the context indicates otherwise, to one specific mortgage pool and the securities representing certain undivided interests in, or the debt obligations of, a single trust fund consisting primarily of the mortgage loans in such mortgage pool. Similarly, the term "interest rate" will refer to the interest rate borne by the securities of one specific series and the term "trust fund" will refer to one specific trust fund.

- Manufactured housing contracts. "Manufactured housing contracts" consist of conditional sales contracts and installment sales or loan agreements or participations in conditional sales contracts, installment sales or loan agreements secured by manufactured homes.

2. mortgage pass-though securities issued or guaranteed by the Government National Mortgage Association; Fannie Mae, Freddie Mac or other government agencies or government-sponsored agencies, which are referred to in this prospectus as "agency securities"; or

3. mortgage-backed securities issued by entities other than government agencies or government- sponsored agencies, which are referred to in this prospectus supplement as "privately issued mortgage- backed securities," in each case, as specified in the related prospectus supplement, together with payments in respect of such mortgage assets and certain other accounts, obligations or agreements, such as U.S. Government Securities, in each case as specified in the related prospectus supplement.

The single and multifamily loans, the cooperative loans and the manufactured housing contracts are sometimes referred to in this prospectus as the "mortgage loans". If the related prospectus supplement so specifies, certain certificates in a series of certificates or certain notes in a series of notes will evidence the entire beneficial ownership interest in, or the debt obligations of, a trust fund, and, in turn the assets of such trust fund will consist of a beneficial ownership interest in another trust fund which will contain the underlying trust assets. For clarity, the notes and certificates are sometimes referred to in this prospectus as the securities.

We will acquire the mortgage assets, either directly or through affiliates, from originators or other entities, who are referred to herein as "lenders," or in the market and we will convey the mortgage assets to the related trust fund.

As used in this prospectus, "Agreement" means, (1) with respect to the certificates of a series, the pooling and servicing agreement or the trust agreement and (2) with respect to the notes of a series, the indenture or the master servicing agreement, as the context requires.

The following is a brief description of the assets expected to be included in a trust fund. If specific information respecting assets is not known at the time the related securities of a series are initially offered, more general information of the nature described below will be provided in the related prospectus supplement. Specific information will be listed in a report on Form 8-K to be filed with the SEC within fifteen days after the initial issuance of such securities. A copy of the pooling and servicing agreement or the trust agreement and/or the indenture, as applicable, with respect to each series will be attached to the Form 8-K. You will be able to inspect such agreements at the corporate trust office of the trustee specified in the related prospectus supplement. A schedule of the mortgage assets relating to such series will be attached to the Agreement delivered to the trustee upon delivery of the securities.

THE MORTGAGE LOANS-GENERAL

The real property and manufactured homes, as the case may be, which secure repayment of the mortgage loans, which this prospectus refers to as the mortgaged properties, may be located in any one of the fifty states or the District of Columbia, Guam, Puerto Rico or any other territory of the United States. Certain mortgage loans may be conventional loans (I.E., loans that are not insured or guaranteed by any governmental agency), insured by the Federal Housing Authority -also referred to as the "FHA" -- or partially guaranteed by the Veterans Administration --commonly known as the "VA"--, as specified in the related prospectus supplement and described below. Primary mortgage guaranty insurance policies (each a "primary insurance policy") may wholly or partially cover mortgage loans with certain Loan- to-Value Ratios or certain principal balances. The related prospectus supplement will describe the existence, extent and duration of any such coverage.

Mortgage loans in a mortgage pool will provide that borrowers make payments monthly or bi-weekly or as specified in the related prospectus supplement. Unless otherwise specified in the related prospectus supplement, payments will be due on the first day of each month for all of the monthly-pay mortgage loans in a mortgage pool. The related prospectus supplement will describe the payment terms of the mortgage loans included in a trust fund. Such payment terms may include any of the following features, a combination of such features or other features the related prospectus supplement may describe:

- Borrowers may pay interest at a fixed rate, a rate adjustable from time to time in relation to an index, a rate that is fixed for period of time or under certain circumstances and is followed by an adjustable rate, a rate that otherwise varies from time to time, or a rate that is convertible from an adjustable rate to a fixed rate. Periodic limitations, maximum rates, minimum rates or a combination of such limitations may apply to changes to an adjustable rate. Accrued interest may be deferred and added to the principal of a mortgage loan for such periods and under such circumstances as the related prospectus supplement may specify.

Mortgage loans may provide for the payment of interest at a rate lower than the specified interest rate on the mortgage loan for a period of time or 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 or may be treated as accrued interest added to the principal of the mortgage loan.

Principal may be payable on a level debt service basis to fully amortize the mortgage loan over its term. Principal 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 interest rate on the mortgage loan 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 ("balloon" payments). Principal may include deferred interest that has been 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 or 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. Certain mortgage loans, sometimes called graduated payment mortgage loans, may (1) require the monthly payments of principal and interest to increase for a specified period, (2) provide for deferred payment of a portion of the interest due monthly during such period, and recoup the deferred interest through negative amortization. In a negatively amortizing loan the difference between the scheduled payment of interest and the amount of interest actually accrued is added monthly to the outstanding principal balance. Other mortgage loans, sometimes referred to as growing equity mortgage loans, may provide for periodic scheduled payment increases for a specified period with the full amount of such increases being applied to principal. Other mortgage loans, sometimes referred to as reverse mortgages, may provide for monthly payments to the borrowers with interest and principal payable when the borrowers move or die. Reverse mortgages typically are made to older persons who have substantial equity in their homes.

- A prepayment fee may apply to prepayments of principal. Such prepayment fee may be fixed for the life of the mortgage loan or may decline over time, and may be prohibited for the life of the mortgage loan or for certain lock-out periods. Certain 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 such 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 certain transfers of the related mortgaged property. Other mortgage loans may be assumable by persons meeting the then applicable underwriting standards of the lender.

Each prospectus supplement will contain information, as of the date of such prospectus supplement and to the extent then specifically known to us, with respect to the mortgage loans contained in the related mortgage pool, including:

- the aggregate outstanding principal balance and the average outstanding principal balance of the mortgage loans as of the applicable cut-off date,
- the type of property securing the mortgage loans (E.G., one- to four-family houses, vacation and second homes, manufactured homes, multifamily apartments, leasehold interests, investment properties or other real property),
- the original terms to maturity of the mortgage loans,
- the largest original principal balance and the smallest original principal balance of any of the mortgage loans,
- the earliest origination date and latest maturity date of any of the mortgage loans,
- the aggregate principal balance of mortgage loans having Loan-to-Value Ratios at origination exceeding 80%
- the specified interest rate or accrual percentage rates or range of specified interest rates or accrual percentage rates borne by the mortgage loans, and

- the geographical distribution of the mortgage loans on a state-by-state basis.

The "Loan-to-Value Ratio" of a mortgage loan at any given time is the fraction, expressed as a percentage, the numerator of which is the outstanding principal balance of the mortgage loan and the denominator of which is the collateral value of the related mortgaged property. The collateral value of a mortgaged property, other than with respect to manufactured housing contracts and certain mortgage loans the proceeds of which were used to refinance an existing mortgage loan (each, a "Refinance Loan"), is the lesser of (a) the appraised value determined in an appraisal obtained by the originator at origination of such mortgage loan and (b) the sales price for such property. In the case of Refinance Loans, the collateral value of the related mortgaged property generally is the appraised value of the mortgaged property determined in an appraisal obtained at the time of refinancing. For purposes of calculating the Loan-to-Value Ratio of a manufactured housing contract relating to a new manufactured home, the collateral value is no greater than the sum of a fixed percentage of the list price of the unit actually billed by the manufacturer to the dealer (exclusive of freight to the dealer site) including "accessories" identified in the invoice plus the actual cost of any accessories purchased from the dealer, a delivery and set-up allowance, depending on the size of the unit, and the cost of state and local taxes, filing fees and up to three years prepaid hazard insurance premiums. The collateral value of a used manufactured home is the least of the sales price, appraised value, and National Automobile Dealer's Association book value plus prepaid taxes and hazard insurance premiums. The appraised value of a manufactured home is based upon the age and condition of the manufactured housing unit and the quality and condition of the mobile home park in which it is situated, if applicable.

We will cause the mortgage loans comprising each mortgage pool to be assigned to the trustee named in the related prospectus supplement for the benefit of the holders of the notes or certificates, as applicable, of the related series. One or more master servicers named in the related prospectus supplement will service the mortgage loans, either directly or through sub-servicers, pursuant to the pooling and servicing agreement or, if the series includes notes, pursuant to a master servicing agreement among us, the master servicer and the related trust fund. The master servicer or servicers will receive a fee for such services. With respect to mortgage loans serviced by a master servicer through a sub-servicer, the master servicer will remain liable for its servicing obligations under the applicable Agreement, as if the master servicer alone were servicing such mortgage loans.

With respect to a series of securities, we will obtain certain representations and warranties from the entities from whom we purchase the mortgage loans. We will assign our rights with respect to such representations and warranties to the trustee for such series of notes or such series of certificates, as applicable. We will have obligations with respect to a series only to the extent specified in the related prospectus supplement. The obligations of each master servicer with respect to the mortgage loans will consist principally of its contractual servicing obligations under the related Agreement and its obligation to make certain cash advances in the event of delinquencies in payments on or with respect to the mortgage loans in the amounts described under "Description of the Securities-Advances." The obligations of a master servicer to make advances may be subject to limitations, to the extent this prospectus and the related prospectus supplement provides.

SINGLE FAMILY AND COOPERATIVE LOANS

Single family loans will consist of mortgage loans, deeds of trust or participations or other beneficial interests in mortgage loans or deeds of trust, secured by liens on one- to four-family residential properties. The single family loans may include loans or participations in loans secured by mortgages or deeds of trust on condominium units in condominium buildings together with such condominium unit's appurtenant interest in the common elements of the condominium building. Cooperative loans will be secured by security interests in or similar liens on stock, shares or membership certificates issued by private, nonprofit, cooperative housing corporations, known as cooperatives, and in the related proprietary

leases or occupancy agreements granting exclusive rights to occupy specific dwelling units in such cooperatives' buildings. Single family loans and cooperative loans may be conventional (I.E., loans that are not insured or guaranteed by any governmental agency), insured by the FHA or partially guaranteed by the VA, as specified in the related prospectus supplement. Single family loans and cooperative loans will have individual principal balances at origination of not less than $5,000 and not more than $1,000,000, and original terms to stated maturity of 15 to 40 years or such other individual principal balances at origination and/or original terms to stated maturity as the related prospectus supplement specifies.

The mortgaged properties relating to single family loans will consist of detached or semi-detached one-family dwelling units, two- to four-family dwelling units, townhouses, row houses, individual condominium units, individual units in planned unit developments, and certain other dwelling units. Such mortgaged properties may include vacation and second homes, investment properties and leasehold interests. In the case of leasehold interests, the term of the leasehold generally will exceed the scheduled maturity of the related mortgage loan by at least five years. Certain mortgage loans may be originated or acquired in connection with employee relocation programs.

MULTIFAMILY LOANS

Multifamily loans will consist of mortgage loans, deeds of trust or participations or other beneficial interests in mortgage loans or deeds of trust, secured by liens on rental apartment buildings or projects containing five or more residential units. Such loans may be conventional loans or FHA-insured loans, as the related prospectus supplement specifies. Multifamily loans generally will have original terms to stated maturity of not more than 40 years.

Mortgaged properties which secure multifamily loans may include high-rise, mid-rise and garden apartments. Apartment buildings that the cooperative owns may secure certain of the multifamily loans. The cooperative owns all the apartment units in the building and all common areas. Tenant-stockholders own the cooperative. Through ownership of stock, shares or membership certificates in the corporation, the tenant-stockholders receive proprietary leases or occupancy agreements which confer exclusive rights to occupy specific apartments or units. Generally, a tenant- stockholder of a cooperative must make a monthly payment to the cooperative representing such tenant-stockholder's pro rata share of the cooperative's payments for its mortgage loan, real property taxes, maintenance expenses and other capital or ordinary expenses. Those payments are in addition to any payments of principal and interest the tenant- stockholder must make on any loans to the tenant-stockholder secured by its shares in the cooperative. The cooperative will be directly responsible for building management and, in most cases, payment of real estate taxes and hazard and liability insurance. A cooperative's ability to meet debt service obligations on a multifamily loan, as well as all other operating expenses, will be dependent in large part on the receipt of maintenance payments from the tenant-stockholders, as well as any rental income from units or commercial areas the cooperative might control. In some cases, unanticipated expenditures may have to be paid by special assessments on the tenant-stockholders.

MANUFACTURED HOUSING CONTRACTS

The manufactured housing contracts will consist of manufactured housing conditional sales contracts and installment sales or loan agreements each secured by a manufactured home. Manufactured housing contracts may be conventional, insured by the FHA or partially guaranteed by the VA, as specified in the related prospectus supplement. Each manufactured housing contract will be fully amortizing and will bear interest at its accrual percentage rate. Manufactured housing contracts will have individual principal balances at origination of not less than $5,000 and not more than $1,000,000 and original terms to stated maturity of 5 to 40 years, or such other individual principal balances at origination and/or original terms to stated maturity as are specified in the related prospectus supplement.

The "manufactured homes" securing the manufactured housing contracts will consist of manufactured homes within the meaning of 42 United States Code, Section 5402(6), which defines a "manufactured home" as "a structure, transportable in one or more sections, which in the traveling mode, is eight body feet or more in width or forty body feet or more in length, or, when erected on site, is three hundred twenty or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air conditioning, and electrical systems contained therein; except that such term shall include any structure which meets all the requirements of [this] paragraph except the size requirements and with respect to which the manufacturer voluntarily files a certification required by the Secretary of Housing and Urban Development and complies with the standards established under [this] chapter."

For the manufactured housing contracts contained in a trust fund, the related prospectus supplement will specify, among other things:

- the date of origination of the manufactured housing contracts;
- the accrual percentage rates on the manufactured housing contracts;
- the manufactured housing contract Loan-to-Value Ratios;
- the minimum and maximum outstanding principal balances as of the cut-off date and the average outstanding principal balance;
- the outstanding principal balances of the manufactured housing contracts included in the related trust fund;
- the original maturities of the manufactured housing contracts; and the last maturity date of any manufactured housing contract.

AGENCY SECURITIES

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION. Government National Mortgage Association, commonly known as GNMA, is a wholly-owned corporate instrumentality of the United States with the United States Department of Housing and Urban Development. Section 306(g) of Title II of the National Housing Act of 1934, as amended (the"Housing Act"), authorizes GNMA to guarantee the timely payment of the principal of and interest on certificates, known as GNMA certificates, which represent an interest in a pool of mortgage loans insured by FHA under the Housing Act, or Title V of the Housing Act of 1949, or partially guaranteed by the VA under the Servicemen's Readjustment Act of 1944, as amended, or Chapter 37 of Title 38, United States Code. The mortgage loans insured by the FHA are referred to as FHA Loans. The loans partially guaranteed by the VA are referred to as VA Loans.

Section 306(g) of the Housing Act provides that "the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guarantee under this subsection." In order to meet its obligations under any such guarantee, GNMA may, under Section 306(d) of the Housing Act, borrow from the United States Treasury in an amount which is at any time sufficient to enable GNMA, with no limitations as to amount, to perform its obligations under its guarantee.

GNMA CERTIFICATES. Each GNMA certificate a trust fund holds (which may be issued under either the GNMA I Program or the GNMA II Program) will be a "fully modified pass-through" mortgaged-backed certificate issued and serviced by a mortgage banking company or other financial concern, known as a GNMA issuer, approved by GNMA or approved by Fannie Mae as a seller-servicer of FHA Loans and/or VA Loans. The mortgage loans underlying the GNMA certificates will consist of FHA Loans, VA Loans and other loans eligible for inclusion in loan pools underlying GNMA certificates. A one- to four-family residential property or a manufactured home secures each such mortgage loan.

GNMA will approve the issuance of each such GNMA certificate in accordance with a guaranty agreement between GNMA and the GNMA issuer. Pursuant to its guaranty agreement, a GNMA issuer will advance its own funds to make timely payments of all amounts due on each such GNMA certificate, even if the payments received by the GNMA issuer on the FHA Loans or VA Loans underlying each such GNMA certificate are less than the amounts due on each such GNMA certificate.

GNMA will guarantee the full and timely payment of principal of and interest on each GNMA certificate. GNMA's guarantee is backed by the full faith and credit of the United States. Each such GNMA certificate will have an original maturity of not more than 30 years (but may have original maturities of substantially less than 30 years). Each such GNMA certificate will be based on and backed by a pool of FHA Loans or VA Loans secured by one- to four- family residential properties or manufactured homes. Each such GNMA certificate will provide for the payment by or on behalf of the GNMA issuer to the registered holder of such GNMA certificate of scheduled monthly payments of principal and interest equal to the registered holder's proportionate interest in the aggregate amount of the monthly principal and interest payment on each FHA Loan or VA Loan underlying such GNMA certificate, less the applicable servicing and guarantee fee which together equal the difference between the interest on the FHA Loan or VA Loan and the pass-through rate on the GNMA certificate. In addition, each payment will include proportionate pass-through payments of any prepayments of principal on the FHA Loans or VA Loans underlying such GNMA certificate and liquidation proceeds in the event of a foreclosure or other disposition of any such FHA Loans or VA Loans.

If a GNMA issuer is unable to make the payments on a GNMA certificate as it becomes due, it must promptly notify GNMA and request GNMA to make such payment. Upon notification and request, GNMA will make such payments directly to the registered holder of such GNMA certificate. In the event the GNMA issuer makes no payment and the GNMA issuer fails to notify and request GNMA to make such payment, the holder of such GNMA certificate will have recourse only against GNMA to obtain such payment. The trustee or its nominee, as registered holder of the GNMA certificates held in a trust fund, will have the right to proceed directly against GNMA under the terms of the guaranty agreements relating to such GNMA certificates for any amounts that are not paid when due.

All mortgage loans underlying a particular GNMA I Certificate must have the same interest rate (except for pools of mortgage loans secured by manufactured homes) over the term of the loan. The interest rate on such GNMA I Certificate will equal the interest rate on the mortgage loans included in the pool of mortgage loans underlying such GNMA I Certificate, less one-half percentage point per annum of the unpaid principal balance of the mortgage loans.

Mortgage loans underlying a particular GNMA II Certificate may have per annum interest rates that vary from each other by up to one percentage point. The interest rate on each GNMA II Certificate will be between one-half percentage point and one and one-half percentage points lower than the highest interest rate on the mortgage loans included in the pool of mortgage loans underlying such GNMA II Certificate (except for pools of mortgage loans secured by manufactured homes).

Regular monthly installment payments on each GNMA certificate held in a trust fund will be comprised of interest due as specified on such GNMA certificate plus the scheduled principal payments on the FHA Loans or VA Loans underlying such GNMA certificate due on the first day of the month in which the scheduled monthly installments on such GNMA certificate is due. Such regular monthly installments on each such GNMA certificate are required to be paid to the trustee as registered holder by the 15th day of each month in the case of a GNMA I Certificate and are required to be mailed to the trustee by the 20th day of each month in the case of a GNMA II Certificate. Any principal prepayments on any FHA Loans or VA Loans underlying a GNMA certificate held in a trust fund or any other early recovery of principal on such loan will be passed through to the trustee as the registered holder of such GNMA certificate.

GNMA certificates may be backed by graduated payment mortgage loans or by "buydown" mortgage loans for which funds will have been provided (and deposited into escrow accounts) for application to the payment of a portion of the borrowers' monthly payments during the early years of such mortgage loan. Payments due the registered holders of GNMA certificates backed by pools containing "buydown" mortgage loans will be computed in the same manner as payments derived from other GNMA certificates and will include amounts to be collected from both the borrower and the related escrow account. The graduated payment mortgage loans will provide for graduated interest payments that, during the early years of such mortgage loans, will be less than the amount of stated interest on such mortgage loans. The interest not so paid will be added to the principal of such graduated payment mortgage loans and, together with interest thereon, will be paid in subsequent years. The obligations of GNMA and of a GNMA issuer will be the same irrespective of whether graduated payment mortgage loans or buydown loans back the GNMA certificates. No statistics comparable to the FHA's prepayment experience on level payment, non-buydown loans are available in respect of graduated payment or buydown mortgages. GNMA certificates related to a series of certificates may be held in book- entry form.

If a related prospectus supplement so specifies, multifamily mortgage loans having the characteristics specified in such prospectus supplement may back the GNMA certificates.

The GNMA certificates included in a trust fund, and the related underlying mortgage loans, may have characteristics and terms different from those described above. The related prospectus supplement will describe any such different characteristics and terms.

FEDERAL NATIONAL MORTGAGE ASSOCIATION. The Federal National Mortgage Association, commonly referred to as Fannie Mae, is a federally chartered and privately owned corporation organized and existing under the Federal National Mortgage Association Charter Act. Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and was transformed into a stockholder- owned and privately managed corporation by legislation enacted in 1968.

Fannie Mae provides funds to the mortgage market primarily by purchasing mortgage loans from lenders, thereby replenishing their funds for additional lending. Fannie Mae acquires funds to purchase mortgage loans from many capital market investors that may not ordinarily invest in mortgages, thereby expanding the total amount of funds available for housing. Operating nationwide, Fannie Mae helps to redistribute mortgage funds from capital-surplus to capital-short areas.

FANNIE MAE CERTIFICATES. Fannie Mae certificates are guaranteed mortgage pass-through certificates representing fractional undivided interests in a pool of mortgage loans formed by Fannie Mae. Each mortgage loan must meet the applicable standards of the Fannie Mae purchase program. Mortgage loans comprising a pool are either provided by Fannie Mae from its own portfolio or purchased pursuant to the criteria of the Fannie Mae purchase program.

Mortgage loans underlying Fannie Mae certificates that a trust fund holds will consist of conventional mortgage loans, FHA Loans or VA Loans. Original maturities of substantially all of the conventional, level payment mortgage loans underlying a Fannie Mae certificate are expected to be between either 8 to 15 years or 20 to 40 years. The original maturities of substantially all of the fixed rate level payment FHA Loans or VA Loans are expected to be 30 years.

Mortgage loans underlying a Fannie Mae certificate may have annual interest rates that vary by as much as two percentage points from each other. The rate of interest payable on a Fannie Mae certificate is equal to the lowest interest rate of any mortgage loan in the related pool, less a specified minimum annual percentage representing servicing compensation and Fannie Mae's guaranty fee. Under a regular servicing option (pursuant to which the mortgagee or other servicers assumes the entire risk of foreclosure losses),

the annual interest rates on the mortgage loans underlying a Fannie Mae certificate will be between 50 basis points and 250 basis points greater than in its annual pass-through rate and under a special servicing option (pursuant to which Fannie Mae assumes the entire risk for foreclosure losses), the annual interest rates on the mortgage loans underlying a Fannie Mae certificate will generally be between 55 basis points and 255 basis points greater than the annual Fannie Mae certificate pass-through rate. If the related prospectus supplement so specifies, adjustable rate mortgages may back the Fannie Mae certificates.

Fannie Mae guarantees to each registered holder of a Fannie Mae certificate that it will distribute amounts representing such holder's proportionate share of scheduled principal and interest payments at the applicable pass- through rate provided for by such Fannie Mae certificate on the underlying mortgage loans, whether or not received. Fannie Mae also guarantees that it will distribute such holder's proportionate share of the full principal amount of any foreclosed or other finally liquidated mortgage loan, whether or not such principal amount is actually recovered. The obligations of Fannie Mae under its guarantees are obligations solely of Fannie Mae and are not backed by, nor entitled to, the full faith and credit of the United States. Although the Secretary of the Treasury of the United States has discretionary authority to lend Fannie Mae up to $2.25 billion outstanding at any time, the United States and its agencies are not obligated to finance Fannie Mae's operations or to assist Fannie Mae in any other manner. If Fannie Mae were unable to satisfy its obligations, distributions to holders of Fannie Mae certificates would consist solely of payments and other recoveries on the underlying mortgage loans and, accordingly, delinquent payments and defaults on such mortgage loans would affect monthly distributions to holders of Fannie Mae certificates.

Fannie Mae certificates evidencing interests in pools of mortgage loans formed on or after May 1, 1985 (other than Fannie Mae certificates backed by pools containing graduated payment mortgage loans or mortgage loans secured by multifamily projects) are available in book-entry form only. Distributions of principal and interest on each Fannie Mae certificate will be made by Fannie Mae on the 25th day of each month to the persons in whose name the Fannie Mae certificate is entered in the books of the Federal Reserve Banks (or registered on the Fannie Mae certificate register in the case of fully registered Fannie Mae certificates) as of the close of business on the last day of the preceding month. With respect to Fannie Mae certificates issued in book-entry form, distributions thereon will be made by wire, and with respect to fully registered Fannie Mae certificates, distributions thereon will be made by check.

The Fannie Mae certificates included in a trust fund, and the related underlying mortgage loans, may have characteristics and terms different from those discussed in this prospectus. The related prospectus supplement will describe any such different characteristics and terms.

FREDDIE MAC. Freddie Mac is a publicly held United States government-sponsored enterprise created pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended, commonly known as the FHLMC Act. Freddie Mac was established primarily to increase the availability of mortgage credit for the financing of urgently needed housing. Freddie Mac seeks to provide an enhanced degree of liquidity for residential mortgage investments by assisting in the development of secondary markets for conventional mortgages. The principal activity of Freddie Mac consists of the purchase of first lien conventional mortgage loans or participation interests in such mortgage loans. Freddie Mac then sells the mortgage loans or participations so purchased in the form of mortgage securities, primarily Freddie Mac certificates. Freddie Mac is confined to purchasing, so far as practicable, mortgage loans that it deems to be of such quality, type and class as to meet the purchase standards imposed by private institutional mortgage investors.

FREDDIE MAC CERTIFICATES. Each Freddie Mac certificate represents an undivided interest in a pool of mortgage loans that may consist of first lien conventional loans, FHA Loans or VA Loans such loans are commonly referred to as a Freddie Mac certificate group. Freddie Mac certificates are sold

under the terms of a mortgage participation certificate agreement. A Freddie Mac certificate may be issued under either Freddie Mac's Cash Program or Guarantor Program.

Freddie Mac guarantees to each registered holder of a Freddie Mac certificate the timely payment of interest on the underlying mortgage loans to the extent of the applicable Freddie Mac certificate rate on the registered holder's pro rata share of the unpaid principal balance outstanding on the underlying mortgage loans in the Freddie Mac certificate group represented by such Freddie Mac certificate, whether or not received. Freddie Mac also guarantees to each registered holder of a Freddie Mac certificate collection by such holder of all principal on the underlying mortgage loans, without any offset or deduction, to the extent of such holder's pro rata share of such principal, but does not, except if and to the extent specified in the prospectus supplement for a series of Freddie Mac certificates, guarantee the timely payment of scheduled principal. Under Freddie Mac's Gold PC Program, Freddie Mac guarantees the timely payment of principal based on the difference between the pool factor, published in the month preceding the month of distribution and the pool factor published in such month of distribution. Pursuant to its guarantees, Freddie Mac indemnifies holders of Freddie Mac certificates against any diminution in principal by reason of charges for property repairs, maintenance and foreclosure. Freddie Mac may remit the amount due on account of its guarantee of collection of principal at any time after default on an underlying mortgage loan, but not later than (a) 30 days following foreclosure sale, (b) 30 days following payment of the claim by any mortgage insurer, or (c) 30 days following the expiration of any right of redemption, whichever occurs later, but in any event no later than one year after demand has been made upon the mortgagor for accelerated payment of principal. In taking actions regarding the collection of principal after default on the mortgage loans underlying Freddie Mac certificates, including the timing of demand for acceleration, Freddie Mac reserves the right to exercise its judgment with respect to the mortgage loans in the same manner as for mortgage loans which it has purchased but not sold. The length of time necessary for Freddie Mac to determine that a mortgage loan should be accelerated varies with the particular circumstances of each mortgagor, and Freddie Mac has not adopted standards which require that the demand be made within any specified period.

Freddie Mac certificates are not guaranteed by the United States or by any Federal Home Loan Bank. The Freddie Mac certificates do not constitute debts or obligations of the United States or any Federal Home Loan Bank. The obligations of Freddie Mac under its guarantee are obligations solely of Freddie Mac and are not backed by, nor entitled to, the full faith and credit of the United States. If Freddie Mac was unable to satisfy such obligations, distributions to holders of Freddie Mac certificates would consist solely of payments and other recoveries on the underlying mortgage loans and, accordingly, delinquent payments and defaults on such mortgage loans would affect monthly distributions to holders of Freddie Mac certificates.

Registered holders of Freddie Mac certificates are entitled to receive their monthly pro rata share of all principal payments on the underlying mortgage loans received by Freddie Mac, including any scheduled principal payments, full and partial repayments of principal and principal received by Freddie Mac by virtue of condemnation, insurance, liquidation or foreclosure, and repurchases of the mortgage loans by Freddie Mac or the seller of the mortgage loans. Freddie Mac is required to remit each registered Freddie Mac certificateholder's pro rata share of principal payments on the underlying mortgage loans, interest at the Freddie Mac pass-through rate and any other sums such as prepayment fees, within 60 days of the date on which such payments are deemed to have been received by Freddie Mac.

Under Freddie Mac's cash program, there is no limitation on the amount by which interest rates on the mortgage loans underlying a Freddie Mac certificate may exceed the pass-through rate on the Freddie Mac certificate. Under such program, Freddie Mac purchases groups of whole mortgage loans from sellers at specified percentages of their unpaid principal balances, adjusted for accrued or prepaid interest, which when applied to the interest rate of the mortgage loans and participations purchased, results in the yield (expressed as a percentage) required by Freddie Mac. The required yield, which

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includes a minimum servicing fee retained by the servicer, is calculated using the outstanding principal balance. The range of interest rates on the mortgage loans and participations in a Freddie Mac certificate group under the Cash Program will vary since mortgage loans and participations are purchased and assigned to a Freddie Mac certificate group based upon their yield to Freddie Mac rather than on the interest rate on the underlying mortgage loans. Under Freddie Mac's Guarantor Program, the pass-through rate on a Freddie Mac certificate is established based upon the lowest interest rate on the underlying mortgage loans, minus a minimum servicing fee and the amount of Freddie Mac's management and guaranty income as agreed upon between the seller and Freddie Mac.

Freddie Mac certificates duly presented for registration of ownership on or before the last business day of a month are registered effective as of the first day of the month. The first remittance to a registered holder of a Freddie Mac certificate will be distributed so as to be received normally by the 15th day of the second month following the month in which the purchaser became a registered holder of the Freddie Mac certificates. Thereafter, such remittance will be distributed monthly to the registered holder so as to be received normally by the 15th day of each month. The Federal Reserve Bank of New York maintains book-entry accounts with respect to Freddie Mac certificates sold by Freddie Mac on or after January 2, 1985, and makes payments of principal and interest each month to the registered holders of such Freddie Mac certificates in accordance with such holders' instructions.

STRIPPED MORTGAGE-BACKED SECURITIES. Agency securities may consist of one or more stripped mortgage-backed securities, each as described in this prospectus and in the related prospectus supplement. Each stripped mortgage-backed security will represent an undivided interest in all or part of either the principal distributions (but not the interest distributions) or the interest distributions (but not the principal distributions), or in some specified portion of the principal and interest distributions (but not all of such distributions) on certain Freddie Mac, Fannie Mae, GNMA or other government agency or government-sponsored agency certificates. The yield on and value of stripped mortgage-backed securities are extremely sensitive to the timing and amount of principal prepayments on the underlying securities. The underlying securities will be held under a trust agreement by Freddie Mac, Fannie Mae, GNMA or another government agency or government-sponsored agency, each as trustee, or by another trustee named in the related prospectus supplement. Freddie Mac, Fannie Mae, GNMA or another government agency or government-sponsored agency will guarantee each stripped agency security to the same extent as such entity guarantees the underlying securities backing such stripped agency security.

OTHER AGENCY SECURITIES. If the related prospectus supplement so specifies, a trust fund may include other mortgage pass-through certificates issued or guaranteed by GNMA, Fannie Mae, Freddie Mac or other government agencies or government-sponsored agencies. The related prospectus supplement will describe the characteristics of any such mortgage pass-through certificates. If so specified, a trust fund may hold a combination of different types of agency securities.

PRIVATE MORTGAGE-BACKED SECURITIES

GENERAL. Private mortgage-backed securities may consist of (a) mortgage pass-through certificates evidencing a direct or indirect undivided interest in a pool of mortgage loans, or (b) collateralized mortgage obligations secured by mortgage loans. Private mortgage-backed securities will have been issued pursuant to a pooling and servicing agreement -- a "PMBS pooling and servicing agreement". The private mortgage-backed securities in a trust fund may include a class or classes of securities that are callable at the option of another class or classes of securities. The seller/servicer, which this prospectus refers to as the "PMBS servicer", of the underlying mortgage loans will have entered into the PMBS pooling and servicing agreement with the trustee under the PMBS pooling and servicing agreement. The trustee under the PMBS pooling and servicing agreement is referred to as the "PMBS trustee". The PMBS trustee or its agent, or a custodian, will possess the mortgage loans underlying such private mortgage-backed security. Mortgage loans underlying a private mortgage-backed security will be

serviced by the PMBS servicer directly or by one or more sub- servicers who may be subject to the supervision of the PMBS servicer. The PMBS servicer will be a Fannie Mae or Freddie Mac approved servicer and, if FHA Loans underlie the private mortgage-backed securities, approved by the Department of Housing and Urban Development as an FHA mortgagee, or such other servicer as the related prospectus supplement may specify. The Department of Housing and Urban Development is sometimes referred to as HUD.

Such securities will (1) either (a) have been previously registered under the Securities Act of 1933, as amended, or (b) will at the time be eligible for sale under Rule 144(k) under such act; and (2) will be acquired in bona fide secondary market transactions not from the issuer or its affiliates. The PMBS issuer generally will be a financial institution or other entity engaged generally in the business of mortgage lending or the acquisition of mortgage loans, a public agency or instrumentality of a state, local or federal government, or a limited purpose or other corporation organized for the purpose of among other things, establishing trusts and acquiring and selling housing loans to such trusts and selling beneficial interests in such trusts. If the related prospectus supplement so specifies, the PMBS issuer may be one of our affiliates. The obligations of the PMBS issuer generally will be limited to certain representations and warranties with respect to the assets it conveyed to the related trust or its assignment of the representations and warranties of another entity from which it acquired the assets. The PMBS issuer will not generally have guaranteed any of the assets conveyed to the related trust or any of the private mortgage-backed securities issued under the PMBS pooling and servicing agreement. Additionally, although the mortgage loans underlying the private mortgage-backed securities may be guaranteed by an agency or instrumentality of the United States, the private mortgage-backed securities themselves will not be so guaranteed.

Distributions of principal and interest will be made on the private mortgage-backed securities on the dates specified in the related prospectus supplement. The private mortgage-backed securities may be entitled to receive nominal or no principal distributions or nominal or no interest distributions. The PMBS trustee or the PMBS servicer will make principal and interest distributions on the private mortgage-backed securities. The PMBS issuer or the PMBS servicer may have the right to repurchase assets underlying the private mortgage-backed securities after a certain date or under other circumstances specified in the related prospectus supplement.

UNDERLYING LOANS. The mortgage loans underlying the private mortgage-backed securities may consist of fixed rate, level payment, fully amortizing loans or graduated payment mortgage loans, buydown loans, adjustable rate mortgage loans, or loans having balloon or other special payment features. Such mortgage loans may be secured by single family property, multifamily property, manufactured homes or by an assignment of the proprietary lease or occupancy agreement relating to a specific dwelling within a cooperative and the related shares issued by such cooperative. In general, the underlying loans will be similar to the mortgage loans which may be directly part of the mortgage assets.

CREDIT SUPPORT RELATING TO PRIVATE MORTGAGE-BACKED SECURITIES. Credit support in the form of subordination of other private mortgage certificates issued under the PMBS pooling and servicing agreement, reserve funds, insurance policies, letters of credit, financial guaranty insurance policies, guarantees or other types of credit support may be provided with respect to the mortgage loans underlying the private mortgage-backed securities or with respect to the private mortgage-backed securities themselves.

ADDITIONAL INFORMATION. The prospectus supplement for a series for which the trust fund includes private mortgage-backed securities will specify:

1. the aggregate approximate principal amount and type of the private mortgage-backed securities to be included in the trust fund,

2. certain characteristics of the mortgage loans which comprise the underlying assets for the private mortgage-backed securities including, to the extent available:

- o the payment features of such mortgage loans,
- o the approximate aggregate principal balance, if known, of the underlying mortgage loans insured or guaranteed by a governmental entity,
- o the servicing fee or range of servicing fees with respect to the mortgage loans,
- o the minimum and maximum stated maturities of the underlying mortgage loans at origination and
- o delinquency experience with respect to the mortgage loans,

3. the pass-through or certificate rate of the private mortgage-backed securities or the method of determining such rate,

4. the PMBS issuer, the PMBS servicer (if other than the PMBS issuer) and the PMBS trustee for such private mortgage-backed securities,

5. certain characteristics of credit support, if any, such as subordination, reserve funds, insurance policies, letters of credit or guarantees relating to the mortgage loans underlying the private mortgage- backed securities or to such private mortgage-backed securities themselves, and

6. the terms on which the underlying mortgage loans for such private mortgage-backed securities, or such private mortgage-backed securities themselves, may, or are required to, be purchased before their stated maturity or the stated maturity of the private mortgage-backed securities.

U.S. GOVERNMENT SECURITIES

If the related prospectus supplement so specifies, United States Treasury securities and other securities issued by the U.S. Government, any of its agencies or other issuers established by federal statute (collectively, "U.S. Government Securities") may be included in the trust assets. Such securities will be backed by the full faith and credit of the United States or will represent the obligations of the U.S. Government or such agency or such other issuer or obligations payable from the proceeds of U.S. Government Securities, as specified in the related prospectus supplement.

FASITS

Assets may be added to the trust fund if it has elected to be treated as a FASIT for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), subject to the provisions of the Code restricting such additional assets to "permitted assets", as defined in the Code, and so long as the FASIT does not engage in a "prohibited transaction" under the Code. See "Federal Income Tax Consequences -- Qualification as a FASIT" and "-- FASIT Ownership Certificate -- Income From Prohibited Transactions." Subject to the foregoing, it is intended that, in connection with a particular trust fund, assets will be chosen for a FASIT on the basis of similarity of certain characteristics such as coupon and market price, as provided in the related prospectus supplement. Assets would be added to a FASIT upon the occurrence of certain events such as prepayment of existing assets or removal of assets for credit or other reasons, as provided in the related prospectus supplement. Any such addition or removal would be subject to confirmation from the applicable rating agency or agencies that such actions would not affect the ratings then assigned to the related securities.

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SUBSTITUTION OF MORTGAGE ASSETS

If the related prospectus supplement so provides, substitution of mortgage assets will be permitted in the event of breaches of representations and warranties with respect to any original mortgage asset. Substitution of mortgage assets also will be permitted in the event the trustee or such other party specified in the prospectus supplement determines that the documentation with respect to any mortgage asset is incomplete. The related prospectus supplement will indicate the period during which such substitution will be permitted and any other conditions to substitution.

PRE-FUNDING AND CAPITALIZED INTEREST ACCOUNTS

If the related prospectus supplement so specifies, a trust fund will include one or more segregated trust accounts, known as "pre-funding accounts," established and maintained with the trustee for the related series. If so specified, on the closing date for such series, a portion of the proceeds of the sale of the securities of such series (such amount to be equal to the excess of (a) the principal amounts of securities being sold over (b) the principal balance(as of the related cut-off date) of the mortgage assets on the closing date, will be deposited in the pre-funding account and may be used to purchase additional mortgage loans during the pre-funding period specified in the related prospectus supplement. The pre-funding period will not exceed six months. The mortgage loans to be so purchased will be required to have certain characteristics specified in the related prospectus supplement. Each additional mortgage loan so purchased must conform to the representations and warranties in the applicable Agreement. Therefore, the characteristics of the mortgage assets at the end of the pre-funding period will conform in all material respects to the characteristics of the mortgage assets on the closing date. If any of the principal balance of the trust assets as of the closing date that were deposited in the pre- funding account remain on deposit at the end of the pre-funding period, such amount will be applied in the manner specified in the related prospectus supplement to prepay the securities of the applicable series. Pending the acquisition of additional assets during the pre-funding period, all amounts in the pre-funding account will be invested in Permitted Investments, as defined under "Credit Enhancement-- Reserve and other Accounts". It is expected that substantially all of the funds deposited in the pre-funding account will be used during the related pre-funding period to purchase additional assets as described above. If, however, amounts remain in the pre-funding account at the end of the pre- funding period, such amounts will be distributed to the securityholders, as described in the related prospectus supplement.

If a pre-funding account is established, one or more segregated trust accounts, known as "capitalized interest accounts", may be established and maintained with the trustee for the related series. On the closing date for such series, a portion of the proceeds of the sale of the securities of such series will be deposited in the capitalized interest account and used to fund the excess, if any, of (a) the sum of (1) the amount of interest accrued on the securities of such series and (2) if the related prospectus supplement so specifies, certain fees or expenses during the pre-funding period such as trustee fees and credit enhancement fees, over (b) the amount of interest available to pay interest on such securities and, if applicable, such fees and expenses from the mortgage assets or other assets in the trust fund. Any amounts on deposit in the capitalized interest account at the end of the pre-funding period that are not necessary for such purposes will be distributed to the person specified in the related prospectus supplement.

USE OF PROCEEDS

We intend to use the net proceeds from the sale of the securities of each series to repay short-term loans incurred to finance the purchase of the trust assets related to such securities, to acquire certain of the trust assets to be deposited in the related trust fund, and/or to pay other expenses connected with pooling such assets and issuing securities. We may use any amounts remaining after such payments for general corporate purposes.

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THE SELLER

We are a Delaware corporation organized on October 17, 1991. We are engaged in the business of acquiring mortgage assets and selling interests in mortgage assets or bonds secured by such mortgage assets. We are a wholly owned subsidiary of Bear Stearns Mortgage Capital Corporation, a Delaware corporation, and an affiliate of Bear, Stearns & Co. Inc. We maintain our principal office at 383 Madison Avenue, New York, New York 10179. Our telephone number is (212) 272-2000.

We do not have, nor do we expect in the future to have, any significant assets.

THE MORTGAGE LOANS

We will have purchased the mortgage loans, either directly or through affiliates, from lenders. The mortgage loans we acquire will have been originated in accordance with the underwriting criteria specified below under "Underwriting Standards" or such other underwriting criteria as are specified in the related prospectus supplement.

UNDERWRITING STANDARDS

In general, each lender will represent and warrant that all mortgage loans originated and/or sold by it to us or one of our affiliates will have been underwritten in accordance with standards consistent with those used by mortgage lenders or manufactured home lenders during the period of origination. As to any mortgage loan insured by the FHA or partially guaranteed by the VA, the lender will represent that it has complied with underwriting policies of the FHA or the VA, as the case may be.

The lender or an agent acting on the lender's behalf applies the underwriting standards to evaluate the borrower's credit standing and repayment ability, and to evaluate the value and adequacy of the mortgaged property as collateral. In general, the lender requires that a prospective borrower applying for a single family loan or a cooperative loan or for financing secured by a manufactured home fill out a detailed application designed to provide to the underwriting officer pertinent credit information. As part of the description of the borrower's financial condition, the lender generally requires the borrower to provide a current list of assets and liabilities and a statement of income and expenses, as well as an authorization to apply for a credit report which summarizes the borrower's credit history with local merchants and lenders and any record of bankruptcy. In most cases, the lender obtains an employment verification from an independent source (typically the borrower's employer). The employment verification reports the length of employment with that organization, the current salary, and whether it is expected that the borrower will continue such employment in the future. If a prospective borrower is self-employed, the lender may require the borrower to submit copies of signed tax returns. The lender may require the borrower to authorize verification of deposits at financial institutions where the borrower has demand or savings accounts. The related prospectus supplement will describe underwriting standards which pertain to the creditworthiness of borrowers seeking multifamily loans.

In determining the adequacy of the mortgaged property as collateral, an appraiser appraises each property considered for financing. The appraiser is required to inspect the property and verify that it is in good condition and that construction, if new, has been completed. With respect to single family loans, the appraisal is based on the market value of comparable homes, the estimated rental income (if considered applicable by the appraiser) and the cost of replacing the home. With respect to cooperative loans, the appraisal is based on the market value of comparable units. With respect to manufactured housing contracts, the appraisal is based on recent sales of comparable manufactured homes and, when deemed applicable, a replacement cost analysis based on the cost of a comparable manufactured home. With respect to a multifamily loan, the appraisal must specify whether the appraiser used an income analysis, a market analysis or a cost analysis. An appraisal employing the income approach to value analyzes a

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multifamily project's cashflow, expenses, capitalization and other operational information in determining the property's value. The market approach to value focuses its analysis on the prices paid for the purchase of similar properties in the multifamily project's area, with adjustments made for variations between these other properties and the multifamily project being appraised. The cost approach calls for the appraiser to make an estimate of land value and then determine the current cost of reproducing the building less any accrued depreciation. In any case, the value of the property being financed, as indicated by the appraisal, must be such that it currently supports, and is anticipated to support in the future, the outstanding loan balance.

In the case of single family loans, cooperative loans and manufactured housing contracts, once all applicable employment, credit and property information is received, the lender makes a determination as to whether the prospective borrower has sufficient monthly income available (a) to meet the borrower's monthly obligations on the proposed mortgage loan (determined on the basis of the monthly payments due in the year of origination) and other expenses related to the mortgaged property (such as property taxes and hazard insurance) and (b) to meet monthly housing expenses and other financial obligations and monthly living expenses. The underwriting standards applied by lenders may be varied in appropriate cases where factors such as low Loan-to-Value Ratios or other favorable credit factors exist.

A lender may originate mortgage loans under a reduced documentation program with balances that exceed, in size or other respects, general agency criteria. A reduced documentation program facilitates the loan approval process and improves the lender's competitive position among other loan originators. Under a reduced documentation program, more emphasis is placed on property underwriting than on credit underwriting and certain credit underwriting documentation concerning income and employment verification is waived.

In the case of a single family or multifamily loan secured by a leasehold interest in a real property, the title to which is held by a third party lessor, the lender will represent and warrant, among other things, that the remaining term of the lease and any sublease is at least five years longer than the remaining term of the mortgage loan.

Certain of the types of mortgage loans which may be included in the mortgage pools are recently developed. These types of mortgage loans may involve additional uncertainties not present in traditional types of loans. For example, certain of such mortgage loans may provide that the mortgagor or obligors make escalating or variable payments. These types of mortgage loans are underwritten on the basis of a judgment that mortgagors or obligors will have the ability to make monthly payments required initially. In some instances, however, a mortgagor's or obligor's income may not be sufficient to permit continued loan payments as such payments increase.

RE-UNDERWRITING. We will acquire mortgage loans utilizing re-underwriting criteria we believe are appropriate depending to some extent on our or our affiliates' prior experience with the lender and the servicer, as well as our prior experience with a particular type of loan or with loans relating to mortgaged properties in a particular geographical region. A standard approach to re-underwriting will be to compare loan file information and information that is represented to us on a tape with respect to a percentage of the mortgage loans we deem appropriate in the circumstances. We will not undertake any independent investigations of the creditworthiness of particular obligors.

QUALIFICATIONS OF LENDERS

Each lender will satisfy the qualifications listed in this prospectus or as otherwise described in the related prospectus supplement. Each lender must be an institution experienced in originating and servicing mortgage loans of the type contained in the related mortgage pool in accordance with accepted practices and prudent guidelines. Each lender must maintain satisfactory facilities to originate and service

those mortgage loans. In general, each lender must be a seller/servicer approved by either Fannie Mae or Freddie Mac, and each lender must be a mortgagee approved by the HUD or an institution the deposit accounts in which are insured by the Federal Deposit Insurance Corporation.

REPRESENTATIONS BY LENDERS; REPURCHASES

Each lender generally will have made representations and warranties in respect of the mortgage loans such lender sold and that are included in the assets of the trust fund. Such representations and warranties generally include, among other things:

- that title insurance (or in the case of mortgaged properties located in areas where such policies are generally not available, an attorney's certificate of title) in the case of single family loans and multifamily loans and that any required hazard insurance policy was in effect on the date that we or our affiliate purchased the mortgage loan from the lender;
- that the lender had title to each such mortgage loan and such mortgage loan was subject to no offsets, defenses or counterclaims;
- that each mortgage loan constituted a valid first or other applicable lien on, or a perfected security interest with respect to, the mortgaged property (subject only to permissible title insurance exceptions, if applicable, and certain other exceptions described in the Agreement) and that the mortgaged property was free from damage and was in good repair;
- that there were no delinquent tax or assessment liens against the mortgaged property,
- that no required payment on a mortgage loan was more than a specified number of days delinquent; and
- that each mortgage loan was made in compliance with, and is enforceable under, all applicable state and federal laws and regulations in all material respects.

The lender will have made all of the representations and warranties in respect of a mortgage loan as of the date on which such lender sold the mortgage loan to us or one of our affiliates or as of such other date specified in the related prospectus supplement. A substantial period of time may have elapsed between such date and the date of initial issuance of the series of securities evidencing an interest in, or secured by, such mortgage loan. Since there presentations and warranties of a lender do not address events that may occur following such lender's sale of a mortgage loan, the lender's repurchase obligation described below will not arise if the relevant event that would otherwise have given rise to such an obligation with respect to a mortgage loan occurs after the date the lender sold such mortgage loan to us or one of our affiliates. If the master servicer is also a lender with respect to a particular series, such representations will be in addition to the representations and warranties, if any, the master servicer made in its capacity as a master servicer.

In general, the master servicer or the trustee, if the master servicer is the lender, will be required to promptly notify the relevant lender of any breach of any representation or warranty made by it in respect of a mortgage loan which materially and adversely affects the interests of the securityholders with respect to such mortgage loan. If such lender cannot cure such breach generally within 60 days after notice from the master servicer or the trustee, as the case may be, then such lender generally will be obligated to repurchase such mortgage loan from the trust fund at a price equal to the unpaid principal balance of such mortgage loan as of the date of the repurchase plus accrued interest thereon to the first day of the month following the month of repurchase at the rate specified on the mortgage loan (less any amount payable as related servicing compensation if the lender is the master servicer) or such other price as may be described in the related prospectus supplement. This repurchase obligation will constitute the

sole remedy available to holders of securities or the trustee for a lender's breach of representation. Certain rights of substitution for defective mortgage loans may be provided with respect to a series in the related prospectus supplement.

We and the master servicer (unless the master servicer is the lender) will not be obligated to purchase a mortgage loan if a lender defaults on its obligation to do so. We cannot assure you that lenders will carry out their respective repurchase obligations with respect to mortgage loans. However, to the extent that a breach of a representation and warranty of a lender may also constitute a breach of one of our or one of the master servicer's representations, the master servicer may have a repurchase obligation as described below under "Administration-Assignment of Mortgage Assets."

If the related prospectus supplement so specifies, the lender may have acquired the mortgage loans from a third party which made certain representations and warranties to the lender as of the time of the sale to the lender. In lieu of making representations and warranties as of the time of the sale to us, the lender may assign the representations and warranties from the third party to us. We, in turn, will assign them to the trustee on behalf of the securityholders. In such cases, the third party will be obligated to purchase a mortgage loan upon a breach of such representations and warranties. The lender will not be obligated to purchase a mortgage loan if the third party defaults on its obligation to do so.

The lender and any third party which conveyed the mortgage loans to the lender may experience financial difficulties and in some instances may enter into insolvency proceedings. As a consequence, the lender or such third party may be unable to perform its repurchase obligations with respect to the mortgage loans. Any arrangements for the assignment of representations and the repurchase of mortgage loans must be acceptable to the rating agency rating the related securities.

OPTIONAL PURCHASE OF DEFAULTED LOANS

If the related prospectus supplement so specifies, the master servicer or another entity identified in such prospectus supplement may, at its option, purchase from the trust fund any mortgage loan which is delinquent in payment by 91 days or more. Any such purchase shall be at the price described in the related prospectus supplement.

DESCRIPTION OF THE SECURITIES

A trust fund will issue the notes of a series pursuant to an indenture between such trust fund and the entity named in the related prospectus supplement as trustee with respect to such notes. The trust fund will issue certificates in series pursuant to separate pooling and servicing agreements or a trust agreement among us, one or more master servicers, if applicable, and the trustee. The provisions of each such Agreement will vary depending upon the nature of the certificates or notes to be issued thereunder and the nature of the related trust fund. A form of pooling and servicing agreement, a form of a trust agreement and a form of indenture are exhibits to the Registration Statement of which this prospectus is a part. The following summaries describe certain provisions which may appear in each such Agreement. The prospectus supplement for a series of certificates or a series of notes, as applicable, will provide additional information regarding each such Agreement relating to such series. The summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of the applicable Agreement or Agreements for each series of securities and the applicable prospectus supplement. We will provide a copy of the applicable Agreement or Agreements (without exhibits) relating to any series without charge upon written request of a holder of such series addressed to:

Structured Asset Mortgage Investments Inc.
383 Madison Avenue
New York, New York 10179

Attention: Mortgage Department.

GENERAL

The securities of a series will be issued in fully registered form, in the denominations specified in the related prospectus supplement. The securities, as applicable, will evidence specified beneficial ownership interests in, or debt secured by the assets of, the related trust fund and will not be entitled to distributions in respect of the trust assets included in any other trust fund we establish. The securities will not represent our obligations or the obligations of any of our affiliates. The mortgage loans will not be insured or guaranteed by any governmental entity or other person unless the prospectus supplement provides that loans are included that have the benefit of FHA insurance, VA guarantees, primary mortgage insurance, pool insurance or another form of insurance or guarantee. Each trust fund will consist of, to the extent provided in the Agreement:

- the mortgage assets, as from time to time are subject to the related Agreement (exclusive of any amounts specified in the related prospectus supplement ("Retained Interest")),
- such assets as from time to time are required to be deposited in the related Protected Account, Securities Account or any other accounts established pursuant to the Agreement (collectively, the "Accounts");
- property which secured a mortgage loan and which is acquired on behalf of the securityholders by foreclosure or deed in lieu of foreclosure,
- U.S. Government Securities; and
- any primary insurance policies, FHA Insurance, VA Guarantees, other insurance policies or other forms of credit enhancement required to be maintained pursuant to the Agreement.

If so specified in the related prospectus supplement, a trust fund may include one or more of the following:

- reinvestment income on payments received on the trust assets,
- a reserve fund,
- a mortgage pool insurance policy,
- a special hazard insurance policy,
- a bankruptcy bond,
- one or more letters of credit,
- a financial guaranty insurance policy,
- third party guarantees or similar instruments,
- U.S. Government Securities designed to assure payment of the securities,
- financial instruments such as swap agreements, caps, collars and floors, or
- other agreements.

The trust funds will issue each series of securities in one or more classes. Each class of securities of a series will evidence beneficial ownership of a specified percentage (which may be 0%) or portion of future interest payments and a specified percentage (which may be 0%) or portion of future principal payments on the assets in the related trust fund or will evidence the obligations of the related trust fund to

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make payments from amounts received on such assets in the related trust fund. A series of securities may include one or more classes that receive certain preferential treatment with respect to one or more other classes of securities of such series. Insurance policies or other forms of credit enhancement may cover certain series or classes of securities. Distributions on one or more classes of a series of securities may be made before distributions on one or more other classes, after the occurrence of specified events, in accordance with a schedule or formula, on the basis of collections from designated portions of the assets in the related trust fund or on a different basis. The related prospectus supplement will describe the priority of payment among classes in a series. The related prospectus supplement will specify the timing and amounts of such distributions which may vary among classes or over time. If the related prospectus supplement so provides, the securityholder of a class (a "Call Class") of securities of a series may have the right to direct the trustee to redeem a related Callable Class or Classes. A "Callable Class", is a class of securities of a series that is redeemable, directly or indirectly, at the direction of the holder of the related Call Class, as provided in the related prospectus supplement. A Call Class and its related Callable Class or Classes will be issued pursuant to a separate trust agreement. A Callable Class generally will be called only if the market value of the assets in the trust fund for such Callable Class exceeds the outstanding principal balance of such assets. If so provided in the related prospectus supplement, after the issuance of the Callable Class, there may be a specified "lock-out period" during which such securities could not be called. We anticipate that Call Classes generally will be offered only on a private basis.

The trustee distributes principal and interest (or, where applicable, principal only or interest only) on the related securities on each distribution date (I.E., monthly, quarterly, semi-annually or at such other intervals and on the dates specified in the related prospectus supplement) in the proportions specified in the related prospectus supplement. The trustee will make distributions to the persons in whose names the securities are registered at the close of business on the record dates specified in the related prospectus supplement. Distributions will be made by check or money order mailed to the persons entitled thereto at the address appearing in the register maintained for holders of securities or, if the related prospectus supplement so specifies, in the case of securities that are of a certain minimum denomination, upon written request by the holder of such securities, by wire transfer or by such other means; provided, however, that the final distribution in retirement of the securities will be made only upon presentation and surrender of the securities at the office or agency of the trustee or other person specified in the notice to holders of such final distribution.

Except with respect to Real Estate Investment Mortgage Conduit, commonly known as a "REMIC," residual securities and FASIT ownership securities, the securities will be freely transferable and exchangeable at the corporate trust office of the trustee as described in the related prospectus supplement. No service charge will be made for any registration of exchange or transfer of securities of any series but the trustee may require payment of a sum sufficient to cover any related tax or other governmental charge. Certain representations will be required in connection with the transfer of REMIC residual securities and FASIT ownership securities, as provided in the related prospectus supplement.

GENERAL

In general, the method of determining the amount of distributions on a particular series of securities will depend on the type of credit support, if any, that is used with respect to such series. Descriptions of various methods that may be used to determine the amount of distributions on the securities of a particular series are listed below. The prospectus supplement for each series of securities will describe the method to be used in determining the amount of distributions on the securities of such series.

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DISTRIBUTIONS ON SECURITIES

The trustee will make distributions allocable to principal and interest on the securities out of, and only to the extent of, funds in the related Securities Account, including any funds transferred from any reserve account and funds received as a result of credit enhancement or from other specified sources. As between securities of different classes and as between distributions of interest and principal and, if applicable, between distributions of prepayments of principal and scheduled payments of principal, distributions made on any distribution date will be applied as specified in the related prospectus supplement. The trustee will make distributions to any class of securities pro rata to all securityholders of that class or as otherwise specified in the related prospectus supplement.

AVAILABLE FUNDS. The trustee will make all distributions on the securities of each series on each distribution date from the Available Funds in accordance with the terms described in the related prospectus supplement and as the Agreement specifies. "Available Funds" for each distribution date will generally equal the amounts on deposit in the related Securities Account on a date specified in the related prospectus supplement, net of related fees and expenses payable by the related trust fund and other amounts to be held in the Securities Account for distribution on future distribution dates.

DISTRIBUTIONS OF INTEREST. Interest generally will accrue on the aggregate current principal amount (or, in the case of securities entitled only to distributions allocable to interest, the aggregate notional principal balance) of each class of securities entitled to interest from the date, at the interest rate and for the periods specified in the related prospectus supplement. To the extent funds are available for distribution, interest accrued on each class of securities entitled to interest (other than a class of securities that provides for interest that accrues, but is not currently payable, which are referred to as "accrual securities") will be distributable on the distribution dates specified in the related prospectus supplement. Interest will be distributed until the aggregate current principal amount of the securities of such class has been distributed in full. In the case of securities entitled only to distributions allocable to interest, interest will be distributed until the aggregate notional principal balance of such securities is reduced to zero or for the period of time designated in the related prospectus supplement. The original current principal amount of each security will equal the aggregate distributions allocable to principal to which such security is entitled. Distributions of interest on each security that is not entitled to distributions of principal will be calculated based on the notional principal balance of such security or as otherwise is specified in the related prospectus supplement. The notional principal balance of a security will not evidence an interest in or entitlement to distributions allocable to principal but will be used solely for convenience in expressing the calculation of interest and for certain other purposes.

With respect to any class of accrual securities, if the related prospectus supplement so specifies, any interest that has accrued but is not paid on a given distribution date will be added to the aggregate current principal amount of such class of securities on that distribution date. Distributions of interest on each class of accrual securities will commence after the occurrence of the events specified in the related prospectus supplement. Prior to such time, the aggregate current principal amount of such class of accrual securities will increase on each distribution date by the amount of interest that accrued on such class of accrual securities during the preceding interest accrual period. Any such class of accrual securities will thereafter accrue interest on its outstanding current principal amount as so adjusted.

DISTRIBUTIONS OF PRINCIPAL. The aggregate "current principal amount" of any class of securities entitled to distributions of principal generally will be the aggregate original current principal amount of such class of securities specified in the related prospectus supplement, reduced by all distributions and losses allocable to principal. The related prospectus supplement will specify the method by which the amount of principal to be distributed on the securities on each distribution date will be calculated and the manner in which such amount will be allocated among the classes of securities entitled to distributions of principal.

If the related prospectus supplement provides, one or more classes of senior securities will be entitled to receive all or a disproportionate percentage of the payments of principal received from borrowers in advance of scheduled due dates and that are not accompanied by amounts representing scheduled interest due after the month of such payments ("Principal Prepayments"). The related prospectus supplement will set forth the percentages and circumstances governing such payments. Any such allocation of Principal Prepayments to such class or classes of securities will accelerate the amortization of such senior securities and increase the interests evidenced by the subordinated securities in the trust fund. Increasing the interests of the subordinated securities relative to that of the senior securities is intended to preserve the availability of the subordination provided by the subordinated securities.

UNSCHEDULED DISTRIBUTIONS. If the related prospectus supplement so specifies, the securities will be subject to receipt of distributions before the next scheduled distribution date. If applicable, the trustee will be required to make such unscheduled distributions on the day and in the amount specified in the related prospectus supplement if, due to substantial payments of principal (including Principal Prepayments) on the mortgage assets, low rates then available for reinvestment of such payments or both, the trustee or the master servicer determines, based on the assumptions specified in the Agreement, that the amount anticipated to be on deposit in the Securities Account on the next distribution date, together with, if applicable, any amounts available to be withdrawn from any reserve account, may be insufficient to make required distributions on the securities on such distribution date. The amount of any such unscheduled distribution that is allocable to principal generally will not exceed the amount that would otherwise have been distributed as principal on the securities on the next distribution date. All unscheduled distributions generally will include interest at the applicable interest rate (if any) on the amount of the unscheduled distribution allocable to principal for the period and to the date specified in the related prospectus supplement.

All distributions of principal in any unscheduled distribution generally will be made in the same priority and manner as distributions of principal on the securities would have been made on the next distribution date. With respect to securities of the same class, unscheduled distributions of principal generally will be made on a pro rata basis. The trustee will give notice of any unscheduled distribution before the date of such distribution.

ADVANCES

The master servicer or other person designated in the prospectus supplement may be required to advance on or before each distribution date (from its own funds, funds advanced by sub-servicers or funds held in any of the Accounts for future distributions to the holders of such securities), an amount equal to the aggregate of payments of principal and interest or of interest only that were delinquent on the related determination date and were not advanced by any sub-servicer. Such advances will be subject to the master servicer's determination that they will be recoverable out of late payments by mortgagors, Liquidation Proceeds, Insurance Proceeds or otherwise with respect to the specific mortgage loan or, if required by the applicable rating agency, with respect to any of the mortgage loans.

In making advances, the master servicer will attempt to maintain a regular flow of scheduled interest and principal payments to holders of the securities. Advances do not represent an obligation of the master servicer to guarantee or insure against losses. If the master servicer makes advances from cash held for future distribution to securityholders, the master servicer will replace such funds on or before any future distribution date to the extent that funds in the applicable Account on such distribution date would be less than the payments then required to be made to securityholders. Any master servicer funds advanced will be reimbursable to the master servicer out of recoveries on the specific mortgage loans with respect to which such advances were made. Master servicer advances (and any advances a sub-servicer makes) may also be reimbursable from cash otherwise distributable to securityholders to the extent the

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master servicer determines that any such advances previously made are not ultimately recoverable from the proceeds with respect to the specific mortgage loan or, if required by the applicable rating agency, at such time as a loss is realized with respect to a specific mortgage loan. The master servicer will be obligated to make advances, to the extent recoverable out of Insurance Proceeds, Liquidation Proceeds or otherwise, in respect of certain taxes and insurance premiums the mortgagors have not paid on a timely basis. Funds so advanced are reimbursable to the master servicer to the extent the Agreement permits. As specified in the related prospectus supplement, a cash advance reserve fund, a surety bond or other arrangements may support the master servicer's obligations to make advances.

REPORTS TO SECURITYHOLDERS

Prior to or on a distribution date or at such other time as is specified in the related prospectus supplement or Agreement, the master servicer or the trustee will furnish to each securityholder of record of the related series a statement setting forth, to the extent applicable or material to such holders series of securities, among other things:

1. the amount of such distribution allocable to principal, separately identifying the aggregate amount of any Principal Prepayments and if so specified in the related prospectus supplement, prepayment penalties included in the distribution amount;

2. the amount of such distribution allocable to interest;

3. the amount of any advance the master servicer made;

4. the aggregate amount (a) otherwise allocable to the subordinated securityholders on such distribution date, and (b) withdrawn from the Reserve Fund, if any, that is included in the amounts distributed to the senior securityholders;

5. the outstanding current principal amount or notional principal balance of such class after giving effect to the distribution of principal on such distribution date;

6. the senior percentage, if applicable (i.e. the percentage of principal payments on the mortgage loans, if any, which senior classes will be entitled to receive on the following distribution date);

7. the senior prepayment percentage, if applicable (i.e. the percentage of Principal Prepayments on the mortgage loans, if any, which senior classes will be entitled to receive on the following distribution date);

8. unless the interest rate is a fixed rate, the interest rate applicable to the distribution on the distribution date;

9. the number and aggregate principal balances of mortgage loans in the related mortgage pool delinquent (a) one month, (b) two months or (c) three or more months, and the number and aggregate principal balances of mortgage loans in foreclosure;

10. the book value of any real estate acquired through foreclosure or grant of a deed in lieu of foreclosure, and if such real estate secured a multifamily loan, such additional information as the related prospectus supplement may specify; and

11. if applicable, the amount remaining in any reserve account or the amount remaining of any other credit support, after giving effect to the distribution on the distribution date.

Where applicable, any amount listed above may be expressed as a dollar amount per single security of the relevant class having a denomination or interest specified in the related prospectus supplement or in the report to securityholders. The report to securityholders for any series of securities may include additional or other information of a similar nature to that specified above.

In addition, within a reasonable period of time after the end of each calendar year, the master servicer or the trustee will mail to each securityholder of record at any time during such calendar year a report (a) as to the aggregate of amounts reported pursuant to (1) and (2) for such calendar year and (b) such other customary information as maybe deemed necessary or desirable for securityholders to prepare their tax returns.

BOOK-ENTRY REGISTRATION

If the related prospectus supplement so specifies, one or more classes of securities of any series may be issued in book-entry form. Persons acquiring beneficial ownership interests in the book-entry securities will hold their securities through the Depository Trust Company, in the United States, Clearstream, Luxembourg or the Euroclear System, in Europe, if they are Participants of any of such systems, or indirectly through organizations which are Participants. The Depository Trust Company is referred to as "DTC". Clearstream, Luxembourg is referred to as "Clearstream". The Euroclear System is referred to as "Euroclear". The book-entry securities will be issued in one or more certificates or notes, as the case may be, that equal the aggregate principal balance of the applicable class or classes of securities 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 depositaries that in turn will hold such positions in customers' securities accounts in the depositaries' names on the books of DTC. Citibank N.A. will act as the relevant depositary for Clearstream and The Chase Manhattan Bank will act as the relevant depositary for Euroclear. Except as described below, no person acquiring a book-entry security will be entitled to receive a physical certificate or note representing such security. Unless and until physical securities are issued, it is anticipated that the only "securityholder" will be Cede & Co., as nominee of DTC. Beneficial owners are only permitted to exercise their rights indirectly through Participants and DTC.

An Owner's ownership of a book-entry security will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (each, a "Financial Intermediary") that maintains the beneficial owner's account for such purpose. In turn, the Financial Intermediary's ownership of such book-entry security will be recorded on the records of DTC (or of a DTC Participant that acts as agent for the Financial Intermediary, whose interest 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).

Beneficial owners will receive all distributions allocable to principal and interest with respect to the book-entry securities from the trustee through DTC and DTC Participants. While the book-entry securities are outstanding (except under the circumstances described below), under the rules, regulations and procedures creating, governing and affecting DTC and its operations (the "Rules"), DTC is required to make book-entry transfers among Participants on whose behalf it acts with respect to the securities. DTC is required to receive and transmit distributions allocable to principal and interest with respect to the securities. Participants and Financial Intermediaries with whom beneficial owners have accounts with respect to securities are similarly required to make book-entry transfers and receive and transmit such distributions on behalf of their respective beneficial owners. Accordingly, although beneficial owners will not possess physical certificates or notes, the Rules provide a mechanism by which beneficial owners will receive distributions and will be able to transfer their beneficial ownership interests in the securities.

Beneficial owners will not receive or be entitled to receive Definitive Securities, except under the limited circumstances described below. Unless and until Definitive Securities are issued, beneficial owners who are not Participants may transfer ownership of securities only through Participants and Financial Intermediaries by instructing such Participants and Financial Intermediaries to transfer beneficial ownership interests in the securities by book-entry transfer through DTC for the account of the purchasers of such securities, which account is maintained with their respective Participants or Financial Intermediaries. Under the Rules and 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 Participants and Financial Intermediaries will make debits or credits, as the case may be, on their records on behalf of the selling and purchasing beneficial 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.

Transfers between DTC 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.

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 depositary; 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 depositary 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 funds settlement applicable to DTC. Clearstream Participants and Euroclear Participants may not deliver instructions directly to the relevant depositaries.

DTC is a New York-chartered limited purpose trust company that 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 securities, whether held for its own account or as a nominee for another person. In general, beneficial ownership of book-entry securities will be subject to the Rules as in effect from time to time.

Clearstream Banking, societe anonyme, Luxembourg, formerly Cedelbank ("Clearstream"), has advised that it is incorporated under the laws of the Grand Duchy of Luxembourg as a professional depository. Clearstream holds securities for its participating organizations ("Clearstream Participants"). Clearstream facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in account of Clearstream Participants, eliminating the need for physical movement of securities. Clearstream provides to 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 Commission for the Supervision of the Financial Sector (the "CSSF"). Clearstream Participants are

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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. Distributions, to the extent received by the Relevant Depository for Clearstream, with respect to the securities held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures.

Euroclear was created in 1968 to hold securities for its Participants and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for movement of physical securities and any risk from lack of simultaneous transfers of securities and cash. Transactions may be settled in any of 32 currencies, including United States dollars. Euroclear provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described above. Euroclear is operated by Euroclear Bank S.A./NV under contract with Euroclear Clearance Systems S.C., a Belgian cooperative corporation. Euroclear Bank S.A./NV conducts all operations. All Euroclear securities clearance accounts and Euroclear cash accounts are accounts with Euroclear Bank S.A./NV, not Euroclear Clearance Systems S.C. Euroclear Clearance Systems S.C. establishes policy for Euroclear on behalf of Euroclear Participants. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

Euroclear Bank S.A./NV has advised us that it is licensed by the Belgian Banking and Finance Commission to carry out banking activities on a global basis. As a Belgian bank, it is regulated and examined by the Belgian Banking Commission.

Securities clearance accounts and cash accounts with Euroclear Bank S.A./NV are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law. These terms and conditions, operating procedures and laws 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. Euroclear Bank S.A./NV 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.

The trustee will make distributions on the book-entry securities on each distribution date 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 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 that it represents.

Under a book-entry format, beneficial owners may experience some delay in their receipt of payments, since the trustee will forward such payments to Cede & Co. Distributions with respect to securities held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream Participants or Euroclear Participants in accordance with the relevant system's rules and procedures, to the extent received by the relevant depositary. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. Because DTC can only act on behalf of DTC Participants that in turn can only act on behalf of Financial Intermediaries, the ability of an Owner to pledge book-entry securities to persons or entities that do not participate in the DTC system, or

otherwise take actions in respect of such book-entry securities, may be limited due to the lack of physical certificates or notes for such book- entry securities. In addition, issuance of the book-entry securities in book-entry form may reduce the liquidity of such securities in the secondary market since certain potential investors may be unwilling to purchase securities for which they cannot obtain physical certificates or notes.

Monthly and annual reports on the applicable trust fund will be provided to Cede & Co., as nominee of DTC, and Cede & Co may make such reports available to beneficial owners upon request, in accordance with the Rules, and to the DTC Participants to whose DTC accounts the book-entry securities of such beneficial owners are credited directly or are credited indirectly through Financial Intermediaries.

DTC has advised the trustee that, unless and until Definitive Securities are issued, DTC will take any action permitted to be taken by the holders of the book-entry securities under the Agreement only at the direction of one or more DTC Participants to whose DTC accounts the book-entry securities are credited, to the extent that such actions are taken on behalf of such Participants whose holdings include such book-entry securities. Clearstream or Euroclear Bank S.A./NV, as the case may be, will take any other action permitted to be taken by a holder under the 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 depositary to effect such actions on its behalf through DTC. DTC may take actions, at the direction of the related Participants, with respect to some securities which conflict with actions taken with respect to other securities.

Physical certificates representing a security will be issued to beneficial owners only upon the events specified in the related Agreement. Such events may include the following:

- we advise the trustee in writing that DTC is no longer willing or able to properly discharge its responsibilities as depository with respect to the securities, and that we or the trustee is unable to locate a qualified successor,
- at our option, we elect to terminate the book-entry system through DTC, or
- after the occurrence of an event of default, securityholders representing not less than 50% of the aggregate current principal amount of the applicable securities advise the trustee and DTC through Participants in writing that the continuation of a book-entry system through DTC (or a successor thereto) is no longer in the best interest of the securityholders.

Upon the occurrence of any of the events specified in the related Agreement, DTC will be required to notify all Participants of the availability through DTC of physical certificates. Upon surrender by DTC of the certificates or notes representing the securities and instruction for re-registration, the trustee will issue the securities in the form of physical certificates, and thereafter the trustee will recognize the holders of such physical certificates as securityholders. Thereafter, payments of principal of and interest on the securities will be made by the trustee directly to securityholders in accordance with the procedures listed in this prospectus and in the Agreement. 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 such securities on the final distribution date at such office or agency as is specified in the notice of final payment to securityholders.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures to facilitate transfers of securities 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.

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We, the master servicer and the trustee will not have any responsibility for any aspect of the records relating to or payments made on account of beneficial ownership interests of the book-entry securities held by Cede & Co., as nominee for DTC, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

EXCHANGEABLE SECURITIES

GENERAL

As the relevant prospectus supplement will discuss, certain series will provide for the issuance of one or more classes of exchangeable securities (each an "ES Class"). In any such series, the holders of one or more of the specified classes of exchangeable securities will be entitled, upon notice and payment to the trustee of an administrative fee, to exchange all or a portion of such classes for proportionate interests in one or more of the other specified classes of exchangeable securities. The classes of exchangeable securities that are exchangeable for one another will be referred to as being "related" to one another, and related classes of exchangeable securities will be referred to as "Combinations." The Combinations for the exchangeable securities in a series, if any, will be described in the prospectus supplement for that series.

In each series that includes exchangeable securities, all of the classes of exchangeable securities listed on the cover page of the related prospectus supplement will be issued. The classes that are to be the basis for the exchange arrangements will be deposited in a separate trust fund (the "Exchangeable Securities Trust Fund") established pursuant to a trust agreement between a trustee and us. The trustee for the trust fund which issues the securities may serve as trustee of the Exchangeable Securities Trust Fund. The Exchangeable Securities Trust Fund initially will issue classes of exchangeable securities that are identical in all respects to the classes of securities deposited in such trust fund. At any time after their issuance, including immediately after issuance, these classes of exchangeable securities may be exchanged, in whole or in part, for other related classes of exchangeable securities that are part of the same Combination, as specified in the related prospectus supplement. When an exchange is effected, the Exchangeable Securities Trust Fund will cancel the relevant portion or portions of the class or classes of exchangeable securities that are being exchanged and will issue the corresponding portion or portions of the class or classes of other related exchangeable securities into which such class or classes of securities are exchangeable. Exchangeable securities received in an exchange may subsequently be exchanged for other exchangeable securities that are part of the same Combination. This process may be repeated again and again. Each exchangeable security issued by an Exchangeable Securities Trust Fund will represent a beneficial ownership interest in the class or classes of securities deposited in such trust fund.

In general, the descriptions in this prospectus of classes of securities of a series also apply to the classes of exchangeable securities of that series, except where the context requires otherwise. For example, the classes of exchangeable securities of a series are entitled to receive payments of principal and/or interest, are issued in book-entry form or as physical securities to securityholders in prescribed denominations, may be provided with credit enhancements, and are subject to yield and prepayment considerations, in the same manner and to the same extent as are the other classes of securities of such series. Similarly, the discussions under "ERISA Considerations" and "Legal Investment" apply to exchangeable securities as well as securities.

EXCHANGES

The ability of a holder to exchange exchangeable securities for other exchangeable securities within a Combination will be subject to three constraints, as follows:

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- The aggregate principal amount (rounded to whole dollars) of the exchangeable securities received in the exchange, immediately after the exchange, must equal that of the exchangeable securities surrendered for exchange immediately before the exchange (for this purpose, the principal amount of any interest only class will always equal $0).

- The aggregate amount of annual interest (rounded to whole dollars) (the "Annual Interest Amount") payable with respect to the exchangeable securities received in the exchange must equal that of the exchangeable securities surrendered for exchange.

- Such classes must be exchanged in the applicable exchange proportions, if any, shown in the related prospectus supplement, which, as described below, are based at all times on the original principal amounts (or original notional principal amounts, if applicable) of such classes.

Within any particular series, more than one type of Combination may exist. For example, a class of exchangeable securities with an interest rate that varies directly with changes in an index (a "Floating Rate Class")and a class of exchangeable securities with an interest rate that varies inversely with changes in an index (an "Inverse Floating Rate Class") may be exchangeable for a class of exchangeable securities with a fixed interest rate. Under another Combination, a class of exchangeable securities that is a principal only class and a class of exchangeable securities that is an interest only class may be exchangeable for a class of exchangeable securities that pays both principal and interest. Further, a class of exchangeable securities that accretes all of its interest for a period (such accreted interest being added to the principal of such class) and a class of exchangeable securities that receives principal payments from such accretions may be exchangeable for a class of exchangeable securities that receives payments of principal continuously from the first distribution date on which it receives interest until it is retired. Under another Combination, a class of exchangeable securities that is designed to receive principal payments in accordance with a predetermined schedule derived by assuming two constant prepayment rates for the underlying mortgage loans or a planned amortization class and a class of exchangeable securities that receives principal payments on any distribution date only if scheduled payments have been made on the planned amortization class may be exchangeable for a class of exchangeable securities that receives payments of principal continuously from the first distribution date on which it receives principal until it is retired and that also receives a coupon. The foregoing examples describe only some of the types of Combinations that are possible.

Set forth below are additional examples that illustrate in simple mathematical terms how certain Combinations might operate. The first example shows a Combination in which exchangeable securities of a principal only class and exchangeable securities of an interest bearing class are exchangeable for exchangeable securities of a class that has the aggregate characteristics of the two original classes of exchangeable securities:

MAXIMUM ORIGINAL PRINCIPAL AMOUNT	ORIGINAL PRINCIPAL RATE	CLASS	AMOUNT	INTEREST RATES	CLASS	AMOUNT
		ES-1	$20,000,000	10%	ES-2	$40,000,000
7%		ES-P*	$20,000,000	0%		

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* Class ES-P is a principal only class and will receive no interest.

The following example illustrates a Combination of a floating rate exchangeable security and an inverse floating rate exchangeable security which are exchangeable for a single class of exchangeable securities with a fixed interest rate:

MAXIMUM ORIGINAL PRINCIPAL AMOUNT	ORIGINAL PRINCIPAL RATE	CLASS	AMOUNT	INTEREST RATES	CLASS	AMOUNT
		ES-3	$9,333,330	0.75%	ES-5	$11,333,330
7%						
LIBOR+	36.16666					
(LIBOR x		ES-4	$2,000,000	4.666667)		

In the following Combination, a exchangeable security that pays both principal and interest is exchangeable for two exchangeable securities, one of which pays only interest and the other pays only principal:

MAXIMUM ORIGINAL INTEREST RATE	ORIGINAL PRINCIPAL	CLASS	AMOUNT	INTEREST RATES	CLASS	AMOUNT
7%		ES-5	$20,000,000	10%	ES-P*	$20,000,000
		ES-X**	20,000,000	(notional)***		

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* Class ES-P is a principal only class and will receive no interest.

** Class ES-X is an interest only class and will receive no principal.

*** Notional principal amount of ES-X Class being exchanged equals principal amount of ES-P Class being exchanged.

In some series, a Combination may include a number of classes of exchangeable securities that are exchangeable for one another and that will enable a holder of one of the classes of exchangeable securities to exchange it for another class of exchangeable securities with a higher or lower coupon. As discussed below, any such exchange also will require the issuance of a third class of exchangeable securities that will pay only principal or interest, respectively. The following table illustrates such a Combination:

MAXIMUM ORIGINAL INTEREST RATE	ORIGINAL PRINCIPAL	CLASS	AMOUNT	INTEREST RATES	CLASS	AMOUNT
7.00%		ES-6	$20,000,000	7.00%	ES-X*	$20,000,000
		ES-7	20,000,000	6.00		(notional)
		ES-8	20,000,000	6.25		
		ES-9	20,000,000	6.50		
		ES-10	20,000,000	6.75		
		ES-11	19,310,344	7.25		
		ES-12	18,666,666	7.50		
		ES-13	18,064,516	7.75		
		ES-14	17,500,000	8.00		
		ES-P**	20,000,000	0.00		

* Class ES-X is an interest only class and will receive no principal.

** Class ES-P is a principal only class and will receive no interest.

The foregoing table shows the maximum amount of each other ES Class that can be created from the related Class ES-6 exchangeable security. Such amounts could not exist concurrently, as any combination is limited to the amount of principal and interest distributable on the related exchangeable security to be exchanged. One method of calculating the maximum amount that can be created in a specific combination is to determine the Annual Interest Amount applicable to the exchangeable security to be exchanged, and divide such interest amount by the coupon of the desired exchangeable security. The resulting principal amount can in no case be greater than the principal amount of exchangeable securities to be exchanged. For example, using the foregoing table, if Class ES-12 is desired, the maximum original principal amount of the Class ES-12 exchangeable securities that could be created would be $18,666,666, an amount arrived at by dividing the Annual Interest Amount of the Class ES-6 Securities ($1,400,000) by the interest rate of the Class ES-12 exchangeable securities (7.50%). Since all of the available Annual Interest Amount with respect to the Class ES-6 exchangeable securities would be used to create the Class ES-12 exchangeable securities, principal only Class ES-P exchangeable securities would be created to receive the remainder of the Class ES-6 principal in the amount of $1,333,334 (calculated by subtracting the Class ES-12 exchangeable securities original principal amount from the Class ES-6 exchangeable securities original principal amount).

Similarly, if Class ES-9 exchangeable securities are desired, dividing the Annual Interest Amount of the Class ES-6 exchangeable securities ($1,400,000) by the interest rate of the Class ES-9 exchangeable securities (6.50%) would indicate an original principal amount of $21,538,461. However, since the Class ES-6 exchangeable securities have a principal balance of $20,000,000, only $20,000,000 of the Class ES-9 exchangeable securities could be created. The Annual Interest Amount applicable to the Class ES-9 exchangeable securities would be $20,000,000 multiplied by 6.50% or $1,300,000. Since the Annual Interest Amount of the Class ES-6 exchangeable securities is $1,400,000, the interest only Class ES-X exchangeable securities would be created to receive the remaining $100,000 of interest. The notional amount of such securities would be calculated by dividing the Annual Interest Amount ($100,000) by the interest rate applicable to Class ES-X exchangeable securities (7.00%) to determine the notional amount ($1,428,571).

Under the terms of this Combination, the Class ES-9 exchangeable securities described in the preceding paragraph might also be exchangeable for the Class ES-14 exchangeable securities. If the Annual Interest Amount of the Class ES-9 exchangeable securities ($1,300,000) is divided by the interest rate on the Class ES-14 exchangeable securities (8.00%), the maximum original principal amount of the Class ES-14 exchangeable securities that can be 34 created is $16,250,000. Since all of the available Annual Interest Amount with respect to the Class ES-9 exchangeable securities would be used to create the Class ES-14 exchangeable securities, principal only Class ES-P exchangeable securities would be created to receive the remainder of the Class ES-9 principal in the amount of $3,750,000 (calculated by subtracting the Class ES-14 exchangeable securities original principal amount from the Class ES-9 exchangeable securities original principal amount).

The foregoing examples highlight various combinations of exchangeable securities which differ in interest characteristics (i.e., interest only classes, principal only classes and classes which have principal amounts and bear interest). In certain series, a security holder may also be able to exchange its exchangeable securities for other exchangeable securities that have different principal payment characteristics. For example, an exchange of two or more classes of exchangeable securities for a single class of exchangeable securities may result in an exchangeable security with the aggregate principal payment characteristics of the multiple classes of exchangeable securities for which it was exchanged. In addition, in certain series, exchangeable securities may be exchangeable for other exchangeable securities with different credit characteristics. For example, a class that is senior in priority of payment may be

combined with a subordinated class, to create a new class with the aggregate credit characteristics of the two classes that were combined.

At any given time, a number of factors will limit a securityholder's ability to exchange exchangeable securities for other exchangeable securities. A securityholder must, at the time of the proposed exchange, own the class or classes which are permitted to be exchanged in the proportions necessary to effect the desired exchange. A securityholder that does not own such class or classes or the necessary amounts of such class or classes may not be able to obtain the desired class or classes of exchangeable securities. The securityholder of a needed class may refuse or be unable to sell at a reasonable price or at any price, or certain classes may have been purchased and placed into other financial structures. The Employee Retirement Income Security Act of 1974, as amended, may restrict or other transfer restrictions may apply to certain of the exchangeable securities in a combination, but not to others. In addition, principal payments and prepayments will, over time, diminish the amounts available for exchange.

PROCEDURES AND EXCHANGE PROPORTIONS

To effect an exchange, a securityholder must notify the trustee or follow other procedures as described in the related prospectus supplement. The securityholder must give such notice in writing or by telefax not later than five business days before the proposed exchange date (which date, subject to the trustee's approval, can be any business day other than the first or last business day of the month) or as otherwise specified in the related prospectus supplement. The notice must include the outstanding principal (or notional principal) amount of the securities to be exchanged and the securities to be received, and the proposed exchange date. Promptly after the securityholder has given the required notice, the trustee will provide instructions for delivering the securities and the payment of the administrative fee to the trustee by wire transfer. A securityholder's notice becomes irrevocable on the second business day before the proposed exchange date or as otherwise specified in the related prospectus supplement.

An exchanging securityholder will pay an administrative fee to the trustee in connection with each exchange as specified in the related prospectus supplement. In the case of ES Classes issued in book-entry form, any exchanges will be subject to the rules, regulations and procedures applicable to DTC's book-entry securities.

Where exchange proportions are shown in the related prospectus supplement for classes of exchangeable securities, the Issuer will follow the convention of basing such proportions on the original, rather than on the outstanding, principal or notional principal amounts of such classes. If such classes receive principal payments pro rata with each other, the exchange proportions also will apply to their outstanding principal amounts. If such classes do not receive principal payments pro rata with each other, an investor can calculate current exchange proportions for such classes, based on their outstanding principal amounts, by (1) multiplying the exchange proportion shown in the related prospectus supplement for each such class by its current Class Factor (as defined below) and (2) dividing each resulting percentage by the sum of such percentages. The trustee will include the Class Factor for each class of outstanding exchangeable securities having a principal amount in the statements it furnishes to securityholders in connection with each distribution date. The current Class Factor also will be available to securityholders from us or the trustee upon request as specified in the related prospectus supplement. The "Class Factor" for any month will be 35 a truncated seven-digit decimal which, when multiplied by the original principal amount of that class, will equal its remaining principal amount, after giving effect to any payment of (or addition to) principal to be made on the distribution date in the following month. A Class Factor for each interest only class having a notional principal amount will be included in the statements the trustee furnishes to securityholders in connection with each distribution date and also will be available to securityholders from us or the trustee upon request as specified in the related prospectus

supplement. Such a Class Factor will reflect the remaining notional principal amount of the interest only class in an analogous manner.

The first payment on an exchangeable security received in an exchange transaction will be made on the distribution date in the month following the month of the exchange or as specified in the related prospectus supplement. Such payment will be made to the securityholder of record as of the applicable record date.

CREDIT ENHANCEMENT

GENERAL

Credit enhancement may be provided with respect to one or more classes of a series of securities or with respect to the assets in the related trust fund. Credit enhancement may be in the form of:

- the subordination of one or more classes of the securities of such series,
- the use of a mortgage pool insurance policy, special hazard insurance policy, bankruptcy bond, FHA Insurance, VA Guarantees, reserve accounts, a letter of credit, a limited financial guaranty insurance policy, other third party guarantees, interest rate or other swap agreements, caps, collars or floors, another method of credit enhancement described in the related prospectus supplement, or the use of a cross-support feature, or
- any combination of the foregoing.
- Most forms of credit enhancement will not provide protection against all risks of loss and generally will not guarantee repayment of the entire principal balance of the securities and interest thereon. If losses occur which exceed the amount covered by credit enhancement or which are not covered by the credit enhancement, holders of one or more classes of securities will bear their allocable share of deficiencies. If a form of credit enhancement applies to several classes of securities, and if principal payments equal to the current principal amounts of certain classes will be distributed before such distributions to other classes, the classes which receive such distributions at a later time are more likely to bear any losses which exceed the amount covered by credit enhancement. The master servicer or we may cancel or reduce coverage under any credit enhancement if such cancellation or reduction would not adversely affect the rating or ratings of the related securities.

SUBORDINATION

If so specified in the related prospectus supplement, distributions of scheduled principal, Principal Prepayments, interest or any combination of such distributions that normally would be paid to one or more classes of subordinated securities of a series will, under circumstances and to the extent specified in the prospectus supplement, instead be payable to holders of one or more classes of senior securities. If the related prospectus supplement so specifies, various classes of subordinated securities will be the first to bear delays in receipt of scheduled payments on the mortgage loans and losses on defaulted mortgage loans. Thereafter various classes of senior securities will bear such delays and losses as specified in the related prospectus supplement. The related prospectus supplement may limit the aggregate distributions in respect of delinquent payments on the mortgage loans over the lives of the securities or at any time, the aggregate losses in respect of defaulted mortgage loans which must be borne by the subordinated securities by virtue of subordination. The prospectus supplement may also limit the amount of the distributions otherwise distributable to the subordinated securityholders that will be distributable to senior securityholders on any distribution date. If aggregate distributions in respect of delinquent payments on the mortgage loans or aggregate 36 losses in respect of such mortgage loans exceed the total amounts

payable and available for distribution to holders of subordinated securities or, if applicable, they exceed the specified maximum amount, holders of senior securities will experience losses on such securities.

In addition to or in lieu of the foregoing, if so specified in the related prospectus supplement, all or any portion of distributions otherwise payable to holders of subordinated securities on any distribution date may instead be deposited into one or more reserve accounts established with the trustee. Such deposits may be made on each distribution date, on each distribution date for specified periods or until the balance in the reserve account has reached a specified amount. Following payments from the reserve account to holders of senior securities or otherwise, deposits will be made to the extent necessary to restore the balance in the reserve account to required levels. Amounts on deposit in the reserve account may be released to the holders of the class of securities specified in the related prospectus supplement at the times and under the circumstances specified in the related prospectus supplement.

If so specified in the related prospectus supplement, the same class of securities may be senior securities with respect to certain types of payments or certain types of losses or delinquencies and subordinated securities with respect to other types of payment or types of losses or delinquencies. If the related prospectus supplement so specifies, various classes of senior securities and subordinated securities may themselves be subordinate in their right to receive certain distributions to other classes of senior and subordinated securities, respectively, through a cross support mechanism or otherwise.

As among classes of senior securities and as among classes of subordinated securities, distributions may be allocated among such classes:

- in the order of their scheduled final distribution dates,
- in accordance with a schedule or formula,
- in relation to the occurrence of events, or
- as otherwise specified in the related prospectus supplement.

POOL INSURANCE POLICIES

If specified in the prospectus supplement related to a mortgage pool of single family loans or cooperative loans, a separate mortgage pool insurance policy will be obtained for the mortgage pool. The pool insurer named in the prospectus supplement will issue the policy. Subject to the limitations discussed below, each mortgage pool insurance policy will cover loss by reason of default in payment on single family loans or cooperative loans in the mortgage pool in an amount specified in the prospectus supplement. The master servicer will present claims under the policy to the pool insurer on behalf of itself, the trustee and the holders of the securities. The mortgage pool insurance policies, however, are not blanket policies against loss, since claims thereunder may only be made respecting particular defaulted mortgage loans and only upon satisfaction of certain conditions precedent described below. A mortgage pool insurance policy generally will not cover losses due to a failure to pay or denial of a claim under a primary insurance policy.

In general, each mortgage pool insurance policy will provide that no claims may be validly presented unless:

1. any required primary insurance policy is in effect for the defaulted mortgage loan and a claim thereunder has been submitted and settled;
2. hazard insurance on the related mortgaged property has been kept in force and real estate taxes and other protection and preservation expenses have been paid;

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3. if there has been physical loss or damage to the mortgaged property, it has been restored to its physical condition reasonable wear and tear excepted) at the time of issuance of the policy; and

4. the insured has acquired good and merchantable title to the mortgaged property free and clear of liens except certain permitted encumbrances.

Upon satisfaction of these conditions, the pool insurer will have the option either (a) to purchase the mortgaged property at a price equal to the principal balance of the mortgage loan plus accrued and unpaid interest at the rate specified on the applicable mortgage loan to the date of purchase and certain expenses the master servicer incurred on behalf of the trustee and securityholders, or (b) to pay the amount by which the sum of the principal balance of the defaulted mortgage loan plus accrued and unpaid interest at the rate specified on the applicable mortgage loan to the date of payment of the claim and the aforementioned expenses exceeds the proceeds received from an approved sale of the mortgaged property. In either case, amounts paid or assumed to have been paid under the related primary insurance policy will be deducted from the amount payable by the pool insurer. If any mortgaged property securing a defaulted mortgage loan is damaged and proceeds, if any, from the related hazard insurance policy or the applicable special hazard insurance policy are insufficient to restore the damaged mortgaged property to a condition sufficient to permit recovery under the mortgage pool insurance policy, the master servicer, in general, will not be required to expend its own funds to restore the damaged mortgaged property. However, it will be required to restore such property if it determines that (1) such restoration will increase the proceeds to securityholders on liquidation of the mortgage loan after reimbursement of the master servicer for its expenses and (2) it will be able to recover such expenses through proceeds of the sale of the mortgaged property or proceeds of the related mortgage pool insurance policy or any related primary insurance policy.

A mortgage pool insurance policy generally will not insure (and many primary insurance policies do not insure) against loss sustained by reason of a default arising from, among other things, (1) fraud or negligence in the origination or servicing of a mortgage loan, including misrepresentation by the mortgagor, the originator or persons involved in the origination of the mortgage loan, or (2) failure to construct a mortgaged property in accordance with plans and specifications. If so specified in the prospectus supplement, an endorsement to the mortgage pool insurance policy, a bond or other credit support may cover fraud in connection with the origination of mortgage loans. If so specified in the related prospectus supplement, a failure of coverage attributable to an event specified in clause (1) or (2) might result in a breach of the related lender's representations and, might, if the lender cannot cure the breach give rise to an obligation of the lender to purchase the defaulted mortgage loan. No mortgage pool insurance policy will cover (and many primary insurance policies do not cover) a claim in respect of a defaulted mortgage loan occurring when the servicer of such mortgage loan, at the time of default or thereafter, was not approved by the applicable insurer.

The original amount of coverage under each mortgage pool insurance policy generally will be reduced over the life of the related securities by the aggregate dollar amount of claims paid less the aggregate of the net dollar amounts the pool insurer realizes upon disposition of all foreclosed properties covered by such policy. The amount of claims paid will include certain expenses the master servicer incurred as well as accrued interest on delinquent mortgage loans to the date of payment of the claim. Accordingly, if aggregate net claims paid under any mortgage pool insurance policy reach the original policy limit, coverage under that mortgage pool insurance policy will be exhausted and the securityholders will bear any further losses.

The related prospectus supplement will describe the terms of any pool insurance policy relating to a pool of manufactured housing contracts.

SPECIAL HAZARD INSURANCE POLICIES

If the related prospectus supplement so specifies, a separate special hazard insurance policy will be obtained for the mortgage pool. The special hazard insurer named in the prospectus supplement will issue the policy. Subject to the limitations described below, each special hazard insurance policy will protect holders of the related securities from

(1) loss by reason of damage to mortgaged properties caused by certain hazards (including earthquakes and, to a limited extent, tidal waves and related water damage) not insured against under the standard form of hazard insurance policy for the respective states in which the mortgaged properties are located or under a flood insurance policy if the mortgaged property is located in a federally designated flood area, and

(2) loss caused by reason of the application of the coinsurance clause contained in hazard insurance policies.

Special hazard insurance policies will not cover losses caused by war, civil insurrection, certain governmental action, errors in design, faulty workmanship or materials (except under certain circumstances), nuclear reaction, flood (if the mortgaged property is located in a federally designated flood area), chemical contamination and certain other risks. The related prospectus supplement will specify the amount of coverage under any special hazard insurance policy. Each special hazard insurance policy will provide that no claim may be paid unless hazard insurance and, if applicable, flood insurance on the property securing the mortgage loan has been kept in force and other protection and preservation expenses have been paid.

Subject to the foregoing limitations, each special hazard insurance policy will provide that where there has been damage to property securing a foreclosed mortgage loan (title to which has been acquired by the insured) and to the extent such damage is not covered by the hazard insurance policy or flood insurance policy, if any, maintained by the mortgagor or the master servicer, the special hazard insurer will pay the lesser of (1) the cost of repair or replacement of such property or (2) upon transfer of the property to the special hazard insurer, the unpaid principal balance of such mortgage loan at the time of acquisition of such property by foreclosure or deed in lieu of foreclosure, plus accrued interest to the date of claim settlement and certain expenses incurred by the master servicer with respect to such property. If the unpaid principal balance of a mortgage loan plus accrued interest and certain expenses are paid by the special hazard insurer, the amount of further coverage under the related special hazard insurance policy will be reduced by such amount less any net proceeds from the sale of the property. Any amount paid as the cost of repair of the property will further reduce coverage by such amount. So long as a mortgage pool insurance policy remains in effect, the payment by the special hazard insurer of the cost of repair or of the unpaid principal balance of the related mortgage loan plus accrued interest and certain expenses will not affect the total insurance proceeds paid to securityholders, but will affect the relative amounts of coverage remaining under the related special hazard insurance policy.

If the underlying property has been damaged and not restored, collection of insurance proceeds under a mortgage pool insurance policy is generally not possible. A special hazard insurance policy permits full recovery under a mortgage pool insurance policy by providing insurance to restore damaged property. Each Agreement will provide that, if the related mortgage pool insurance policy shall have been terminated or been exhausted through payment of claims, the master servicer will be under no further obligation to maintain such special hazard insurance policy.

To the extent specified in the related prospectus supplement, the master servicer may deposit in a special trust account: cash, an irrevocable letter of credit or any other instrument acceptable to each nationally recognized rating agency that rates the securities of the related series. Such deposit will provide

protection in lieu of or in addition to the protection the special hazard insurance policy provides. The amount of any special hazard insurance policy or of the deposit to the special trust account in lieu of such special hazard insurance policy relating to such securities may be reduced so long as any such reduction will not result in a downgrading of the rating of such securities by any such rating agency.

The related prospectus supplement will describe the terms of any special hazard insurance policy relating to a pool of manufactured housing contracts.

BANKRUPTCY BONDS

If the related prospectus supplement so specifies, an insurer named in such prospectus supplement will issue a bankruptcy bond. Each bankruptcy bond will cover certain losses resulting from a bankruptcy court's reduction of scheduled payments of principal and interest on a mortgage loan or such court's reduction of the principal amount of a mortgage loan. Each bankruptcy bond will also cover certain unpaid interest on the amount of such a principal reduction from the date of the filing of a bankruptcy petition. The related prospectus supplement will list the required 39 amount of coverage under each bankruptcy bond. To the extent specified in the prospectus supplement, the master servicer may deposit in the trust fund: cash, an irrevocable letter of credit or any other instrument acceptable to each nationally recognized rating agency that rates the securities of the related series. Such deposit will provide protection in lieu of or in addition to the protection a bankruptcy bond provides.

The amount of any bankruptcy bond or of the deposit to the special trust account in lieu of such bankruptcy bond relating to such securities may be reduced so long as any such reduction will not result in a downgrading of the rating of such securities by any such rating agency.

The related prospectus supplement will describe the terms of any bankruptcy bond relating to a pool of manufactured housing contracts.

FHA INSURANCE; VA GUARANTEES

Single family loans designated in the related prospectus supplement as insured by the FHA will be insured by the FHA as authorized under the United States Housing Act of 1937, as amended. Various FHA programs, including the standard FHA 203(b) program to finance the acquisition of one- to four-family housing units and the FHA 245 graduated payment mortgage program will insure such mortgage loans. These programs generally limit the principal amount and interest rates of the mortgage loans insured. To be insured by the FHA, mortgage loans are generally required to have a minimum down payment of approximately 5% of the original principal amount of the loan. No FHA- insured mortgage loan relating to a series may have an interest rate or original principal amount exceeding the applicable FHA limits at the time of origination of such loan.

Lenders approved by HUD or the master servicer or any sub-servicers collect the insurance premiums for mortgage loans insured by the FHA. The insurance premiums are then paid to the FHA. The regulations governing FHA single-family mortgage insurance programs provide that insurance benefits are payable either upon foreclosure (or other acquisition of possession) and conveyance of the mortgaged premises to HUD or upon assignment of the defaulted mortgage loan to HUD. With respect to a defaulted FHA-insured mortgage loan, the master servicer or any sub-servicer is limited in its ability to initiate foreclosure proceedings. When either the master servicer, any sub-servicer or HUD determines that a default was caused by circumstances beyond the mortgagor's control, the master servicer or any sub- servicer is expected to attempt to avoid foreclosure by entering, if feasible, into one of a number of available forms of forbearance plans with the mortgagor. Such plans may involve the reduction or suspension of regular mortgage payments for a specified period, with such payments to be made up on or before the maturity date of the mortgage, or the recasting of payments due under the mortgage up to or

beyond the maturity date. In addition, when a default caused by such circumstances is accompanied by certain other criteria, HUD may provide relief by making payments to the master servicer or any sub-servicer in partial or full satisfaction of amounts due under the mortgage loan (which payments are to be repaid by the mortgagor to HUD) or by accepting assignment of the loan from the master servicer or any sub- servicer. With certain exceptions, before the master servicer or any sub-servicer may initiate foreclosure proceedings, at least three full monthly installments must be due and unpaid under the mortgage loan, and HUD must have rejected any request for relief from the mortgagor.

In most cases, HUD has the option to pay insurance claims in cash or in debentures issued by HUD. Currently, claims are being paid in cash. Claims have not been paid in debentures since 1965. HUD debentures issued in satisfaction of FHA insurance claims bear interest at the applicable HUD debenture interest rate. The master servicer or any sub-servicer of each FHA-insured single family loan will be obligated to purchase any such debenture issued in satisfaction of such mortgage loan upon default for an amount equal to the principal amount of any such debenture.

The amount of insurance benefits the FHA generally pays is equal to the entire unpaid principal amount of the defaulted mortgage loan adjusted to reimburse the master servicer or sub-servicer for certain costs and expenses and to deduct certain amounts received or retained by the master servicer or sub-servicer after default. When foreclosure or other acquisition of possession and conveyance to HUD result in entitlement to insurance benefits, the master servicer or sub-servicer is compensated for no more than two-thirds of its foreclosure costs. Additionally, the master servicer or sub-servicer is compensated for interest accrued and unpaid before such date but in general only to 40 the extent such interest was allowed pursuant to a HUD approved forbearance plan. When entitlement to insurance benefits results from assignment of the mortgage loan to HUD, the insurance payment includes full compensation for interest accrued and unpaid to the assignment date. The insurance payment itself, upon foreclosure of an FHA-insured single family loan, bears interest from a date 30 days after the mortgagor's first uncorrected failure to perform any obligation to make any payment due under the Mortgage and, upon assignment, from the date of assignment, to the date of payment of the claim, in each case at the same interest rate as the applicable HUD debenture interest rate as described above.

Mortgage loans designated in the related prospectus supplement as guaranteed by the VA will be partially guaranteed by the VA under the Serviceman's Readjustment Act of 1944, as amended. The Serviceman's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances the spouse of a veteran) to obtain a mortgage loan guarantee by the VA covering mortgage financing of the purchase of a one- to four-family dwelling unit at interest rates the VA permits. The program has no mortgage loan limits, requires no down payment from the purchaser and permits the guarantee of mortgage loans of up to 30 years' duration. However, no mortgage loan the VA guarantees will have an original principal amount greater than five times the partial VA guarantee for such mortgage loan.

The maximum guarantee that the VA may issue under a VA-guaranteed mortgage loan depends upon the original principal amount of the mortgage loan, as further described in 38 United States Code Section 3703(a), as amended. As of April, 1998, the maximum guarantee that the VA may issue under a VA-guaranteed mortgage loan of more than $144,000 is the lesser of 25% of the original principal amount of the mortgage loan and $50,750. The liability on the guarantee is reduced or increased pro rata with any reduction or increase in the amount of indebtedness, but in no event will the amount payable on the guarantee exceed the amount of the original guarantee. Upon the assignment of a mortgage to the VA, the VA may, at its option and without regard to the guarantee, make full payment to a mortgage holder of unsatisfied indebtedness on such mortgage.

With respect to a defaulted VA-guaranteed single family loan, the master servicer or sub-servicer is, absent exceptional circumstances, authorized to announce its intention to foreclose only when the

default has continued for three months. Generally, a claim for the guarantee is submitted after liquidation of the mortgaged property.

The amount payable under the guarantee will be the percentage of the VA-insured single family loan originally guaranteed applied to indebtedness outstanding as of the applicable date of computation specified in the VA regulations. Payments under the guarantee will be equal to the unpaid principal amount of the loan, interest accrued on the unpaid balance of the loan to the appropriate date of computation and limited expenses of the mortgagee, but in each case only to the extent that such amounts have not been recovered through liquidation of the mortgaged property. The amount payable under the guarantee may in no event exceed the amount of the original guarantee.

FHA INSURANCE ON MULTIFAMILY LOANS

There are two primary FHA insurance programs that are available for multifamily loans. Sections 221(d)(3) and (d)(4) of the Housing Act allow HUD to insure mortgage loans that are secured by newly constructed and substantially rehabilitated multifamily rental projects. Section 244 of the Housing Act provides for co-insurance of such mortgage loans made under Sections 221(d)(3) and (d)(4) by HUD/FHA and a HUD-approved co-insurer. Generally the term of such a mortgage loan may be up to 40 years and the ratio of loan amount to property replacement cost can be up to 90%.

Section 223(f) of the Housing Act allows HUD to insure mortgage loans made for the purchase or refinancing of existing apartment projects which are at least three years old. Section 244 also provides for co-insurance of mortgage loans made under Section 223(f). Under Section 223(f), the loan proceeds cannot be used for substantial rehabilitation work, but repairs may be made for up to, in general, a dollar amount per apartment unit established from time to time by HUD or, at the discretion of the Secretary of HUD, 25% of the value of the property. In general the loan term may not exceed 35 years and a Loan-to-Value Ratio of no more than 85% is required for the purchase of a project and 70% for the refinancing of a project.

FHA insurance is generally payable in cash or, at the option of the mortgagee, in debentures. Such insurance does not cover 100% of the mortgage loan but is instead subject to certain deductions and certain losses of interest from the date of the default.

RESERVE AND OTHER ACCOUNTS

If the related prospectus supplement so specifies, we or the master servicer will deposit cash, U.S. Treasury or comparable securities, instruments evidencing ownership of principal or interest payments thereon, demand notes, certificates of deposit or a combination of such instruments in the aggregate amount and on the date specified in the related prospectus supplement with the trustee or in one or more reserve accounts established with the trustee. Such cash and the principal and interest payments on such other instruments will be used to pay, or to enhance the likelihood of timely payment of, principal of, and interest on, or, if so specified in the related prospectus supplement, to provide additional protection against losses on the assets of the related trust fund, to pay the expenses of the related trust fund or for other purposes specified in the related prospectus supplement. Any cash in the reserve account and the proceeds of any other instrument upon maturity will be invested, to the extent acceptable to the applicable rating agency, in obligations of the United States and certain agencies thereof, certificates of deposit, certain commercial paper, time deposits and bankers acceptances sold by eligible commercial banks, certain repurchase agreements of United States government securities with eligible commercial banks and other instruments acceptable to the applicable rating agency ("Permitted Investments"). Instruments held by the trustee and/or deposited in the reserve account generally will name the trustee, in its capacity as trustee for the holders of the securities, as beneficiary. An entity acceptable to the applicable rating

agency will issue such instruments. The related prospectus supplement will provide additional information with respect to such instruments.

Any amounts so deposited and payments on instruments so deposited will be available for distribution to the holders of securities for the purposes, in the manner and at the times specified in the related prospectus supplement.

OTHER INSURANCE, GUARANTEES AND SIMILAR INSTRUMENTS OR AGREEMENTS

If the related prospectus supplement so specifies, a trust fund may include, in lieu of or in addition to some or all of the foregoing, letters of credit, financial guaranty insurance policies, third party guarantees, U.S. Government Securities and other arrangements for providing timely payments or providing additional protection against losses on such trust fund's assets, paying administrative expenses, or accomplishing such other purpose as may be described in the related prospectus supplement. The trust fund may include a guaranteed investment contract or reinvestment agreement pursuant to which funds held in one or more accounts will be invested at a specified rate. If any class of securities has a floating interest rate, or if any of the mortgage assets has a floating interest rate, the trust fund may include an interest rate swap contract, an interest rate cap, collar or floor agreement or similar contract to provide limited protection against interest rate risks.

CROSS SUPPORT

Separate classes of a series of securities may evidence the beneficial ownership of separate groups of assets included in a trust fund. In such case, a cross-support feature may provide credit support. A cross-support feature requires that distributions be made with respect to securities evidencing a beneficial ownership interest in other asset groups within the same trust fund. The related prospectus supplement will describe the manner and conditions for applying such cross-support feature.

If the related prospectus supplement so specifies, the coverage provided by one or more forms of credit support may apply concurrently to two or more separate trust funds. If applicable, the related prospectus supplement will identify the trust fund to which such credit support relates and the manner of determining the amount of the coverage provided thereby and of the application of such coverage to the identified trust fund.

YIELD AND PREPAYMENT CONSIDERATIONS

The amount and timing of principal payments on or in respect of the mortgage assets included in the related trust funds, the allocation of available funds to various classes of securities, the interest rate for various classes of securities and the purchase price paid for the securities will affect the yields to maturity of the securities.

The original terms to maturity of the mortgage loans in a given mortgage pool will vary depending upon the type of mortgage loans included in such mortgage pool. Each prospectus supplement will contain information with respect to the type and maturities of the mortgage loans in the related mortgage pool. Generally, borrowers may prepay their single family loans, cooperative loans and manufactured housing contracts without penalty in full or in part at any time. Multifamily loans may prohibit prepayment for a specified period after origination, may prohibit partial prepayments entirely, and may require the payment of a prepayment penalty upon prepayment in full or in part.

Conventional single family loans, cooperative loans and manufactured housing contracts generally will contain due-on-sale provisions permitting the mortgagee or holder of the manufactured housing contract to accelerate the maturity of the mortgage loan or manufactured housing contract upon sale or certain transfers by the mortgagor or obligor of the underlying mortgaged property. Conventional

multifamily loans may contain due-on-sale provisions, due-on- encumbrance provisions, or both. Mortgage loans insured by the FHA, and single family loans and manufactured housing contracts partially guaranteed by the VA, are assumable with the consent of the FHA and the VA, respectively. Thus, the rate of prepayments on such mortgage loans may be lower than that of conventional mortgage loans bearing comparable interest rates. The master servicer will enforce any due-on-sale or due-on-encumbrance clause, to the extent it has knowledge of the conveyance or further encumbrance or the proposed conveyance or proposed further encumbrance of the mortgaged property and reasonably believes that it is entitled to do so under applicable law; provided, however, that the master servicer will not take any enforcement action that would impair or threaten to impair any recovery under any related insurance policy.

When a full prepayment is made on a single family loan or cooperative loan, the mortgagor is charged interest on the principal amount of the mortgage loan so prepaid only for the number of days in the month actually elapsed up to the date of the prepayment rather than for a full month. Similarly, upon liquidation of a mortgage loan, interest accrues on the principal amount of the mortgage loan only for the number of days in the month actually elapsed up to the date of liquidation rather than for a full month. Consequently, prepayments in full and liquidations generally reduce the amount of interest passed through in the following month to holders of securities. In connection with certain series, the master servicer or a lender will be required to use some or all of its servicing compensation to pay compensating interest to cover such shortfalls. Interest shortfalls also could result from the application of the Soldiers' and Sailors' Civil Relief Act of 1940, as amended, as described under "Legal Aspects of the Mortgage Loans-Soldiers' and Sailors' Civil Relief Act". Partial prepayments in a given month may be applied to the outstanding principal balances of the mortgage loans so prepaid on the first day of the month of receipt or the month following receipt. In the latter case, partial prepayments will not reduce the amount of interest passed through in such month. Prepayment penalties collected with respect to multifamily loans will be distributed to the holders of securities, or to other persons entitled to such funds, as described in the related prospectus supplement.

The rate of prepayments with respect to conventional mortgage loans has fluctuated significantly in recent years. In general, if prevailing rates fall significantly below the specified interest rates borne by the mortgage loans, such mortgage loans are likely to be subject to higher prepayment rates than if prevailing interest rates remain at or above the interest rates specified on the mortgage loans. Conversely, if prevailing interest rates rise appreciably above the specified rates borne by the mortgage loans, such mortgage loans are likely to experience a lower prepayment rate than if prevailing rates remain at or below the interest rates specified on the mortgage loans. However, we cannot assure you that such will be the case.

Under certain circumstances, the master servicer, the holders of the residual interests in a REMIC or a FASIT or another person specified in the related prospectus supplement may have the option to purchase the assets of a trust fund, thereby effecting earlier retirement of the related series of securities. See "Administration-Termination; Optional Termination." The yield to investors in a Callable Class will depend on whether and, if so, when a redemption of such securities occurs.

A variety of economic, geographical, social, tax, legal and additional factors influence prepayments. Changes in a mortgagor's housing needs, job transfers, unemployment, a borrower's net equity in the mortgaged properties, the enforcement of due-on-sale clauses and other servicing decisions may affect the rate of prepayment on single family loans, cooperative loans and manufactured housing contracts. The rate of principal repayment on adjustable rate mortgage loans, bi-weekly mortgage loans, graduated payment mortgage loans, growing equity mortgage loans, reverse mortgage loans, buy-down mortgage loans and mortgage loans with other characteristics may differ from that of fixed rate, monthly pay, fully amortizing mortgage loans. The rate of prepayment on multifamily loans may be affected by other factors, including mortgage loan terms (E.G., the existence of lockout periods, due-on-sale and due-

on-encumbrance clauses and prepayment penalties), relative economic conditions in the area where the mortgaged properties are located, the quality of management of the mortgaged properties and the relative tax benefits associated with the ownership of income-producing real property.

The timing of payments on the mortgage assets may significantly affect an investor's yield. In general, the earlier a prepayment of principal on the mortgage assets, the greater will be the effect on an investor's yield to maturity.

As a result, the effect on an investor's yield of principal prepayments occurring at a rate higher (or lower) than the rate the investor anticipated during the period immediately following the issuance of the securities will not be offset by a subsequent like reduction (or increase) in the rate of principal prepayments.

The effective yield to securityholders generally will be slightly lower than the yield otherwise produced by the applicable interest rate and purchase price, because while interest generally will accrue on each mortgage loan from the first day of the month, the distribution of such interest will not be made earlier than a specified date in the month following the month of accrual.

In the case of any securities purchased at a discount, a slower than anticipated rate of principal payments could result in an actual yield that is lower than the anticipated yield. In the case of any securities purchased at a premium, a faster than anticipated rate of principal payments could result in an actual yield that is lower than the anticipated yield. A discount or premium would be determined in relation to the price at which a security will yield its interest rate, after giving effect to any payment delay.

Factors other than those this prospectus and the related prospectus supplement identify could significantly affect principal prepayments at any time and over the lives of the securities. The relative contribution of the various factors affecting prepayment may also vary from time to time. There can be no assurance as to the rate of payment of principal of the mortgage assets at any time or over the lives of the securities.

The prospectus supplement relating to a series of securities will discuss in greater detail the effect of the rate and timing of principal payments (including prepayments) on the yield, weighted average lives and maturities of such securities (including, but not limited to, any exchangeable securities in such series).

ADMINISTRATION

Set forth below is a summary of the material provisions of each Agreement which are not described elsewhere in this prospectus. Where particular provisions or terms used in the Agreements are referred to, such provisions or terms are as specified in the Agreements.

ASSIGNMENT OF MORTGAGE ASSETS

ASSIGNMENT OF THE MORTGAGE LOANS. At the time the trust fund issues notes or certificates of a series, we will cause the mortgage loans comprising the trust fund to be sold and assigned to the trustee, together with all principal and interest we have received on or with respect to such mortgage loans after the cut-off date identified in the related prospectus supplement. We will not assign or otherwise distribute to the trustee principal and interest due on or before the cut-off date and any Retained Interest specified in the related prospectus supplement. If notes are issued in a series, such assets will be pledged to the trustee pursuant to the terms of the Indenture. Each mortgage loan will be identified in a schedule appearing as an exhibit to the related Agreement. Such schedule will include information as to the outstanding principal balance of each mortgage loan after application of payments due on the cut-off date, as well as information regarding the specified interest rate or accrual percentage rate, the current

scheduled monthly payment of principal and interest, the maturity of the loan, the Loan-to-Value Ratio at origination and certain other information.

We generally will deliver or cause to be delivered to the trustee (or to a custodian for the trustee) as to each mortgage loan, among other things,

- the mortgage note or manufactured housing contract endorsed without recourse in blank or to the order of the trustee,
- in the case of single family loans or multifamily loans, the mortgage, deed of trust or similar instrument (a "Mortgage") with evidence of recording indicated thereon (except for any Mortgage not returned from the public recording office, in which case we will deliver or cause to be delivered a copy of such Mortgage together with a certificate that the original of such Mortgage was or will be delivered to such recording office),
- an assignment of the Mortgage or manufactured housing contract to the trustee, which assignment will be in recordable form in the case of a Mortgage assignment, and
- such other security documents as the related prospectus supplement may specify.

In the case of single family loans or multifamily loans, we or the master servicer generally will promptly cause the assignments of the related mortgage loans to be recorded in the appropriate public office for real property records, except, in our discretion, (a) in states in which, in the opinion of counsel acceptable to the trustee, such recording is not required to protect the trustee's interest in such loans against the claim of any subsequent transferee or any successor to or creditor of ours or the originator of such loans, (b) in states acceptable to the rating agencies rating the related securities or (c) in such recording systems as may be acceptable to applicable states and the rating agencies. In the case of manufactured housing contracts, the master servicer or we generally will promptly make or cause to be made an appropriate filing of a UCC-1 financing statement in the appropriate states to give notice of the trustee's ownership of the manufactured housing contracts.

With respect to any mortgage loans which are cooperative loans, we generally will cause to be delivered to the trustee (or to the custodian hereinafter referred to):

- the related original cooperative note endorsed without recourse in blank or to the order of the trustee,
- the original security agreement,
- the proprietary lease or occupancy agreement,
- the recognition agreement,
- an executed financing agreement and
- the relevant stock certificate and related blank stock powers. We will cause to be filed in the appropriate office an assignment and a financing statement evidencing the trustee's security interest in each cooperative loan.

A prospectus supplement may provide for deliveries of different documents with respect to mortgage loans or cooperative loans.

The trustee (or a custodian for the trustee) will review such mortgage loan documents within the time period specified in the related prospectus supplement, and the trustee will hold such documents in trust for the benefit of the securityholders. In general, if any such document is found to be missing or defective in any material respect, the trustee (or such custodian) will be required to notify the master

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servicer and us or in certain circumstances the related lender, or the master servicer will notify the related lender. If the lender or the entity which sold the mortgage loan to the lender cannot cure the omission or defect within 60 days after receipt of such notice, the lender or such entity generally will be obligated to purchase the related mortgage loan from the trustee at price equal to the unpaid principal balance thereof as of the date of the repurchase plus accrued interest thereon to the first day of the month following the month of repurchase at the rate specified on the mortgage loan (less any amount payable as related servicing compensation if the lender is the master servicer) or such other price as may be described in the related prospectus supplement. We cannot assure you that a lender or such entity will fulfill this purchase obligation. Neither we nor the master servicer will be obligated to purchase such mortgage loan if the lender or such entity defaults on its purchase obligation unless such breach also constitutes a breach of our or the master servicer's representations or warranties, as the case may be. This purchase obligation generally will constitute the sole remedy available to the securityholders or the trustee for omission of, or a material defect in, a constituent document. The related prospectus supplement may provide for certain rights of substitution for defective mortgage loans with respect to a series.

The trustee will be authorized to appoint a custodian pursuant to a custodial agreement to maintain possession of and, if applicable, to review the documents relating to the mortgage loans as agent of the trustee.

ASSIGNMENT OF AGENCY SECURITIES. We will cause agency securities to be registered in the name of the trustee or its nominee. Each agency security will be identified in a schedule appearing as an exhibit to the Agreement, which will specify as to each agency security the original principal amount and outstanding principal balance as of the cut-off date, the annual pass-through rate (if any) and the maturity date.

ASSIGNMENT OF PRIVATE MORTGAGE-BACKED SECURITIES. We will cause private mortgage-backed securities to be registered in the name of the trustee on behalf of the trust fund. The trustee (or the custodian) will have possession of any certificated private mortgage-backed securities. Each private mortgage-backed security will be identified in a schedule appearing as an exhibit to the related Agreement which will specify the original principal amount, outstanding principal balance as of the cut-off date, annual pass-through rate or interest rate and maturity date for each private mortgage-backed security conveyed to the trustee.

PAYMENTS ON MORTGAGE LOANS; DEPOSITS TO ACCOUNTS

In general, each master servicer and sub-servicer servicing the mortgage loans will establish and maintain for one or more series of securities a separate account or accounts for the collection of payments on the related mortgage loans (the "Protected Account"), which must be either

- maintained with a depository institution the debt obligations of which (or in the case of a depository institution that is the principal subsidiary of a holding company, the obligations of such holding company) are rated in one of the two highest rating categories by each rating agency rating the series of securities,
- an account or accounts the deposits in which are fully insured by the Federal Deposit Insurance Corporation,
- an account or accounts the deposits in which are insured by the Federal Deposit Insurance Corporation (to the limits established by the Federal Deposit Insurance Corporation), and the uninsured deposits in which are invested in Permitted Investments held in the name of the trustee, or
- an account or accounts otherwise acceptable to each rating agency.

The master servicer or sub-servicer, as the case may be, may maintain a Protected Account as an interest bearing account. The master servicer or sub-servicer may invest the funds held in a Protected Account, pending each succeeding distribution date, in Permitted Investments. The related master servicer or sub-servicer or its designee or another person specified in the prospectus supplement will be entitled to receive any such interest or other income earned on funds in the Protected Account as additional compensation and will be obligated to deposit or deliver for deposit in the Protected Account the amount of any loss immediately as realized. The Protected Account may be maintained with the master servicer or sub-servicer or with a depository institution that is an affiliate of the master servicer or sub-servicer, provided it meets the standards discussed above.

Each master servicer and sub-servicer generally will deposit or cause to be deposited in the Protected Account for each trust fund on a daily basis the following payments and collections received or advances made by or on behalf of it after the cut-off date (other than payments due on or before the cut-off date and exclusive of any amounts representing Retained Interest):

- all payments on account of principal, including Principal Prepayments and, if the related prospectus supplement so specifies, prepayment penalties, on the mortgage loans;
- all payments on account of interest on the mortgage loans, net of applicable servicing compensation;
- to the extent specified in the related Agreement, all proceeds (net of unreimbursed payments of property taxes, insurance premiums and similar items incurred, and unreimbursed advances made, by the related master servicer or sub-servicer, if any) of the title insurance policies, the hazard insurance policies and any primary insurance policies, to the extent such proceeds are not applied to the restoration of the property or released to the mortgagor in accordance with the master servicer's normal servicing procedures (collectively, "Insurance Proceeds") and all other cash amounts (net of unreimbursed expenses incurred in connection with liquidation or foreclosure ("Liquidation Expenses") and unreimbursed advances made, by the related master servicer or sub-servicer, if any) received and retained in connection with the liquidation of defaulted mortgage loans, by foreclosure or otherwise ("Liquidation Proceeds"), together with any net proceeds received with respect to any properties acquired on behalf of the securityholders by foreclosure or deed in lieu of foreclosure;
- all proceeds of any mortgage loan or property in respect thereof repurchased by us or lenders;
- all payments required to be deposited in the Protected Account with respect to any deductible clause in any blanket insurance policy described under "Hazard Insurance" below;
- any amount the master servicer or sub-servicer is required to deposit in connection with losses realized on investments for the benefit of the master servicer or sub-servicer of funds held in any Accounts; and
- all other amounts required to be deposited in the Protected Account pursuant to the Agreement.

If acceptable to each rating agency rating the series of securities, a Protected Account maintained by a master servicer or sub-servicer may commingle funds from the mortgage loans deposited in the trust fund with similar funds relating to other mortgage loans which are serviced or owned by the master servicer or sub-servicer. The Agreement may require that certain payments related to the mortgage assets

be transferred from a Protected Account maintained by a master-servicer or sub-servicer into another account maintained under conditions acceptable to each rating agency.

The trustee will be required to establish in its name as trustee for one or more series of securities a trust account or another account acceptable to each rating agency (the "Securities Account"). The Securities Account may be maintained as an interest bearing account or the funds held in the Securities Account may be invested pending each succeeding distribution date in Permitted Investments. If there is more than one master servicer for the rated series of securities, there may be a separate Securities Account or a separate subaccount in a single Securities Account for funds received from each master servicer. The related master servicer or its designee or another person specified in the related prospectus supplement may be entitled to receive any interest or other income earned on funds in the Securities Account or subaccount of the Securities Account as additional compensation and, if so entitled, will be obligated to deposit or deliver for deposit in the Securities Account or subaccount the amount of any loss immediately as realized. The trustee will be required to deposit into the Securities Account on the business day received all funds received from the master servicer for deposit into the Securities Account and any other amounts required to be deposited into the Securities Account pursuant to the Agreement. In addition to other purposes specified in the Agreement, the trustee will be required to make withdrawals from the Securities Account to make distributions to securityholders. If the series includes one trust fund which contains a beneficial ownership interest in another trust fund, funds from the trust assets may be withdrawn from the Securities Account included in the latter trust fund and deposited into another Securities Account included in the former trust fund before transmittal to securityholders with a beneficial ownership interest in the former trust fund. If the related prospectus supplement so specifies, the Protected Account and the Securities Account may be combined into a single Securities Account. With respect to a series backed by agency securities and/or private mortgage-backed securities, it is likely there would be only one Securities Account.

SUB-SERVICING BY LENDERS

Each lender with respect to a mortgage loan or any other servicing entity may act as the master servicer or the sub-servicer for such mortgage loan pursuant to a sub-servicing agreement, which will not contain any terms inconsistent with the related Agreement. While in general each sub-servicing agreement will be a contract solely between the master servicer and the sub-servicer, the Agreement pursuant to which a series of securities is issued will provide that, if for any reason the master servicer for such series of securities is no longer the master servicer of the related mortgage loans, the trustee or any successor master servicer must recognize the sub-servicer's rights and obligations under such sub-servicing agreement.

With the approval of the master servicer, a sub-servicer may delegate its servicing obligations to third-party servicers. Such sub-servicer will remain obligated, or will be released from its obligations, under the related sub-servicing agreement, as provided in the related prospectus supplement. Each sub-servicer will perform the customary functions of a servicer of mortgage loans. Such functions generally include:

- collecting payments from mortgagors or obligors and remitting such collections to the master servicer;
- maintaining hazard insurance policies and filing and settling claims under such policies, subject in certain cases to the right of the master servicer to approve in advance any such settlement;
- maintaining escrow or impound accounts of mortgagors or obligors for payment of taxes, insurance and other items the mortgagor or obligor is required to pay pursuant to the related mortgage loan;

- processing assumptions or substitutions, although the master servicer is generally required to exercise due-on-sale clauses to the extent such exercise is permitted by law and would not adversely affect insurance coverage;

- attempting to cure delinquencies;

- supervising foreclosures; inspecting and managing mortgaged properties under certain circumstances;

- maintaining accounting records relating to the mortgage loans; and

- to the extent specified in the related prospectus supplement, maintaining additional insurance policies or credit support instruments and filing and settling claims thereunder.

A sub-servicer will also be obligated to make advances in respect of delinquent installments of principal and interest on mortgage loans and in respect of certain taxes and insurance premiums that mortgagors or obligors have not paid on a timely basis.

As compensation for its servicing duties, each sub-servicer will be entitled to a monthly servicing fee (to the extent the scheduled payment on the related mortgage loan has been collected) in the amount described in the related prospectus supplement. Each sub-servicer will generally be entitled to collect and retain, as part of its servicing compensation, any prepayment or late charges provided in the mortgage note or related instruments. The master servicer will reimburse each sub-servicer for certain expenditures which such sub-servicer makes, to the same extent the master servicer would be reimbursed under the Agreement. The master servicer may purchase the servicing of mortgage loans if the sub-servicer elects to release the servicing of such mortgage loans to the master servicer.

Each sub-servicer may be required to agree to indemnify the master servicer for any liability or obligation the master servicer sustained in connection with any act or failure to act by the sub-servicer in its servicing capacity. Each sub-servicer will maintain a fidelity bond and an errors and omissions policy with respect to its officers, employees and other persons acting on its behalf or on behalf of the master servicer.

Each sub-servicer will service each mortgage loan pursuant to the terms of the sub-servicing agreement for the entire term of such mortgage loan, unless the master servicer earlier terminates the sub-servicing agreement or unless servicing is released to the master servicer. Upon written notice to the sub-servicer, the master servicer generally may terminate a sub-servicing agreement without cause.

The master servicer may agree with a sub-servicer to amend a sub-servicing agreement. Upon termination of the sub-servicing agreement, the master servicer may act as servicer of the related mortgage loans or enter into new sub-servicing agreements with other sub-servicers. If the master servicer acts as servicer, it will not assume liability for the representations and warranties of the sub-servicer which it replaces. Each sub-servicer must be a lender or meet the standards for becoming a lender or have such servicing experience as to be otherwise satisfactory to the master servicer and us. The master servicer will make reasonable efforts to have the new sub-servicer assume liability for the representations and warranties of the terminated sub-servicer. We cannot assure you that such an assumption will occur. In the event of such an assumption, the master servicer may in the exercise of its business judgment, release the terminated sub-servicer from liability in respect of such representations and warranties. Any amendments to a sub- servicing agreement or new sub-servicing agreement may contain provisions different from those which are in effect in the original sub-servicing agreement. However, each Agreement will provide that any such amendment or new agreement may not be inconsistent with or violate such Agreement.

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COLLECTION PROCEDURES

The master servicer, directly or through one or more sub-servicers, will make reasonable efforts to collect all payments called for under the mortgage loans. The master servicer will, consistent with each Agreement and any mortgage pool insurance policy, primary insurance policy, FHA Insurance, VA Guaranty, special hazard insurance policy, bankruptcy bond or alternative arrangements, follow such collection procedures as are customary with respect to mortgage loans that are comparable to the mortgage loans the master servicer is collecting payments on. Consistent with the above, the master servicer may, in its discretion, (1) waive any assumption fee, late payment or other charge in connection with a mortgage loan and (2) to the extent not inconsistent with the coverage of such mortgage loan by a mortgage pool insurance policy, primary insurance policy, FHA Insurance, VA Guaranty, special hazard insurance policy, bankruptcy bond or alternative arrangements, if applicable, arrange with a mortgagor a schedule for the liquidation of delinquencies running for no more than 125 days after the applicable due date for each payment or such other period as is specified in the Agreement. Both the sub-servicer and the master servicer remain obligated to make advances during any period of such an arrangement.

In any case in which the mortgagor or obligor has or is about to convey property securing a conventional mortgage loan, the master servicer generally will, to the extent it has knowledge of such conveyance or proposed conveyance, exercise or cause to be exercised its rights to accelerate the maturity of such mortgage loan under any applicable due-on-sale clause. The master servicer will exercise such acceleration rights only if applicable law permits the exercise of such rights and only if such exercise will not impair or threaten to impair any recovery under any related primary insurance policy. If these conditions are not met or if such mortgage loan is insured by the FHA or partially guaranteed by the VA, the master servicer will enter into or cause to be entered into an assumption and modification agreement with the person to whom such property has been or is about to be conveyed. Under such an agreement, the person to whom the property has been or will be conveyed becomes liable for repayment of the mortgage loan. To the extent applicable law permits, the mortgagor will remain liable on the mortgage loan. The master servicer will not enter into such an assignment and assumption agreement if it would jeopardize the trust fund's tax status. Any fee collected by or on behalf of the master servicer for entering into an assumption agreement will be retained by or on behalf of the master servicer as additional servicing compensation. In the case of multifamily loans, the master servicer generally will agree to exercise any right it may have to accelerate the maturity of a multifamily loan to the extent it has knowledge of any further encumbrance of the related mortgaged property effected in violation of any due-on-encumbrance clause applicable thereto. In connection with any such assumption, the terms of the related mortgage loan may not be changed.

With respect to cooperative loans, any prospective purchaser will generally have to obtain the approval of the board of directors of the relevant cooperative before purchasing the shares and acquiring rights under the related proprietary lease or occupancy agreement. This approval is usually based on the purchaser's income and net worth and numerous other factors. The necessity of acquiring such approval could limit the number of potential purchasers for those shares and otherwise limit the trust fund's ability to sell and realize the value of those shares.

In general, a "tenant-stockholder" (as defined in Code Section 216(b)(2)) of a corporation that qualifies as a "cooperative housing corporation" within the meaning of Code Section 216(b)(1) is allowed a deduction for amounts paid or accrued within his taxable year to the corporation representing his proportionate share of certain interest expenses and certain real estate taxes allowable as a deduction under Code Section 216(a) to the corporation under Code Sections 163 and 164. In order for a corporation to qualify under Code Section 216(b)(1) for its taxable year in which such items are allowable as a deduction to the corporation, such Section requires, among other things, that at least 80% of the gross income of the corporation be derived from its tenant-stockholders (as defined in Code Section 216(b)(2)). By virtue of this requirement, the status of a corporation for purposes of Code Section 216(b)(1) must be

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determined on a year-to-year basis. Consequently, we cannot assure you that cooperatives relating to the cooperative loans will qualify under such Section for any particular year. If such a cooperative fails to qualify for one or more years, the value of the collateral securing any related cooperative loans could be significantly impaired because no deduction would be allowable to tenant-stockholders under Code Section 216(a) with respect to those years. In view of the significance of the tax benefits accorded tenant-stockholders of a corporation that qualifies under Code Section 216(b)(1), the likelihood that such a failure would be permitted to continue over a period of years appears remote.

HAZARD INSURANCE

The master servicer will require the mortgagor or obligor on each single family loan, multifamily loan or manufactured housing contract to maintain a hazard insurance policy. Such hazard insurance policy is required to provide for no less than the coverage of the standard form of fire insurance policy with extended coverage customary for the type of mortgaged property in the state in which such mortgaged property is located. Such coverage will be in an amount not less than the replacement value of the improvements or manufactured home securing such mortgage loan or the principal balance owing on such mortgage loan, whichever is less. All amounts the master servicer collects under any hazard policy (except for amounts to be applied to the restoration or repair of the mortgaged property or released to the mortgagor or obligor in accordance with the master servicer's normal servicing procedures) will be deposited in the related Protected Account. If the master servicer maintains a blanket policy insuring against hazard losses on all the mortgage loans comprising part of a trust fund, it will conclusively be deemed to have satisfied its obligation relating to the maintenance of hazard insurance. Such blanket policy may contain a deductible clause, in which case the master servicer will be required to deposit from its own funds into the related Protected Account the amounts which would have been deposited in such Protected Account but for such clause. The related prospectus supplement will specify any additional insurance coverage for mortgaged properties in a mortgage pool of multifamily loans.

In general, the standard form of fire and extended coverage policy covers physical damage to or destruction of the improvements or manufactured home securing a mortgage loan by fire, lightning, explosion, smoke, windstorm and hail, riot, strike and civil commotion, subject to the conditions and exclusions particularized in each policy. Respective state laws dictate the basic terms of such policies. Most such policies typically do not cover any physical damage resulting from the following: war, revolution, governmental actions, floods and other water-related causes, earth movement (including earthquakes, landslides and mud flows), nuclear reactions, wet or dry rot, vermin, rodents, insects or domestic animals, theft and, in certain cases, vandalism. The foregoing list is merely indicative of certain 50 kinds of uninsured risks and is not intended to be all-inclusive. If the mortgaged property securing a mortgage loan is located in a federally designated special flood area at the time of origination, the master servicer will require the mortgagor or obligor to obtain and maintain flood insurance.

The hazard insurance policies typically contain a co-insurance clause which requires the insured at all times to carry insurance of a specified percentage (generally 80% to 90%) of the full replacement value of the insured property to recover the full amount of any partial loss. If the insured's coverage falls below this specified percentage, then the insurer's liability in the event of partial loss will not exceed the larger of (1) the actual cash value (generally defined as replacement cost at the time and place of loss, less physical depreciation) of the improvements damaged or destroyed or (2) such proportion of the loss, without deduction for depreciation, as the amount of insurance carried bears to the specified percentage of the full replacement cost of such improvements. Since the amount of hazard insurance the master servicer may cause to be maintained on the improvements securing the mortgage loans declines as the principal balances owing thereon decrease, and since improved real estate generally has appreciated in value over time in the past, the effect of this requirement in the event of partial loss may be that hazard insurance proceeds will be insufficient to restore fully the damaged property. If the related prospectus supplement

so specifies, a special hazard insurance policy or an alternative form of credit enhancement will be obtained to insure against certain of the uninsured risks described above.

The master servicer will not require that a standard hazard or flood insurance policy be maintained on the cooperative dwelling relating to any cooperative loan. Generally, the cooperative itself is responsible for maintenance of hazard insurance for the property owned by the cooperative and the tenant-stockholders of that cooperative do not maintain individual hazard insurance policies. To the extent, however, that a cooperative and the related borrower on a cooperative loan do not maintain such insurance or do not maintain adequate coverage or any insurance proceeds are not applied to the restoration of damaged property, any damage to such borrower's cooperative dwelling or such cooperative's building could significantly reduce the value of the collateral securing such cooperative loan to the extent not covered by other credit support.

REALIZATION UPON DEFAULTED MORTGAGE LOANS

PRIMARY INSURANCE POLICIES. The master servicer will maintain or cause each sub-servicer to maintain, as the case may be, in full force and effect, to the extent specified in the related prospectus supplement, a primary insurance policy with regard to each single family loan that requires such coverage. The master servicer will not cancel or refuse to renew any such primary insurance policy in effect at the time of the initial issuance of a series of securities that is required to be kept in force under the applicable Agreement unless the replacement primary insurance policy is sufficient to maintain the current rating of the classes of securities of such series that have been rated.

The amount of a claim for benefits under a primary insurance policy covering a mortgage loan generally will consist of the insured percentage of the unpaid principal amount of the covered mortgage loan and accrued and unpaid interest on the mortgage loan and reimbursement of certain expenses, less:

- all rents or other payments the insured collected or received (other than the proceeds of hazard insurance) that are derived from or in any way related to the mortgaged property,
- hazard insurance proceeds in excess of the amount required to restore the mortgaged property and which have not been applied to the payment of the mortgage loan,
- amounts expended but not approved by the issuer of the related primary insurance policy (the "primary insurer"),
- claim payments the primary insurer previously made and
- unpaid premiums.

Primary insurance policies reimburse certain losses sustained by reason of defaults in borrower's payments. Primary insurance policies will not insure against, and exclude from coverage, a loss sustained by reason of a default arising from or involving certain matters, including

- fraud or negligence in origination or servicing of the mortgage loans, including misrepresentation by the originator, borrower or other persons involved in the origination of the mortgage loan;
- failure to construct the mortgaged property subject to the mortgage loan in accordance with specified plans;
- physical damage to the mortgaged property; and
- the primary insurer not approving the related master servicer as a servicer.

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RECOVERIES UNDER A PRIMARY INSURANCE POLICY. As conditions precedent to the filing of or payment of a claim under a primary insurance policy covering a mortgage loan, the insured generally will be required to:

(1) advance or discharge:

(a) all hazard insurance policy premiums and

(b) as necessary and approved in advance by the primary insurer:

(2) real estate property taxes,

(3) all expenses required to maintain the related mortgaged property in at least as good a condition as existed at the effective date of such primary insurance policy, ordinary wear and tear excepted,

(4) mortgaged property sales expenses,

(5) any outstanding liens (as defined in such primary insurance policy) on the mortgaged property and

(6) foreclosure costs, including court costs and reasonable attorneys' fees;

(7) in the event of any physical loss or damage to the mortgaged property, have restored and repaired the mortgaged property to at least as good a condition as existed at the effective date of such primary insurance policy, ordinary wear and tear excepted; and

(8) tender to the primary insurer good and merchantable title to and possession of the mortgaged property.

In those cases in which a sub-servicer services a single family loan, the sub-servicer, on behalf of itself, the trustee and securityholders, will present claims to the primary insurer. The sub-servicer will deposit all collections thereunder in the Protected Account it maintains. In all other cases, the master servicer, on behalf of itself, the trustee and the securityholders, will present claims to the primary insurer under each primary insurance policy. The master servicer will take such reasonable steps as are necessary to receive payment or to permit recovery under the primary insurance policy with respect to defaulted mortgage loans. As discussed above, all collections by or on behalf of the master servicer under any primary insurance policy and, when the mortgaged property has not been restored, the hazard insurance policy, are to be deposited in the Protected Account.

If the mortgaged property securing a defaulted mortgage loan is damaged and proceeds, if any, from the related hazard insurance policy are insufficient to restore the mortgaged property to a condition sufficient to permit recovery under the related primary insurance policy, if any, the master servicer will expend its own funds to restore the damaged mortgaged property only if it determines (a) that such restoration will increase the proceeds to 52 securityholders on liquidation of the mortgage loan after reimbursement of the master servicer for its expenses and (b) that it will be able to recover such expenses from related Insurance Proceeds or Liquidation Proceeds.

If recovery on a defaulted mortgage loan under any related primary insurance policy is not available for the reasons described in the preceding paragraph, or if the primary insurance policy does not cover such defaulted mortgage loan, the master servicer will be obligated to follow or cause to be followed such normal practices and procedures as it deems necessary or advisable to realize upon the defaulted mortgage loan. If the proceeds of any liquidation of the mortgaged property securing the

defaulted mortgage loan are less than the principal balance of such mortgage loan plus accrued interest that is payable to securityholders, the trust fund will realize a loss. The trust funds loss will equal the amount of such difference plus the aggregate of reimbursable expenses the master servicer incurred in connection with such proceedings.

If the master servicer or its designee recovers Insurance Proceeds which, when added to any related Liquidation Proceeds and after deduction of certain expenses reimbursable to the master servicer, exceed the principal balance of such mortgage loan plus accrued interest that is payable to securityholders, the master servicer will be entitled to withdraw or retain from the Protected Account its normal servicing compensation with respect to such mortgage loan. If the master servicer has expended its own funds to restore the damaged mortgaged property and such funds have not been reimbursed under the related hazard insurance policy, the master servicer will be entitled to withdraw from the Protected Account out of related Liquidation Proceeds or Insurance Proceeds an amount equal to the funds it expended, in which event the trust fund may realize a loss up to the amount so charged.

RECOVERIES UNDER FHA INSURANCE AND VA GUARANTEES. The master servicer, on behalf of itself, the trustee and the securityholders, will present claims under any FHA Insurance or VA Guarantee with respect to the mortgage loans.

SERVICING AND OTHER COMPENSATION AND PAYMENT OF EXPENSES

A master servicer's primary servicing compensation with respect to a series of securities will come from the monthly payment to it, out of each interest payment on a mortgage loan, of an amount generally equal to a percentage per annum of the outstanding principal balance of such loan or from such other source specified in the related prospectus supplement. The related prospectus supplement will describe the primary compensation to be paid to the master servicer. If the master servicer's primary compensation is a percentage of the outstanding principal balance of each mortgage loan, such amounts will decrease as the mortgage loans amortize. In addition to primary compensation, the master servicer or the sub-servicers generally will be entitled to retain all assumption fees and late payment charges, to the extent collected from mortgagors, any prepayment penalties and, to the extent provided in the related prospectus supplement, any interest or other income earned on funds held in any Accounts. Each sub-servicer generally will receive a portion of the master servicer's primary compensation as its sub-servicing compensation.

To the extent specified in the related Agreement, the master servicer may pay from its servicing compensation certain expenses incurred in connection with its servicing of the mortgage loans, including, without limitation, payment in certain cases of premiums for insurance policies, guarantees, sureties or other forms of credit enhancement, payment of the fees and disbursements of the trustee and independent accountants, payment of expenses incurred in connection with distributions and reports to securityholders, and payment of certain other expenses. The master servicer will be entitled to reimbursement of expenses incurred in enforcing the obligations of sub-servicers and, under certain limited circumstances, lenders.

EVIDENCE AS TO COMPLIANCE

Each Agreement will provide that on or before a specified date in each year, a firm of independent public accountants will furnish a statement to the trustee to the effect that, on the basis of such firm's examination conducted substantially in compliance with the Uniform Single Attestation Program for Mortgage Bankers, the Audit Program for Mortgages serviced for Freddie Mac or a program certified by such firm to be comparable, the servicing by or on behalf of the master servicer of mortgage loans, agency securities or private mortgage-backed securities, under pooling and servicing agreements substantially similar to each other (including the related Agreement) was conducted in compliance with such agreements except for any significant exceptions or errors in records that, in the opinion of the firm,

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the Uniform Single Audit Program for Mortgage Bankers, the Audit Program for Mortgages serviced for Freddie Mac or such comparable program requires it to report. In rendering its statement such firm may rely, as to matters relating to the direct servicing of mortgage loans, agency securities or private mortgage-backed securities by sub-servicers, upon comparable statements for examinations conducted substantially in compliance with the Uniform Single Audit Program for Mortgage Bankers, the Audit Program for Mortgages serviced for Freddie Mac or such comparable program (rendered within one year of such statement) of firms of independent public accountants with respect to the related sub- servicer.

Each Agreement will provide for delivery to the trustee, on or before a specified date in each year, of an annual statement signed by an officer of each master servicer. Such annual statement will state that the master servicer has fulfilled its obligations under the Agreement throughout the preceding year.

Securityholders of the related series may obtain copies of the annual accountants' statement and the statement of officers of each master servicer without charge upon written request to the master servicer at the address provided in the related prospectus supplement.

CERTAIN MATTERS REGARDING THE MASTER SERVICER AND US

The related prospectus supplement will name one or more master servicers under each Agreement. Each entity serving as master servicer may have normal business relationships with our affiliates or us.

The Agreement will provide that a master servicer may not resign from its obligations and duties under that servicing agreement except upon a determination that its duties thereunder are no longer permissible under applicable law or as otherwise specified in the related prospectus supplement. No resignation will become effective until the trustee or a successor servicer has assumed the master servicer's obligations and duties under the Agreement.

Each Agreement will further provide that neither the master servicer, in certain instances, we, nor any director, officer, employee, or agent of the master servicer or us will be under any liability to the trustee, the related trust fund or securityholders for any action taken or for refraining from the taking of any action in good faith under such Agreement, or for errors in judgment. However, each Agreement will provide neither we, the master servicer, nor any such person will be protected against any breach of warranties or representations made in such Agreement or any liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of reckless disregard of obligations and duties under such Agreement. Each Agreement will further provide that we, the master servicer, in certain instances, and any one of our or the master servicer's directors, officers, employees or agents will be entitled to indemnification by the related trust fund and will be held harmless against any loss, liability or expense incurred in connection with any legal action relating to such Agreement or the securities, other than any loss, liability or expense related to any specific mortgage loan or mortgage loans (except any such loss, liability or expense otherwise reimbursable pursuant to that pooling and servicing agreement) and any loss, liability or expense incurred by reason of willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of reckless disregard of obligations and duties under such Agreement. In addition, each Agreement will provide that neither the master servicer nor, in certain instances, we will be under any obligation to appear in, prosecute or defend any legal action which is not incidental to its or our respective responsibilities under the Agreement and which in its or our opinion, as the case may be, may involve us or it in any expense or liability. We or the master servicer may, however, in its or our discretion, as the case may be, undertake any such action which we may deem necessary or desirable with respect to an Agreement and the rights and duties of the parties to such Agreement and the interests of the securityholders under such Agreement. In such event, the resulting legal expenses and costs of such action and any liability will be

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expenses, costs and liabilities of the trust fund. The master servicer, or we as the case may be, will be entitled to be reimbursed therefor out of funds otherwise payable to securityholders.

Any person into which the master servicer may be merged or consolidated, or any person resulting from any merger or consolidation to which the master servicer is a party, or any person succeeding to the business of the master servicer, will be the successor of the master servicer under each Agreement, provided that such person is qualified to sell mortgage loans to, and service mortgage loans on behalf of, Fannie Mae or Freddie Mac and further provided that such merger, consolidation or succession does not adversely affect the then current rating or ratings of the class or classes of securities of such series that have been rated.

EVENTS OF DEFAULT; RIGHTS UPON EVENT OF DEFAULT

POOLING AND SERVICING AGREEMENT; TRUST AGREEMENT; MASTER SERVICING AGREEMENT, An event of default under a pooling and servicing agreement, a trust agreement or a master servicing agreement generally will include:

- any failure by the master servicer to cause to be deposited in the Securities Account any amount so required to be deposited pursuant to the Agreement, and such failure continues unremedied for two business days or such other time period as is specified in the Agreement;
- any failure by the master servicer duly to observe or perform in any material respect any of its other covenants or agreements in the Agreement which continues unremedied for 60 days or such other time period as is specified in the Agreement after the giving of written notice of such failure to the master servicer by the trustee, or to the master servicer and the trustee by the holders of securities of any class evidencing not less than 25% of the aggregate principal amount or interests ("Percentage Interests") evidenced by such class; and
- certain events of insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings and certain actions by or on behalf of the master servicer indicating its insolvency, reorganization or inability to pay its obligations.

If the related prospectus supplement so specifies, the pooling and servicing agreement, the trust agreement or master servicing agreement will permit the trustee to sell the assets of the trust fund if payments in respect thereto are insufficient to make payments required in the Agreement. The assets of the trust fund will be sold only under the circumstances and in the manner specified in the related prospectus supplement.

In general, so long as an event of default under an Agreement remains unremedied, the trustee may, and at the direction of holders of securities evidencing Percentage Interests aggregating not less than 25% of the principal of the related trust fund and under such circumstances as may be specified in such Agreement, the trustee shall, terminate all of the rights and obligations of the master servicer under the Agreement relating to such trust fund and in and to the mortgage loans. Upon such termination, the trustee will succeed to all of the responsibilities, duties and liabilities of the master servicer under the Agreement, including, if the related prospectus supplement so specifies, the obligation to make advances, and will be entitled to similar compensation arrangements. If the trustee is unwilling or unable so to act, it may appoint, or petition a court of competent jurisdiction for the appointment of, a mortgage loan servicing institution with a net worth of at least $10,000,000 to act as successor to the master servicer under the Agreement. Pending such appointment, the trustee must act in such capacity. The trustee and any such successor may agree upon the servicing compensation to be paid, which in no event may be greater than the compensation payable to the master servicer under the Agreement.

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Except as set forth below, no securityholder, solely by virtue of such holder's status as a securityholder, will have any right under any Agreement to institute any proceeding with respect to such Agreement. If holders of securities of any class of such series evidencing not less than 25% of the aggregate Percentage Interest constituting such class make a written request upon the trustee to institute such proceeding in its own name as trustee and have offered to the trustee reasonable indemnity, and the trustee for 60 days has neglected or refused to institute any such proceeding, then a security holder may institute a proceeding with respect to such agreement.

INDENTURE. An event of default under the indenture for each series of notes will include:

- a default for 30 days or more in the payment of any principal of or interest on any note of such series;
- failure to perform any other covenant of the trust fund in the indenture which continues for a period of 60 days or such other time period as is specified in the Indenture after notice thereof is given in accordance with the procedures described in the related prospectus supplement;
- any representation or warranty made by the trust fund in the indenture or in any certificate or other writing delivered pursuant thereto or in connection therewith with respect to or affecting such series having been incorrect in a material respect as of the time made, and such breach is not cured within 60 days after notice thereof is given in accordance with the procedures described in the related prospectus supplement;
- certain events of our or the trust fund's bankruptcy, insolvency, receivership or liquidation; or
- any other event of default provided with respect to notes of that
- series.

If an event of default with respect to the notes of any series at the time outstanding occurs and is continuing, either the trustee or the securityholders of a majority of the then aggregate outstanding amount of the notes of such series may declare the principal amount (or, if the notes of that series are entitled to payment of principal only, such portion of the principal amount as the related prospectus supplement may specify) of all the notes of such series to be due and payable immediately. Under certain circumstances holders of a majority in aggregate outstanding amount of the notes of such series may rescind and annul such declaration.

If, following an event of default with respect to any series of notes, the notes of such series have been declared to be due and payable, the trustee may, in its discretion, notwithstanding such acceleration, elect to maintain possession of the collateral securing the notes of such series and to continue to apply distributions on such collateral as if there had been no declaration of acceleration if such collateral continues to provide sufficient funds for the payment of principal of and interest on the notes of such series as they would have become due if there had not been such a declaration. In addition, the trustee may not sell or otherwise liquidate the collateral securing the notes of a series following an event of default other than a default in the payment of any principal or interest on any note of such series for 30 days or more, unless:

- the securityholders of 100% of the then aggregate outstanding amount of the notes of such series consent to such sale,
- the proceeds of such sale or liquidation are sufficient to pay in full the principal of and accrued interest due and unpaid on the outstanding notes of such series at the date of such sale or

- the trustee determines that such collateral would not be sufficient on an ongoing basis to make all payments on such notes as such payments would have become due if such notes had not been declared due and payable, and the trustee obtains the consent of securityholders of 66-2/3% of the then aggregate outstanding amount of the notes of such series.

If the trustee liquidates the collateral in connection with an event of default involving a default for 30 days or more in the payment of principal of or interest on the notes of a series, the trustee will have a prior lien on the proceeds of any such liquidation for unpaid fees and expenses. As a result, upon the occurrence of such an event of default, the amount available for distribution to the securityholders of notes may be less than would otherwise be the case. However, the trustee may not institute a proceeding for the enforcement of its lien except in connection with a proceeding for the enforcement of the lien of the indenture for the benefit of the securityholders of notes after the occurrence of such an event of default.

In the event the principal of the notes of a series is declared due and payable, as described above, the securityholder of any such notes issued at a discount from par may be entitled to receive no more than an amount equal to the unpaid principal amount thereof less the amount of such discount which is unamortized.

Subject to the provisions of the indenture relating to the duties of the trustee, in case an event of default shall occur and be continuing with respect to a series of notes, the trustee will be under no obligation to exercise any of the rights or powers under the indenture at the request or direction of any of the securityholders of notes of such series, unless such securityholders have offered to the trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in complying with such request or direction. Subject to such provisions for indemnification and certain limitations contained in the indenture, the holders of a majority of the then aggregate outstanding amount of the notes of such series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the notes of such series. The holders of a majority of the then aggregate outstanding amount of the notes of such series may, in certain cases, waive any default with respect to the notes, except a default in the payment of principal or interest or a default in respect of a covenant or provision of the indenture that cannot be modified without the waiver or consent of all the holders of the outstanding notes of such series affected thereby.

THE TRUSTEE

The related prospectus supplement will set forth the identity of the commercial bank, savings and loan association or trust company named as the trustee for each series of securities. The entity serving as trustee may have normal banking relationships with our affiliates and us. In addition, for the purpose of meeting the legal requirements of certain local jurisdictions, the trustee will have the power to appoint co-trustees or separate trustees of all or any part of the trust fund relating to a series of securities. In the event of such appointment, all rights, powers, duties and obligations the applicable Agreement confers or imposes upon the trustee will be conferred or imposed upon the trustee and each such separate trustee or co-trustee jointly, or, in any jurisdiction in which the trustee shall be incompetent or unqualified to perform certain acts, singly upon such separate trustee or co-trustee who will exercise and perform such rights, powers, duties and obligations solely at the direction of the trustee. The trustee may also appoint agents to perform any of the responsibilities of the trustee, which agents will have any or all of the rights, powers, duties and obligations of the trustee conferred on them by such appointment; provided that the trustee will continue to be responsible for its duties and obligations under the Agreement. In the event a series includes both notes and certificates, a separate trustee identified in the related prospectus supplement will serve as trustee for the certificates and for the notes.

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DUTIES OF THE TRUSTEE

The trustee will not make any representations as to the validity or sufficiency of the Agreement, the securities or of any assets or related documents. If no event of default (as defined in the related Agreement) has occurred, the trustee is required to perform only those duties specifically required of it under the Agreement. Upon receipt of the various certificates, statements, reports or other instruments required to be furnished to it, the trustee is required to examine them to determine whether they are in the form the related Agreement requires. However, the trustee will not be responsible for the accuracy or content of any such documents furnished to it by the securityholders or the master servicer under the Agreement.

The trustee may be held liable for its own negligent action or failure to act, or for its own misconduct. However, the trustee will not be personally liable with respect to any action it takes, suffers or omits to take in good faith in accordance with the direction of the securityholders following an event of default. The trustee is not required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Agreement, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

RESIGNATION OF THE TRUSTEE

The trustee may, upon written notice to us, resign at any time. If the trustee resigns we will be obligated to use our best efforts to appoint a successor trustee. If no successor trustee has been appointed and has accepted the appointment within the period specified in the Agreement after the giving of such notice of resignation, the resigning trustee may petition any court of competent jurisdiction for appointment of a successor trustee. The trustee may also be removed at any time:

- if the trustee ceases to be eligible to continue as such under the Agreement,
- if the trustee becomes insolvent,
- if the trustee becomes incapable of acting, or
- by the securityholders evidencing over 51% of the aggregate voting rights of the securities in the trust fund upon written notice to the trustee and to us.

For any resignation or removal of the trustee and appointment of a successor trustee to be effective, the successor trustee must accept the appointment.

AMENDMENT

The parties to each Agreement may amend such Agreement, without the consent of any of the securityholders:

- to cure any ambiguity;
- to correct any defective provisions or to correct or supplement any provision in the Agreement;
- to comply with any changes in the Internal Revenue Code of 1986, as amended; or
- to make any other revisions with respect to matters or questions arising under the Agreement which are not inconsistent with the Agreement, provided that such action will not have a material adverse effect on the interests of any securityholder.

In addition, to the extent provided in the related Agreement, an Agreement may be amended without the consent of any of the securityholders, to change the manner in which the Securities Account, the Protected Account or any other Accounts are maintained, provided that any such change does not adversely affect the then current rating on the class or classes of securities of such series that have been rated. In addition, if a REMIC election is made with respect to a trust fund, the related Agreement may be amended to modify, eliminate or add to any of its provisions to such extent as may be necessary to maintain the qualification of the related trust fund as a REMIC, provided that the trustee has received an opinion of counsel to the effect that such action is necessary or helpful to maintain such qualification.

With consent of holders of securities of a series evidencing not less than 51% of the aggregate Percentage Interests of each class affected or of all the securities or of specified classes of securities as the prospectus supplement may provide, the parties to an Agreement may amend such Agreement for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of such Agreement or of modifying in any manner the rights of the holders of the related securities. However, no such amendment may reduce in any manner the amount of or delay the timing of, payments received on trust assets which are required to be distributed on any security without the consent of the holder of such security, or reduce the aforesaid percentage of securities of any class of holders which are required to consent to any such amendment without the consent of the holders of all securities of such class covered by such Agreement then outstanding. If a REMIC election is made with respect to a trust fund, the trustee will not be entitled to consent to an amendment to the related Agreement without having first received an opinion of counsel to the effect that such amendment will not cause such trust fund to fail to qualify as a REMIC.

TERMINATION; OPTIONAL TERMINATION

The obligations each Agreement creates for a series of securities generally will terminate upon the payment to the related securityholders of all amounts held in any Accounts or by the master servicer and required to be paid to them pursuant to such Agreement following the later of:

(1) the final payment or other liquidation of the last of the trust assets subject thereto or the disposition 58 of all property acquired upon foreclosure or deed in lieu of foreclosure of any mortgage assets remaining in the trust fund and

(2) the purchase by us, the master servicer or other entity specified in the related prospectus supplement including, if REMIC or FASIT treatment has been elected, by the holder of the residual interest in the REMIC or FASIT, from the related trust fund of all of the remaining trust assets and all property acquired in respect of mortgage assets remaining in the trust fund.

Any such purchase of trust assets and property acquired in respect of mortgage assets evidenced by a series of securities will be made at our option or the option of the other entity identified in the related prospectus supplement, at a price, and in accordance with the procedures, specified in the related prospectus supplement. Such purchase price may not in all cases equal the entire unpaid principal and accrued unpaid interest on the securities that are outstanding at the time of the optional termination due to among other things, if the party exercising the option repurchases loans on a distribution date it will purchase the loans (subject to the purchase of REO property at fair market value) at a price equal to the unpaid principal balances of the mortgage loans without interest following payment on the distribution date and the fact that any component of the purchase price based on existing REO property (i.e. real property acquired following foreclosure and as to which a realized loss has not yet been taken) will be equal to the fair market value of such property and not necessarily the previously outstanding principal balance of the related loan. There may not be sufficient proceeds to pay off the then current balance of and accrued unpaid interest on securities of such series outstanding. The exercise of such right will effect early retirement of the securities, but our right or the right of such other entity to so purchase will

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generally be subject to the principal balance of the related trust assets being less than the percentage specified in the related prospectus supplement of the aggregate principal balance of the trust assets at the cut-off date for the series. The foregoing is subject to the provision that if a REMIC or FASIT election is made with respect to a trust fund, any repurchase pursuant to clause (2) above will be made only in connection with a "qualified liquidation" of the REMIC or the FASIT within the meaning of Section 860F(g)(4) of the Code.

LEGAL ASPECTS OF THE MORTGAGE LOANS

The following discussion contains summaries of some legal aspects of mortgage loans. These summaries are general in nature. Because these legal aspects are governed primarily by state law which may differ substantially from state to state, the summaries do not purport to be complete or to reflect the laws of any particular state, or to encompass the laws of all states in which the security for the mortgage loans is situated.

GENERAL

SINGLE FAMILY LOANS AND MULTIFAMILY LOANS. Depending upon the prevailing practice in the state in which the property subject to the loan is located, mortgages, deeds of trust, security deeds or deeds to secure debt will secure the single family loans and multifamily loans. Deeds of trust are used almost exclusively in California instead of mortgages. A mortgage creates a lien upon the real property encumbered by the mortgage. The lien created by the mortgage generally is not prior to the lien for real estate taxes and assessments. Priority between mortgages depends on their terms and generally on the order of recording with a state or county office. There are two parties to a mortgage, the mortgagor, who is the borrower and owner of the mortgaged property, and the mortgagee, who is the lender. The mortgagor delivers to the mortgagee a note or bond and the mortgage. Although a deed of trust is similar to a mortgage, a deed of trust formally has three parties, the borrower-property owner called the trustor (similar to a mortgagor), a lender (similar to a mortgagee) called the beneficiary, and a third-party grantee called the trustee. Under a deed of trust, the borrower grants the property, irrevocably until the debt is paid, in trust, generally with a power of sale, to the trustee to secure payment of the obligation. A security deed and a deed to secure debt are special types of deeds which indicate on their face that they are granted to secure an underlying debt. By executing a security deed or deed to secure debt, the grantor conveys title to, as opposed to merely creating a lien upon, the subject property to the grantee until such time as the underlying debt is repaid. The mortgagee's authority under a mortgage, the trustee's authority under a deed of trust and the grantee's authority under a security deed or deed to secure debt are governed by law and, with respect to some deeds of trust, the directions of the beneficiary. The related prospectus supplement will specify the priority of the lien of the mortgage in a single family loan or multifamily loan prospectus supplement.

CONDOMINIUMS. Certain of the mortgage loans may be loans secured by condominium units. The condominium building may be a multi-unit building or buildings, or a group of buildings whether or not attached to each other, located on property subject to condominium ownership. Condominium ownership is a form of ownership of real property wherein each owner is entitled to the exclusive ownership and possession of his or her individual condominium unit. The owner also owns a proportionate undivided interest in all parts of the condominium building (other than the other individual condominium units) and all areas or facilities, if any, for the common use of the condominium units. The condominium unit owners appoint or elect the condominium association to govern the affairs of the condominium.

COOPERATIVES LOANS. Certain of the mortgage loans may be cooperative loans. The cooperative (1) owns all the real property that comprises the project, including the land and the apartment building comprised of separate dwelling units and common areas or (2) leases the land generally by a

long-term ground lease and owns the apartment building. The cooperative is directly responsible for project management and, in most cases, payment of real estate taxes and hazard and liability insurance. If there is a blanket mortgage on the property and/or underlying land, as is generally the case, the cooperative, as project mortgagor, is also responsible for meeting these mortgage obligations. Ordinarily, the cooperative incurs a blanket mortgage in connection with the construction or purchase of the cooperative's apartment building. The interest of the occupants under proprietary leases or occupancy agreements to which the cooperative is a party are generally subordinate to the interest of the holder of the blanket mortgage in that building. If the cooperative is unable to meet the payment obligations arising under its blanket mortgage, the mortgagee holding the blanket mortgage could foreclose on that mortgage and terminate all subordinate proprietary leases and occupancy agreements. In addition, the blanket mortgage on a cooperative may provide financing in the form of a mortgage that does not fully amortize with a significant portion of principal being due in one lump sum at final maturity. The inability of the cooperative to refinance this mortgage and its consequent inability to make such final payment could lead to foreclosure by the mortgagee providing the financing. A foreclosure in either event by the holder of the blanket mortgage could eliminate or significantly diminish the value of any collateral held by the lender who financed the purchase by an individual tenant-stockholder of cooperative shares or, in the case of a trust fund including cooperative loans, the collateral securing the cooperative loans.

The Cooperative is owned by tenant-stockholders who, through ownership of stock, shares or membership certificates in the corporation, receive proprietary leases or occupancy agreements which confer exclusive rights to occupy specific units. Generally, a tenant-stockholder of a cooperative must make a monthly payment to the cooperative representing such tenant-stockholder's pro rata share of the cooperative's payments for its blanket mortgage, real property taxes, maintenance expenses and other capital or ordinary expenses. An ownership interest in a cooperative and accompanying rights is financed through a cooperative share loan evidenced by a promissory note and secured by a security interest in the occupancy agreement or proprietary lease and in the related cooperative shares. The lender takes possession of the share certificate and a counterpart of the proprietary lease or occupancy agreement, and typically a financing statement covering the proprietary lease or occupancy agreement and the cooperative shares is filed in the appropriate state and local offices to perfect the lender's interest in its collateral. Subject to the limitations discussed below, upon default of the tenant-stockholder, the lender may sue for judgment on the promissory note, dispose of the collateral at a public or private sale or otherwise proceed against the collateral or tenant-stockholder as an individual as provided in the security agreement covering the assignment of the proprietary lease or occupancy agreement and the pledge of cooperative shares.

MANUFACTURED HOUSING CONTRACTS. Each manufactured housing contract evidences both (a) the obligation of the obligor to repay the loan evidenced thereby, and (b) the grant of a security interest in the manufactured home to secure repayment of such loan. The manufactured housing contracts generally are "chattel paper" as defined in the Uniform Commercial Code (the "UCC") in effect in the states in which the manufactured homes initially were registered. Pursuant to the UCC, the rules governing the sale of chattel paper are similar to those governing the perfection of a security interest in chattel paper. Under the Agreement, we generally will transfer or cause the transfer of physical possession of the manufactured housing contracts to the trustee or its custodian. In addition we will make or cause to be made an appropriate filing of a UCC-1 financing statement in the appropriate states to give notice of the trustee's ownership of the manufactured housing contracts.

Under the laws of most states, manufactured housing constitutes personal property and is subject to the motor vehicle registration laws of the state or other jurisdiction in which the unit is located. In a few states, where certificates of title are not required for manufactured homes, the filing of a financing statement under Article 9 of the UCC perfects security interests. Such financing statements are effective for five years and must be renewed at the end of each five years. The certificate of title laws adopted by

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the majority of states provide that ownership of motor vehicles and manufactured housing shall be evidenced by a certificate of title issued by the motor vehicles department (or a similar entity) of such state. In the states which have enacted certificate of title laws, a security interest in a unit of manufactured housing, so long as it is not attached to land in so permanent a fashion as to become a fixture, is generally perfected by the recording of such interest on the certificate of title to the unit in the appropriate motor vehicle registration office or by delivery of the required documents and payment of a fee to such office, depending on state law. The master servicer generally will be required to effect such notation or delivery of the required documents and fees, and to obtain possession of the certificate of title, as appropriate under the laws of the state in which any manufactured home is registered. If the master servicer fails, due to clerical errors or otherwise, to effect such notation or delivery, or files the security interest under the wrong law (for example, under a motor vehicle title statute rather than under the UCC, in a few states), the trustee may not have a first priority security interest in the manufactured home securing a manufactured housing contract.

As manufactured homes have become larger and often are attached to their sites without any apparent intention to move them, courts in many states have held that manufactured homes may, under certain circumstances, become subject to real estate title and recording laws. As a result, a security interest in a manufactured home could be rendered subordinate to the interests of other parties claiming an interest in the home under applicable state real estate law. In order to perfect a security interest in a manufactured home under real estate laws, the holder of the security interest must file either a "fixture filing" under the provisions of the UCC or a real estate mortgage under the real estate laws of the state where the home is located. The holder of the security interest must make these filings in the real estate records office of the county where the home is located. Generally, manufactured housing contracts will contain provisions prohibiting the obligor from permanently attaching the manufactured home to its site. So long as the obligor does not violate this agreement, a security interest in the manufactured home will be governed by the certificate of title laws or the UCC, and the notation of the security interest on the certificate of title or the filing of a UCC financing statement will be effective to maintain the priority of the security interest in the manufactured home. If, however, a manufactured home is permanently attached to its site, other parties could obtain an interest in the manufactured home which is prior to the security interest originally retained by us and transferred to us.

We will assign or cause to be assigned a security interest in the manufactured homes to the trustee, on behalf of the securityholders. In general, we, the master servicer and the trustee will not amend the certificates of title to identify the trustee, on behalf of the securityholders, as the new secured party. Accordingly, the lender or we will continue to be named as the secured party on the certificates of title relating to the manufactured homes. In most states, such assignment is an effective conveyance of such security interest without amendment of any lien noted on the related certificate of title and the new secured party succeeds to the our rights as the secured party. However, in some states there exists a risk that, in the absence of an amendment to the certificate of title, such assignment of the security interest might not be held effective against our or the lender's creditors.

In the absence of fraud, forgery or permanent affixation of the manufactured home to its site by the manufactured home owner, or administrative error by state recording officials, the notation of the lien of the trustee on the certificate of title or delivery of the required documents and fees should be sufficient to protect the trustee against the rights of subsequent purchasers of a manufactured home or subsequent lenders who take a security interest in the manufactured home. If there are any manufactured homes as to which the security interest assigned to us and the trustee is not perfected, such security interest would be subordinate to, among others, subsequent purchasers for value of manufactured homes and holders of perfected security interests. There also exists a risk in not identifying the trustee, on behalf of the securityholders as the new secured party on the certificate of title that, through fraud or negligence, the security interest of the trustee could be released.

If the owner of a manufactured home moves it to a state other than the state in which such manufactured home initially is registered, under the laws of most states the perfected security interest in the manufactured home would continue for four months after such relocation and thereafter until the owner re-registers the manufactured home in 61 such state. If the owner were to relocate a manufactured home to another state and re-register the manufactured home in such state, and if the trustee does not take steps to re-perfect its security interest in such state, the security interest in the manufactured home would cease to be perfected. A majority of states generally require surrender of a certificate of title to re-register a manufactured home; accordingly, the trustee must surrender possession if it holds the certificate of title to such manufactured home or, in the case of manufactured homes registered in states which provide for notation of lien, the master servicer would receive notice of surrender if the security interest in the manufactured home is noted on the certificate of title. Accordingly, the trustee would have the opportunity to re-perfect its security interest in the manufactured home in the state of relocation. In states which do not require a certificate of title for registration of a manufactured home, re-registration could defeat perfection. Similarly, when an obligor under a manufactured housing conditional sales contract sells a manufactured home, the obligee must surrender possession of the certificate of title or it will receive notice as a result of its lien noted thereon and accordingly will have an opportunity to require satisfaction of the related manufactured housing conditional sales contract before release of the lien. The master servicer will be obligated to take such steps, at the master servicer's expense, as are necessary to maintain perfection of security interests in the manufactured homes.

Under the laws of most states, liens for repairs performed on a manufactured home take priority even over a perfected security interest. We will obtain the representation of the lender that the lender has no knowledge of any such liens with respect to any manufactured home securing a manufactured housing contract. However, such liens could arise at any time during the term of a manufactured housing contract. No notice will be given to the trustee or securityholders in the event such a lien arises.

FORECLOSURE/REPOSSESSION

SINGLE FAMILY LOANS AND MULTIFAMILY LOANS. Foreclosure of a deed of trust is generally accomplished by a non- judicial sale under a specific provision in the deed of trust which authorizes the trustee to sell the property at public auction upon any default by the borrower under the terms of the note or deed of trust. In some states, such as California, the trustee must record a notice of default and send a copy to the borrower-trustor and to any person who has recorded a request for a copy of any notice of default and notice of sale. In addition the trustee must provide notice in some states to any other person having an interest of record in the real property, including any junior lienholders. Before such non- judicial sale takes place, typically a notice of sale must be posted in a public place and, in most states, including California, published during a specific period of time in one or more newspapers. In addition, these notice provisions require that a copy of the notice of sale be posted on the property and sent to parties having an interest of record in the property. In California, the entire process from recording a notice of default to recording a non-judicial sale usually takes four to five months.

In some states, including California, the borrower-trustor has the right to reinstate the loan at any time following default until shortly before the trustee's sale. In general, the borrower, or any other person having a junior encumbrance on the real estate, may, during a reinstatement period, cure the default by paying the entire amount in arrears plus the costs and expenses incurred in enforcing the obligation. Certain state laws control the amount of foreclosure expenses and costs, including attorney's fees, which a lender may recover.

Foreclosure of a mortgage is generally accomplished by judicial action. The action is initiated by the service of legal pleadings upon all parties having an interest in the real property. Delays in completion of the foreclosure may occasionally result from difficulties in locating necessary parties. When the mortgagee's right to foreclosure is contested, the legal proceedings necessary to resolve the issue can be

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time-consuming. After the completion of a judicial foreclosure proceeding, the court generally issues a judgment of foreclosure and appoints a referee or other court officer to conduct the sale of the property. In general, the borrower, or any other person having a junior encumbrance on the real estate, may, during a statutorily prescribed reinstatement period, cure a monetary default by paying the entire amount in arrears plus other designated costs and expenses incurred in enforcing the obligation. Generally, state law controls the amount of foreclosure expenses and costs, including attorney's fees, which a lender may recover. After the reinstatement period has expired without the default having been cured, the borrower or junior lienholder no longer has the right to reinstate the loan and must pay the loan in full to prevent the scheduled foreclosure sale. If the mortgage is not reinstated, a notice of sale must be posted in a public place and, in most states, published for a specific period of time in one or more newspapers. In addition, some state laws require that a copy of the notice of sale be posted on the property and sent to all parties having an interest in the real property.

Although foreclosure sales are typically public sales, frequently no third party purchaser bids in excess of the lender's lien because of the difficulty of determining the exact status of title to the property, the possible deterioration of the property during the foreclosure proceedings and a requirement that the purchaser pay for the property in cash or by cashier's check. Thus the foreclosing lender often purchases the property from the trustee or referee for an amount equal to the principal amount outstanding under the loan, accrued and unpaid interest and the expenses of foreclosure. Thereafter, the lender will assume the burden of ownership, including obtaining hazard insurance and making such repairs at its own expense as are necessary to render the property suitable for sale. The lender will commonly obtain the services of a real estate broker and pay the broker's commission in connection with the sale of the property. Depending upon market conditions, the ultimate proceeds of the sale of the property may not equal the lender's investment in the property.

Courts have imposed general equitable principles upon foreclosure. Such principles are designed to mitigate the legal consequences to the borrower of the borrower's defaults under the loan documents. Some courts have been faced with the issue of whether federal or state constitutional provisions reflecting due process concerns for fair notice require that borrowers under deeds of trust receive notice longer than that prescribed by statute. For the most part, these cases have upheld the notice provisions as being reasonable or have found that a trustee's sale under a deed of trust does not involve sufficient state action to afford constitutional protection to the borrower.

COOPERATIVE LOANS. The cooperative shares the tenant-stockholder owns and that are pledged to the lender are, in almost all cases, subject to restrictions on transfer as set forth in the cooperative's certificate of incorporation and bylaws, as well as the proprietary lease or occupancy agreement. The cooperative may cancel the cooperative shares for the tenant-stockholder's failure to pay rent or other obligations or charges owed, including mechanics' liens against the cooperative apartment building such tenant-stockholder incurs. The proprietary lease or occupancy agreement generally permits the cooperative to terminate such lease or agreement in the event an obligor fails to make payments or defaults in the performance of covenants required thereunder. Typically, the lender and the cooperative enter into a recognition agreement which establishes the rights and obligations of both parties in the event the tenant-stockholder defaults on its obligations under the proprietary lease or occupancy agreement. The tenant-stockholder's default under the proprietary lease or occupancy agreement will usually constitute a default under the security agreement between the lender and the tenant-stockholder.

The recognition agreement generally provides that, if the tenant-stockholder has defaulted under the proprietary lease or occupancy agreement, the cooperative will take no action to terminate such lease or agreement until the lender has been provided with an opportunity to cure the default. The recognition agreement typically provides that if the proprietary lease or occupancy agreement is terminated, the cooperative will recognize the lender's lien against proceeds from the sale of the cooperative apartment, subject, however, to the cooperative's right to sums due under such proprietary lease or occupancy

agreement. The total amount the tenant-stockholder owes to the cooperative, which the lender generally cannot restrict and does not monitor, could reduce the value of the collateral below the outstanding principal balance of the cooperative loan and accrued and unpaid interest thereon.

Recognition agreements also provide that in the event of a foreclosure on a cooperative loan, the lender must obtain the approval or consent of the cooperative as required by the proprietary lease before transferring the cooperative shares or assigning the proprietary lease.

In some states, foreclosure on the cooperative shares is accomplished by a sale in accordance with the provisions of Article 9 of the UCC and the security agreement relating to those shares. Article 9 of the UCC requires that a sale be conducted in a "commercially reasonable" manner. Whether a foreclosure sale has been conducted in a "commercially reasonable" manner will depend on the facts in each case. In determining commercial reasonableness, a court will look to the notice given the debtor and the method, manner, time, place and terms of the foreclosure. Generally, a sale conducted according to the usual practice of banks selling similar collateral will be considered reasonably conducted.

Article 9 of the UCC provides that the proceeds of the sale will be applied first to pay the costs and expenses of the sale and then to satisfy the indebtedness secured by the lender's security interest. The recognition agreement, however, generally provides that the lender's right to reimbursement is subject to the right of the cooperative to receive sums due under the proprietary lease or occupancy agreement. If there are proceeds remaining, the lender must account to the tenant-stockholder for the surplus. Conversely, if a portion of the indebtedness remains unpaid, the tenant- stockholder is generally responsible for the deficiency.

In the case of foreclosure on a building which was converted from a rental building to a building owned by a cooperative under a non-eviction plan, some states require that a purchaser at a foreclosure sale take the property subject to rent control and rent stabilization laws and existing shareholders and tenants are entitled to remain in the building pursuant to such laws.

MANUFACTURED HOUSING CONTRACTS. The master servicer on behalf of the trustee, to the extent the related Agreement requires, may take action to enforce the trustee's security interest with respect to manufactured housing contracts in default by repossession and resale of the manufactured homes securing such manufactured housing contracts in default. So long as the manufactured home has not become subject to the real estate law, a creditor can repossess a manufactured home securing a manufactured housing contract by voluntary surrender, by "self-help" repossession that is "peaceful" (I.E., without breach of the peace) or, in the absence of voluntary surrender and the ability to repossess without breach of the peace, by judicial process. The holder of a manufactured housing contract must give the debtor a number of days' notice, generally varying from 10 to 30 days depending on the state, before commencement of any repossession. The UCC and consumer protection laws in most states place restrictions on repossession sales, including requiring prior notice to the debtor and commercial reasonableness in effecting such a sale. The law in most states also requires that the debtor be given notice of any sale before resale of the unit so that the debtor may redeem at or before such resale. In the event of such repossession and resale of a manufactured home, the trustee would be entitled to be paid out of the sale proceeds before such proceeds could be applied to the payment of the claims of unsecured creditors or the holders of subsequently perfected security interests or, thereafter, to the debtor.

Under the laws applicable in most states, a creditor is entitled to obtain a deficiency judgment from a debtor for any deficiency on repossession and resale of the manufactured home securing such a debtor's loan. However, some states impose prohibitions or limitations on deficiency judgments.

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Certain other statutory provisions, including federal and state bankruptcy and insolvency laws and general equitable principles, may limit or delay the ability of a lender to repossess and resell collateral.

RIGHTS OF REDEMPTION

SINGLE FAMILY LOANS AND MULTIFAMILY LOANS. In certain states, after sale pursuant to a deed of trust or foreclosure of a mortgage, the borrower and foreclosed junior lienors are given a statutory period in which to redeem the property from the foreclosure sale. In certain other states, including California, this right of redemption applies only to sales following judicial foreclosure, and not to sales pursuant to a non-judicial power of sale. In some states, redemption may occur only upon payment of the entire principal balance of the loan, accrued interest and expenses of foreclosure. In other states, redemption may be authorized if the former borrower pays only a portion of the sums due. The effect of a statutory right of redemption would defeat the title of any purchaser from the lender after foreclosure or sale under a deed of trust. Consequently, the practical effect of the redemption right is to force the lender to retain the property and pay the expenses of ownership until the redemption period has run.

MANUFACTURED HOUSING CONTRACTS. While state laws do not usually require notice to be given debtors before repossession, many states do require delivery of a notice of default and of the debtor's right to cure defaults before repossession. The law in most states also requires that the debtor be given notice of sale before the resale of the home so that the owner may redeem at or before resale. In addition, the sale must comply with the requirements of the UCC. Manufactured homes are most often resold through private sale.

ANTI-DEFICIENCY LEGISLATION AND OTHER LIMITATIONS ON LENDERS

Certain states, including California, have adopted statutory prohibitions restricting the right of the beneficiary or mortgagee to obtain a deficiency judgment against borrowers financing the purchase of their residence or following sale under a deed of trust or certain other foreclosure proceedings. A deficiency judgment is a personal judgment against the borrower equal in most cases to the difference between the amount due to the lender and the fair market value of the real property sold at the foreclosure sale. As a result of these prohibitions, it is anticipated that in many instances the master servicer will not seek deficiency judgments against defaulting mortgagors. Under the laws applicable in most states, a creditor is entitled to obtain a deficiency judgment for any deficiency following possession and resale of a manufactured home. However, some states impose prohibitions or limitations on deficiency judgments in such cases.

Some state statutes may require the beneficiary or mortgagee to exhaust the security afforded under a deed of trust or mortgage by foreclosure in an attempt to satisfy the full debt before bringing a personal action against the borrower. In certain other states, the lender has the option of bringing a personal action against the borrower on the debt without first exhausting such security. However, in some of these states, the lender, following judgment on such personal action, may be deemed to have elected a remedy and may be precluded from exercising remedies with respect to the security. The practical effect of the election requirement, when applicable, is that lenders will usually proceed first against the security rather than bringing a personal action against the borrower.

In some states, exceptions to the anti-deficiency statutes are provided for in certain instances where the value of the lender's security has been impaired by acts or omissions of the borrower.

In addition to anti-deficiency and related legislation, numerous other federal and state statutory provisions, including the federal bankruptcy laws and state laws affording relief to debtors, may interfere

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with or affect the ability of the secured mortgage lender to realize upon its security. For example, in a proceeding under the federal Bankruptcy Code, a lender may not foreclose on a mortgaged property without the permission of the bankruptcy court. The rehabilitation plan the debtor proposes may provide, if the court determines that the value of the mortgaged property is less than the principal balance of the mortgage loan, for the reduction of the secured indebtedness to the value of the mortgaged property as of the date of the commencement of the bankruptcy, rendering the lender a general unsecured creditor for the difference, and also may reduce the monthly payments due under such mortgage loan, change the rate of interest and alter the mortgage loan repayment schedule. The effect of any such proceedings under the federal Bankruptcy Code, including but not limited to any automatic stay, could result in delays in receiving payments on the mortgage loans underlying a series of securities and possible reductions in the aggregate amount of such payments. Some states also have homestead exemption laws which would protect a principal residence from a liquidation in bankruptcy.

Federal and local real estate tax laws provide priority to certain tax liens over the lien of a mortgage or secured party. Numerous federal and state consumer protection laws impose substantive requirements upon mortgage lenders and manufactured housing lenders in connection with the origination, servicing and enforcement of single family loans, cooperative loans and manufactured housing contracts. These laws include the federal Truth-in-Lending Act, Real Estate Settlement Procedures Act, Equal Credit Opportunity Act, Fair Credit Billing Act, Fair Credit Reporting Act and related statutes and regulations. These federal and state laws impose specific statutory liabilities upon lenders who fail to comply with the provisions of the law. In some cases, this liability may affect assignees of the loans or contracts.

The so-called "Holder-in-Due-Course" Rule of the Federal Trade Commission, commonly known as the FTC, has the effect of subjecting a seller (and certain related creditors and their assignees) in a consumer credit transaction and any assignee of the creditor to all claims and defenses which the debtor in the transaction could assert against the seller of the goods. Liability under the FTC Rule is limited to the amounts the debtor paid on the contract, and the holder of the contract may also be unable to collect amounts still due thereunder.

Most of the manufactured housing contracts in a mortgage pool will be subject to the requirements of the FTC Rule. Accordingly, the trustee, as holder of the manufactured housing contracts, will be subject to any claims or defenses that the purchaser of the related manufactured home may assert against the seller of the manufactured home, subject to a maximum liability equal to the amounts the obligor paid on the manufactured housing contract. If an obligor is successful in asserting any such claim or defense, and if the lender had or should have had knowledge of such claim or defense, the master servicer will have the right to require the lender to repurchase the manufactured housing contract because of a breach of its representation and warranty that no claims or defenses exist which would affect the obligor's obligation to make the required payments under the manufactured housing contract.

Generally, Article 9 of the UCC governs foreclosure on cooperative shares and the related proprietary lease or occupancy agreement. Some courts have interpreted section 9-504 of the UCC to prohibit a deficiency award unless the creditor establishes that the sale of the collateral (which, in the case of a cooperative loan, would be the shares of the cooperative and the related proprietary lease or occupancy agreement) was conducted in a commercially reasonable manner.

DUE-ON-SALE CLAUSES

Each conventional mortgage loan generally will contain a due-on-sale clause which will generally provide that if the mortgagor or obligor sells, transfers or conveys the mortgaged property, the loan or contract may be accelerated by the mortgagor or secured party. The Garn-St Germain Depository Institutions Act of 1982 , subject to certain exceptions, preempts state constitutional, statutory and case

law prohibiting the enforcement of due-on-sale clauses. As to loans secured by an owner-occupied residence (which would include a manufactured home), the Garn-St Germain Depository Institutions Act of 1982 sets forth nine specific instances in which a mortgagee covered by the Act may not exercise its rights under a due-on-sale clause, notwithstanding the fact that a transfer of the property may have occurred. The inability to enforce a due-on-sale clause may result in transfer of the related mortgaged property to an uncreditworthy person, which could increase the likelihood of default or may result in a Mortgage bearing an interest rate below the current market rate being assumed by a new home buyer, which may affect the average life of the mortgage loan.

PREPAYMENT CHARGES

Under certain state laws, prepayment charges may not be imposed after a certain period of time following origination of single family loans, cooperative loans or manufactured housing contracts with respect to prepayments on loans secured by liens encumbering owner-occupied residential properties. Since many of the mortgaged properties will be owner-occupied, it is anticipated that prepayment charges may not be imposed with respect to many of the single family loans, cooperative loans and manufactured housing contracts. The absence of such a restraint on prepayment, particularly with respect to fixed rate single family loans, cooperative loans or manufactured housing contracts having higher specified interest rates or accrual percentage rates, may increase the likelihood of refinancing or other early retirement of such loans or contracts. Legal restrictions, if any, on prepayment of multifamily loans will be described in the related prospectus supplement.

APPLICABILITY OF USURY LAWS

Title V of the Depository Institutions Deregulation and Monetary Control Act of 1980, enacted in March 1980, referred to in this prospectus as Title V, provides that state usury limitations shall not apply to certain types of residential first mortgage loans originated by certain lenders after March 31, 1980. The Office of Thrift Supervision, as successor to the Federal Home Loan Bank Board, is authorized to issue rules and regulations and to publish interpretations governing implementation of Title V. The statute authorized the states to reimpose interest rate limits by adopting, before April 1, 1983, a law or constitutional provision which expressly rejects an application of the federal law. In addition, even where Title V is not so rejected, any state is authorized by the law to adopt a provision limiting discount points or other charges on mortgage loans covered by Title V. Certain states have taken action to reimpose interest rate limits and/or to limit discount points or other charges.

Title V also provides that, subject to the following conditions, state usury limitations will not apply to any loan which is secured by a first lien on certain kinds of manufactured housing. The manufactured housing contracts would be covered if they satisfy certain conditions, among other things, governing the terms of any prepayment, late charges and deferral fees and requiring a 30-day notice period before instituting any action leading to repossession of or foreclosure with respect to the related unit. Title V authorized any state to reimpose limitations on interest rates and finance charges by adopting before April 1, 1983 a law or constitutional provision which expressly rejects application 66 of the federal law. Fifteen states adopted such a law prior to the April 1, 1983 deadline. In addition, even where Title V was not so rejected, any state is authorized by the law to adopt a provision limiting discount points or other charges on loans covered by Title V. In any state in which application of Title V was expressly rejected or a provision limiting discount points or other charges has been adopted, no manufactured housing contract which imposes finance charges or provides for discount points or charges in excess of permitted levels will be included in any trust fund.

SOLDIERS' AND SAILORS' CIVIL RELIEF ACT

Generally, under the terms of the Soldiers' and Sailors' Civil Relief Act of 1940, as amended, or Relief Act, a borrower who enters military service after the origination of such borrower's mortgage loan (including a borrower who is a member of the National Guard or is in reserve status at the time of the origination of the mortgage loan and is later called to active duty) may not be charged interest above an annual rate of 6% during the period of such borrower's active duty status, unless a court orders otherwise upon application of the lender. It is possible that such interest rate limitation could have an effect, for an indeterminate period of time, on the ability of the master servicer to collect full amounts of interest on certain of the mortgage loans. In general, any shortfall in interest collections resulting from the application of the Relief Act could result in losses to the holders of the securities. In addition, the Relief Act imposes limitations which would impair the ability of the master servicer to foreclose on an affected mortgage loan during the borrower's period of active duty status. Thus, if such a mortgage loan goes into default, there may be delays and losses occasioned by the inability to realize upon the mortgaged property in a timely fashion.

PRODUCT LIABILITY AND RELATED LITIGATION

Certain environmental and product liability claims may be asserted alleging personal injury or property damage from the existence of certain chemical substances which may be present in building materials. For example, formaldehyde and asbestos have been and in some cases are incorporated into many building materials used in manufactured and other housing. As a consequence, lawsuits may arise from time to time asserting claims against manufacturers or builders of the housing, suppliers of component parts, and related persons in the distribution process. Plaintiffs have won such judgments in certain such lawsuits.

Under the FTC Holder in Due-Course Rule, the holder of any manufactured housing contract secured by a manufactured home with respect to which a product liability claim has been successfully asserted may be liable to the obligor for the amount the obligor paid on the related manufactured housing contract. Additionally, the holder may be unable to collect amounts still due under the manufactured housing contract. In general, the successful assertion of a product liability claim constitutes a breach of a representation or warranty of the lender, and the securityholders would suffer a loss only to the extent that (1) the lender breached its obligation to repurchase the manufactured housing contract in the event an obligor is successful in asserting such a claim, and (2) the lender, we or the trustee were unsuccessful in asserting any claim of contribution or subrogation on behalf of the securityholders against the manufacturer or other persons who were directly liable to the plaintiff for the damages. Typical products liability insurance policies held by manufacturers and component suppliers of manufactured homes may not cover liabilities arising from formaldehyde and certain other chemicals in manufactured housing, with the result that recoveries from such manufacturers, suppliers or other persons may be limited to their corporate assets without the benefit of insurance.

To the extent related prospectus supplement describes, the mortgage loans may include installment sales contracts entered into with the builders of the homes located on the mortgaged properties. The mortgagors in some instances may have claims and defenses against the builders which could be asserted against the trust fund.

ENVIRONMENTAL CONSIDERATIONS

Environmental conditions may diminish the value of the mortgage assets and give rise to liability of various parties. There are many federal and state environmental laws concerning hazardous waste, hazardous substances, petroleum substances (including heating oil and gasoline), radon and other materials which may affect the property securing the mortgage assets. For example, under the Federal

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Comprehensive Environmental Response Compensation and Liability Act, as amended, and possibly under state law in certain states, a secured party which takes a deed in lieu of foreclosure or purchases a mortgaged property at a foreclosure sale may become liable in certain circumstances for the costs of a remedial action ("Cleanup Costs") if hazardous wastes or hazardous substances have been released or disposed of on the property. Such Cleanup Costs may be substantial. It is possible that such costs could become a liability of the trust fund and reduce the amounts otherwise distributable to the securityholders if a mortgaged property securing a mortgage loan became the property of the trust fund in certain circumstances and if such Cleanup Costs were incurred. Moreover, certain states by statute impose a priority lien for any Cleanup Costs incurred by such state on the property that is the subject of such Cleanup Costs (a "Superlien"). In such states, even prior recorded liens are subordinated to Superliens. In these states, the security interest of the trustee in a property that is subject to a Superlien could be adversely affected.

FEDERAL INCOME TAX CONSEQUENCES

GENERAL

This section sets forth (1) the federal income tax opinion of Stroock & Stroock & Lavan LLP and Thacher, Profitt & Woods, each our, federal tax counsel, described below regarding the federal income tax status of the entity issuing the securities and the federal income tax characterization of such securities, and (2) a summary, based on the advice of our federal tax counsel, of the material federal income tax consequences of the purchase, ownership and disposition of securities. The summary focuses primarily upon investors who will hold securities as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended, but much of the discussion is applicable to other investors as well. Because tax consequences may vary based on the status or tax attributes and the individual circumstances or special treatment under the income tax laws of the owner of a security, we urge you to consult your own tax advisers concerning the federal, state, local and any other tax consequences of the purchase, ownership and disposition of securities. For purposes of this tax discussion (except with respect to information reporting, or where the context indicates otherwise), any reference to the "holder" means the beneficial owner of a security.

The summary is based upon the provisions of the Code, the regulations promulgated under the Code, including, where applicable, proposed regulations, and the judicial and administrative rulings and decisions now in effect, all of which are subject to change or possible differing interpretations. The statutory provisions, regulations, and interpretations on which this interpretation is based are subject to change, and such a change could apply retroactively.

The federal income tax consequences with respect to a series of securities to holders will vary depending on whether:

(1) an election is made to treat the trust fund (or certain assets of the trust fund) relating to a particular series of securities as a REMIC under the Code;

(2) an election is made to treat the trust fund (or certain assets of the trust fund) as a financial asset securitization investment trust ("FASIT") under the Code;

(3) for federal income tax purposes the trust fund is classified as a grantor trust;

(4) for federal income tax purposes the trust fund is classified as a partnership or is disregarded as an entity separate from its owner;

(5) the securities represent an ownership interest for federal income tax purposes in some or all of the assets included in the trust fund for a series; and/or

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(6) the securities of a series are classified as indebtedness for federal income tax purposes.

The prospectus supplement for each series of securities will specify how the securities will be treated for federal income tax purposes and will discuss whether a REMIC or FASIT election, if any, will be made with respect to such series.

REMIC AND FASIT ELECTIONS

Under the Code, an election may be made with respect to each trust fund related to a series of securities to treat such trust fund or certain assets of such trust fund as a REMIC or a FASIT. The prospectus supplement for each series of securities will indicate whether a REMIC or a FASIT election will be made with respect to the related trust fund. To the extent provided in the prospectus supplement for a series, holders may also have the benefit of a reserve account and of certain agreements (each, a "Yield Supplement Agreement") under which payment will be made from the reserve account or under the Yield Supplement Agreement if interest accrued on the mortgage loans at their specified interest rates is insufficient to pay interest on the securities of such series (a "Basis Risk Shortfall").

REMIC SECURITIES

GENERAL. REMIC securities are securities (or the interests composing securities) of a series with respect to which a REMIC election will be made. If a REMIC election with respect to a trust fund is to be made, the prospectus supplement will designate the securities of such series or the interests composing such securities as "regular interests" ("REMIC regular securities"), which where the context so requires includes a reference to each interest composing a security where such interest has been designated as a regular interest, in lieu of such securities, in the REMIC (within the meaning of Section 860G(a)(1) of the Code) or as the residual interest in the REMIC ("REMIC residual securities") (within the meaning of Section 860G(a)(2) of the Code). With respect to each series of REMIC securities, the trustee will agree in the Agreement to elect to treat the related trust fund or certain assets of such trust fund as a REMIC. Qualification as a REMIC requires ongoing compliance with certain conditions. Upon the issuance of each series of REMIC securities, federal tax counsel will deliver its opinion that, with respect to each series of REMIC securities for which a REMIC election is to be made, under then existing law, and assuming a proper and timely REMIC election and ongoing compliance with the provisions of the Agreement and applicable provisions of the Code and applicable Treasury regulations, the related trust fund or certain assets of such trust fund will be a REMIC and the REMIC securities will be considered to evidence ownership of "regular interests" or "residual interests" within the meaning of the REMIC provisions of the Code.

ALLOCATION OF PURCHASE PRICE. To the extent the prospectus supplement for a series so provides, holders of REMIC regular securities who are entitled to payments from the reserve account in the event of a Basis Risk Shortfall will be required to allocate their purchase price between their beneficial ownership interests in the related REMIC regular interests and Yield Supplement Agreements, and will be required to report their income realized with respect to each, calculated taking into account such allocation. In general, such allocation would be based on the respective fair market values of the REMIC regular interests and the related Yield Supplement Agreements on the date of purchase of the related REMIC regular security. However, a portion of the purchase price of a REMIC regular security should be allocated to accrued but unpaid interest. No representation is or will be made as to the fair market value of the Yield Supplement Agreements or the relative values of the REMIC regular interests and the Yield Supplement Agreements, upon initial issuance of the related REMIC regular securities or at any time thereafter. Holders of REMIC regular securities are advised to consult their own advisors concerning the determination of such fair market values. Under the applicable Agreement, holders of applicable REMIC regular securities will agree that, for federal income tax purposes, they will be treated as owners of the respective regular interests and of the corresponding Yield Supplement Agreement.

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STATUS OF REMIC SECURITIES. REMIC securities (other than the portion attributable to any Yield Supplement Agreements) will be "real estate assets" for purposes of Section 856(c)(4)(A) of the Code and assets described in Section 7701(a)(19)(C) of the Code (assets qualifying under one or both of those sections, applying each section separately, "qualifying assets") to the extent that the REMIC's assets are qualifying assets. However, if at least 95 percent of the REMIC's assets are qualifying assets, then 100 percent of the REMIC securities (other than the portion attributable to Yield Supplement Agreements) will be qualifying assets. Similarly, income on the REMIC securities will be treated as "interest on obligations secured by mortgages on real property" within the meaning of Section 856(c)(3)(B) of the Code, subject to the limitations of the preceding two sentences. In addition to the mortgage assets, the REMIC's assets will include payments on the mortgage assets held pending distribution to holders of REMIC securities, amounts in reserve accounts (if any), other credit enhancements (if any), and possibly buydown funds ("buydown funds"). The prospectus supplement will indicate whether the mortgage assets will be qualifying assets under the foregoing sections of the Code. The regulations under Sections 860A through 860G of the Code (the "REMIC Regulations") treat credit enhancements as part of the mortgages or pool of mortgages to which they relate, and therefore credit enhancements generally should be qualifying assets. Regulations issued in conjunction with the REMIC Regulations provide that amounts paid on the mortgage assets and held pending distribution to holders of REMIC securities ("cash flow investments") will be treated as qualifying assets. Treasury regulations do not address whether amounts in a reserve account or buydown funds would also constitute qualifying assets. The prospectus supplement for each series will indicate (if applicable) that it has buydown funds. The REMIC securities will not be "residential loans" for purposes of the residential loan requirement of Section 593(g)(4)(B) of the Code.

TIERED REMIC STRUCTURES

For certain series of securities, two or more separate elections may be made to treat designated portions of the related trust fund as REMICs, known as "Tiered REMICs," for federal income tax purposes. Upon the issuance of any such series of securities, federal tax counsel will deliver its opinion that, assuming compliance with all provisions of the related Agreement and applicable provisions of the Code and applicable Treasury regulations and rulings, the Tiered REMICs will each qualify under then existing law as a REMIC and the REMIC securities issued by the Tiered REMICs, respectively, will be considered to evidence ownership of "regular interests" or "residual interests" in the related REMIC within the meaning of the REMIC provisions of the Code.

Solely for purposes of determining whether the REMIC securities (other than the portion attributable to Yield Supplement Agreements) will be "real estate assets" within the meaning of Section 856(c)(4)(A) of the Code, and assets described in Section 7701(a)(19)(C) of the Code, and whether the income on such securities is interest described in Section 856(c)(3)(B) of the Code, the Tiered REMICs will be treated as one REMIC.

REMIC REGULAR SECURITIES

CURRENT INCOME ON REMIC REGULAR SECURITIES-GENERAL. Except as this prospectus otherwise indicates, the REMIC regular securities will be treated for federal income tax purposes (but not necessarily for accounting or other purposes) as debt instruments that are issued by the REMIC on the date of issuance of the REMIC regular securities and not as beneficial interests in the REMIC or the REMIC's assets. Holders of REMIC regular securities who would otherwise report income under a cash method of accounting will be required to report income with respect to REMIC regular securities under an accrual method.

Payments of interest on REMIC regular securities may be based on a fixed rate, a variable rate as permitted by the REMIC Regulations, or may consist of a specified portion of the interest payments on qualified mortgages where such portion does not vary during the period the REMIC regular security is

outstanding. The definition of a variable rate for purposes of the REMIC Regulations is based on the definition of a qualified floating rate for purposes of the rules governing original issue discount set forth in Sections 1271 through 1275 of the Code and the regulations thereunder (the "OID Regulations") with certain modifications and permissible variations. See "--Current Income on REMIC Regular Securities--Original Issue Discount" and "--Variable Rate REMIC Regular Securities" below, for a discussion of the definition of a qualified floating rate for purposes of the OID Regulations. In contrast to the OID Regulations, for purposes of the REMIC Regulations, a qualified floating rate excludes any multiple of a qualified floating rate (also excluding multiples of qualified floating rates that themselves would constitute qualified floating rates under the OID Regulations), and the characterization of a variable rate that is subject to a cap, floor or similar restriction as a qualified floating rate for purposes of the REMIC Regulations will not depend upon the OID Regulations relating to caps, floors, and similar restrictions. See "--Current Income on REMIC Regular Securities--Original Issue Discount" and "--Variable Rate REMIC Regular Securities" below for discussion of the OID Regulations relating to caps, floors and similar restrictions. A qualified floating rate, as defined above for purposes of the REMIC Regulations (a "REMIC qualified floating rate"), qualifies as a variable rate for purposes of the REMIC Regulations if such REMIC qualified floating rate is set at a "current rate" as defined in the OID Regulations. In addition, a rate equal to the highest, lowest or an average of two or more REMIC qualified floating rates qualifies as a variable rate for REMIC purposes. A REMIC regular security may also have a variable rate based on a weighted average of the interest rates on some or all of the qualified mortgages held by the REMIC where each qualified mortgage taken into account has a fixed rate or a variable rate that is permissible under the REMIC Regulations. Further, a REMIC regular security may have a rate that is the product of a REMIC qualified floating rate or a weighted average rate and a fixed multiplier, is a constant number of basis points more or less than a REMIC qualified floating rate or a weighted average rate, or is the product, plus or minus a constant number of basis points, of a REMIC qualified floating rate or a weighted average rate and a fixed multiplier. An otherwise permissible variable rate for a REMIC regular security, described above, will not lose its character as such because it is subject to a floor or a cap, including a "funds available cap" as that term is defined in the REMIC Regulations. Lastly, a REMIC regular security will be considered as having a permissible variable rate if it has a fixed or otherwise permissible variable rate during one or more payment or accrual periods and different fixed or otherwise permissible variable rates during other payment or accrual periods.

ORIGINAL ISSUE DISCOUNT. REMIC regular securities of certain series may be issued with "original issue discount" within the meaning of Section 1273(a) of the Code. Holders of REMIC regular securities issued with original issue discount generally must include original issue discount in gross income for federal income tax purposes as it accrues, in advance of receipt of the cash attributable to such income, under a method that takes account of the compounding of interest. The Code requires that information with respect to the original issue discount accruing on any REMIC regular security be reported periodically to the Internal Revenue Service and to certain categories of holders of such REMIC regular securities.

Each trust fund will report original issue discount, if any, to the holders of REMIC regular securities based on the OID Regulations. OID Regulations concerning contingent payment debt instruments do not apply to the REMIC regular securities.

The OID Regulations provide that, in the case of debt instruments such as REMIC regular securities, (1) the amount and rate of accrual of original issue discount will be calculated based on a reasonable assumed prepayment rate (the "Prepayment Assumption"), and (2) adjustments will be made in the amount and rate of accrual of such discount to reflect differences between the actual prepayment rate and the Prepayment Assumption. The method for determining the appropriate assumed prepayment rate will eventually be set forth in Treasury regulations, but those regulations have not yet been issued. The applicable legislative history indicates, however, that such regulations will provide that the assumed

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prepayment rate for securities such as the REMIC regular securities will be the rate used in pricing the initial offering of the securities. The prospectus supplement for each series of REMIC regular securities will specify the Prepayment Assumption, but no representation is made that the REMIC regular securities will, in fact, prepay at a rate based on the Prepayment Assumption or at any other rate.

In general, a REMIC regular security will be considered to be issued with original issue discount if its stated redemption price at maturity exceeds its issue price. Except as discussed below under "--Payment Lag REMIC Regular Securities; Initial Period Considerations," and "--Qualified Stated Interest," and in the case of certain REMIC regular securities having variable interest rates and accrual securities, the stated redemption price at maturity of a REMIC regular security is its principal amount. The issue price of a REMIC regular security is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the class of REMIC regular securities is sold. The issue price will be reduced if any portion of such price is allocable to a related Yield Supplement Agreement.

Notwithstanding the general definition of original issue discount, such discount will be considered to be zero for any REMIC regular security on which such discount is less than 0.25% of its stated redemption price at maturity multiplied by its weighted average life. The weighted average life of a REMIC regular security apparently is computed for purposes of this de minimis rule as the sum, for all distributions included in the stated redemption price at maturity of the REMIC regular security, of the amounts determined by multiplying (1) the number of complete years (rounding down for partial years) from the Closing Date to the date on which each such distribution is expected to be made, determined under the Prepayment Assumption, by (2) a fraction, the numerator of which is the amount of such distribution and the denominator of which is the REMIC regular security's stated redemption price at maturity. The OID Regulations provide that holders will include any de minimis original issue discount ratably as payments of stated principal are made on the REMIC regular securities.

The holder of a REMIC regular security issued with original issue discount must include in gross income the sum of the "daily portions" of such original issue discount for each day during its taxable year on which it held such REMIC regular security. In the case of an original holder of a REMIC regular security, the daily portions of original issue discount are determined first by calculating the portion of the original issue discount that accrued during each period (an "accrual period") that begins on the day following a distribution date (or in the case of the first such period, begins on the Closing Date) and ends on the next succeeding distribution date. The original issue discount accruing during each accrual period is then allocated ratably to each day during such period to determine the daily portion of original issue discount for that day.

The portion of the original issue discount that accrues in any accrual period will equal the excess, if any, of (1) the sum of (A) the present value, as of the end of the accrual period, of all of the distributions to be made on the REMIC regular security, if any, in future periods and (B) the distributions made on the REMIC regular security during the accrual period that are included in such REMIC regular security's stated redemption price at maturity, over (2) the adjusted issue price of such REMIC regular security at the beginning of the accrual period. The present value of the remaining distributions referred to in the preceding sentence will be calculated assuming that the REMIC regular securities will be prepaid in future periods at a rate computed in accordance with the Prepayment Assumption and using a discount rate equal to the original yield to maturity of the REMIC regular securities. For these purposes, the original yield to maturity of the REMIC regular securities will be calculated based on their issue price and assuming that the REMIC regular securities will be prepaid in accordance with the Prepayment Assumption. The adjusted issue price of a REMIC regular security at the beginning of any accrual period will equal the issue price of such REMIC regular security, increased by the portion of the original issue discount that has accrued during prior accrual periods, and reduced by the amount of any distributions made on such REMIC regular security in prior accrual periods that were included in such REMIC regular security's stated redemption price at maturity.

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The daily portions of original issue discount may increase or decrease depending on the extent to which the actual rate of prepayments diverges from the Prepayment Assumption. If original issue discount accruing during any accrual period computed as described above is negative, it is likely that a holder will be entitled to offset such amount only against positive original issue discount accruing on such REMIC regular security in future accrual periods (or, possibly, preceding accrual periods). Such a holder may be entitled to deduct a loss to the extent that its remaining basis would exceed the maximum amount of future payments to which such holder is entitled. However, Treasury regulations do not address this issue.

A subsequent holder that purchases a REMIC regular security issued with original issue discount at a cost that is less than its remaining stated redemption price at maturity will also generally be required to include in gross income, for each day on which it holds such REMIC regular security, the daily portions of original issue discount with respect to the REMIC regular security, calculated as described above. However, if (1) the excess of the remaining stated redemption price at maturity over such cost is less than (2) the aggregate amount of such daily portions for all days after the date of purchase until final retirement of such REMIC regular security, then such daily portions will be reduced proportionately in determining the income of such holder.

QUALIFIED STATED INTEREST. Interest payable on a REMIC regular security which qualifies as "qualified stated interest" for purposes of the OID Regulations will not be includable in the stated redemption price at maturity of the REMIC regular security. If the interest on a REMIC regular security does not constitute "qualified stated interest," the REMIC regular security will have original issue discount. Interest payments will not qualify as qualified stated interest unless the interest payments are "unconditionally payable." The OID Regulations state that interest is unconditionally payable if reasonable legal remedies exist to compel timely payment, or the debt instrument otherwise provides terms and conditions that make the likelihood of late payment (other than a late payment that occurs within a reasonable grace period) or nonpayment of interest a remote contingency, as defined in the OID Regulations. Treasury regulations do not address whether the terms and conditions of the mortgage assets underlying the REMIC regular securities or the terms and conditions of the REMIC regular securities are considered when determining whether the likelihood of late payment or nonpayment of interest is a remote contingency. Any terms or conditions that do not reflect arm's length dealing or that the holder does not intend to enforce are not considered.

PREMIUM. A purchaser of a REMIC regular security that purchases such REMIC regular security at a cost greater than its remaining stated redemption price at maturity will be considered to have purchased such REMIC regular security at a premium, and may, under Section 171 of the Code, elect to amortize such premium under a constant yield method over the life of the REMIC regular security. The Prepayment Assumption is probably taken into account in determining the life of the REMIC regular security for this purpose. Except as provided in regulations, amortizable premium will be treated as an offset to interest income on the REMIC regular security.

PAYMENT LAG REMIC REGULAR SECURITIES; INITIAL PERIOD CONSIDERATIONS. Certain REMIC regular securities will provide for distributions of interest based on a period that is the same length as the interval between distribution dates but ends prior to each distribution date. Any interest that accrues prior to the Closing Date may be treated under the OID Regulations either (1) as part of the issue price and the stated redemption price at maturity of the REMIC regular securities or (2) as not included in the issue price or the stated redemption price. The OID Regulations provide a special application of the de minimis rule for debt instruments with long first accrual periods where the interest payable for the first period is at a rate which is effectively less than that which applies in all other periods. In such cases, for the sole purpose of determining whether original issue discount is de minimis, the OID Regulations provide that the stated redemption price is equal to the instrument's issue price plus the

greater of the amount of foregone interest or the excess (if any) of the instrument's stated principal amount over its issue price.

VARIABLE RATE REMIC REGULAR SECURITIES. Under the OID Regulations, REMIC regular securities paying interest at a variable rate (a "variable rate REMIC regular security") are subject to special rules. A variable rate REMIC regular security will qualify as a "variable rate debt instrument" if:

1. its issue price does not exceed the total noncontingent principal payments due under the variable rate REMIC regular security by more than a specified de minimis amount;

2. it provides for stated interest, paid or compounded at least annually, at (a) one or more qualified floating rates, (b) a single fixed rate and one or more qualified floating rates, (c) a single objective rate or (d) a single fixed rate and a single objective rate that is a qualified inverse floating rate; and

3. it does not provide for any principal payments that are contingent, as defined in the OID Regulations, except as provided in (1), above. Because the OID Regulations relating to contingent payment debt instruments do not apply to REMIC regular interests, principal payments on the REMIC regular securities should not be considered contingent for this purpose.

A "qualified floating rate" is any variable rate where variations in the value of such rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the variable rate REMIC regular security is denominated. A multiple of a qualified floating rate will generally not itself constitute a qualified floating rate for purposes of the OID Regulations. However, a variable rate equal to (1) the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35 or (2) the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate will constitute a qualified floating rate for purposes of the OID Regulations. In addition, under the OID Regulations, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the variable rate REMIC regular security will be treated as a single qualified floating rate (a "Presumed Single Qualified Floating Rate"). Two or more qualified floating rates with values within 25 basis points of each other as determined on the variable rate REMIC regular security's issue date will be conclusively presumed to be a Presumed Single Qualified Floating Rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate, but which is subject to one or more restrictions such as a cap or floor, will not be a qualified floating rate for purposes of the OID Regulations unless the restriction is fixed throughout the term of the variable rate REMIC regular security or the restriction is not reasonably expected as of the issue date to significantly affect the yield of the variable rate REMIC regular security.

An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based upon objective financial or economic information. The OID Regulations also provide that other variable rates may be treated as objective rates if the Internal Revenue Service so designates in the future. An interest rate on a REMIC regular security that is the weighted average of the interest rates on some or all of the qualified mortgages held by the REMIC should constitute an objective rate. Despite the foregoing, a variable rate of interest on a variable rate REMIC regular security will not constitute an objective rate if it is reasonably expected that the average value of such rate during the first half of the variable rate REMIC regular security's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the variable rate REMIC regular security's term. Further, an objective rate excludes a rate that is based on information that is within the control of the issuer (or a party related to the issuer) or that is unique to the circumstances of the issuer (or a party related to the issuer). An objective rate will qualify as a "qualified

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inverse floating rate" if such rate is equal to a fixed rate minus a qualified floating rate and variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. The OID Regulations also provide that if a variable rate REMIC regular security provides for stated interest at a fixed rate for an initial period of less than one year followed by a variable rate that is either a qualified floating rate or an objective rate and if the variable rate on the variable rate REMIC regular security's issue date is intended to approximate the fixed rate, then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be (a "Presumed Single Variable Rate"). If the value of the variable rate and the initial fixed rate are within 25 basis points of each other as determined on the variable rate REMIC regular security's issue date, the variable rate will be conclusively presumed to approximate the fixed rate.

For variable rate REMIC regular securities that qualify as a "variable rate debt instrument" under the OID Regulations and provide for interest at either a single qualified floating rate, a single objective rate, a Presumed Single Qualified Floating Rate or a Presumed Single Variable Rate throughout the term (a "single variable rate REMIC regular security"), original issue discount is computed as described above in "--Current Income on REMIC Regular Securities--Original Issue Discount" based on the following: (1) stated interest on the single variable rate REMIC regular security which is unconditionally payable in cash at least annually will constitute qualified stated interest; (2) by assuming that the variable rate on the single variable rate REMIC security is a fixed rate equal to: (a) in the case of a single variable rate REMIC regular security with a qualified floating rate or a qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or the qualified inverse floating rate or (b) in the case of a single variable rate REMIC regular security with an objective rate (other than a qualified inverse floating rate), a fixed rate which reflects the reasonably expected yield for such single variable rate REMIC regular security; and (3) the qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid under the assumed fixed rate described in (2), above.

In general, any variable rate REMIC regular security other than a single variable rate REMIC regular security (a "multiple variable rate REMIC regular security") that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of original issue discount and qualified stated interest on the multiple variable rate REMIC regular security. The OID Regulations generally require that such a multiple variable rate REMIC regular security be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the multiple variable rate REMIC regular security with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the multiple variable rate REMIC regular security's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the multiple variable rate REMIC regular security is converted into a fixed rate that reflects the yield that is reasonably expected for the multiple variable rate REMIC regular security. (A multiple variable rate REMIC regular security may not bear more than one objective rate.) In the case of a multiple variable rate REMIC regular security that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the multiple variable rate REMIC regular security provides for a qualified inverse floating rate). Under such circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the multiple variable rate REMIC regular security as of the multiple variable rate REMIC regular security's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the multiple variable rate REMIC

regular security is then converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the multiple variable rate REMIC regular security is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amounts of original issue discount and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the original issue discount rules to the "equivalent" fixed rate debt instrument in the manner described above in "--Current Income on REMIC Regular Securities--Original Issue Discount." A holder of the multiple variable rate REMIC regular security will account for such original issue discount and qualified stated interest as if the holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or original issue discount assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument if such amounts differ from the actual amount of interest accrued or paid on the multiple variable rate REMIC regular security during the accrual period.

If a variable rate REMIC regular security does not qualify as a "variable rate debt instrument" under the OID Regulations, then the variable rate REMIC regular security would be treated as a contingent payment debt obligation. The manner in which a variable rate REMIC regular security would be taxed if such REMIC regular security were treated as a contingent payment debt obligation is not governed by the OID Regulations relating to contingent payment debt obligations which do not apply to REMIC regular interests and Treasury regulations do not otherwise address this point.

INTEREST-ONLY REMIC REGULAR SECURITIES. The trust fund intends to report income from interest-only REMIC regular securities to the Internal Revenue Service and to holders of interest-only REMIC regular securities based on the assumption that the stated redemption price at maturity is equal to the sum of all payments determined under the Prepayment Assumption. As a result, such interest-only REMIC regular securities will be treated as having original issue discount.

MARKET DISCOUNT. A holder that acquires a REMIC regular security at a market discount (that is, a discount that exceeds any unaccrued original issue discount) will recognize gain upon receipt of a principal distribution, regardless of whether the distribution is scheduled or is a prepayment. In particular, the holder of a REMIC regular security will be required to allocate that principal distribution first to the portion of the market discount on such REMIC regular security that has accrued but has not previously been includable in income, and will recognize ordinary income to that extent. In general terms, unless Treasury regulations when issued provide otherwise, market discount on a REMIC regular security may be treated, at the election of the holder of the REMIC regular security, as accruing either (1) under a constant yield method, taking into account the Prepayment Assumption, or (2) in proportion to accruals of original issue discount (or, if there is no original issue discount, in proportion to stated interest at the interest rate).

In addition, a holder may be required to defer deductions for a portion of the holder's interest expense on any debt incurred or continued to purchase or carry a REMIC regular security purchased with market discount. The deferred portion of any interest deduction would not exceed the portion of the market discount on the REMIC regular security that accrues during the taxable year in which such interest would otherwise be deductible and, in general, would be deductible when such market discount is included in income upon receipt of a principal distribution on, or upon the sale of, the REMIC regular security. The Code requires that information necessary to compute accruals of market discount be reported periodically to the Internal Revenue Service and to certain categories of holders of REMIC regular securities.

Notwithstanding the above rules, market discount on a REMIC regular security will be considered to be zero if such discount is less than 0.25% of the remaining stated redemption price at

maturity of such REMIC regular security multiplied by its weighted average remaining life. Weighted average remaining life presumably is calculated in a manner similar to weighted average life (described above under "--Current Income on REMIC Regular Securities--Original Issue Discount"), taking into account distributions (including prepayments) before the date of acquisition of such REMIC regular security by the subsequent purchaser. If market discount on a REMIC regular security is treated as zero under this rule, the actual amount of such discount must be allocated to the remaining principal distributions on such REMIC regular security in proportion to the amounts of such principal distributions, and when each such distribution is made, gain equal to the discount, if any, allocated to the distribution will be recognized.

ELECTION TO TREAT ALL INTEREST UNDER THE CONSTANT YIELD RULES. The OID Regulations provide that the holder of a debt instrument issued after April 4, 1994 may elect to include in gross income all interest that accrues on such debt instrument using the constant yield method. For purposes of this election, interest includes stated interest, original issue discount, and market discount, as adjusted to account for any premium. Holders of REMIC regular securities should consult their own tax advisors regarding the availability or advisability of such an election.

SINGLE-CLASS REMICS. In the case of "single-class REMICs," certain expenses of the REMIC will be allocated to the holders of the REMIC regular securities. The deductibility of such expenses may be subject to certain limitations.

SALES OF REMIC REGULAR SECURITIES. If a REMIC regular security is sold, the seller will recognize gain or loss equal to the difference between the amount realized on the sale and its adjusted basis in the REMIC regular security. A holder's adjusted basis in a REMIC regular security generally equals the cost of the REMIC regular security to the holder, increased by income the holder reported with respect to the REMIC regular security and reduced (but not below zero) by distributions on the REMIC regular security the holder received and by amortized premium. Except as indicated in the next two paragraphs, any such gain or loss generally will be capital gain or loss provided the REMIC regular security is held as a capital asset.

Gain from the sale of a REMIC regular security that might otherwise be capital gain will be treated as ordinary income to the extent that such gain does not exceed the excess, if any, of (1) the amount that would have been includable in the seller's income with respect to the REMIC regular security had income accrued thereon at a rate equal to 110% of "the applicable federal rate" (generally, an average of current yields on Treasury securities), determined as of the date of purchase of the REMIC regular security, over (2) the amount actually includable in the seller's income. In addition, gain recognized on the sale of a REMIC regular security by a seller who purchased the REMIC regular security at a market discount would be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued during the period the REMIC regular security was held by such seller, reduced by any market discount includable in income under the rules described above under "--Current Income on REMIC Regular Securities--Market Discount."

REMIC regular securities will be "evidences of indebtedness" within the meaning of Section 582(c)(1) of the Code, so that gain or loss recognized from a sale of a REMIC regular security by a bank or other financial institution to which such section applies would be ordinary income or loss.

TERMINATION. The REMIC will terminate, if not earlier, shortly following the REMIC's receipt of the final payment in respect of the underlying qualified mortgages. The last distribution on a REMIC regular security should be treated as a payment in full retirement of a debt instrument.

TAX TREATMENT OF YIELD SUPPLEMENT AGREEMENTS

Whether a holder of a REMIC regular security of a series will have a separate contractual right to payments under a Yield Supplement Agreement, and the tax treatment of such payments, if any, will be addressed in the related prospectus supplement.

REMIC RESIDUAL SECURITIES

Because the REMIC residual securities will be treated as "residual interests" in the REMIC, each holder of a REMIC residual security will be required to take into account its daily portion of the taxable income or net loss of the REMIC for each day during the calendar year on which it holds its REMIC residual security. The daily portion is determined by allocating to each day in a calendar quarter a ratable portion of the taxable income or net loss of the REMIC for that quarter and allocating such daily amounts among the holders on such day in proportion to their holdings. All income or loss of the REMIC taken into account by a holder of a REMIC residual security must be treated as ordinary income or loss as the case may be. Income from residual interests is "portfolio income" which cannot be offset by "passive activity losses" in the hands of individuals or other persons subject to the passive loss rules. The Code also provides that all residual interests must be issued on the REMIC's startup day and designated as such. For this purpose, "startup day" means the day on which the REMIC issues all of its regular and residual interests, and under the REMIC Regulations may, in the case of a REMIC to which property is contributed over a period of up to ten consecutive days, be any day the REMIC designates within such period.

The taxable income of the REMIC, for purposes of determining the amounts taken into account by holders of REMIC residual securities, is determined in the same manner as in the case of an individual, with certain exceptions. The accrual method of accounting must be used and the taxable year of the REMIC must be the calendar year. The basis of property contributed to the REMIC in exchange for regular or residual interests is its fair market value immediately after the transfer. The REMIC Regulations determine the fair market value of the contributed property by deeming it equal to the aggregate issue prices of all regular and residual interests in the REMIC.

A REMIC regular security will be considered indebtedness of the REMIC. Market discount on any of the mortgage assets the REMIC holds must be included in the income of the REMIC as it accrues, rather than being included in income only upon sale of the mortgage assets or as principal on the mortgage assets is paid. The REMIC is not entitled to any personal exemptions or to deductions for taxes paid to foreign countries and U.S. possessions, charitable contributions or net operating losses, or to certain other deductions to which individuals are generally entitled. Income or loss in connection with a "prohibited transaction" is disregarded.

As previously discussed, the timing of recognition of negative original issue discount, if any, on a REMIC regular security is uncertain. As a result, the timing of recognition of the related REMIC taxable income is also uncertain. The related REMIC taxable income may be recognized when the adjusted issue price of such REMIC regular security would exceed the maximum amount of future payments with respect to such REMIC regular security. However, Treasury regulations do not address this issue.

A REMIC residual security has a tax basis in its holder's hands that is distinct from the REMIC's basis in its assets. The tax basis of a REMIC residual security in its holder's hands will be its cost (i.e., the purchase price of the REMIC residual security), and will be reduced (but not below zero) by the holder's share of cash distributions and losses and increased by its share of taxable income from the REMIC.

If, in any year, cash distributions to a holder of a REMIC residual security exceed its share of the REMIC's taxable income, the excess will constitute a return of capital to the extent of the holder's basis in

its REMIC residual security. A return of capital is not treated as income for federal income tax purposes, but will reduce the tax basis of the holder in its REMIC residual security (but not below zero). If a REMIC residual security basis is reduced to zero, any cash distributions with respect to that REMIC residual security in any taxable year in excess of its share of the REMIC's income would be taxable to the holder as gain on the sale or exchange of its interest in the REMIC.

The losses of the REMIC taken into account by a holder of a REMIC residual security in any quarter may not exceed the holder's basis in its REMIC residual security. Any excess losses may be carried forward indefinitely to future quarters subject to the same limitation.

There is no REMIC counterpart to the partnership election under Code Section 754 to increase or decrease the partnership's basis in its assets by reference to the adjusted basis to subsequent partners of their partnership interest. Consequently, a subsequent purchaser of a REMIC residual security at a premium will not be able to use the premium to reduce its share of the REMIC's taxable income.

MISMATCHING OF INCOME AND DEDUCTIONS. The taxable income recognized by the holder of a REMIC residual security in any taxable year will be affected by, among other factors, the relationship between the timing of recognition of interest and discount income (or deductions for amortization of premium) with respect to qualified mortgages, on the one hand, and the timing of deductions for interest (including original issue discount) on the REMIC regular securities, on the other. In many cases, particularly if there are multiple classes of REMIC regular securities issued at different yields, and having different weighted average lives, taxable income recognized by the holders of REMIC residual securities may be greater than cash flow in earlier years of the REMIC (with a corresponding taxable loss or less taxable income than cash flow in later years). This may result from the fact that interest expense deductions, expressed as a percentage of the outstanding principal amount of the REMIC regular securities, will increase over time as the shorter term, lower yielding classes of REMIC regular securities are paid, whereas interest income from the mortgage assets may not increase over time as a percentage of the outstanding principal amount of the mortgage assets.

In the case of Tiered REMICs, the OID Regulations provide that the regular interests in the REMIC which directly owns the mortgage assets (the "Lower Tier REMIC") will be treated as a single debt instrument for purposes of the original issue discount provisions. Therefore, the trust fund will calculate the taxable income of Tiered REMICs by treating the Lower Tier REMIC regular interests as a single debt instrument.

EXCESS INCLUSIONS. Any "excess inclusions" with respect to a REMIC residual security will be subject to certain special rules. The excess inclusions with respect to a REMIC residual security are equal to the excess, if any, of its share of REMIC taxable income for the quarterly period over the sum of the daily accruals for such quarterly period. The daily accrual for any day on which the REMIC residual security is held is determined by allocating to each day in a quarter its allocable share of the product of (A) 120% of the long-term applicable federal rate (for quarterly compounding) that would have applied to the REMIC residual securities (if they were debt instruments) on the closing date under Section 1274(d)(1) of the Code and (B) the adjusted issue price of such REMIC residual securities at the beginning of a quarterly period. For this purpose, the adjusted issue price of such REMIC residual security at the beginning of a quarterly period is the issue price of such securities plus the amount of the daily accruals of REMIC taxable income for all prior quarters, decreased by any distributions made with respect to such securities before the beginning of such quarterly period.

The excess inclusions of a REMIC residual security may not be offset by other deductions, including net operating loss carryforwards, on a holder's return.

Statutory rules governing the relationship between excess inclusions and the alternative minimum tax provide that (1) the alternative minimum taxable income of a taxpayer is based on the taxpayer's regular taxable income computed without regard to the rule that taxable income cannot be less than the amount of excess inclusions, (2) the alternative minimum taxable income of a taxpayer for a taxable year cannot be less than the amount of excess inclusions for that year, and (3) the amount of any alternative minimum tax net operating loss is computed without regard to any excess inclusions.

If the holder of a REMIC residual security is an organization subject to the tax on unrelated business income imposed by Section 511 of the Code, the excess inclusions will be treated as unrelated business taxable income of such holder for purposes of Section 511 of the Code. In addition, the Code provides that under Treasury regulations, if a real estate investment trust - commonly referred to as a REIT - owns a REMIC residual security, to the extent excess inclusions of the REIT exceed its real estate investment trust taxable income (excluding net capital gains), the excess inclusions would be allocated among the shareholders of the REIT in proportion to the dividends the shareholders received from the REIT. Excess inclusions derived by regulated investment companies - referred to as RICs - common trust funds, and subchapter T cooperatives must be allocated to the shareholders of such entities using rules similar to those applicable to REITs. The Internal Revenue Service has not yet adopted or proposed such regulations as to REITs, RICs, or similar entities. A life insurance company cannot adjust its reserve with respect to variable contracts to the extent of any excess inclusion, except as provided in regulations.

The Internal Revenue Service has authority to promulgate regulations providing that if the aggregate value of the REMIC residual securities is not considered to be "significant," then the entire share of REMIC taxable income of a holder of a REMIC residual security may be treated as excess inclusions subject to the foregoing limitations. This authority has not been exercised to date.

PROHIBITED TRANSACTIONS. A REMIC is subject to tax at a rate of 100 percent on any net income it derives from "prohibited transactions." In general, "prohibited transaction" means the disposition of a qualified mortgage other than pursuant to specified exceptions, the receipt of income as compensation for services, the receipt of income from a source other than a qualified mortgage or certain other permitted investments, or gain from the disposition of an asset representing a temporary investment of payments on the qualified mortgages pending distribution on the REMIC securities. In addition, a tax is imposed on a REMIC equal to 100 percent of the value of certain property contributed to the REMIC after its "startup day." No REMIC in which interests are offered hereunder will accept contributions that would cause it to be subject to such tax. This provision will not affect a REMIC's ability in accordance with the Agreement to accept substitute mortgage assets or to sell defective mortgage assets.

A REMIC is subject to a tax (deductible from its income) on any "net income from foreclosure property" (determined in accordance with Section 857(b)(4)(B) of the Code as if the REMIC were a REIT).

The related prospectus supplement will indicate whether any tax described in the two preceding paragraphs that may be imposed on a trust fund initially would be borne by the REMIC residual securities in the related REMIC rather than by the REMIC regular securities.

DEALERS' ABILITY TO MARK TO MARKET REMIC RESIDUAL SECURITIES. Treasury regulations provide that all REMIC residual securities acquired on or after January 4, 1995 are not securities and cannot be marked to market pursuant to Section 475 of the Code.

TRANSFERS OF REMIC RESIDUAL SECURITIES

TAX ON DISPOSITION OF REMIC RESIDUAL SECURITIES. The sale of a REMIC residual security by a holder will result in gain or loss equal to the difference between the amount realized on the sale and the adjusted basis of the REMIC residual security.

If the seller of a REMIC residual security held the REMIC residual security as a capital asset, the gain or loss generally will be capital gain or loss. However, under Section 582(c) of the Code, the sale of a REMIC residual security by certain banks and other financial institutions will be considered a sale of property other than a capital asset, resulting in ordinary income or loss. Although the tax treatment with respect to a REMIC residual security that has unrecovered basis after all funds of the trust fund have been distributed is not addressed in Treasury regulations, under general tax principles, the holder would be entitled to claim a loss in the amount of the unrecovered basis.

The Code provides that, except as provided in Treasury regulations (which have not yet been issued), if a holder sells a REMIC residual security and acquires the same or other REMIC residual securities, residual interests in another REMIC, or any similar interests in a "taxable mortgage pool" (as defined in Section 7701(i) of the Code) during the period beginning six months before, and ending six months after, the date of such sale, such sale will be subject to the "wash sale" rules of Section 1091 of the Code. In that event, any loss the seller realized on the sale generally will not be currently deductible.

A tax is imposed on the transfer of any residual interest in a REMIC to a "disqualified organization." The tax is imposed on the transferor, or, where the transfer is made through an agent of the disqualified organization, on the agent. "Disqualified organizations" include for this purpose the United States, any State or political subdivision thereof, any foreign government, any international organization or agency or instrumentality of the foregoing (with an exception for certain taxable instrumentalities of the United States, of a State or of a political subdivision thereof), any rural electrical and telephone cooperative, and any tax-exempt entity (other than certain farmers' cooperatives) not subject to the tax on unrelated business income.

The amount of tax to be paid by the transferor on a transfer to a disqualified organization is equal to the present value of the total anticipated excess inclusions for periods after such transfer with respect to the interest transferred multiplied by the highest corporate rate of tax. The transferor (or agent, as the case may be) will be relieved of liability so long as the transferee furnishes an affidavit that it is not a disqualified organization and the transferor or agent lacks actual knowledge that the affidavit is false. Under the REMIC Regulations, an affidavit will be sufficient if the transferee furnishes (A) a social security number, and states under penalties of perjury that the social security number is that of the transferee, or (B) a statement under penalties of perjury that it is not a disqualified organization.

TREATMENT OF PAYMENTS TO A TRANSFEREE IN CONSIDERATION OF TRANSFER OF A REMIC RESIDUAL SECURITY. The preamble to the REMIC Regulations indicates that the Internal Revenue Service is considering the appropriate federal income tax consequences of any consideration paid to a transferee on a transfer of an interest in a REMIC residual security and has requested comments on this issue from tax practitioners. A transferee of such an interest should consult its own tax advisors.

RESTRICTIONS ON TRANSFER; HOLDING BY PASS-THROUGH ENTITIES. An entity or segregated pool of assets cannot qualify as a REMIC absent reasonable arrangements designed to ensure that (1) residual interests in such entity or segregated pool are not held by disqualified organizations and (2) the REMIC makes available information necessary to calculate the tax due on transfers to disqualified organizations (i.e., a computation of the present value of the excess inclusions). The governing instruments of a trust fund will contain provisions designed to ensure the foregoing, and any transferee of

a REMIC residual security must execute and deliver an affidavit stating that neither the transferee nor any person for whose account such transferee is acquiring the REMIC residual security is a disqualified organization. In addition, as to the requirement that reasonable arrangements be made to ensure that disqualified organizations do not hold a residual interest in the REMIC, the REMIC Regulations require that notice of the prohibition be provided either through a legend on the certificate that evidences ownership, or through a conspicuous statement in the prospectus or other offering document used to offer the residual interest for sale. As to the requirement that sufficient information be made available to calculate the tax on transfers to disqualified organizations (or the tax, discussed below, on pass-through entities, interests in which are held by disqualified organizations), the REMIC Regulations further require that such information also be provided to the Internal Revenue Service.

A tax is imposed on "pass-through entities" holding residual interests where a disqualified organization is a record holder of an interest in the pass-through entity. "Pass-through entity" is defined for this purpose to include RICs, REITs, common trust funds, partnerships, trusts, estates and subchapter T cooperatives. Except as provided in regulations, nominees holding interests in a "pass-through entity" for another person will also be treated as "pass-through entities" for this purpose. The tax is equal to the amount of excess inclusions allocable to the disqualified organization for the taxable year multiplied by the highest corporate rate of tax, and is deductible by the "pass-through entity" against the gross amount of ordinary income of the entity.

The Agreement provides that any attempted transfer of a beneficial or record interest in a REMIC residual security will be null and void unless the proposed transferee provides to the trustee an affidavit that such transferee is not a disqualified organization.

All partners of certain "electing large partnerships" having 100 or more number of partners will be treated as disqualified organizations for purposes of the tax imposed on pass-through entities if such partnerships hold residual interests in a REMIC. In addition, 70 percent of an electing large partnership's miscellaneous itemized deductions will be disallowed, including deductions for servicing and guaranty fees and any expenses of the REMIC, although the remaining deductions will not be subject to the 2 percent floor applicable to individual partners.

The REMIC Regulations provide that a transfer of a "noneconomic residual interest" will be disregarded for all federal income tax purposes unless impeding the assessment or collection of tax was not a significant purpose of the transfer. A residual interest will be treated as a "noneconomic residual interest" unless, at the time of the transfer (1) the present value of the expected future distributions on the residual interest at least equals the product of (x) the present value of all anticipated excess inclusions with respect to the residual interest and (y) the highest corporate tax rate, and (2) the transferor reasonably expects that for each anticipated excess inclusion, the transferee will receive distributions from the REMIC, at or after the time at which taxes on such excess inclusion accrue, sufficient to pay the taxes thereon. A significant purpose to impede the assessment or collection of tax exists if the transferor, at the time of the transfer, either knew or should have known (had "improper knowledge") that the transferee would be unwilling or unable to pay taxes due on its share of the taxable income of the REMIC. A transferor will be presumed under a safe harbor not to have improper knowledge if (1) the transferor conducts, at the time of the transfer, a reasonable investigation of the financial condition of the transferee and, as a result of the investigation, the transferor finds that the transferee has historically paid its debts as they came due and finds no significant evidence to indicate that the transferee will not continue to pay its debts as they come due in the future, and (2) the transferee represents to the transferor that (A) the transferee understands that it might incur tax liabilities in excess of any cash received with respect to the residual interest and (B) the transferee intends to pay the taxes associated with owning the residual interest as they come due. Any transferee of a REMIC residual security must execute and deliver to the transferor an affidavit containing the representations described in (2) above. A different formulation of this rule applies to transfers of REMIC residual securities by or to foreign transferees.

The Treasury recently proposed regulations that would modify the safe harbor relating to transfers of noneconomic residuals. In order to comply with the safe harbor, the proposed regulations would impose an additional requirement that the present value of the anticipated tax liabilities associated with holding the residual interest not exceed the sum of (a) the present value of any consideration given to the transferee to acquire the residual interest, (b) the present value of the expected future distributions on the residual interest and (c) the present value of the anticipated tax savings associated with holding the interest as the REMIC generates losses. The regulations are proposed to be effective for transfers of noneconomic residuals on or after February 4, 2000.

The Internal Revenue Service has also issued additional guidance in Rev. Proc. 2001-12 concerning the safe harbor. The Revenue Procedure provides an alternative means of complying with the safe harbor to the present value test described above. The alternative test is satisfied for a transfer if (a) the transferee's gross assets for financial reporting purposes exceed $100 million and its net assets for financial reporting purposes exceed $10 million at the time of the transfer and at the close of each of the transferee's two fiscal years preceding the year of the transfer, (b) the transferee is an eligible corporation (any domestic subchapter C corporation other than a tax-exempt corporation, regulated investment company, real estate investment trust, REMIC or cooperative) and agrees in writing that any subsequent transfer of the residual interest will be to another eligible corporation in a manner that satisfies the safe harbor and (c) the facts and circumstances, including the amount of consideration paid to the transferee, do not reasonably indicate to the transferor that the taxes associated with the residual interest will not be paid. The Revenue Procedure further provides that a transfer will not satisfy the alternative test if the transfer is to a foreign branch of an eligible corporation or involves any other arrangement by which the residual interest is at any time subject to net tax by a foreign country or possession of the United States.

DEDUCTIBILITY OF TRUST FUND EXPENSES

A holder of REMIC securities that is an individual, estate or trust will be subject to the limitation with respect to certain itemized deductions described in Section 67 of the Code, to the extent that such deductions, in the aggregate, do not exceed two percent of the holder's adjusted gross income, and such holder may not be able to deduct such fees and expenses to any extent in computing such holder's alternative minimum tax liability. In addition, the amount of itemized deductions otherwise allowable for the taxable year for an individual whose adjusted gross income exceeds the "applicable amount" ($100,000 (or $50,000 in the case of a separate return by a married individual), adjusted for changes in the cost of living after 1990) will be reduced by the lesser of (1) 3 percent of the excess of adjusted gross income over the applicable amount, or (2) 80 percent of the amount of itemized deductions otherwise allowable for such taxable year. Such deductions will include servicing, guarantee, and administrative fees paid to the master servicer of the mortgage assets. These deductions will be allocated entirely to the holders of the REMIC residual securities in the case of REMIC Trust Funds with multiple classes of REMIC regular securities that do not pay their principal amounts ratably. As a result, the REMIC will report additional taxable income to holders of REMIC residual securities in an amount equal to their allocable share of such deductions, and individuals, estates, or trusts holding an interest in such REMIC residual securities may have taxable income in excess of the cash received. In the case of a "single-class REMIC," the expenses will be allocated, under Treasury regulations, among the holders of the REMIC regular securities and the REMIC residual securities on a daily basis in proportion to the relative amounts of income accruing to each holder on that day. In the case of a holder of a REMIC regular security who is an individual or a "pass-through interest holder" (including certain pass-through entities, but not including REITs), the deductibility of such expenses will be subject to the limitations described above. The reduction or disallowance of these deductions may have a significant impact on the yield of REMIC regular securities to such a holder. In general terms, a single-class REMIC is one that either (1) would qualify, under existing Treasury regulations, as a grantor trust if it were not a REMIC (treating all interests as ownership interests, even if they would be classified as debt for federal income tax purposes)

or (2) is similar to such a trust and which is structured with the principal purpose of avoiding the single-class REMIC rules. In the case of a partnership that has 100 or more partners and elects to be treated as an "electing large partnership," 70 percent of such partnership's miscellaneous itemized deductions will be disallowed although the remaining deductions will generally be allowed at the partnership level and will not be subject to the 2 percent floor that would otherwise be applicable to individual partners.

FOREIGN INVESTORS IN REMIC SECURITIES

REMIC REGULAR SECURITIES. Except as discussed below, a holder of a REMIC regular security who is not a "United States person" (as defined below) generally will not be subject to United States income or withholding tax in respect of a distribution on a REMIC regular security, provided that (1) the holder complies to the extent necessary with certain identification requirements, including timely delivery of a statement, signed by the holder of the REMIC regular security under penalties of perjury, certifying that the holder of the REMIC regular security is the beneficial owner and is not a United States person (and providing the name and address of the holder), (2) the holder is not a "10- percent shareholder" within the meaning of Section 871(h)(3)(B) of the Code, which could be interpreted to apply to a holder of a REMIC regular security who holds a direct or indirect 10 percent interest in the REMIC residual securities, (3) the holder is not a "controlled foreign corporation" (as defined in the Code) related to the REMIC or related to a 10 percent holder of a residual interest in the REMIC, and (4) the holder is not engaged in a United States trade or business, or otherwise subject to federal income tax as a result of any direct or indirect connection to the United States other than through its ownership of a REMIC regular security. For these purposes, the term "United States person" means:

1. a citizen or resident of the United States,

2. a corporation, partnership (or other entity treated as a corporation or partnership that is) created or organized in or under the laws of the United States or any political subdivision thereof,

3. an estate whose income is includable in gross income for United States federal income taxation regardless of its source, and

4. a trust for which one or more United States persons have the authority to control all substantial decisions and for which a court of the United States can exercise primary supervision over the trust's administration.

Treasury regulations (the "Final Withholding Regulations"), which are generally effective with respect to payments made after December 31, 1999, consolidate and modify the current certification requirements and means by which a holder may claim exemption from United States federal income tax withholding and provide certain presumptions regarding the status of holders when payments to the holders cannot be reliably associated with appropriate documentation provided to the payor. All holders should consult their tax advisors regarding the application of the Final Withholding Regulations.

REMIC RESIDUAL SECURITIES. The Conference Report to the Tax Reform Act of 1986 states that amounts paid to foreign persons with respect to residual interests should be considered interest for purposes of the withholding rules. Interest paid to a foreign person which is not effectively connected with a trade or business of the foreign person in the United States is subject to a 30% withholding tax. The withholding tax on interest does not apply, however, to "portfolio interest" (if certain certifications as to beneficial ownership are made, as discussed above under "--Foreign Investors in REMIC Securities--REMIC Regular Securities") or to the extent a tax treaty reduces or eliminates the tax. Treasury regulations provide that amounts paid with respect to residual interests qualify as portfolio interest only if interest on the qualified mortgages held by the REMIC qualifies as portfolio interest. Generally, interest on the mortgage assets that a trust fund holds will not qualify as portfolio interest, although interest on the

private mortgage-backed securities, other pass-through certificates, or REMIC regular interests that a trust fund holds may qualify. In any case, a holder of a REMIC residual security will not be entitled to the portfolio interest exception from the 30% withholding tax (or to any treaty exemption or rate reduction) for that portion of a payment that constitutes excess inclusions. Generally, the withholding tax will be imposed when REMIC gross income is paid or distributed to the holder of a residual interest or there is a disposition of the residual interest.

The REMIC Regulations provide that a transfer of a REMIC residual security to a foreign transferee will be disregarded for all federal income tax purposes if the transfer has "tax avoidance potential." A transfer to a foreign transferee will be considered to have tax avoidance potential unless at the time of the transfer, the transferor reasonably expects that (1) the future distributions on the REMIC residual security will equal at least 30 percent of the anticipated excess inclusions and (2) such amounts will be distributed at or after the time at which the excess inclusion accrues, but not later than the close of the calendar year following the calendar year of accrual. A safe harbor in the REMIC Regulations provides that the reasonable expectation requirement will be satisfied if the above test would be met at all assumed prepayment rates for the mortgage assets from 50 percent of the Prepayment Assumption to 200 percent of the Prepayment Assumption. A transfer by a foreign transferor to a domestic transferee will likewise be disregarded under the REMIC Regulations if the transfer would have the effect of allowing the foreign transferor to avoid the tax on accrued excess inclusions.

GAIN ON TRANSFERS OF CERTIFICATES. A certificateholder that is a nonresident alien or foreign corporation will not be subject to United States federal income tax on gain realized on the sale, exchange, or redemption of a REMIC security, provided that (1) such gain is not effectively connected with a trade or business carried on by the certificateholder in the United States, (2) in the case of a certificateholder that is an individual, such certificateholder is not present in the United States for 183 days or more during the taxable year in which such sale, exchange or redemption occurs and (3) in the case of gain representing accrued interest, the certificateholder complies to the extent necessary with certain identification requirements, including timely delivery of a statement, signed by the certificateholder under penalties of perjury, certifying that such certificateholder is the beneficial owner and is not a United States person (and providing the name and address of such holder).

BACKUP WITHHOLDING

Distributions made on the REMIC securities and proceeds from the sale of REMIC securities to or through certain brokers may be subject to a "backup" withholding tax on "reportable payments" (including interest accruals, original issue discount, and, under certain circumstances, distributions in reduction of principal amount) unless, in general, the holder of the REMIC securities complies with certain procedures or is an exempt recipient. Any amounts so withheld from distributions on the REMIC securities would be refunded by the Internal Revenue Service or allowable as a credit against the holder's federal income tax.

REMIC ADMINISTRATIVE MATTERS

The federal information returns for a trust fund (Form 1066 and Schedules Q thereto) must be filed as if the trust fund were a partnership for federal income tax purposes. Information on Schedule Q must be provided to holders of REMIC residual securities with respect to every calendar quarter. Each holder of a REMIC residual security will be required to treat items on its federal income tax returns consistently with their treatment on the trust fund's information returns unless the holder either timely files a statement identifying the inconsistency or establishes that the inconsistency resulted from an incorrect schedule received from the trust fund. The trust fund also will be subject to the procedural and administrative rules of the Code applicable to partnerships, including the determination of any adjustments to, among other things, items of REMIC taxable income by the Internal Revenue Service.

Holders of REMIC residual securities will have certain rights and obligations with respect to any administrative or judicial proceedings involving the Internal Revenue Service. Under the Code and Regulations, a REMIC generally is required to designate a tax matters person. Generally, subject to various limitations, the tax matters person has authority to act on behalf of the REMIC and the holders of the REMIC residual securities in connection with administrative determinations and judicial review respecting returns of taxable income of the REMIC. Treasury regulations exempt from certain of these procedural rules REMICs having no more than one residual interest holder.

The prospectus supplement will indicate whether the trustee, its designee or some other party will act as the tax matters person for each REMIC. Each holder of a REMIC residual security, by the acceptance of its interest in the REMIC residual security, agrees that the trustee or its designee will act as the holder's fiduciary in the performance of any duties required of the holder if the holder is the tax matters person.

FASIT SECURITIES

If a FASIT election with respect to a trust fund is to be made, the prospectus supplement will designate the securities of such series or the interests composing such securities as "regular interests" ("FASIT regular securities") which, where the context so requires, includes a reference to each interest composing a security where such interest has been designated as a regular interest, in lieu of such securities, in the FASIT (within the meaning of Section 860L(b)(1)(A) of the Code) or an "ownership interest" ("FASIT ownership certificate") in the FASIT (within the meaning of Section 860L(b)(2) of the Code). Each class of FASIT regular securities which are "high-yield interests" within the meaning of Section 860L(b)(1)(B) of the Code ("High-Yield Interests") will be identified as such in the prospectus supplement. The term "FASIT securities" denotes securities (or the interests composing securities) of a series with respect to which a FASIT election will be made.

With respect to each series of FASIT securities, the trustee will agree in the Agreement to elect to treat the related trust fund or certain assets of such trust fund as a FASIT. Qualification as a FASIT requires ongoing compliance with certain conditions which are generally described below. Upon the issuance of each series of FASIT securities, federal tax counsel will deliver its opinion that, with respect to each series of FASIT securities for which a FASIT election is to be made, under then existing law, and assuming a proper and timely FASIT election and ongoing compliance with the provisions of the Agreement and applicable provisions of the Code and applicable Treasury regulations, if any, the related trust fund or certain assets of such trust fund will be a FASIT and the FASIT securities will be considered to evidence ownership of "regular interests" or an "ownership interest" within the meaning of the FASIT provisions of the Code.

QUALIFICATION AS A FASIT

The following is a general description of the requirements under the applicable provisions of Sections 860H through 860L of the Code for the trust fund or certain assets of each trust fund to qualify as a FASIT. Treasury regulations have been proposed with respect to FASITs, but no regulations have been finalized. The following discussion does not take account of the proposed FASIT regulations. The proposed, or any temporary or final, regulations relating to any FASIT will be discussed in the prospectus supplement relating to any FASIT securities that are issued.

In order to qualify as a FASIT, an entity or (segregated group of assets) must fulfill an assets test, which requires that substantially all the assets of the FASIT, as of the close of the third calendar month beginning after the Startup Day and at all times thereafter, must consist of cash or cash equivalents, certain permitted debt instruments (other than debt instruments issued by the holder of the FASIT ownership certificate or a related party) and hedges (including contracts to acquire hedges), foreclosure

property and regular interests in another FASIT or in a REMIC. By analogy to the REMIC provisions, it appears that the "substantially all" requirements should be met if at all times the aggregate adjusted basis of the nonqualified assets is less than one percent of the aggregate adjusted basis of all the FASIT's assets. The FASIT ownership certificate and "High-Yield Interests" (described below) may be held only by certain fully taxable, domestic corporations ("eligible corporations" described below). The Agreement for each trust fund will provide that no legal or beneficial interests in the FASIT ownership certificate or in any class of FASIT regular securities which we determine to be a High-Yield Interest may be transferred or registered unless certain conditions, designed to prevent violation of this requirement, are met.

For purposes of the assets test, permitted debt instruments must bear interest, if any, at a fixed or qualified variable rate. Permitted hedges include interest rate or foreign currency notional principal contracts, letters of credit, insurance, guarantees of payment default and similar instruments as provided in regulations, and which are reasonably required to guarantee or hedge against the FASIT's risks associated with being the obligor on interests issued by the FASIT. Foreclosure property is real property acquired by the FASIT in connection with the default or imminent default of a qualified mortgage, provided that the FASIT had no knowledge or reason to know as of the date such asset was acquired by the FASIT that such a default had occurred or would occur. Foreclosure property may generally not be held beyond the close of the third taxable year after the taxable year in which the FASIT acquired such property, with one extension available from the Internal Revenue Service.

In addition to the foregoing requirements, the various interests in a FASIT also must meet the following requirements. All of the interests in a FASIT must be: (1) one or more classes of FASIT regular interests or (2) a single FASIT ownership interest. A FASIT regular interest is an interest that is issued on or after the Startup Day with fixed terms, is designated as a FASIT regular interest, and (1) unconditionally entitles the holder to receive a specified principal amount (or other similar amount), (2) provides that interest payments (or other similar amounts), if any, at or before maturity either are payable based on a fixed rate or on a qualified variable rate that would be permitted under the REMIC Regulations, (3) has a stated maturity of generally not longer than 30 years, (4) has an issue price not greater than 125% of its stated principal amount, and (5) has a yield to maturity not greater than 5 percentage points higher that the related applicable federal rate (as defined in Section 1274(d) of the Code). A FASIT regular interest that is described in the preceding sentence except that it fails to meet one or more of requirements (1), (2) (4) or (5) is a "High- Yield Interest." In order for a FASIT to issue a High-Yield Interest that fails requirement (2), such High-Yield Interest must consist of a specified, nonvarying portion of the interest payments on the permitted assets (as provided in the REMIC rules). A FASIT ownership interest is an interest in a FASIT other than a regular interest that is issued on the Startup Day, is designated a FASIT ownership interest and is held by an "eligible corporation". An "eligible corporation" is a taxable C corporation which is not a RIC, REIT, REMIC or cooperative and, therefore, would not include tax-exempt entities (including pension funds).

If an entity fails to comply with one or more of the ongoing requirements of the Code for status as a FASIT during any taxable year, the entity or applicable portion thereof will not be treated as a FASIT thereafter. In this event, any entity that holds mortgage assets and is the obligor with respect to debt obligations with two or more maturities may be treated as a separate taxable mortgage pool (i.e, as an association taxable as a corporation; see "--Tax Characterization of the Trust as a Partnership--Taxable Mortgage Pools."), and the FASIT regular securities may be treated as equity interests in such taxable mortgage pool. The legislative history of the FASIT provisions indicates, however, that an entity can continue to be a FASIT if loss of its status was inadvertent, it takes prompt steps to requalify and other requirements that may be provided in Treasury regulations are met. Loss of FASIT status results in retirement of all FASIT regular interests and their reissuance. If the resulting interests would be treated as equity under general tax principles, cancellation of debt income may result.

TIERED FASIT STRUCTURES

For certain series of securities, two or more separate elections may be made to treat designated portions of the related trust fund as FASITs ("Tiered FASITs") for federal income tax purposes. Upon the issuance of any such series of securities, federal tax counsel will deliver its opinion that, assuming compliance with all provisions of the related Agreement and applicable provisions of the Code and applicable Treasury regulations and rulings, the Tiered FASITs will each qualify under then existing law as a FASIT and the FASIT securities issued by the Tiered FASITs, respectively, will be considered to evidence ownership of "regular interests" or "ownership interests" in the related FASIT within the meaning of the FASIT provisions of the Code.

Solely for purposes of determining whether the FASIT regular securities will be "real estate assets" within the meaning of Section 856(c)(4)(A) of the Code, and assets described in Section 7701(a)(19)(C) of the Code, and whether the income on such securities is interest described in Section 856(c)(3)(B) of the Code, the Tiered FASITs will be treated as one FASIT.

FASIT REGULAR SECURITIES

CURRENT INCOME ON FASIT REGULAR SECURITIES-GENERAL. Except as this prospectus otherwise indicates, the FASIT regular securities will be treated for federal income tax purposes (but not necessarily for accounting or other purposes) as debt instruments that are issued by the FASIT on the date of issuance of the FASIT regular securities and not as beneficial interests in the FASIT or the FASIT's assets. Holders of FASIT regular securities who would otherwise report income under a cash method of accounting will be required to report income with respect to FASIT regular securities under an accrual method.

As FASIT regular securities will be treated as debt instruments, they are subject to the same original issue discount, premium and market discount provisions that apply to REMIC regular interests and which are described above in "--REMIC Regular Securities--Current Income on REMIC Regular Securities--Original Issue Discount," "--Premium" and "--Market Discount," except that those FASIT regular securities which are High-Yield Interests are subject to additional provisions listed below.

HIGH-YIELD INTERESTS. The taxable income of the holder of any High-Yield Interest for any tax year will in no event be less than the sum of that holder's taxable income determined solely with respect to that interest (including gains and losses from sales and exchanges of those interests) and the "excess inclusions," if any, as defined under the REMIC rules relating to REMIC residual securities for such tax year. Therefore, holders of High-Yield Interests may not use net operating losses to offset any FASIT income derived from the High-Yield Interest. This rule is coordinated with the rule that limits a taxpayer's ability to offset REMIC excess inclusion income against net operating losses. Any net operating loss carryover is computed by disregarding any income from the disallowed loss. For purposes of the alternative minimum tax, the taxable income of the holder of any High-Yield Interest is determined without regard to the above rules with respect to net operating losses. However, the alternative minimum taxable income of the holder of any High-Yield Interest may not be less than the holder's taxable income from the FASIT. In addition, the alternative tax net operating loss deduction is computed without regard to any increase in taxable income to the holder referred to above. For purposes of these rules, all members of an affiliated group filing a consolidated return will be treated as one taxpayer.

A transfer of a High-Yield Interest to a "disqualified holder" is not recognized for income tax purposes. A "disqualified holder" is any holder other than a FASIT or an "eligible corporation" (described above). The transferor will continue to be taxed on the income from the High-Yield Interest, and the disqualified holder will not include in its income earnings (other than gain) from the High-Yield Interest, unless the transferee provides the transferor with an affidavit that the transferee is not a disqualified

holder or the Internal Revenue Service determines that the High-Yield Interest is no longer held by a disqualified holder and a corporate tax has been paid on the income from the High-Yield Interest while it was held by a disqualified holder. Under this rule, no High-Yield Interests will be treated as issued where the FASIT directly issues these interests to a disqualified holder other than certain securities dealers.

An excise tax computed at the highest corporate income tax rate is imposed on a securities dealer (in addition to other taxes) if it ceases to be a dealer in securities or subsequently holds the High-Yield Interest for investment. A securities dealer will not be treated as having changed his intent for holding High-Yield Interests to investment for the first 31 days after it acquires the interests unless the holding is a part of a plan to avoid the restriction on the holding of High-Yield Interests by disqualified holders.

Where a pass-through entity, other than a FASIT, issues either debt or equity interests that are supported (i.e., secured by) FASIT regular interests and those interests bear a yield to maturity greater than that held on the FASIT regular interests or the applicable federal rate plus 5 percentage points, then an excise tax is imposed on the pass-through entity at a rate equal to the highest corporate income tax rate on the income of any holder of that instrument attributable to the FASIT regular interests, unless the pass-through entity did not issue the debt or equity with the principal purpose of avoiding the rule that High-Yield Interests not be owned by disqualified holders.

SALE OF FASIT REGULAR SECURITIES. If a FASIT regular security is sold, the seller will recognize gain or loss equal to the difference between the amount realized on the sale and its adjusted basis in the FASIT regular security. A holder's adjusted basis in a FASIT regular security generally equals the cost of the FASIT regular security to the holder, increased by income reported by the holder with respect to the FASIT regular security and reduced (but not below zero) by distributions on the FASIT regular security received by the holder and by amortized premium. Any such gain or loss generally will be capital gain or loss, provided the FASIT regular security is held as a capital asset.

FASIT regular securities will be "evidences of indebtedness" within the meaning of Section 582(c)(1) of the Code, so that gain or loss recognized from a sale of a FASIT regular security by a bank or other financial institution to which such section applies would be ordinary income or loss.

TERMINATION. The FASIT will terminate, if not earlier, shortly following the FASIT's receipt of the final payment in respect of the underlying qualified mortgages. The last distribution on a FASIT regular security should be treated as a payment in full retirement of a debt instrument.

TAX TREATMENT OF YIELD SUPPLEMENT AGREEMENTS

Whether a holder of a FASIT regular security of a series will have a separate contractual right to payments under a Yield Supplement Agreement (which may require an allocation of the purchase price between the FASIT regular securities and the Yield Supplement Agreements) and the tax treatment of such payments, if any, will be addressed in the related prospectus supplement.

FASIT OWNERSHIP CERTIFICATE

GENERALLY. All assets, liabilities and items of income, gain, deduction, loss and credit of a FASIT are treated as assets, liabilities and items of income, gain, deduction, loss and credit of the holder of the FASIT ownership certificate (the "FASIT owner") in determining the FASIT owner's taxable income. The FASIT owner does not take into account any item of income, gain or deduction allocable to prohibited transactions as discussed below and must treat tax-exempt interest accrued by the FASIT as ordinary income. The FASIT owner must use the constant yield method, applied under an accrual method of accounting, in determining all interest, original issue discount, market discount and premium deductions with respect to debt instruments held by the FASIT. Like the holder of a High-Yield Interest, the FASIT owner is not allowed to offset any net taxable income derived from its FASIT ownership

certificate (including gains and losses from sales and exchanges of such security) with losses, including net operating losses.

NET INCOME FROM PROHIBITED TRANSACTIONS. The FASIT owner is required to pay a tax equal to 100 percent of the net income derived from prohibited transactions. Prohibited transactions include:

- the receipt of income from an asset that is not a permitted asset;
- the disposition of a permitted asset, other than a permitted disposition as described below;
- the receipt of income derived from any loan originated by the FASIT; and
- compensation for services (other than any fee for a waiver, amendment or consent with respect to permitted assets, other than foreclosure property).

A permitted disposition of a permitted asset includes a disposition pursuant to the complete liquidation of any class of regular interests, even if the FASIT itself is not liquidated. Further, a disposition of a permitted debt instrument is not a prohibited transaction if the disposition is

- incident to the foreclosure, default or imminent default of the instrument;
- pursuant to the bankruptcy or insolvency of the FASIT;
- pursuant to a qualified liquidation;
- required to prevent default on a FASIT regular interest where the threatened default is attributable to a default on one or more debt instruments held by the FASIT;
- to facilitate a clean-up call or
- to substitute one permitted debt instrument for another or to reduce over-collateralization of the FASIT by distributing a debt instrument contributed by the holder of the ownership interest to such holder (but only if a principal purpose of acquiring the debt instrument which is disposed of was not the recognition of gain (or the reduction of loss) as a result of an increase in the market value of the debt instrument after its acquisition by the FASIT).

TAX ON DISPOSITION OF FASIT OWNERSHIP CERTIFICATE. The sale of a FASIT ownership certificate by a holder will result in gain or loss equal to the difference between the amount realized on the sale and the holder's adjusted basis in the FASIT ownership certificate.

If the seller of a FASIT ownership certificate held the underlying assets as capital assets, the gain or loss generally will be capital gain or loss. However, under Section 582(c) of the Code, to the extent the sale of those assets by certain banks and other financial institutions would be considered a sale of property other than a capital asset, the resulting income or loss will be ordinary income or loss. The tax treatment with respect to a FASIT ownership certificate that has unrecovered basis after all funds of the trust fund have been distributed has not been addressed in Treasury regulations, but the holder presumably would be entitled to claim a loss in the amount of the unrecovered basis.

The Code provides that, except as provided in Treasury regulations (which have not been issued), if a holder sells a FASIT ownership certificate and acquires the same or other FASIT ownership certificates in another FASIT or any similar interests in a "taxable mortgage pool" (see "--Tax Characterization of the Trust as a Partnership--Taxable Mortgage Pools" below) during the period beginning six months before, and ending six months after, the date of such sale, such sale will be subject

to the "wash sales" rules of Section 1091 of the Code. In that event, any loss realized by the seller on the sale generally will not be currently deductible.

STATUS OF FASIT SECURITIES. The FASIT regular securities (but not FASIT ownership certificates) will be "real estate assets" for purposes of Section 856(c)(4)(A) of the Code and assets described in Section 7701(a)(19)(C) of the Code (assets qualifying under one or both of those sections, applying each section separately, "qualifying assets") to the extent that the FASIT's assets are qualifying assets, but not to the extent that the FASIT's assets consist of Yield Supplement Agreements. However, if at least 95 percent of the FASIT's assets are qualifying assets, then 100 percent of the FASIT securities will be qualifying assets. Similarly, income on the FASIT securities will be treated as "interest on obligations secured by mortgages on real property" within the meaning of Section 856(c)(3)(B) of the Code, subject to the limitations of the preceding two sentences. In addition to mortgage assets, the FASIT's assets will include payments on the mortgage assets held pending distribution to holders of FASIT securities, amounts in reserve accounts (if any), other credit enhancements (if any), and possibly buydown funds. The related prospectus supplement will indicate whether the mortgage assets will be qualifying assets under the foregoing sections of the Code. The REMIC Regulations treat credit enhancements as part of the mortgage or pool of mortgages to which they relate and, therefore, by analogy to the REMIC Regulations, credit enhancements generally should be qualifying assets. Similarly, by analogy to the REMIC Regulations, amounts paid on the mortgage assets and held pending distribution to holders of FASIT securities ("cash flow investments") should be treated as qualifying assets. Whether amounts in a reserve account or buydown funds would also constitute qualifying assets has not been addressed in Treasury regulations. The prospectus supplement for each series will indicate (if applicable) that it has buydown funds. The FASIT securities will not be "residential loans" for purposes of the residential loan requirement of Section 593(g)(4)(B) of the Code.

FOREIGN INVESTORS IN FASIT SECURITIES. FASIT regular securities are subject to the same United States income tax and withholding tax rules as those that apply to a REMIC regular security as described in "Foreign Investors in REMIC securities" and "Backup Withholding on REMIC securities".

FASIT ownership certificates and FASIT regular securities which are High-Yield Interests may not be sold or transferred to holders who are not U.S. persons, and such securities will be subject to transfer restrictions as described in the Agreement for the series.

GRANTOR TRUSTS

The discussion under this heading applies only to a series of securities with respect to which neither a REMIC nor a FASIT election is made ("Non-Electing securities") and which are issued by a grantor trust.

TAX STATUS OF THE TRUST FUND. Upon the issuance of each series of Non-Electing securities, federal tax counsel will deliver its opinion that, under then current law, assuming compliance with the Agreement, the related trust fund will be classified for federal income tax purposes as a grantor trust and not as an association taxable as a corporation or a taxable mortgage pool (see"--Tax Characterization of the Trust as a Partnership-- Taxable Mortgage Pools"). Accordingly, each holder of a Non-Electing security will be treated for federal income tax purposes as the owner of an undivided interest in the mortgage assets included in the trust fund. As further described below, each holder of a Non- Electing security therefore must report on its federal income tax return the gross income from the portion of the mortgage assets that is allocable to such Non-Electing security and may deduct the portion of the expenses incurred by the trust fund that is allocable to such Non-Electing security, at the same time and to the same extent as such items would be reported by such holder if it had purchased and held directly such interest in the mortgage assets and received directly its share of the payments on the

mortgage assets and incurred directly its share of expenses incurred by the trust fund when those amounts are received or incurred by the trust fund.

A holder of a Non-Electing security that is an individual, estate, or trust will be allowed deductions for such expenses only to the extent that the sum of those expenses and the holder's other miscellaneous itemized deductions exceeds two percent of such holder's adjusted gross income. In addition, the amount of itemized deductions otherwise allowable for the taxable year for an individual whose adjusted gross income exceeds the "applicable amount" ($100,000 (or $50,000 in the case of a separate return by a married individual), adjusted for changes in the cost of living after 1990) will be reduced by the lesser of (1) 3 percent of the excess of adjusted gross income over the applicable amount, or (2) 80 percent of the amount of itemized deductions otherwise allowable for such taxable year. A holder of a Non-Electing security that is not a corporation cannot deduct such expenses for purposes of the alternative minimum tax (if applicable). Such deductions will include servicing, guarantee and administrative fees paid to the servicer of the mortgage assets. As a result, individuals, estates, or trusts holding Non-Electing securities may have taxable income in excess of the cash received.

STATUS OF THE NON-ELECTING SECURITIES. The Non-Electing securities generally will be "real estate assets" for purposes of Section 856(c)(4)(A) of the Code and "loans... secured by an interest in real property" within the meaning of Section 7701(a)(19)(C)(v) of the Code, and interest income on the Non-Electing securities generally will be "interest on obligations secured by mortgages on real property" within the meaning of Section 856(c)(3)(B) of the Code. However, the Non-Electing securities may not be qualifying assets under the foregoing sections of the Code to the extent that the trust fund's assets include buydown funds, amounts in a reserve account, or payments on mortgages held pending distribution to holders. The Non-Electing securities should not be "residential loans made by the taxpayer" for purposes of the residential loan requirement of Section 593(g)(4)(B) of the Code.

TAXATION OF NON-ELECTING SECURITIES UNDER STRIPPED BOND RULES. The federal income tax treatment of the Non- Electing securities will depend on whether they are subject to the rules of section 1286 of the Code (the "stripped bond rules"). The Non-Electing securities will be subject to those rules if stripped interest-only securities are issued. In addition, whether or not stripped interest-only securities are issued, the Internal Revenue Service may contend that the stripped bond rules apply on the ground that the master servicer's servicing fee, or other amounts, if any, paid to (or retained by) the master servicer or its affiliates, as specified in the applicable prospectus supplement, represent greater than an arm's length consideration for servicing the mortgage assets. In Revenue Ruling 91-46, the Internal Revenue Service concluded that retained interest in excess of reasonable compensation for servicing is treated as a "stripped coupon" under the rules of Section 1286 of the Code.

If interest retained for the master servicer's servicing fee or other interest is treated as a "stripped coupon," the Non-Electing securities will either be subject to the original issue discount rules or the market discount rules. A holder of a Non-Electing securities will account for any discount on the Non-Electing security (other than an interest treated as a "stripped coupon") as market discount rather than original issue discount if either (1) the amount of original issue discount with respect to the Non-Electing security was treated as zero under the original issue discount de minimis rule when the Non-Electing security was stripped or (2) no more than 100 basis points (including any amount of servicing in excess of reasonable servicing) is stripped off from the mortgage assets. If neither of the above exceptions applies, the original issue discount rules will apply to the Non-Electing securities.

If the original issue discount rules apply, the holder of a Non-Electing security (whether a cash or accrual method taxpayer) will be required to report interest income from the Non-Electing security in each taxable year equal to the income that accrues on the Non-Electing security in that year calculated under a constant yield method based on the yield of the Non-Electing security (or, possibly, the yield of each mortgage loan underlying such Non-Electing security) to such holder. Such yield would be

computed at the rate that, if used in discounting the holder's share of the payments on the mortgage assets, would cause the present value of those payments to equal the price at which the holder purchased the Non-Electing security. The Taxpayer Relief Act of 1997 amended the original issue discount provisions to provide that for "any pool of debt instruments, the yield on which may be affected by reason of prepayments," original issue discount shall be accrued based on a prepayment assumption determined in a manner prescribed by forthcoming regulations. This presumably will require the use of the pricing prepayment assumption. The prospectus supplement for each series of Non-Electing securities will describe the prepayment assumption that will be used for this purpose, but no representation is made that the mortgage assets will prepay at that rate or at any other rate.

In the case of a Non-Electing security acquired at a price equal to the principal amount of the mortgage assets allocable to the Non-Electing security, the use of a reasonable prepayment assumption generally would not have any significant effect on the yield used in calculating accruals of interest income. In the case, however, of a Non-Electing security acquired at a discount or premium (that is, at a price less than or greater than such principal amount, respectively), the use of a reasonable prepayment assumption would increase or decrease such yield, and thus accelerate or decelerate the reporting of interest income, respectively.

If a mortgage loan is prepaid in full, the holder of a Non-Electing security acquired at a discount or premium generally will recognize ordinary income or loss equal to the difference between the portion of the prepaid principal amount of the mortgage loan that is allocable to the Non-Electing security and the portion of the adjusted basis of the Non-Electing security (see "Sales of Non-Electing Securities" below) that is allocable to the mortgage loan.

Non-Electing securities of certain series ("Variable Rate Non-Electing securities") may provide for an interest rate based on the weighted average of the interest rates of the mortgage assets held by the trust fund, which interest rates may be fixed or variable. In the case of a Variable Rate Non-Electing security that is subject to the original issue discount rules, the daily portions of original issue discount generally will be calculated in the same manner as discussed above except the principles discussed in "--REMIC Regular Securities--Current Income on REMIC Regular Securities--Original Issue Discount--Variable Rate REMIC Regular Securities" may be applied.

TAXATION OF NON-ELECTING SECURITIES IF STRIPPED BOND RULES DO NOT APPLY. If the stripped bond rules do not apply to a Non-Electing security, then the holder will be required to include in income its share of the interest payments on the mortgage assets in accordance with its tax accounting method. In addition, if the holder purchased the Non- Electing security at a discount or premium, the holder will be required to account for such discount or premium in the manner described below, as if it had purchased the mortgage assets directly. The treatment of any discount will depend on whether the discount with respect to the mortgage assets is original issue discount as defined in the Code and, in the case of discount other than original issue discount, whether such other discount exceeds a de minimis amount. In the case of original issue discount, the holder (whether a cash or accrual method taxpayer) will be required to report as additional interest income in each month the portion of such discount that accrues in that month, calculated based on a constant yield method. In general it is not anticipated that the amount of original issue discount to be accrued in each month, if any, will be significant relative to the interest paid currently on the mortgage assets. However, original issue discount could arise with respect to a mortgage loan that provides for interest at a rate equal to the sum of an index of market interest rates and a fixed number. Such mortgage loans are commonly referred to as ARMs. The original issue discount for ARMs generally will be determined under the principals discussed in "--REMIC Regular Securities--Current Income on REMIC Regular Securities--Original Issue Discount" and "--Variable Rate REMIC Regular Securities."

If discount on the mortgage assets other than original issue discount exceeds a de minimis amount (described below), the holder will also generally be required to include in income in each month the amount of such discount accrued through such month and not previously included in income, but limited, with respect to the portion of such discount allocable to any mortgage loan, to the amount of principal on such mortgage loan received by the trust fund in that month. Because the mortgage assets will provide for monthly principal payments, such discount may be required to be included in income at a rate that is not significantly slower (and, under certain circumstances, faster) than the rate at which such discount accrues (and therefore at a rate not significantly slower than the rate at which such discount would be included in income if it were original issue discount). The holder may elect to accrue such discount under a constant yield method based on the yield of the Non-Electing security to such holder. In the absence of such an election, it may be necessary to accrue such discount under a more rapid straight-line method. Under the de minimis rule, market discount with respect to a Non-Electing security will be considered to be zero if it is less than the product of (1) 0.25% of the principal amount of the mortgage assets allocable to the Non-Electing security and (2) the weighted average life (determined using complete years) of the mortgage assets remaining at the time of purchase of the Non-Electing security.

If a holder purchases a Non-Electing security at a premium, such holder may elect under Section 171 of the Code to amortize, as an offset to interest income, the portion of such premium that is allocable to a mortgage loan under a constant yield method based on the yield of the mortgage loan to such holder, provided that such mortgage loan was originated after September 27, 1985. Premium allocable to a mortgage loan originated on or before that date should be allocated among the principal payments on the mortgage loan and allowed as an ordinary deduction as principal payments are made or, perhaps, upon termination.

Presumably, the foregoing adjustments for discount or premium would be made taking account of a reasonable prepayment assumption.

If a mortgage loan is prepaid in full, the holder of a Non-Electing security acquired at a discount or premium will recognize ordinary income or loss equal to the difference between the portion of the prepaid principal amount of the mortgage loan that is allocable to the Non-Electing security and the portion of the adjusted basis of the Non-Electing security (see "Sales of Non-Electing Securities" below) that is allocable to the mortgage loan.

SALES OF NON-ELECTING SECURITIES. A holder that sells a Non-Electing security will recognize gain or loss equal to the difference between the amount realized in the sale and its adjusted basis in the Non-Electing security. In general, such adjusted basis will equal the holder's cost for the Non-Electing security, increased by the amount of any income previously reported with respect to the Non-Electing security and decreased by the amount of any losses previously reported with respect to the Non-Electing security and the amount of any distributions received thereon. Any such gain or loss generally will be capital gain or loss if the assets underlying the Non-Electing security were held as capital assets, except that, for a Non-Electing security to which the stripped bond rules do not apply and that was acquired with more than a de minimis amount of discount other than original issue discount (see "Taxation of Non-Electing Securities if Stripped Bond Rules Do Not Apply" above), such gain will be treated as ordinary interest income to the extent of the portion of such discount that accrued during the period in which the seller held the Non-Electing security and that was not previously included in income.

FOREIGN INVESTORS. A holder of a Non-Electing security who is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States other than its ownership of a Non-Electing security will not be subject to United States income or withholding tax in respect of payments of interest or original issue discount on a Non-Electing security to the extent attributable to mortgage assets that were originated after July 18, 1984, provided that the holder complies to the extent necessary with certain identification requirements

(including delivery of a statement, signed by the holder of the Non-Electing security under penalties of perjury, certifying that such holder is the beneficial owner and is not a United States person and providing the name and address of such holder). Recently issued Treasury regulations (the "Final Withholding Regulations"), which are generally effective with respect to payments made after December 31, 2000, consolidate and modify the current certification requirements and means by which a holder may claim exemption from United States federal income tax withholding and provide certain presumptions regarding the status of holders when payments to the holders cannot be reliably associated with appropriate documentation provided to the payor. All holders should consult their tax advisors regarding the application of the Final Withholding Regulations. Interest or original issue discount on a Non- Electing security attributable to mortgage assets that were originated before July 19, 1984 will be subject to a 30% withholding tax (unless such tax is reduced or eliminated by an applicable tax treaty). For these purposes, the term "United States person" means a citizen or a resident of the United States, a corporation, partnership (or other entity treated as a corporation or partnership that is) created or organized in, or under the laws of, the United States or any political subdivision thereof, an estate the income of which is subject to United States federal income taxation regardless of its source, and a trust for which one or more United States persons have the authority to control all substantial decisions and for which a court of the United States can exercise primary supervision over the trust's administration.

TAX CHARACTERIZATION OF THE TRUST AS A PARTNERSHIP

If a trust fund is intended to be a partnership for federal income tax purposes the applicable Agreement will provide that the nature of the income of the trust fund will exempt it from the rule that certain publicly traded partnerships are taxable as corporations or the issuance of the securities will be structured as a private placement under an IRS safe harbor, so that the trust fund will not be characterized as a publicly traded partnership taxable as a corporation, and that no action will be taken that is inconsistent with the treatment of the trust fund as a partnership (such as making an election to treat the trust fund as a corporation for federal income tax purposes). If, however, the trust fund has a single owner for federal income tax purposes, it will be treated as a division of its owner and as such 91 will be disregarded as an entity separate from its owner for federal income tax purposes, assuming no election will be made to treat the trust fund as a corporation for federal income tax purposes.

TAXABLE MORTGAGE POOLS. Certain entities classified as "taxable mortgage pools" are subject to corporate level tax on their net income. A "taxable mortgage pool" is generally defined as an entity that meets the following requirements: (1) the entity is not a REMIC or a FASIT, (2) substantially all of the assets of the entity are debt obligations, and more than 50 percent of such debt obligations consists of real estate mortgages (or interests in real estate mortgages), (3) the entity is the obligor under debt obligations with two or more maturities, and (4) payments on the debt obligations on which the entity is the obligor bear a relationship to the payments on the debt obligations which the entity holds as assets. With respect to requirement (3), the Code authorizes the IRS to provide by regulations that equity interests may be treated as debt for purposes of determining whether there are two or more maturities. If the trust fund were treated as a taxable mortgage pool, it would be ineligible to file consolidated returns with any other corporation and could be liable for corporate tax. Treasury regulations do not provide for the re-characterization of equity as debt for purposes of determining whether an entity has issued debt with two maturities, except in the case of transactions structured to avoid the taxable mortgage pool rules. Federal tax counsel will deliver its opinion for a trust fund which is intended to be a partnership for federal income tax purposes, as specified in the related prospectus supplement, that the trust fund will not be a taxable mortgage pool. This opinion will be based on the assumption that the terms of the related Agreement and related documents will be complied with, and on federal tax counsel's conclusion that either the number or type of classes of debt obligations issued by the trust fund, or the nature of the assets held by the trust fund will exempt the trust fund from treatment as a taxable mortgage pool.

TAX CONSEQUENCES TO HOLDERS OF DEBT SECURITIES

GENERAL. Certain securities ("Debt Securities") may be issued with the intention to treat them, for federal income tax purposes, either as (1) our nonrecourse debt secured by the related mortgage assets, in which case the related trust fund will constitute only a security device which constitutes a collateral arrangement for the issuance of secured debt and not an entity for federal income tax purposes (or a wholly-owned entity treated as a division of the owner) or (2) debt of a partnership, in which case the related trust fund will constitute a partnership for federal income tax purposes, and in either case federal tax counsel will deliver its opinion that, for federal income tax purposes, assuming compliance with all the provisions of the related Indenture, (1) Debt Securities will be characterized as debt issued by, and not equity in, the related trust fund and (2) the related trust fund will not be characterized as an association (or publicly traded partnership within the meaning of Code Section 7704) taxable as a corporation or as a taxable mortgage pool.

ORIGINAL ISSUE DISCOUNT. If interest payments on the Debt Securities may, in the event of certain shortfalls, be deferred for periods exceeding one year, it is likely that the Debt Securities will be treated as having been issued with "original issue discount" within the meaning of Section 1273(a) of the Code. As a result, interest payments may not be considered "qualified stated interest" payments.

In general, a holder of a Debt Security having original issue discount must include original issue discount in ordinary income as it accrues in advance of receipt of the cash attributable to the discount, regardless of the method of accounting otherwise used. The amount of original issue discount on a Debt Security will be computed generally as described under "--REMIC Regular Securities--Current Income on REMIC Regular Securities--Original Issue Discount" and "--Variable Rate Regular Securities." We intend to report any information required with respect to the Debt Securities based on the OID Regulations.

MARKET DISCOUNT. A purchaser of a Debt Security may be subject to the market discount rules of Code Sections 1276 through 1278. In general, "market discount" is the amount by which the stated redemption price at maturity (or, in the case of a Debt Security issued with original issue discount, the adjusted issue price) of the Debt Security exceeds the purchaser's basis in a Debt Security. The holder of a Debt Security that has market discount generally will be required to include accrued market discount in ordinary income to the extent payments includable in the stated redemption price at maturity of such Debt Security are received. The amount of market discount on a Debt Security will be computed generally as described under "--REMIC Regular Securities--Current Income on REMIC Regular Securities--Market Discount."

PREMIUM. A Debt Security purchased at a cost greater than its currently outstanding stated redemption price at maturity is considered to be purchased at a premium. A holder of a Debt Security which holds a Debt Security as a "capital asset" within the meaning of Section 1221 of the Code may elect under Section 171 of the Code to amortize the premium under the constant interest method. That election will apply to all premium obligations that the holder of a Debt Security acquires on or after the first day of the taxable year for which the election is made, unless the IRS permits the revocation of the election. In addition, it appears that the same rules that apply to the accrual of market discount on installment obligations are intended to apply in amortizing premium on installment obligations such as the Debt Securities. The treatment of premium incurred upon the purchase of a Debt Security will be determined generally as described above under "--REMIC Regular Securities--Premium."

SALE OR EXCHANGE OF DEBT SECURITIES. If a holder of a Debt Security sells or exchanges a Debt Security, the holder of a Debt Security will recognize gain or loss equal to the difference, if any, between the amount received and the holder of a Debt Security's adjusted basis in the Debt Security. The adjusted basis in the Debt Security generally will equal its initial cost, increased by

any original issue discount or market discount previously included in the seller's gross income with respect to the Debt Security and reduced by the payments previously received on the Debt Security, other than payments of qualified stated interest, and by any amortized premium.

In general, except as described above with respect to market discount, and except for certain financial institutions subject to Code Section 582(c), any gain or loss on the sale or exchange of a Debt Security recognized by an investor who holds the Debt Security as a capital asset (within the meaning of Code Section 1221), will be capital gain or loss and will be long-term or short-term depending on whether the Debt Security has been held for more than one year. For corporate taxpayers, there is no preferential rate afforded to long-term capital gains. For individual taxpayers, net capital gains are subject to varying tax rates depending upon the holding period of the Debt Securities.

BACKUP WITHHOLDING. Holders of Debt Securities will be subject to backup withholding rules identical to those applicable to REMIC regular securities and discussed under the heading. "--REMIC Regular Securities--Backup Withholding on REMIC securities."

TAX TREATMENT OF FOREIGN INVESTORS. Holders of Debt Securities who are foreign investors will be subject to taxation in the same manner as foreign holders of REMIC regular securities. Such manner of taxation is described under the heading "--REMIC Regular Securities--Foreign Investors in REMIC Securities."

STATUS OF DEBT SECURITIES. For federal income tax purposes, (1) Debt Securities held by a thrift institution taxed as a domestic building and loan association will not constitute "loans . . . secured by an interest in real property" within the meaning of Section 7701(a)(19)(C)(v) of the Code; (2) interest on Debt Securities held by a real estate investment trust will not be treated as "interest on obligations secured by mortgages on real property or on interests in real property "within the meaning of Code Section 856(c)(3)(B); (3) Debt Securities held by a real estate investment trust will not constitute "real estate assets" or "Government securities" within the meaning of Section 856(c)(4)(A) of the Code; and (4) Debt Securities held by a regulated investment company will not constitute "Government securities" within the meaning of Section 851(b)(3)(A)(i) of the Code.

TAX CONSEQUENCES TO HOLDERS OF CERTIFICATES ISSUED BY A PARTNERSHIP

TREATMENT OF THE TRUST FUND AS A PARTNERSHIP. In the case of a trust fund intended to qualify as a partnership for federal income tax purposes, we and the trust fund will agree, and the holders of certificates will agree by their purchase of certificates, to treat the trust fund as a partnership for purposes of federal and state income tax, franchise tax and any other tax measured in whole or in part by income, with the assets of the partnership being the assets held by the trust fund, the partners of the partnership being the holders of certificates, and the notes, if any, being debt of the partnership, or if there is a single holder of certificates for federal income tax purposes, to disregard the trust fund as an entity separate from the holder of certificates.

A variety of alternative characterizations are possible. For example, because the certificates have certain features characteristic of debt, the certificates might be considered debt of the trust fund. Generally, provided such certificates are issued at or close to face value, any such characterization would not result in materially adverse tax consequences to holders of certificates as compared to the consequences from treatment of the certificates as equity in a partnership, described below. The following discussion assumes that the certificates represent equity interests in a partnership. The following discussion also assumes that all payments on the certificates are denominated in U.S. dollars, none of the certificates have interest rates which would qualify as contingent interest under the OID regulations, and that a series of securities includes a single class of certificates. If these conditions are not satisfied with

respect to any given series of certificates, additional tax considerations with respect to such certificates will be disclosed in the applicable prospectus supplement.

PARTNERSHIP TAXATION. As a partnership, the trust fund will not be subject to federal income tax. Rather, each holder of certificates will be required to separately take into account such holder's allocated share of income, gains, losses, deductions and credits of the trust fund. The trust fund's income will consist primarily of interest and finance charges earned on the mortgage assets (including appropriate adjustments for market discount, OID and bond premium) and any gain upon collection or disposition of mortgage assets. The trust fund's deductions will consist primarily of interest and OID accruing with respect to the notes, servicing and other fees, and losses or deductions upon collection or disposition of mortgage assets.

The tax items of a partnership are allocable to the partners in accordance with the Code, Treasury regulations and the partnership agreement (here, the Agreement). The Agreement will provide, in general, that the holders of certificates will be allocated taxable income of the trust fund for each month equal to the sum of (1) the interest that accrues on the certificates in accordance with their terms for such month, including interest accruing at the interest rate for such month and interest on amounts previously due on the certificates but not yet distributed; (2) any trust fund income attributable to discount on the mortgage assets that corresponds to any excess of the principal amount of the certificates over their initial issue price; (3) prepayment premium payable to the holders of certificates for such month; and (4) any other amounts of income payable to the holders of certificates for such month. Such allocation will be reduced by any amortization by the trust fund of premium on the mortgage assets that corresponds to any excess of the issue price of certificates over their principal amount. All remaining taxable income of the trust fund will be allocated to us. Based on the economic arrangement of the parties, this approach for allocating trust fund income should be permissible under applicable Treasury regulations, although no assurance can be given that the IRS would not require a greater amount of income to be allocated to holders of certificates. Moreover, even under the foregoing method of allocation, holders of certificates may be allocated income equal to the entire interest rate plus the other items described above even though the trust fund might not have sufficient cash to make current cash distributions of such amount. Thus, cash basis holders will in effect be required to report income from the certificates on the accrual basis and holders of certificates may become liable for taxes on trust fund income even if they have not received cash from the trust fund to pay such taxes. In addition, because tax allocations and tax reporting will be done on a uniform basis for all holders of certificates but holders may be purchasing certificates at different times and at different prices, such holders may be required to report on their tax returns taxable income that is greater or less than the amount reported to them by the trust fund.

If notes are also issued, all of the taxable income allocated to a holder of certificates that is a pension, profit sharing or employee benefit plan or other tax-exempt entity (including an individual retirement account) will constitute "unrelated business taxable income" generally taxable to such a holder under the Code.

An individual taxpayer's share of expenses of the trust fund (including fees to the master servicer but not interest expense) would be miscellaneous itemized deductions. Such deductions might be disallowed to the individual in whole or in part and might result in such holder being taxed on an amount of income that exceeds the amount of cash actually distributed to such holder over the life of the trust fund.

The trust fund intends to make all tax calculations relating to income and allocations to holders of certificates on an aggregate basis. If the IRS were to require that such calculations be made separately for each mortgage loan, the trust fund might be required to incur additional expense but it is believed that there would not be a material adverse effect on such holders.

DISCOUNT AND PREMIUM. It is believed that the mortgage assets will not have been issued with OID and, therefore, the trust fund should not have original issue discount income. However, the purchase price paid by the trust fund for the mortgage assets may be greater or less than the remaining principal balance of the mortgage assets at the time of purchase. If so, the mortgage loan will have been acquired at a premium or discount, as the case may be. (As indicated above, the trust fund will make this calculation on an aggregate basis, but might be required to recompute it on a mortgage loan by mortgage loan basis.)

If the trust fund acquires the mortgage assets at a market discount or premium, the trust fund will elect to include any such discount in income currently as it accrues over the life of the mortgage assets or to offset any such premium against interest income on the mortgage assets. As indicated above, a portion of such market discount income or premium deduction may be allocated to holders of certificates.

SECTION 708 TERMINATION. Under Section 708 of the Code, the trust fund will be deemed to terminate for federal income tax purposes if 50% or more of the capital and profits interests in the trust fund are sold or exchanged within a 12-month period. If such a termination occurs, the trust fund will be considered to contribute all of its assets and liabilities to a new partnership in exchange for an interest in the new partnership and immediately thereafter the terminated partnership distributes interests in the new partnership to the acquiror and the remaining holders in proportion to their respective interests in the terminated partnership for continuation of the business by the new partnership.

DISPOSITION OF CERTIFICATES. Generally, capital gain or loss will be recognized on a sale of certificates issued by a partnership in an amount equal to the difference between the amount realized and the seller's tax basis in the certificates sold. The tax basis of a holder in a certificate will generally equal the holder's cost increased by the holder's share of trust fund income (includable in income) and decreased by any distributions received with respect to such certificate. In addition, both the tax basis in the certificates and the amount realized on a sale of a certificate would include the holder's share of the notes and other liabilities of the trust fund. A holder acquiring certificates at different prices may be required to maintain a single aggregate adjusted tax basis in such certificates, and, upon sale or other disposition of some of the certificates, allocate a portion of such aggregate tax basis to the certificates sold (rather than maintaining a separate tax basis in each certificate for purposes of computing gain or loss on a sale of that certificate).

Any gain on the sale of a certificate attributable to the holder's share of unrecognized accrued market discount on the mortgage assets would generally be treated as ordinary income to the holder and would give rise to special tax reporting requirements. The trust fund does not expect to have any other assets that would give rise to such special reporting requirements. Thus, to avoid those special reporting requirements, the trust fund will elect to include market discount in income as it accrues. If a holder of certificates is required to recognize an aggregate amount of income (not including income attributable to disallowed itemized deductions described above) over the life of the certificates that exceeds the aggregate cash distributions with respect thereto, such excess will generally give rise to a capital loss upon the retirement of the certificates.

ALLOCATIONS BETWEEN SELLERS AND TRANSFEREES. In general, the trust fund's taxable income and losses will be determined monthly and the tax items for a particular calendar month will be apportioned among the holders of certificates in proportion to the principal amount of certificates owned by them as of the close of the last day of such month. As a result, a holder purchasing certificates may be allocated tax items (which will affect its tax liability and tax basis) attributable to periods before the actual transaction.

The legislative history relating to these provisions directs Treasury to establish a convention for such allocations, but no Treasury regulations have been issued or proposed. Accordingly, the use of such

a monthly convention may not be permitted. If a monthly convention is not allowed (or only applies to transfers of less than all of the partner's interest), taxable income or losses of the trust fund might be reallocated among the holders of certificates. The trust fund's method of allocation between transferors and transferees may be revised to conform to a method permitted by future regulations.

SECTION 754 ELECTION. If a holder sells its certificates at a profit (loss), the purchasing holder will have a higher (lower) basis in the certificates than the selling holder had. The tax basis of the trust fund's assets will not be adjusted to reflect that higher (or lower) basis unless the trust fund was to file an election under Section 754 of the Code. In order to avoid the administrative complexities that would be involved in keeping accurate accounting records, as well as potentially onerous information reporting requirements, the trust fund currently does not intend to make such election. As a result, holders of certificates might be allocated a greater or lesser amount of trust fund income than would be appropriate based on their own purchase price for certificates.

ADMINISTRATIVE MATTERS. The trustee is required to keep or have kept complete and accurate books of the trust fund. Such books will be maintained for financial reporting and tax purposes on an accrual basis and the fiscal year of the trust fund will be the calendar year. The trustee will file a partnership information return (IRS Form 1065) with the IRS for each taxable year of the trust fund and will report each holder's allocable share of items of trust fund income and expense to holders and the IRS on Schedule K-1. The trust fund will provide the Schedule K-1 information to nominees that fail to provide the trust fund with the information statement described below and such nominees will forward such information to the beneficial owners of the certificates. Generally, holders must file tax returns that are consistent with the information return filed by the trust fund or be subject to penalties unless the holder notifies the IRS of all such inconsistencies.

Under Section 6031 of the Code, any person that holds certificates as a nominee at any time during a calendar year is required to furnish the trust fund with a statement containing certain information on the nominee, the beneficial owners and the certificates so held. Such information includes (1) the name, address and taxpayer identification number of the nominee and (2) as to each beneficial owner (x) the name, address and identification number of such person, (y) whether such person is a United States person, a tax-exempt entity or a foreign government, an international organization, or any wholly owned agency or instrumentality of either of the foregoing, and (z) certain information on certificates that were held, bought or sold on behalf of such person throughout the year. In addition, brokers and financial institutions that hold certificates through a nominee are required to furnish directly to the trust fund information as to themselves and their ownership of certificates. A clearing agency registered under Section 17A of the Exchange Act is not required to furnish any such information statement to the trust fund. The information referred to above for any calendar year must be furnished to the trust fund on or before the following January 31. Nominees, brokers and financial institutions that fail to provide the trust fund with the information described above may be subject to penalties.

We will be designated as the tax matters partner in the related Agreement. As such, we will be responsible for representing the holders of certificates in any dispute with the IRS. The Code provides for administrative examination of a partnership as if the partnership were a separate and distinct taxpayer. Generally, the statute of limitations for partnership items does not expire before three years after the date on which the partnership information return is filed. Any adverse determination following an audit of the return of the trust fund by the appropriate taxing authorities could result in an adjustment of the returns of the holders of certificates, and, under certain circumstances, a holder of certificates may be precluded from separately litigating a proposed adjustment to the items of the trust fund. An adjustment could also result in an audit of returns of a holder of certificates and adjustments of items not related to the income and losses of the trust fund.

TAX CONSEQUENCES TO FOREIGN HOLDERS OF CERTIFICATES. There is no clear authority addressing the issue of whether the trust fund would be considered to be engaged in a trade or business in the United States for purposes of federal withholding taxes with respect to foreign investors. Although it is not expected that the trust fund would be engaged in a trade or business in the United States for such purposes, the trust fund will withhold as if it were so engaged to protect the trust fund from possible adverse consequences of a failure to withhold. The trust fund expects to withhold pursuant to Section 1446 of the Code on the portion of its taxable income that is allocable to holders of certificates that are foreign investors, as if such income were effectively connected to a U.S. trade or business, at a rate of 35% for foreign holders that are taxable as corporations and at the highest marginal tax rate for individuals for all other foreign holders. Subsequent adoption of Treasury regulations or the issuance of other administrative pronouncements may require the trust fund to change its withholding procedures.

Each holder of certificates that is a foreign investor might be required to file a U.S. individual or corporate income tax return (including, in the case of a corporation, the branch profits tax) on its share of the trust fund's income. A foreign holder generally would be entitled to file with the IRS a claim for refund with respect to taxes withheld by the trust fund taking the position that no taxes were due because the trust fund was not engaged in a U.S. trade or business.

However, interest payments made (or accrued) to a holder of certificates who is a foreign investor generally will be considered guaranteed payments to the extent such payments are determined without regard to the income of the trust fund. If these interest payments are properly characterized as guaranteed payments, then the interest probably will not be considered "portfolio interest." As a result, holders of certificates will be subject to United States federal income tax and withholding tax at a rate of 30%, unless reduced or eliminated pursuant to an applicable treaty. In such case, a foreign investor would only be entitled to claim a refund for that portion of the taxes, if any, in excess of the taxes that should be withheld with respect to the guaranteed payments.

BACKUP WITHHOLDING. Distributions made on the certificates and proceeds from the sale of the certificates will be subject to a "backup" withholding tax if, in general, the holder of certificates fails to comply with certain identification procedures, unless the holder is an exempt recipient under applicable provisions of the Code and, if necessary, adequately demonstrates such status.

TAXATION OF CLASSES OF EXCHANGEABLE SECURITIES

GENERAL

The arrangement pursuant to which the ES Classes of a series are created, sold and administered (an "ES Pool") will be classified as a grantor trust under subpart E, part I of subchapter J of the Code. The interests in the classes of securities that have been exchanged for ES Classes will be the assets of the ES Pool and the ES Classes will represent beneficial ownership of these interests in the classes of securities.

TAX STATUS

The ES Classes should be considered to represent "real estate assets" within the meaning of Code Section 856(c)(4)(A) and assets described in Section 7701(a)(19)(C) of the Code, and original issue discount and interest accruing on ES Classes should be considered to represent "interest on obligations secured by mortgages on real property" within the meaning of Section 856(c)(3)(B) of the Code in each case to the extent the securities or income on the securities would be qualifying if held directly (although the matter is not entirely clear for Strips, defined below). ES Classes will be "qualified mortgages" under Section 860G(a) (3) of the Code for a REMIC.

TAX ACCOUNTING FOR EXCHANGEABLE SECURITIES

An ES Class represents beneficial ownership of an interest in one or more classes of securities on deposit in an exchangeable security trust fund, as specified in the applicable prospectus supplement. If it represents an interest in more than one class of securities, a purchaser must allocate its basis in the ES Class among the interests in the classes of securities in accordance with their relative fair market values as of the time of acquisition. Similarly, on the sale of such an ES Class, the holder must allocate the amount received on the sale among the interests in the classes of securities in accordance with their relative fair market values as of the time of sale.

The holder of an ES Class must account separately for each interest in a class of securities (there may be only one such interest). Where the interest represents a pro rata portion of a class of securities that are REMIC regular securities, the holder of the ES Class should account for such interest as described under "--Current Income on REMIC Regular Securities" above. Where the interest represents beneficial ownership of a disproportionate part of the principal and interest payments on a class of securities (a "Strip"), the holder is treated as owning, pursuant to Section 1286 of the Code, "stripped bonds" to the extent of its share of principal payments and "stripped coupons" to the extent of its share of interest payments on such class of securities. We intend to treat each Strip as a single debt instrument for purposes of information reporting. The Internal Revenue Service, however, could take a different position. For example, the Internal Revenue Service could contend that a Strip should be treated as a pro rata part of the class of securities to the extent that the Strip represents a pro rata portion thereof, and "stripped bonds" or "stripped coupons" with respect to the remainder. An investor should consult its tax advisor regarding this matter.

A holder of an ES Class should calculate original issue discount with respect to each Strip and include it in ordinary income as it accrues, which may be before the receipt of cash attributable to such income, in accordance with a constant interest method that takes into account the compounding of interest. The holder should determine its yield to maturity based on its purchase price allocated to the Strip and on a schedule of payments projected using a prepayment assumption, and then make periodic adjustments to take into account actual prepayment experience. With respect to a particular holder, Treasury regulations do not address whether the prepayment assumption used to calculate original issue discount would be determined at the time of purchase of the Strip or would be the original prepayment assumption with respect to the related class of securities. Further, if the related class of securities is subject to redemption as described in the applicable prospectus supplement, Treasury regulations do not address the extent to which such prepayment assumption should take into account the possibility of the retirement of the Strip concurrently with the redemption of such class of securities. An investor should consult its tax advisor regarding these matters. For purposes of information reporting relating to original issue discount, the original yield to maturity of the Strip, determined as of the date of issuance of the series, will be calculated based on the original prepayment assumption.

If original issue discount accruing with respect to a Strip, computed as described above, is negative for any period, the holder may be entitled to offset such amount only against future positive original issue discount accruing from such Strip, and income is reported in all cases in this manner. Although not entirely free from doubt, such a holder may be entitled to deduct a loss to the extent that its remaining basis would exceed the maximum amount of future payments to which the holder is entitled with respect to such Strip, assuming no further prepayments of the Mortgages (or, perhaps, assuming prepayments at a rate equal to the prepayment assumption). Although the issue is not free from doubt, all or a portion of such loss may be treated as a capital loss if the Strip is a capital asset in the hands of the holder.

A holder realizes gain or loss on the sale of a Strip in an amount equal to the difference between the amount realized and its adjusted basis in such Strip. The holder's adjusted basis generally is equal to

the holder's allocated cost of the Strip, increased by income previously included, and reduced (but not below zero) by distributions previously received. Except as described below, any gain or loss on such sale generally is capital gain or loss if the holder has held its interest as a capital asset and is long-term if the interest has been held for the long-term capital gain holding period (more than one year). Such gain or loss will be ordinary income or loss (1) for a bank or thrift institution or (2) if the securities are REMIC regular securities to the extent income recognized by the holder is less than the income that would have been recognized if the yield on such interest were 110% of the applicable federal rate under Section 1274(d) of the Code.

If a holder exchanges a single ES Class (an "Exchanged ES Class") for several ES Classes (each, a "Received ES Class") and then sells one of the Received ES Classes, the sale may be subject the investor to the coupon stripping rules of Section 1286 of the Code. The holder must allocate its basis in the Exchanged ES Class between the part of such class underlying the Received ES Class that was sold and the part of the Exchanged ES Class underlying the Received ES Classes that was retained, in proportion to their relative fair market values as of the date of such sale. The holder is treated as purchasing the interest retained for the amount of basis allocated to such interest. The holder must calculate original issue discount with respect to the retained interest as described above.

Although the matter is not free from doubt, a holder that acquires in one transaction a combination of ES Classes that may be exchanged for a single ES Class that is identical to a class of securities that is on deposit in the related exchangeable security trust fund should be treated as owning the relevant class of securities.

EXCHANGES OF EXCHANGEABLE SECURITIES

An exchange of an interest in one or more ES Classes for an interest in one or more other related ES Classes that are part of the same combination, or vice versa, will not be a taxable exchange. After the exchange, the holder is treated as continuing to own the interests in the class or classes of exchangeable securities that it owned immediately before the exchange.

TAX TREATMENT OF FOREIGN INVESTORS

A foreign holder of an ES Class is subject to taxation in the same manner as foreign holders of REMIC regular securities. Such manner of taxation is discussed under the heading "--REMIC Regular Securities--Investors in REMIC Securities."

BACKUP WITHHOLDING

A holder of an ES Class is subject to backup withholding rules similar to those applicable to REMIC regular securities. Such manner of taxation is discussed under the heading "--REMIC Regular Securities--Backup Withholding on REMIC Securities."

REPORTING AND ADMINISTRATIVE MATTERS

Reports will be made to the Internal Revenue Service and to holders of record of ES Classes that are not excepted from the reporting requirements.

CALLABLE CLASSES

The tax consequences of holding or selling a Callable Class will be discussed in the related Prospectus Supplement.

STATE TAX CONSEQUENCES

In addition to the federal income tax consequences described in "Federal Income Tax Consequences," potential investors should consider the state and local income tax consequences of the acquisition, ownership, and disposition of the securities. State and local income tax law may differ substantially from the corresponding federal law, and this discussion does not purport to describe any aspect of the income tax laws of any state or locality. We urge you to consult your own tax advisors with respect to the various state and local tax consequences of an investment in the securities.

ERISA CONSIDERATIONS

GENERAL

A fiduciary of a pension, profit-sharing, retirement or other employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended, known as ERISA, should consider the fiduciary standards under ERISA in the context of the plan's particular circumstances before authorizing an investment of a portion of such plan's assets in the securities. Accordingly, pursuant to Section 404 of ERISA, such fiduciary should consider among other factors:

- o whether the investment is for the exclusive benefit of plan participants and their beneficiaries;
- o whether the investment satisfies the applicable diversification requirements; whether the investment is in accordance with the documents and instruments governing the plan; and
- o whether the investment is prudent, considering the nature of the investment.

Fiduciaries of plans also should consider ERISA's prohibition on improper delegation of control over, or responsibility for, plan assets.

In addition, benefit plans subject to ERISA, as well as individual retirement accounts or certain types of Keogh plans not subject to ERISA but subject to Section 4975 of the Code (each, a "Plan"), are prohibited from engaging in a broad range of transactions involving Plan assets and persons having certain specified relationships to a Plan ("parties in interest" and "disqualified persons"). Such transactions are treated as "prohibited transactions" under Sections 406 of ERISA and Section 4975 of the Code imposes excise taxes upon such persons. We, Bear, Stearns & Co. Inc., each master servicer or other servicer, any pool insurer, any special hazard insurer, the trustee, and certain of our and their affiliates might be considered "parties in interest" or "disqualified persons" with respect to a Plan. If so, the acquisition, holding or disposition of securities by or on behalf of such Plan could be considered to give rise to a "prohibited transaction" within the meaning of ERISA and the Code unless an exemption is available. Furthermore, if an investing Plan's assets were deemed to include the mortgage loans and not merely an interest in the securities, transactions occurring in the management of mortgage loans might constitute prohibited transactions and the fiduciary investment standards of ERISA could apply to the assets of the trust fund, unless an administrative exemption applies.

ERISA CONSIDERATIONS RELATING TO CERTIFICATES

PLAN ASSETS. In DOL Regulation Section 2510.3-101 (the "Plan Asset Regulations"), the U.S. Department of Labor has defined what constitutes Plan assets for purposes of ERISA and Section 4975 of the Code. The Regulation provides that if a Plan makes an investment in an "equity interest" in an entity, the assets of the entity will be considered the assets of such Plan unless certain exceptions apply. We can give no assurance that the securities will qualify for any of the exceptions under the Regulation. As a result, the mortgage loans may be considered the assets of any Plan which acquires securities, unless some administrative exemption is available.

PROHIBITED TRANSACTION CLASS EXEMPTION 83-1. The U.S. Department of Labor has issued an administrative exemption, Prohibited Transaction Class Exemption 83-1 ("PTCE 83-1"), which, under certain conditions, exempts from the application of the prohibited transaction rules of ERISA and the excise tax provisions of Section 4975 of the Code transactions involving a Plan in connection with the operation of a "mortgage pool" and the purchase, sale and holding of "mortgage pool pass-through certificates." A "mortgage pool" is defined as an investment pool, consisting solely of interest bearing obligations secured by first or second mortgages or deeds of trust on single-family residential property, property acquired in foreclosure and undistributed cash. A "mortgage pool pass-through certificate" is defined as a certificate which represents a beneficial undivided interest in a mortgage pool which entitles the holder to pass-through payments of principal and interest from the mortgage loans.

For the exemption to apply, PTCE 83-1 requires that:

- we and the trustee maintain a system of insurance or other protection for the mortgage loans and the property securing such mortgage loans, and for indemnifying holders of certificates against reductions in pass-through payments due to defaults in loan payments or property damage in an amount at least equal to the greater of 1% of the aggregate principal balance of the mortgage loans, or 1% of the principal balance of the largest covered pooled mortgage loan;

- the trustee may not be our affiliate;

- and the payments we make to and retain in connection with the trust fund, together with all funds inuring to our benefit for administering the trust fund, represent no more than "adequate consideration" for selling the mortgage loans, plus reasonable compensation for services provided to the trust fund.

In addition, PTCE 83-1 exempts the initial sale of certificates to a Plan with respect to which we, the special hazard insurer, the pool insurer, the master servicer, or other servicer, or the trustee are or is a party in interest if the Plan does not pay more than fair market value for such certificate and the rights and interests evidenced by such certificate are not subordinated to the rights and interests evidenced by other certificates of the same pool. PTCE 83-1 also exempts from the prohibited transaction rules any transactions in connection with the servicing and operation of the mortgage pool, provided that any payments made to the master servicer in connection with the servicing of the trust fund are made in accordance with a binding agreement, copies of which must be made available to prospective investors.

In the case of any Plan with respect to which we are or the master servicer, the special hazard insurer, the pool insurer, or the trustee is a fiduciary, PTCE 83-1 will only apply if, in addition to the other requirements:

- the initial sale, exchange or transfer of certificates is expressly approved by an independent fiduciary who has authority to manage and control those plan assets being invested in certificates;

- the Plan pays no more for the certificates than would be paid in an arm's length transaction;

- no investment management, advisory or underwriting fee, sale commission, or similar compensation is paid to us with regard to the sale, exchange or transfer of certificates to the Plan;

- the total value of the certificates purchased by such Plan does not exceed 25% of the amount issued; and

- at least 50% of the aggregate amount of certificates is acquired by persons independent of us, the trustee, the master servicer, and the special hazard insurer or pool insurer.

Before purchasing certificates, a fiduciary of a Plan should confirm that the trust fund is a "mortgage pool," that the certificates constitute "mortgage pool pass-through certificates," and that the conditions set forth in PTCE 83-1 would be satisfied. In addition to making its own determination as to the availability of the exemptive relief provided in PTCE 83-1, the Plan fiduciary should consider the availability of any other prohibited transaction exemptions. The Plan fiduciary also should consider its general fiduciary obligations under ERISA in determining whether to purchase any certificates on behalf of a Plan.

UNDERWRITER EXEMPTION

The DOL has granted to Bear, Stearns & Co. Inc. an individual exemption, Prohibited Transaction Exemption 90-30, which was amended by Prohibited Transaction Exemption 97-34 ("PTE 97-34") and further recently amended pursuant to Prohibited Transaction Exemption 2000-58 ("PTE 2000-58") (the "Exemption") which is applicable to certificates which meet its requirements whenever Bear, Stearns & Co. Inc. or its affiliate is the sole underwriter, manager or co-manager of an underwriting syndicate or is the selling or placement agent. The Exemption generally exempts certain transactions from the application of certain of the prohibited transaction provisions of ERISA and the Code provided that the conditions set forth in the Exemption are satisfied. These transactions include the servicing, managing and operation of investment trusts holding fixed (generally non-revolving) pools of enumerated categories of assets which include: single and multi-family residential mortgage loans, home equity loans or receivables (including cooperative housing loans) and guaranteed government mortgage pool certificates and the purchase, sale and holding of certificates which represent beneficial ownership interests in the assets of such trusts.

GENERAL CONDITIONS OF EXEMPTION. The Exemption sets forth general conditions which must be satisfied for a transaction involving the purchase, sale and holding of the certificates to be eligible for exemptive relief thereunder.

First, the acquisition of certificates by Plans must be on terms that are at least as favorable to the Plan as they would be in an arm's-length transaction with an unrelated party.

Second, the assets held by the trust fund must be fully secured (other than one-to-four family residential mortgage loans and home equity loans or receivables backing certain types of certificates, as described below). (Mortgage loans, loans, obligations and receivables will be collectively referred to herein as "loans.").

Third, unless the certificates are issued in "designated transactions" (as described below) and are backed by fully-secured loans, they may not be subordinated.

Fourth, the certificates at the time of acquisition by the Plan must generally be rated in one of the three (or in the case of designated transactions, four) highest generic rating categories by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Services, Inc. or Fitch, Inc. each, a "rating agency".

Fifth, the trustee generally cannot be an affiliate of any member of the "Restricted Group" which consists of any:

- underwriter as defined in the Exemption;
- us;
- the master servicer;
- each servicer;

- each insurer;
- the counterparty of any "interest swap" (as described below) held as an asset of the trust fund; and
- any obligor with respect to loans constituting more than 5% of the aggregate unamortized principal balance of the loans held in the trust fund as of the date of initial issuance of the certificates.

Sixth, the sum of all payments made to, and retained by, such underwriters must represent not more than reasonable compensation for underwriting the certificates; the sum of all payments made to, and retained by, us pursuant to the assignment of the loans to the related trust fund must represent not more than the fair market value of such loans; and the sum of all payments made to, and retained by, the master servicer and any servicer must represent not more than reasonable compensation for such person's services under the Agreement and reimbursement of such person's reasonable expenses in connection therewith.

Seventh, the following seasoning requirements must be met:

- the investment pool must consist only of assets of the type enumerated in the Exemption and which have been included in other investment pools;
- certificates evidencing interests in such other investment pools must have been rated in one of the three (or in the case of designated transactions, four) highest generic rating categories by one of the Rating Agencies for at least one year prior to a Plan's acquisition of certificates; and
- certificates evidencing interests in such other investment pools must have been purchased by investors other than Plans for at least one year prior to a Plan's acquisition of certificates.

Finally, the investing Plan must be an accredited investor as defined in Rule 501(a)(1) of Regulation D of the Commission under the Securities Act of 1933, as amended. We assume that only Plans which are accredited investors under the federal securities laws will be permitted to purchase the certificates.

RECENT AMENDMENTS TO EXEMPTION. PTE 2000-58 (the "Amendment") recently amended the Exemption to make the acquisition of certificates by Plans in an initial offering or in a secondary market transaction, the holding or transfer of certificates and the servicing, management and operation of the trust fund and its assets on or after November 13, 2000 eligible for exemptive relief to a broader range of certificates. Prior to such amendment, the Exemption generally permitted Plans to purchase only unsubordinated certificates rated within the highest three generic rating categories backed by secured collateral. Such certificates had to be issued by a trust fund which was a grantor trust, REMIC or a FASIT whose corpus could not include certain types of assets such as interest-rate swaps.

TYPES OF TRUST FUNDS. The Amendment has expanded the types of permitted trust funds to include owner-trusts, as well as grantor trusts, REMICs and FASITs. Owner-trusts are subject to certain restrictions in their governing documents to ensure that their assets may not be reached by our creditors in the event of bankruptcy or other insolvency and must provide certain legal opinions.

DESIGNATED TRANSACTIONS. In the case where the certificates are backed by trust fund assets which are residential, home equity or multi-family loans which are described and defined in the Exemption as designated transactions ("Designated Transactions"), the Amendment permits the certificates issued by the trust fund in such transactions to be rated in one of the highest four generic rating categories by a rating agency and/or to be subordinated. The assets will qualify for Designated Transaction treatment under the Exemption unless otherwise specified in the prospectus supplement. In addition, one subset of Designated Transactions, residential (one- to-four family) and home equity loans,

may be less than fully secured, provided that the rights and interests evidenced by certificates issued in such Designated Transactions are:

- not subordinated to the rights and interests evidenced by securities of the same trust fund;
- such certificates acquired by the Plan have received a rating from a rating agency at the time of such acquisition that is in one of the two highest generic rating categories; and
- any loan included in the corpus or assets of the trust fund is secured by collateral whose fair market value on the closing date of the Designated Transactions is at least equal to 80% of the sum of:

(a) the outstanding principal balance due under the loan which is held by the trust fund and

(b) the outstanding principal balance(s) of any other loan(s) of higher priority (whether or not held by the trust fund) which are secured by the same collateral.

INSURANCE COMPANY GENERAL ACCOUNTS. In the event that certificates do not meet the requirements of the Exemption solely because they are Subordinate certificates or fail to meet a minimum rating requirement under the Exemption, certain Plans may be eligible to purchase certificates pursuant to Section III of Prohibited Transaction Class Exemption 95-60 ("PTCE 95-60") which permits insurance company general accounts as defined in PTCE 95-60 to purchase such certificates if they otherwise meet all of the other requirements of the Exemption.

PERMITTED ASSETS. The Amendment permits an interest-rate swap to be an asset of a trust fund which issues certificates acquired by Plans in an initial offering or in the secondary market on or after November 13, 2000 and clarifies the requirements regarding yield supplement agreements. An interest-rate swap (or if purchased by or on behalf of the trust fund) an interest-rate cap contract (collectively, a "Swap" or "Swap Agreement") is a permitted trust fund asset if it:

- is an "eligible Swap";
- is with an "eligible counterparty;"
- is purchased by a "qualified plan investor;"
- meets certain additional specific conditions which depend on whether the Swap is a "ratings dependent Swap" or a "non-ratings dependent Swap;" and
- permits the trust fund to make termination payments to the Swap (other than currently scheduled payments) solely from excess spread or amounts otherwise payable to the servicer or us.
- An "eligible Swap" is one which:
- is denominated in U.S. dollars;
- pursuant to which the trust fund pays or receives, on or immediately prior to the respective payment or distribution date for the class of certificates to which the Swap relates, a fixed rate of interest or a floating rate of interest based on a publicly available index (e.g., LIBOR or the U.S. Federal Reserve's Cost of Funds Index (COFI)), with the trust fund receiving such payments on at least a quarterly basis and obligated to make separate payments no more frequently than the counterparty, with all simultaneous payments being netted ("Allowable Interest Rate");
- has a notional amount that does not exceed either:

(a) the principal balance of the class of certificates to which the Swap relates, or

(b) the portion of the principal balance of such class represented by obligations ("Allowable Notional Amount");

- is not leveraged (i.e., payments are based on the applicable notional amount, the day count fractions, the fixed or floating rates permitted above, and the difference between the products thereof, calculated on a one-to-one ratio and not on a multiplier of such difference) ("Leveraged");

- does not incorporate any provision which could cause a unilateral alteration in any of the above four requirements; and

- has a final termination date that is either the earlier of the date on which the issuer terminates or the related class of certificates are fully repaid.

An "eligible counterparty" means a bank or other financial institution which has a rating at the date of issuance of the certificates, which is in one of the three highest longterm credit rating categories or one of the two highest short term credit rating categories, utilized by at least one of the Rating Agencies rating the certificates; provided that, if a counterparty is relying on its shortterm rating to establish eligibility hereunder, such counterparty must either have a longterm rating in one of the three highest longterm rating categories or not have a longterm rating from the applicable Rating Agency.

A "qualified plan investor" is a Plan or Plans where the decision to buy such class of certificates is made on behalf of the Plan by an independent fiduciary qualified to understand the Swap transaction and the effect the Swap would have on the rating of the certificates and such fiduciary is either:

- a "qualified professional asset manager" ("QPAM") under Prohibited Transaction Class Exemption 84-14 ("PTCE 84-14") (see below);

- an "in-house asset manager" under Prohibited Transaction Class Exemption 96-23 ("PTCE 96-23") (see below); or

- has total assets (both Plan and non-Plan) under management of at least $100 million at the time the certificates are acquired by the Plan.

In "ratings dependent Swaps" (where the rating of a class of certificates is dependent on the terms and conditions of the Swap), the Swap Agreement must provide that if the credit rating of the counterparty is withdrawn or reduced by any Rating Agency below a level specified by the Rating Agency, the servicer must, within the period specified under the Pooling and Servicing Agreement:

- obtain a replacement Swap Agreement with an eligible counterparty which is acceptable to the Rating Agency and the terms of which are substantially the same as the current Swap Agreement (at which time the earlier Swap Agreement must terminate); or

- cause the Swap counterparty to establish any collateralization or other arrangement satisfactory to the Rating Agency such that the then current rating by the Rating Agency of the particular class of certificates will not be withdrawn or reduced (and the terms of the Swap Agreement must specifically obligate the counterparty to perform these duties for any class of certificates with a term of more than one year).

In the event that the servicer fails to meet these obligations, Plan certificateholders must be notified in the immediately following periodic report which is provided to certificateholders but in no event later than the end of the second month beginning after the date of such failure. Sixty days after the receipt of such report, the exemptive relief provided under the Exemption will prospectively cease to be applicable to any class of certificates held by a Plan which involves such ratings dependent Swap.

"Non-ratings dependent Swaps" (those where the rating of the certificates does not depend on the terms and conditions of the Swap) are subject to the following conditions. If the credit rating of the counterparty is withdrawn or reduced below the lowest level permitted above, the servicer will, within a specified period after such rating withdrawal or reduction:

- obtain a replacement Swap Agreement with an eligible counterparty, the terms of which are substantially the same as the current Swap Agreement (at which time the earlier Swap Agreement must terminate);
- cause the counterparty to post collateral with the trust fund in an amount equal to all payments owed by the counterparty if the Swap transaction were terminated; or
- terminate the Swap Agreement in accordance with its terms.

An "eligible yield supplement agreement" is any yield supplement agreement or similar arrangement (or if purchased by or on behalf of the trust fund) an interest rate cap contract to supplement the interest rates otherwise payable on obligations held by the trust fund ("EYS Agreement"). If the EYS Agreement has a notional principal amount and/or is written on an International Swaps and Derivatives Association, Inc. (ISDA) form, the EYS Agreement may only be held as an asset of the trust fund with respect to certificates purchased by Plans on or after April 7, 1998 if it meets the following conditions:

- it is denominated in U.S. dollars;
- it pays an Allowable Interest Rate;
- it is not Leveraged;
- it does not allow any of these three preceding requirements to be unilaterally altered without the consent of the trustee;
- it is entered into between the trust fund and an eligible counterparty; and
- it has an Allowable Notional Amount.

PRE-FUNDING ACCOUNTS. The Exemption was amended by PTE 97-34 to extend exemptive relief to certificates issued in transactions using pre-funding accounts whereby a portion of the loans backing the certificates are transferred to the trust fund within a specified period following the closing date ("DOL Pre-Funding Period") (see below) instead of requiring that all such loans be either identified or transferred on or before the closing date. The relief is effective for transactions occurring on or after May 23, 1997 provided that the following conditions are met.

First, the ratio of the amount allocated to the Pre-Funding Account to the total principal amount of the certificates being offered ("Pre-Funding Limit") must not exceed twenty-five percent (25%).

Second, all loans transferred after the closing date (referred to here as "additional loans") must meet the same terms and conditions for eligibility as the original loans used to create the trust fund, which terms and conditions have been approved by the Rating Agency.

Third, the transfer of such additional loans to the trust fund during the DOL Pre-Funding Period must not result in the certificates receiving a lower credit rating from the Rating Agency upon termination of the DOL Pre-Funding Period than the rating that was obtained at the time of the initial issuance of the certificates by the trust fund.

Fourth, solely as a result of the use of pre-funding, the weighted average annual percentage interest rate (the "average interest rate") for all of the loans in the trust fund at the end of the DOL Pre-

Funding Period must not be more than 100 basis points lower than the average interest rate for the loans which were transferred to the trust fund on the closing date.

Fifth, either:

- the characteristics of the additional loans must be monitored by an insurer or other credit support provider which is independent of the us; or
- an independent accountant retained by us must provide us with a letter (with copies provided to the Rating Agency, the underwriter and the trustee) stating whether or not the characteristics of the additional loans conform to the characteristics described in the Prospectus, Prospectus Supplement, Private Placement Memorandum ("Offering Documents") and/or the Agreement. In preparing such letter, the independent accountant must use the same type of procedures as were applicable to the loans which were transferred as of the closing date.

Sixth, the DOL Pre-Funding Period must end no later than three months or 90 days after the closing date or earlier, in certain circumstances, if the amount on deposit in the Pre-Funding Account is reduced below the minimum level specified in the Agreement or an event of default occurs under the Agreement.

Seventh, amounts transferred to any Pre-Funding Account and/or Capitalized Interest Account used in connection with the pre-funding may be invested only in investments which are permitted by the Rating Agency and:

- are direct obligations of, or obligations fully guaranteed as to timely payment of principal and interest by, the United States or any agency or instrumentality thereof (provided that such obligations are backed by the full faith and credit of the United States); or
- have been rated (or the obligor has been rated) in one of the three highest generic rating categories by the Rating Agency ("Acceptable Investments"). Eighth, certain disclosure requirements must be met.

REVOLVING POOL FEATURES. The Exemption only covers certificates backed by "fixed" pools of loans which require that all the loans must be transferred to the trust fund or identified at closing (or transferred within the DOL Pre-Funding Period, if pre-funding meeting the conditions described above is used). Accordingly, certificates issued by trust funds which feature revolving pools of assets will not be eligible for a purchase by Plans. However, securities which are notes backed by revolving pools of assets may be eligible for purchase by Plans pursuant to certain other prohibited transaction exemptions. See discussion below in "ERISA Considerations Relating to Notes."

LIMITATIONS ON SCOPE OF THE EXEMPTION. If the general conditions of the Exemption are satisfied, the Exemption may provide an exemption from the restrictions imposed by ERISA and the Code in connection with the initial acquisition, transfer or holding, and the acquisition or disposition in the secondary market, of the certificates by Plans. However, no exemption is provided from the restrictions of ERISA for the acquisition or holding of a certificates on behalf of an "Excluded Plan" by any person who is a fiduciary with respect to the assets of such Excluded Plan. For those purposes, an Excluded Plan is a Plan sponsored by any member of the Restricted Group. Exemptive relief may also be provided for the acquisition, holding and disposition of certificates by Plans if the fiduciary or its affiliate is the obligor with respect to 5% or less of the fair market value of the loans in the trust fund provided that:

- the Plan is not an Excluded Plan,

- each Plan's investment in each class of certificates does not exceed 25% of the outstanding certificates in the class,
- after the Plan's acquisition of the certificates, no more than 25% of the assets over which the fiduciary has investment authority are invested in certificates of a trust containing assets which are sold or serviced by the same entity; and
- in the case of initial issuance (but not secondary market transactions), at least 50% of each class of certificates and at least 50% of the aggregate interests in the trust fund are acquired by persons independent of the Restricted Group.

ERISA CONSIDERATIONS RELATING TO NOTES

Under the Plan Asset Regulations, the assets of the trust fund would be treated as "plan assets" of a Plan for the purposes of ERISA and the Code only if the Plan acquires an "equity interest" in the trust fund and none of the exceptions contained in the Plan Asset Regulations is applicable. An equity interest is defined under the Plan Asset Regulations as an interest other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Assuming that the notes are treated as indebtedness without substantial equity features for purposes of the Plan Asset Regulations, then such notes will be eligible for purchase by Plans. However, without regard to whether the notes are treated as an "equity interest" for such purposes, the acquisition or holding of notes by or on behalf of a Plan could be considered to give rise to a prohibited transaction if the trust fund or any of its affiliates is or becomes a party in interest or disqualified person with respect to such Plan, or in the event that a note is purchased in the secondary market and such purchase constitutes a sale or exchange between a Plan and a party in interest or disqualified person with respect to such Plan. There can be no assurance that the trust fund or any of its affiliates will not be or become a party in interest or a disqualified person with respect to a Plan that acquires notes.

The Amendment to the Exemption permits trust funds which are grantor trusts, owner-trusts, REMICs or FASITs to issue notes, as well as certificates, provided a legal opinion is received to the effect that the noteholders have a perfected security interest in the trust fund's assets. The exemptive relief provided under the Exemption for any prohibited transactions which could be caused as a result of the operation, management or servicing of the trust fund and its assets would not be necessary with respect to notes with no substantial equity features which are issued as obligations of the trust fund. However, effective for the acquisition, holding or transfer of notes between a Plan and a party in interest which occurs on or after November 13, 2000, the Exemption would provide prohibited transaction exemptive relief, provided that the same conditions of the Exemption described above relating to certificates are met with respect to the notes. The same limitations of such exemptive relief relating to acquisitions of certificates by fiduciaries with respect to Excluded Plans would also be applicable to the notes as described herein in "LIMITATIONS ON SCOPE OF THE EXEMPTION."

In the event that the Exemption is not applicable to the notes, one or more other prohibited transactions exemptions may be available to Plans purchasing or transferring the notes depending in part upon the type of Plan fiduciary making the decision to acquire the notes and the circumstances under which such decision is made. These exemptions include, but are not limited to, Prohibited Transaction Class Exemption 90-1 (regarding investments by insurance company pooled separate accounts), Prohibited Transaction Class Exemption 91-38 (regarding investments by bank collective investments funds), PTCE 84-14 (regarding transactions effected by "qualified professional asset managers"), PTCE 95-60 (regarding investments by insurance company general accounts) and PTCE 96-23 (regarding transactions effected by "in-house asset managers") (collectively, the "Investor-Based Exemptions"). However, even if the conditions specified in these Investor-Based Exemptions are met, the scope of the relief provided under such Exemptions might or might not cover all acts which might be construed as prohibited transactions.

EACH PROSPECTUS SUPPLEMENT WILL CONTAIN INFORMATION CONCERNING CONSIDERATIONS RELATING TO ERISA AND THE CODE THAT ARE APPLICABLE TO THE RELATED SECURITIES. BEFORE PURCHASING SECURITIES IN RELIANCE ON PTCE 83-1, THE EXEMPTION, THE INVESTOR-BASED EXEMPTIONS OR ANY OTHER EXEMPTION, A FIDUCIARY OF A PLAN SHOULD ITSELF CONFIRM THAT REQUIREMENTS SET FORTH IN SUCH EXEMPTION WOULD BE SATISFIED.

ANY PLAN INVESTOR WHO PROPOSES TO USE "PLAN ASSETS" OF ANY PLAN TO PURCHASE SECURITIES OF ANY SERIES OR CLASS SHOULD CONSULT WITH ITS COUNSEL WITH RESPECT TO THE POTENTIAL CONSEQUENCES UNDER ERISA AND SECTION 4975 OF THE CODE OF THE ACQUISITION AND OWNERSHIP OF SUCH SECURITIES.

With respect to those classes of exchangeable securities which were eligible for exemptive relief under PTE 90-30 when purchased, PTE 90-30 would also cover the acquisition or disposition of such exchangeable securities when the securityholder exercises its exchange rights. Similarly, with respect to classes of securities which were eligible for exemptive relief under PTE 90-30 and were issued as a Callable Class, the exercise of the Call would be covered under PTE 90-30. However, with respect to classes of exchangeable securities and Callable Classes which were not eligible for exemptive relief under PTE 90-30 when purchased, the exchange, purchase or sale of such securities pursuant to the exercise of exchange rights or call rights may give rise to prohibited transactions if a Plan and a party-in-interest with respect to such Plan are involved in the transaction. However, one or more Investor Based Exemptions discussed above may be applicable to these transactions.

A governmental plan as defined in Section 3(32) of ERISA is not subject to ERISA, or Code Section 4975. However, such governmental plan may be subject to federal, state and local law, which is, to a material extent, similar to the provisions of ERISA or a Code Section 4975. A fiduciary of a governmental plan should make its own determination as to the propriety of such investment under applicable fiduciary or other investment standards, and the need for the availability of any exemptive relief under any similar law.

FASIT REGULAR CERTIFICATES WHICH ARE HIGH-YIELD INTERESTS OR FASIT OWNERSHIP CERTIFICATES ARE NOT ELIGIBLE TO BE ACQUIRED BY A PURCHASER WHICH IS ACQUIRING SUCH FASIT CERTIFICATES DIRECTLY OR INDIRECTLY FOR, ON BEHALF OF OR WITH THE ASSETS OF, A PLAN OR A GOVERNMENTAL PLAN.

LEGAL INVESTMENT

SECONDARY MORTGAGE MARKET ENHANCEMENT ACT OF 1984

The prospectus supplement for each series of securities will specify which, if any, of the classes of securities offered by it will constitute "mortgage related securities" for purposes of the Secondary Mortgage Market Enhancement Act of 1984 ("SMMEA"). Classes of securities that qualify as "mortgage related securities" will be legal investments for those investors whose authorized investments are subject to state regulation, to the same extent as, under applicable law, obligations issued by or guaranteed as to principal and interest by the United States constitute legal investments for them. Those investors are persons, trusts, corporations, partnerships, associations, business trusts and business entities (including depository institutions, life insurance companies and pension funds) created pursuant to or existing under the laws of the United States or of any state (including the District of Columbia and Puerto Rico). Under SMMEA, if a state enacted legislation before October 4, 1991 specifically limiting the legal investment authority of those entities with respect to "mortgage related securities," the securities will constitute legal investments for entities subject to the legislation only to the extent provided in it. Approximately twenty-one states adopted limiting legislation before the October 4, 1991 deadline.

SMMEA also amended the legal investment authority of federally-chartered depository institutions as follows: federal savings and loan associations and federal savings banks may invest in, sell or otherwise deal in securities without limitation as to the percentage of their assets represented by them, federal credit unions may invest in mortgage related securities, and national banks may purchase securities for their own account without regard to the limitations generally applicable to investment securities set forth in 12 U.S.C. 24 (Seventh), subject in each case to regulations that the applicable federal authority may prescribe. In this connection, federal credit unions should review the National Credit Union Administration Letter to Credit Unions No. 96, as modified by Letter to Credit Unions No. 108, which includes guidelines to assist federal credit unions in making investment decisions for mortgage related securities, and its regulation "Investment and Deposit Activities" (12 C.F.R. Part 703), (whether or not the class of securities under consideration for purchase constitutes a "mortgage related security").

All depository institutions considering an investment in the securities (whether or not the class of securities under consideration for purchase constitutes a "mortgage related security" should review the Federal Financial Institutions Examination Council's Supervisory Policy Statement on securities Activities (to the extent adopted by their respective regulators), setting forth, in relevant part, certain securities trading and sales practices deemed unsuitable for an institution's investment portfolio, and guidelines for (and restrictions on) investing in mortgage derivative products, including "mortgage related securities" that are "high-risk mortgage securities" as defined in the policy statement. According to the policy statement, "high-risk mortgage securities" include securities such as securities not entitled to distributions allocated to principal or interest, or subordinated securities. Under the policy statement, each depository institution must determine, before purchase (and at stated intervals thereafter), whether a particular mortgage derivative product is a "high-risk mortgage security," and whether the purchase (or retention) of such a product would be consistent with the policy statement.

The foregoing does not take into consideration the applicability of statutes, rules, regulations, orders, guidelines, or agreements generally governing investments made by a particular investor, including "prudent investor" provisions, percentage-of-assets limits and provisions that may restrict or prohibit investment in securities that are not "interest bearing" or "income paying."

There may be other restrictions on the ability of certain investors, including depository institutions, either to purchase securities or to purchase securities representing more than a specified percentage of the investor's assets. Investors are encouraged to consult their own legal advisors in determining whether and to what extent the securities constitute legal investments for them.

METHOD OF DISTRIBUTION

We will offer the securities in series. The distribution of the securities may be effected from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices to be determined at the time of sale or at the time of commitment therefor. If so specified in the related prospectus supplement, Bear, Stearns & Co. Inc., our affiliate, acting as underwriter with other underwriters, if any, named in such prospectus supplement will distribute the securities in a firm commitment underwriting, subject to the terms and conditions of the underwriting agreement. In such event, the related prospectus supplement may also specify that the underwriters will not be obligated to pay for any securities agreed to be purchased by purchasers pursuant to purchase agreements acceptable to us. In connection with the sale of the securities, underwriters may receive compensation from us or from purchasers of the securities in the form of discounts, concessions or commissions. The related prospectus supplement will describe any such compensation that we pay.

Alternatively, the related prospectus supplement may specify that Bear, Stearns & Co. Inc. acting as agent or in some cases as principal with respect to securities that it has previously purchased or agreed

to purchase, will distribute the securities. If Bear, Stearns & Co. Inc. acts as agent in the sale of securities, Bear, Stearns & Co. Inc. will receive a selling commission with respect to each series of securities, depending on market conditions, expressed as a percentage of the aggregate principal balance of the securities sold hereunder as of the closing date. The exact percentage for each series of securities will be disclosed in the related prospectus supplement. To the extent that Bear, Stearns & Co. Inc. elects to purchase securities as principal, Bear, Stearns & Co. Inc. may realize losses or profits based upon the difference between its purchase price and the sales price. The related prospectus supplement with respect to any series offered other than through underwriters will contain information regarding the nature of such offering and any agreements to be entered into between us and purchasers of securities of such series.

We will indemnify Bear, Stearns & Co. Inc. and any underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933, or will contribute to payments Bear, Stearns & Co. Inc. and any underwriters may be required to make in respect thereof.

In the ordinary course of business, we and Bear, Stearns & Co. Inc. may engage in various securities and financing transactions, including repurchase agreements to provide interim financing of our mortgage loans pending the sale of such mortgage loans or interests in such mortgage loans, including the securities.

Bear, Stearns & Co. Inc. may use this prospectus and the related prospectus supplement in connection with offers and sales related to market-making transactions in the securities. Bear, Stearns & Co. Inc. may act as principal or agent in such transactions. Such sales will be made at prices related to prevailing market prices at the time of sale or otherwise.

We anticipate that the securities will be sold primarily to institutional investors. Purchasers of securities, including dealers, may, depending on the facts and circumstances of such purchases, be deemed to be "underwriters" within the meaning of the Securities Act of 1933 in connection with reoffers and sales by them of securities. Securityholders should consult with their legal advisors in this regard before any such reoffer or sale.

LEGAL MATTERS

Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, New York 10038 or Thacher, Profitt & Wood, Two World Trade Center, New York, New York 10048, will pass upon the legality of the securities of each series, including certain federal income tax consequences with respect to such securities.

FINANCIAL INFORMATION

A new trust fund will be formed with respect to each series of securities and no trust fund will engage in any business activities or have any assets or obligations before the issuance of the related series of securities. Accordingly, no financial statements with respect to any trust fund will be included in this prospectus or in the related prospectus supplement.

RATING

It is a condition to the issuance of the securities of each series offered by this prospectus and by the related prospectus supplement that the nationally recognized statistical rating agency or agencies specified in the prospectus supplement shall have rated the securities in one of the four highest rating categories.

Ratings on mortgage-backed securities address the likelihood of receipt by securityholders of all distributions on the underlying mortgage loans or other assets. These ratings address the structural, legal and issuer-related aspects associated with such securities, the nature of the underlying mortgage loans or

other assets and the credit quality of the guarantor, if any. Ratings on mortgage-backed securities do not represent any assessment of the likelihood of principal prepayments by mortgagors or of the degree by which such prepayments might differ from those originally anticipated. As a result, securityholders might suffer a lower than anticipated yield, and, in addition, holders of stripped securities under certain scenarios might fail to recoup their underlying investments.

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. You should evaluate each security rating independently of any other security rating.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement under the Securities Act of 1933, as amended, with respect to the securities. This prospectus and the supplement relating to each series contain summaries of the material terms of the documents they refer to, but do not contain all of the information set forth in the registration statement of which this prospectus is a part. For further information, we refer you to such registration statement. You can inspect and copy the registration statement at the public reference facilities maintained by the SEC. The SEC's public reference facilities are located at its Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549, and at its Regional Offices located as follows: 500 West Madison Street, Chicago, Illinois 60661; and Seven World Trade Center, New York, New York 10048. The SEC maintains an Internet Web site that contains reports, proxy and information statements and other that we file electronically with the SEC. The address of such Internet Web site is (http://www.sec.gov).

This prospectus and any prospectus supplement do not constitute an offer to sell or a solicitation of an offer to buy any securities other than the notes and certificates referred to in this prospectus and any supplement. This prospectus and any supplement do not constitute an offer of securities to any person in any state or other jurisdiction in which such offer would be unlawful.

GLOSSARY Unless the context indicates otherwise, the following terms shall have the meanings set forth on the page indicated below:

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Investors should rely only on the information contained in this Prospectus Supplement and the accompanying Prospectus. The Seller, the Issuer or the Underwriter have not authorized anyone to provide investors with different information.

This Prospectus Supplement and the accompanying (APPROXIMATE) Prospectus do no constitute an offer to sell or a solicitation of an offer to buy any securities other than the Certificates to any person in any state or other jurisdiction in which such offer would be unlawful. The delivery of this Prospectus Supplement and the accompanying Prospectus at any time does not imply that information herein is correct as of any time subsequent to its date.

Until 90 days after the date of this Prospectus Supplement, all dealers effecting transactions in the Certificates offered hereby, whether or not Structured Asset Mortgage participating in this distribution, may be required to deliver a Prospectus Supplement and the Prospectus. This is in addition to the obligation of Investments Inc. dealers to deliver a Prospectus Supplement and Prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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$494,500,100
(Approximate)

Structured Asset Mortgage

Investments Inc.

Structured Asset Mortgage Investments Trust
Mortgage Pass-Through Certificates,
Series 2002-AR4

PROSPECTUS SUPPLEMENT

Bear, Stearns & Co. Inc.

October 29, 2002

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Source: SEC Info · www.secinfo.com · *Fran Finnegan & Company* · 2/17/14

BNY MELLON

Corporate Trust Inve:



Exhibit D

Factors Contacts Alerts

SAMI02AR4 - Structured Assets Mortgage Investments Trust, Mortgage Pass-Through Certificates, Series 2002-AR4

Reports Added to the Download Center will be stored for batch download. Reports Added to a Deal Portfolio will be automatically delivered via email according to the individual F

New Deal Portfoli :

November 2010 :

Available Reports	Format Type	Download	Historical Reports	Report Date	Category	Status	Deal Status	Portfolio	Publish
	✓			25-Nov-2010	Reporting Date		Live		06-Dec

Documents Added to the Download Center will be stored for batch download.

Available Documents	Format Type	Download	Sta
	✓ PDF		

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Structured Asset Mortgage Investments Inc.
Mortgage Pass-Through Certificates
Series 2002-AR4

Contact: Customer Service - CTSLink
Wells Fargo Bank, N.A.
Securities Administration Services
8480 Stagecoach Circle
Frederick, MD 21701-4747
www.ctslink.com
Telephone: 1-866-846-4526
Fax: 240-586-8675

Exhibit E

Certificateholder Account Statement

CERTIFICATE ACCOUNT	
Beginning Balance	0.00
Deposits	
Payments of Interest and Principal	706,702.54
Reserve Funds and Credit Enhancements	0.00
Proceeds from Repurchased Loans	0.00
Servicer Advances	44,857.10
Gains & Subsequent Recoveries (Realized Losses)	(55,456.54)
Total Deposits	696,103.10
Withdrawals	
Reserve Funds and Credit Enhancements	0.00
Reimbursement for Servicer Advances	49,788.11
Total Administration Fees	10,244.96
Payment of Interest and Principal	636,070.03
Total Withdrawals (Pool Distribution Amount)	696,103.10
Ending Balance	0.00

Servicer Advances are calculated as delinquent scheduled principal and interest.

PREPAYMENT/CURTAILMENT INTEREST SHORTFALL	
Total Prepayment/Curtailment Interest Shortfall	0.00
Servicing Fee Support	0.00
Non-Supported Prepayment/Curtailment Interest Shortfall	0.00

ADMINISTRATION FEES	
Gross Servicing Fee*	10,244.96
Additional Servicing Fee	0.00
Supported Prepayment/Curtailment Interest Shortfall	0.00
Total Administration Fees	10,244.96

*Servicer Payees include: EMC MORTGAGE CORPORATION

Reserve and Guaranty Funds

Account Name	Beginning Balance	Current Withdrawals	Current Deposits	Ending Balance
Reserve Fund	0.00	0.00	0.00	0.00

ROA0683

For Exhibit F to
This document
See Exhibit E to
Exhibits Package

Structured Asset Mortgage Investments Inc.
Mortgage Pass-Through Certificates
Series 2002-AR4

Contact: Customer Service - CTSLink
Wells Fargo Bank, N.A.
Securities Administration Services
8480 Stagecoach Circle
Frederick, MD 21701-4747
www.ctslink.com
Telephone 1-866-846-4526
Fax 240-586-8675

Exhibit G

Certificateholder Distribution Summary

Class	CUSIP	Record Date	Certificate Pass-Through Rate	Beginning Certificate Balance	Interest Distribution	Principal Distribution	Current Realized Loss	Ending Certificate Balance	Total Distribution	Cumulative Realized Losses
A-1	86358HQR3	03/18/2014	0.99450 %	27,331,209.70	22,650.74	556,509.26	0.00	26,774,700.44	579,160.00	0.00
A-2	86358HQT9	03/18/2014	0.97950 %	4,967,326.50	4,054.58	24,647.57	0.00	4,942,678.93	28,702.15	0.00
R-I	86358HQU6	02/28/2014	2.48759 %	0.00	0.00	0.00	0.00	0.00	0.00	0.00
R-II	86358HQV4	02/28/2014	2.48759 %	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	86358HQS1	02/28/2014	0.94521 %	0.00	25,823.07	0.00	0.00	0.00	25,823.07	0.00
B-1	86358HQW2	03/18/2014	1.42950 %	485,323.90	578.14	1,806.67	56,058.02	427,459.21	2,384.81	1,198,321.52
B-2	86358HQX0	03/18/2014	1.65450 %	0.00	0.00	0.00	0.00	0.00	0.00	1,143,939.03
B-3	86358HQY8	03/18/2014	1.65450 %	0.00	0.00	0.00	0.00	0.00	0.00	727,071.81
B-4	86358HQZ5	02/28/2014	2.48759 %	0.00	0.00	0.00	0.00	0.00	0.00	424,125.23
B-5	86358HRB7	02/28/2014	2.48759 %	0.00	0.00	0.00	0.00	0.00	0.00	242,357.27
B-6	86358HRD3	02/28/2014	2.48759 %	0.00	0.00	0.00	0.00	0.00	0.00	811,964.55
Total:				32,783,860.10	53,106.53	582,963.50	56,058.02	32,144,838.58	636,070.03	4,547,779.41

This report is compiled by Wells Fargo Bank, N.A. from information provided by third parties. Wells Fargo Bank, N.A. has not independently confirmed the accuracy of the information.

* Record Dates are based upon the governing documents and logic set forth as of closing

ROA0685

Exhibit H

NYS Department of State

Division of Corporations

Entity Information

The information contained in this database is current through November 10, 2015.

Selected Entity Name: STRUCTURED ASSET MORTGAGE INVESTMENTS INC.

Selected Entity Status Information

Current Entity Name: STRUCTURED ASSET MORTGAGE INVESTMENTS INC.
DOS ID #: 1593539
Initial DOS Filing Date: DECEMBER 03, 1991
County: NEW YORK
Jurisdiction: DELAWARE
Entity Type: FOREIGN BUSINESS CORPORATION
Current Entity Status: INACTIVE - Termination (May 31, 2012)

Selected Entity Address Information

DOS Process (Address to which DOS will mail process if accepted on behalf of the entity)
CT CORPORATION SYSTEM
111 8TH AVENUE
13H FL
NEW YORK, NEW YORK, 10011

Chief Executive Officer
JEFFREY MAYER
383 MADISON AVENUE
NEW YORK, NEW YORK, 10179-7200

Principal Executive Office
STRUCTURED ASSET MORTGAGE INVESTMENTS INC.
383 MADISON AVENUE
NEW YORK, NEW YORK, 10179-7200

Registered Agent

C T CORPORATION SYSTEM
111 EIGHTH AVENUE
NEW YORK, NEW YORK, 10011

This office does not record information regarding the names and addresses of officers, shareholders or directors of nonprofessional corporations except the chief executive officer, if provided, which would be listed above. Professional corporations must include the name(s) and address(es) of the initial officers, directors, and shareholders in the initial certificate of incorporation, however this information is not recorded and only available by viewing the certificate.

***Stock Information**

# of Shares	Type of Stock	$ Value per Share
No Information Available		

*Stock information is applicable to domestic business corporations.

Name History

Filing Date	Name Type	Entity Name
JUN 05, 1998	Actual	STRUCTURED ASSET MORTGAGE INVESTMENTS INC.
DEC 03, 1991	Actual	BEAR STEARNS MORTGAGE SECURITIES INC.

A **Fictitious** name must be used when the **Actual** name of a foreign entity is unavailable for use in New York State. The entity must use the fictitious name when conducting its activities or business in New York State.

NOTE: New York State does not issue organizational identification numbers.

Search Results New Search

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EP-MN-WS3D
60 Livingston Avenue
St. Paul, MN 55107

November 14, 2012

Exhibit #I

Ms. Cathy G. Lanier
172 Belle Chase Drive
Lexington, SC 29072

RE: Notice to Agent is Notice to Principal/Notice to Principal is Notice to Agent regarding the property located at 172 Belle Chase Drive, Lexington SC 29072

Dear Ms. Lanier:

U.S. Bank National Association ("U.S. Bank") is in receipt of your correspondence with regard to the above referenced property. Please be advised your mortgage is owned by the **J.P. Morgan Acquisiton Corp. 2006-WMC1, Asset Backed Pass-Through Certificates, Series 2006-WMC1, (JPMAC 2006-WMC1)** which is a mortgage-backed securitization trust ("Trust") for which U.S. Bank National Association acts as Trustee.

Please note the fact the **JPMAC 2006-WMC1 Trust** is the owner of your mortgage, not U.S. Bank, as Trustee. JPM Chase, as Servicer, is the agent of the trust with delegated responsibility under the trust documents for dealing with each individual mortgage loan, and as such is the entity that has taken all action regarding your property. As Trustee, U.S. Bank is not refusing to provide the information you have requested, the Trustee simply does not have the information to provide to you. The requested information should be available through JPM Chase, as the servicing entity for your property.

The mortgage is held in the Trust and governed by the terms of the pooling and servicing agreement for the Trust. U.S. Bank is neither the mortgagor nor the servicer of this mortgage. JPM Chase is the servicer for your mortgage. All actions related to your mortgage would have been done by JPM Chase as servicer. U.S. Bank, as Trustee, would not have been aware of any actions or proceedings taken by the servicer. JPM Chase has the knowledge to respond to your specific questions regarding matters concerning your individual property. Please note that U.S. Bank does not have control over the servicer. The servicer is an independent, third party company and is not affiliated with U.S. Bank in any way. You should continue to work with the servicer regarding this matter.

U.S. Bank forwarded your correspondence to JPM Chase. U.S. Bank has requested they review your situation and provide a response to you and U.S. Bank. You may contact Ann Stankiewicz (ph: 312-732-6149) or ann.stankiewicz@chase.com at JPM Chase with any questions you have concerning this matter.

U.S. Bank does not acknowledge your correspondence as satisfaction or settlement of the debt owed, nor do we acknowledge that your correspondence has any legal significance or that it forms the basis for any contract or agreement. Your account is governed by your loan documents and the Trust's governing documents. You are advised that the statements contained within your correspondence in no way alter or change the nature or terms of your loan documents and your contractual obligation to repay the balance owed on the account in full is neither discharged nor forgiven. Insofar as they relate to U.S. Bank, U.S. Bank disagrees with your legal assertions and will not be producing the requested documents.

U.S. Bank regrets the inconvenience you have experienced in connection with this matter.

Michael D. Bengtson
Assistant Vice President
U. S. Bank National Association

U.S. BANK GLOBAL CORPORATE TRUST SERVICES



Exhibit # J

Role of the Corporate Trustee

Financial strength. Local expertise. Global reach.

It is estimated that some mortgage lenders securitized as much as 70-80% of their outstanding mortgages through the sale of Mortgage Backed Securities (MBS) in the capital markets. This process, the securitization of mortgage loans, goes back to the 1970s and has contributed to the availability and affordability of mortgage credit.

The combination of high foreclosure rates and high levels of mortgage backed securitization activity has many people attempting to understand the complex securitization process and identify the parties to the MBS transactions and their assigned responsibilities.

Distinct Party Roles

Parties involved in a MBS transaction include the borrower, the originator, the servicer and the trustee, each with their own distinct roles, responsibilities and limitations

usbank.

I.S. Bank as Trustee:

ɜ Trustee, U.S. Bank Global Corporate Trust
ɜrvices performs the following responsibilities:

- Holds an interest in the mortgage loans for the benefit of investors
- Maintains investors/securities holder records
- Collects payments from the Servicer
- Distributes payments to the investors/ securities holder
- Does not initiate, nor has any discretion or authority in the foreclosure process
- Does not have responsibility for overseeing mortgage servicers
- Does not mediate between the servicer(s) and investors in securitization deals
- Does not manage or maintain properties in foreclosure
- Is not responsible for the approval of any loan modifications

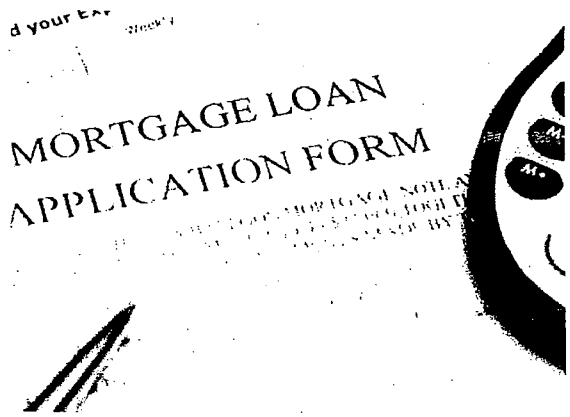
trustees for MBS transactions, including
S. Bank, have no advance knowledge of when
ɲortgage loan has defaulted.

ɹstees on MBS transactions, while named
ı the mortgage and on legal foreclosure
ɔcuments, are not involved in the foreclosure
ɔcess.

What is a Mortgage Backed Security?

Residential and commercial property mortgages often are used to create Mortgage Backed Securities (MBS) by firms within the financial industry. Mortgage backed securities are financial instruments which represent an ownership in a group of mortgage loans, commonly referred to as pools, and their corresponding cash flows. Mortgage loans are purchased from banks, mortgage companies, and other originators and then assembled into pools by a governmental, quasi-governmental, or private entity and then deposited into trusts which issue securities entitling the investors to all principal and interest payments made by borrowers on the loans in the pool. This process is known as securitization.

MBS securities are brought to market by the owner of a pool of mortgages, typically referred to as the sponsor, and the transaction is structured and sold by investment bankers. A sponsor may be the originator of the mortgages or, in many circumstances, an aggregator who both originates and purchases mortgage loans from smaller originating institutions. When a pool of sufficient size and diversification has been aggregated, the sponsor will engage the appropriate parties to structure, sell and administer the mortgage loans and trust on an ongoing basis.



Who initiates and Manages a Foreclosure?

U.S. Bank, as trustee for thousands of securitization transactions involving many millions of mortgages, is often mentioned in media reports about foreclosures. While trustees are listed on mortgages, and therefore in legal documents as well, as the owner of record, its interest is solely for the benefit of investors. The trustee does not have an economic or beneficial interest in the loans and has no authority to manage or otherwise take action on the loans which is reserved for the servicer.

As noted, the trustee does not play a role in initiating or managing a foreclosure process and consequently has little, if any, information relating to mortgage loan activities including a foreclosure. Depending on the particular trust and pool, the trustee may have very limited information on either the borrower or the property.

The servicer, who is selected by the Sponsor of the trust, may have to foreclose on a property if a borrower (mortgagee) does not make payments as required by the mortgage documents. Any action taken by the servicer must maximize the return on the investment made by the "beneficial owners of the trust" -- the investors.

Servicer vs Trustee Responsibilities

Appointed by the sponsor, the Servicer is the contractual party to the trust for the benefit of investors, and performs the following responsibilities:

- Collects payments from the borrower/mortgagee
- Maintains loan level detail
- Pays property taxes and insurance (if applicable)
- Calls a default for non-payment
- Forecloses on the mortgage and maintains the related property
- Modifies mortgage terms within limitations outlined by the provisions of the Pooling and Servicing Agreement relevant to a particular MBS transaction
- Maintains the physical property to comply with local housing codes

U.S. Bank Global Corporate Trust Services, as Trustee, is responsible and accountable to the investors or holders of the securities that the mortgages are pledged against as collateral for the duties set forth in the contracts governing the transaction. These duties are carefully detailed in the contracts and are limited to the responsibilities specifically accepted by the trustee.

How Do I Obtain Information on a Specific Mortgage Loan?

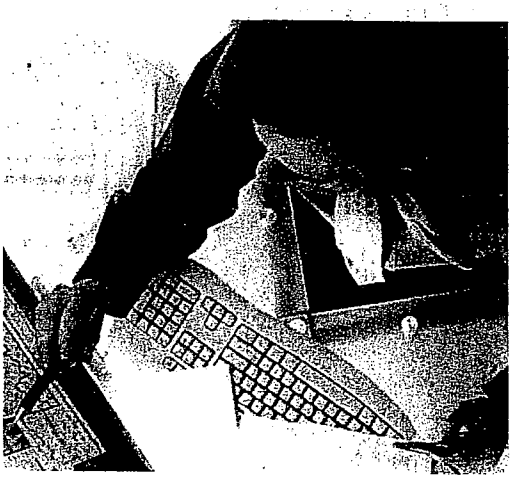
To learn more about a foreclosed property, contact the servicer for the MBS transaction that holds the mortgage as collateral. The most effective way to identify the servicer for a specific mortgage is to ask the borrower (homeowner) who they make their monthly payment to or from whom they receive their monthly statements. The firm receiving the payments and sending statements is generally the servicer for the MBS transaction and can offer more details regarding a foreclosed property.

To ensure clarity of the various participants related to a foreclosure process with MBS transactions, U.S. Bank has taken two important actions. U.S. Bank has sent notices to servicers with whom they work on MBS transactions to reinforce the importance of properly identifying U.S. Bank as Trustee for the specific trust in all foreclosure actions and filings, complying with industry servicing practices and maintaining any foreclosures in accordance with applicable laws. Secondly, U.S. Bank established a dedicated toll-free (800) number to handle calls related to loans which identify U.S. Bank as Trustee. Our professional staff explains to callers the role of U.S. Bank as Trustee and also provides the information callers need to connect with the servicer who can best address their questions.

For more information about U.S. Bank and our role as trustee in MBS transactions, please call (800) 236-3488 between the hours of 8 a.m. and 5 p.m. central standard time Monday through Friday.

Additional Sources of Information:

-- American Bankers Association White Paper, The Trustee's Role in Asset-Backed Securities, dated November 9, 2010 (http://www.aba.com/Press+Room/110910RoleofATrustee.htm)
-- The Trust Indenture Act of 1939



Why not modify mortgage loans in default?

Borrowers agree, under the terms of their mortgage and note, that upon a payment default the lender or owner has the right to assume ownership of the property. Whether the servicer pursues a foreclosure or considers a modification of the loan, the goal is still to maximize the return to investors. Consideration of any loan modification is predicated on whether the trust documents allow modifications, the underwriting criteria applicable to the particular borrower's circumstances, and federal and state laws concerning loan modifications.

Regardless, the servicer is fully empowered to enter into modifications with borrowers so long as such actions comply with industry servicing practices, is allowed under the trust documents, maximizes the return to investors and complies with relevant laws.

Parties to a Mortgage Backed Securities Transaction

Borrower

The person or entity responsible for the mortgage note and making principal and interest payments in accordance with the underlying mortgage documents.

Investment Bank/Sponsor

Responsible for structuring the MBS transaction and selling the securities to investors.

Investor

The buyer and owner of an MBS certificate or certificates.

Originator

The financial institution or mortgage lender who originally initiates the mortgage agreement with the borrower.

Servicer

Appointed by the sponsor and is a contractual party to the trust, to administer the mortgages loans and to collect monthly payments (e.g. principal/interest, tax, insurance). After collection, the servicer sends the funds to the trustee who then makes payment to the investors. If a borrower (mortgagee) does not make payments to the servicer as required by the mortgage documents, the servicer may have to foreclose on the property and provide property maintenance to maximize the return on the investment made by the "beneficial owners of the Trust" -- the investors. Some MBS transactions have more than one servicer. The servicer does not own the mortgages/collateral. The trustee does not designate the loan servicers, nor are the loan servicers agents of the trustee.

Trust

Generally a special purpose entity, such as a Real Estate Mortgage Investment Conduit (REMIC), that is formed solely to hold the mortgage collateral and to issue the securities which are then sold to investors. The trust owns the pooled mortgages. The trust conducts no other business. Certificates issued by the trust represent a financial interest in a pool of mortgages owned by the trust and is the primary source of funds for payment of interest and principal due to the investors on certificates they own.

Trustee

An independent party, responsible for administering the trust for the benefit of investors. While the trustee is listed as the owner of record, the trustee does not have an economic or beneficial interest in the loans. The trustee is the owner of the mortgage solely for the benefit of the investors in the mortgage backed securities, who are the true beneficial owners of the mortgages. The Trustee holds a security interest in the mortgaged property by having the mortgage loans assigned in the name of the trustee for the benefit of the trust (e.g. U.S. Bank as Trustee for the MBS Trust) or in the name of MERS, a Mortgage Electronic Recording System used by many of the largest financial institutions. The duties of the trustee are administrative in nature, are clearly spelled out in the MBS transaction documents, and generally are non-discretionary in nature.

For more information about U.S. Bank and our role as trustee in MBS transactions, please call (800) 236-3488 between the hours of 8 a.m. and 5 p.m. central standard time Monday through Friday.

Investment and Insurance products are:

NOT A DEPOSIT NOT FDIC-INSURED MAY LOSE VALUE NC ROA0692 D BY THE BANK NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

ALLONGE TO NOTE

Exhibit [redacted] K

Note Date: 8/2/2002

Loan #: [redacted]6002

Borrower Name(s): CATHY G. LANIER

Borrower Address: 172 BELLE CHASE DRIVE
LEXINGTON, SC 29072

Loan Amount: $582,250.00

Lender Name: SouthStar Funding, LLC dba Capital Home Mortgage

Pay to the Order of Without Recourse:

BANK ONE NATIONAL ASSOCIATION, AS TRUSTEE

By: _____
Carol Poupart, Senior Vice President
SouthStar Funding, L.L.C.

SOUTHSTAR FUNDING, LLC CORPORATE SEAL 1998 GEORGIA

BCALNGE.OVL(08/2000)

EXHIBIT B

ALLONGE TO MORTGAGE NOTE

LOAN NUMBER: [redacted]5050

NOTE DATED: August 2, 2002

LOAN AMOUNT: 582,250.00

MORTGAGOR: Cathy G. Lanier

PROPERTY ADDRESS: 172 BELLE CHASE DRIVE
LEXINGTON, SC 29072

Allonge to one certain Mortgage Note dated August 2, 2002 in favor of SOUTHSTAR FUNDING, executed by Cathy G. Lanier

Pay to the order of THE BANK OF NEW YORK MELLON, F/K/A THE BANK OF NEW YORK AS SUCCESSOR-IN-INTEREST OF JPMORGAN CHASE BANK, N.A. AS SUCCESSOR IN INTEREST BY MERGER TO BANK ONE, N.A. AS TRUSTEE FOR STRUCTURED ASSET MORTGAGE INVESTMENTS INC., MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 2002-AR4

Without Recourse

SELLER: JPMORGAN CHASE BANK, N.A. S/B/M TO BANK ONE, NATIONAL ASSOCIATION AS TRUSTEE

BY: Leatrice N. Rogers

Leatrice N. Rogers/Assistant Vice President
Authorized Officer

EXHIBIT C

Exhibit L

ADJUSTABLE RATE NOTE
(LIBOR Index - Rate Caps)

LOAN NO. 3610016002

THIS NOTE CONTAINS PROVISIONS ALLOWING FOR CHANGES IN MY INTEREST RATE AND MY MONTHLY PAYMENT. THIS NOTE LIMITS THE AMOUNT MY INTEREST RATE CAN CHANGE AT ANY ONE TIME AND THE MAXIMUM RATE I MUST PAY.

AUGUST 2, 2002 WEST COLUMBIA, SOUTH CAROLINA
[City] [State]

172 BELLE CHASE DRIVE, LEXINGTON, SOUTH CAROLINA 29072
[Property Address]

1. BORROWER'S PROMISE TO PAY

In return for a loan that I have received, I promise to pay U.S. $ 582,250.00 (this amount is called "Principal"), plus interest, to the order of the Lender. The Lender is SOUTHSTAR FUNDING, LLC DBA CAPITAL HOME MORTGAGE

I will make all payments under this Note in the form of cash, check or money order.

I understand that the Lender may transfer this Note. The Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note is called the "Note Holder."

2. INTEREST

Interest will be charged on unpaid principal until the full amount of Principal has been paid. I will pay interest at a yearly rate of 4.000 %. The interest rate I will pay may change in accordance with Section 4 of this Note.

The interest rate required by this Section 2 and Section 4 of this Note is the rate I will pay both before and after any default described in Section 7(B) of this Note.

3. PAYMENTS

(A) Time and Place of Payments

Beginning on the 1st day of SEPTEMBER 1, 2002 and on the first day of every month thereafter until the 1st day of AUGUST, 2012 , I will pay only the interest on the unpaid principal balance of the Note. Thereafter, I will pay principal and interest by making payments every month as provided below.

I will make my monthly payments of principal and interest on the 1st day of each month beginning SEPTEMBER, 2012 . I will make these payments every month until I have paid all of the principal and interest and any other charges described below that I may owe under this Note.

My monthly payments will be applied to interest before principal. If, on AUGUST 1, 2027 , I still owe amounts under this Note, I will pay those amounts in full on that date, which is called the "maturity date."

I will make my monthly payments at 400 NORTHRIDGE ROAD, SUITE 1120, ATLANTA, GEORGIA 30350 or at a different place if required by the Note Holder.

(B) Amount of My Initial Monthly Payments

Each of my initial monthly payments will be in the amount of U.S. $ 1,940.83 . This amount may change.

(C) Monthly Payment Changes

Changes in my monthly payment will reflect changes in the unpaid principal of my loan and in the interest rate that I must pay. The Note Holder will determine my new interest rate and the changed amount of my monthly payment in accordance with Section 4 of this Note.

(D) Withholding

If I am a nonresident client, I understand that all payments due hereunder shall be paid without reduction for any taxes, deductions or withholding of any nature. If such tax, deduction or withholding is required by any law to be made from any payment to the Note Holder, I shall continue to pay this Note in accordance with the terms hereof, such that the Note Holder will receive such amount as it would have received had no such tax, deduction or withholding been required.

4. INTEREST RATE AND MONTHLY PAYMENT CHANGES

(A) Change Dates

The interest rate I will pay may change on the 1st day of FEBRUARY, 2003 , and on that day every sixth (6th) month thereafter. Each date on which my interest rate could change is called a "Change Date."

(B) The Index

Beginning with the first Change Date, my interest rate will be based on an Index. The "Index" is the average of interbank offered rates for 6-month U.S. dollar-denominated deposits in the London market ("LIBOR"), as published in The Wall Street Journal. The most recent Index figure available as of the first business day of the month immediately preceding the month in which the Change Date occurs is called the "Current Index."

If the Index is no longer available, the Note Holder will choose a new index that is based upon comparable information. The Note Holder will give me notice of this choice.

(C) Calculation of Changes

Before each Change Date, the Note Holder will calculate my new interest rate by adding TWO AND ONE/EIGHTH----- percentage point(s) (2.125 %) to the Current Index. The Note Holder will then round the result of this addition to the nearest one-eighth of one percentage point (0.125%). Subject to the limits stated in Section 4(D) below, this rounded amount will be my new interest rate until the next Change Date.

(i) Interest-Only Period. The "interest-only period" is the period from the date of this Note through JULY 31, 2012 . For the interest-only period, after calculating my new interest rate as provided above, the Note Holder will then determine the amount of the monthly payment that would be sufficient to pay the interest which accrues on the unpaid principal of my loan. The result of this calculation will be the new amount of my monthly payment.

(ii) Amortization Period. The "amortization period" is the period after the interest-only period. For the amortization period, after calculating my new interest rate as provided above, the Note Holder will then determine the amount of the monthly payment that would be sufficient to repay the unpaid principal that I am expected to owe at the Change Date in full on the Maturity Date at my new interest rate in substantially equal payments. The result of this calculation will be the new amount of my monthly payment.

(D) Limits on Interest Rate Changes

My interest will never be greater than 12.000 %.

(E) Effective Date of Changes

My new interest rate will become effective on each Change Date. I will pay the amount of my new monthly payment beginning on the first monthly payment date after the Change Date until the amount of my monthly payment changes again.

(F) Notice of Changes

The Note Holder will deliver or mail to me a notice of any changes in my interest rate and the amount of my monthly payment before the effective date of any change. The notice will include information required by law to be given me and also the title and telephone number of a person who will answer any question I may have regarding the notice.

5. BORROWER'S RIGHT TO PREPAY

I have the right to make payments of Principal at any time before they are due. A payment of Principal only is known as "Prepayment." When I make a Prepayment, I will tell the Note Holder in writing that I am doing so. I may not designate a payment as a Prepayment if I have not made all the monthly payments due under the Note.

I may make a full Prepayment or partial Prepayments without paying any Prepayment charge. The Note Holder will use my Prepayments to reduce the amount of Principal that I owe under this Note. However, the Note Holder may apply my Prepayment to the accrued and unpaid interest on the Prepayment amount before applying my Prepayment to reduce the Principal amount of the Note. If I make a partial Prepayment, there will be no changes in the due dates of my monthly payments unless the Note Holder agrees in writing to those changes. My partial Prepayment may reduce the amount of my monthly payments after the first Change Date following my partial Prepayment. However, any reduction due to my partial Prepayment may be offset by an interest rate increase.

6. LOAN CHARGES

If a law, which applies to this loan and which sets maximum loan charges, is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from me that exceeded permitted limits will be refunded to me. The Note Holder may choose to make this refund by reducing the Principal I owe under this Note or by making a direct payment to me. If a refund reduces Principal, the reduction will be treated as a partial Prepayment.

7. BORROWER'S FAILURE TO PAY AS REQUIRED

(A) Late Charges for Overdue Payments

If the Note Holder has not received the full amount of any monthly payment by the end of 15 calendar days after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be 5.00 % of my overdue payment. I will pay this late charge promptly but only once on each late payment.

(B) Default

If I do not pay the full amount of each monthly payment on the date it is due, I will be in default.

(C) Notice of Default

If I am in default, the Note Holder may send me a written notice telling me that if I do not pay the overdue amount by a certain date, the Note Holder may require me to pay immediately the full amount of Principal which has not been paid and all the interest that I owe on that amount. That date must be at least 30 days after the date on which the notice is mailed to me or delivered by other means.

(D) No Waiver by Note Holder

Even if, at a time when I am in default, the Note Holder does not require me to pay immediately in full as described above, the Note Holder will still have the right to do so if I am in default at a later time.

(E) Payment of Note Holder's Costs and Expenses

If the Note Holder has required me to pay in full as described above, the Note Holder will have the right to be paid back by me for all of its costs and expenses in enforcing this Note to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorneys' fees.

8. GIVING OF NOTICES

Unless applicable law requires a different method, any notice that must be given to me under this Note will be given by delivering it or by mailing it by first class mail to me at the Property Address above or at a different address if I give the Note Holder a notice of my different address.

Unless the Note Holder requires a dierent method, any notice that must be given to the Note Holder under this Note will be given by mailing it by first class mail to the Note Holder at the address stated in Section 3(A) above or at a different address if I am given a notice of that different address.

9. OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all the promises made in this Note. The Note Holder may enforce its rights under this Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note.

10. WAIVERS

I and any other person who has obligations under this Note waive the rights of Presentment and Notice of Dishonor. "Presentment" means the right to require the Note Holder to demand payment of amounts due. "Notice of Dishonor" means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

11. UNIFORM SECURED NOTE

This Note is a uniform instrument with limited variations in some jurisdictions. In addition to the protections given to the Note Holder under this Note, a Mortgage, Deed of Trust, or Security Deed (the "Security Instrument"), dated the same date as this Note, and a Mortgage 100 Pledge Agreement for Securities Account, if applicable, protects the Note Holder from possible losses which might result if I do not keep the promises that I make in this Note. That Security Instrument describes how and under what conditions I may be required to make immediate payment in full of all amounts I owe under this Note. Some of those conditions are described as follows:

Transfer of the Property or a Beneficial Interest in Borrower. If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law.

If Lender exercises the option to require immediate payment in full, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given in accordance with Section 15 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

12. OUR COPY We/I acknowledge receipt of a signed copy of this Note.

CAUTION-IT IS IMPORTANT THAT YOU THOROUGHLY READ THIS NOTE BEFORE SIGNING.

WITNESS the hand(s) and seal(s) of the undersigned.

Cathy G. Lanier (Seal) CATHY G. LANIER Borrower	_____ (Seal) Borrower
_____ (Seal) Borrower	_____ (Seal) Borrower
_____ (Seal) Borrower	_____ (Seal) Borrower

Exhibit M

	From Records in Evidence				From Lanier Records	
	Principal Pd. (EMC)	**Interest Pd. (EMC)**	**Principal Pd. (Chase)**	**Interest Pd. (Chase)**	**Principal Pd.**	**Interest Pd.**
2002	No Records	No Records	No Records	No Records	$50,302.51	$9,697.49
2003	No Records	No Records	No Records	No Records	$72,196.06	$18,183.40
2004	No Records	No Records	No Records	No Records	$99,731.32	$20,268.68
2005	No Records	No Records	No Records	No Records	$91,813.51	$28,186.49
2006	$4,699.15	$38,735.12	No Records	No Records	$21,402.69	$38,597.31
2007	$1,539.99	$41,511.85	$1,358.85	$34,641.15	$35,488.15	$41,511.85
2008	$7,335.00	$34,872.20	$2,450.03	$4,749.97	$13,127.50	$34,872.50
2009	$4,346.71	$19,250.88	$3,323.33	$17,512.03	$14,923.33	$21,076.67
2010	$733.92	$10,915.57	$509.69	$7,390.31	$2,371.43	$10,628.57

Represents the only match between all data provided by EMC/Chase and Lanier's records that were based on the annual statement received each year from each respective servicer.

2002 Tax Summary

Property Taxes Paid

12/28/2002	[redacted]	Chester Co. Real Estate
		Lexington Co. Van
7/16/2002		Chester Co. BMW
8/9/2002		Lexington Ford Pickup Tax
8/30/2002		Chester Co. Ford
1/18/2002		Casa Ybel Real Estate Tax
3/7/2002		Lexington Co. Boat, 2001
12/28/2002		Lexington Co. Boat, 2002
12/31/2002		Lexington Co. Real Estate
12/28/2002		Lexington Co. Real Estate 211LV
12/28/2002		Lexington Co. Real Estate 213 LV
12/28/2002		Lexington Co. Real Estate MH
12/28/2002		Lexington Co. Real Estate BC
12/28/2002		Lexington Co. Real Estate TSI
12/28/2002		Lexington Co. Real Estate Armanda
1/16/2002		Lee County, FL. Real Estate, Sanibel
Total		

Mortgage Interest Paid: Principal paid if known

[redacted]	Regions	[redacted]
	CCB	
$9,697.49	Alliance	$50,302.51
[redacted]	Bank of Ame	[redacted]

$67,779.18 TOTAL

Finance Charges Paid:

[redacted]	SCU
	SCU
	TOTAL

Dividends Earned

[redacted]	SCU
	SCU

Interest Earned

[redacted]	IRA Interest (Randy, BB&T)
	First Palmetto
	Spratt S & L
	Regions

Other Income

[redacted]	US Dept. of Agriculture
	GA Lottery winnings

1099 Earnings (Cathy)

[redacted]	Cannon Holdings

Association Dues & Memberships

[redacted]	SC Restaurant Assoc.
	Lake Murray Assoc.
	NAWBO
Total	

Other Property Expenses

Belle Chase

12/28/2002	[redacted]	Security repair
8/30/2002		utilities
9/20/2002		Improvements to upfit for handicapped apt. for elderly parent
12/19/2002		Therapy pool

Chester

1/5/2002	[redacted]	Maintenance Chester Property
9/12/2002		Appraisal
10/22/2002		Utilities
10/22/2002		Phone
12/2/2002		Utilities
12/27/2002		Phone
12/28/2002		Utilities

213 LV

	[redacted]	Heating & A/C Repair/Maintenance (213 LV)	**(NEW)**
Jan		Utilities, 213 LV	

Feb	Utilities, 213 LV
Mar	Utilities, 213 LV
Apr	Utilities, 213 LV
May	Utilities, 213 LV
Jun	Utilities, 213 LV
Jul	Utilities, 213 LV
Aug	Utilities, 213 LV
Sep	Utilities, 213 LV
Oct	Utilities, 213 LV
Nov	Utilities, 213 LV
Dec	Utilities, 213 LV
Jan	Phone, 213 LV
Feb	Phone, 213 LV
Mar	Phone, 213 LV
Apr	Phone, 213 LV
May	Phone, 213 LV
Jun	Phone, 213 LV
Jul	Phone, 213 LV
Aug	Phone, 213 LV
Sep	Phone, 213 LV
Oct	Phone, 213 LV
Nov	Phone, 213 LV
Dec	Phone, 213 LV
Jan	Cable
Feb	Cable
Mar	Cable
Apr	Cable
May	Cable
Jun	Cable
Jul	Cable
Aug	Cable
Sep	Cable
Oct	Cable
Nov	Cable
Dec	Cable

Rental Days

Total Renters	66
Total TSI Business Use	31
Total Personal Use	41

11/23 - 12/09/02 Unavailable for rent, kitchen remodel.

Avg. Rental week value = $1350

2002 Armanda Rents Coll.

Dep Date	Amt.
1/25/02	
2/20/02	
3/20/02	
4/29/02	
5/31/02	
7/8/02	
7/18/02	
8/23/02	
10/11/02	
12/24/02	

2002 TSI Rental Rents Coll.

Dep Date	Amt.
1/25/02	
2/20/02	
4/29/02	
4/29/02	
7/8/02	
7/18/02	
7/22/02	
8/23/02	
11/12/03	
12/24/02	

CasaYbel

1/18/2002	Casa Ybel Operating Fee
4/2/2002	Casa Ybel Operating Fee

Seawatch

8/6/2002	Seawatch
7/1/2002	Closing costs
12/28/2002	Ann. Fees, 3 units

Mountainside

8/30/2002	Mountainside Timeshare Assoc.

Armanda

	ins., Armanda
8/13/2002	Closing costs

Total

Charitable Contributions

	ZPG
	Riverbanks Zoo
	USC Dean's Circle
3/7/02	SC State Museum
	Cent. Carolina Comm. Foundation
1/16/02	SC Arch. & History
12/23/02	Sistercare

Total

2003 Tax Summary

Property Taxes Paid

1/31/2003 Lexington Co. Van
9/4/2003 Lexington Ford Pickup Tax
8/27/2003 Chester Co. BMW

Total

Other Property Expenses

Chester

Maintenance Chester Property
Maintenance Chester Property
Utilities, Chester

CasaYbel

Casa Ybel Operating Fee
Casa Ybel Reserve Fee

Seawatch

Seawatch

Mountainsi

Mountainside Timeshare Assoc.

211/213 LV

Repairs/Maint.

Armanda

legal, Armanda

Total

Charitable Contributions

9/15/2003 JD Lever PTO
Lex Intermediate
3/7/2002 SC State Museum
1/16/2002 SC Arch. & History

Total

TSI or Magnolia House Expenses not Reimbursed:

Retail Items
NAWBO
TSI Christmas Party

Total

Medical

6/26/2003

Association Dues & Memberships

SC Restaurant Assoc.
Lake Murray Assoc.

Total

Mortgage Interest Paid **Principal Paid if known:**

$18,183.40 Alliance/Everhome $72,196.06

Total

Dividends Earned

SCU
SCU

Interest Earned

IRA Interest (Randy, BB&T)
Spratt S & L
SCU
Regions

Other Income

US Dept. of Agriculture

Tax Refunds

SC Tax Refund
IRS Federal Refund

Rents Collected

1/1/2003 TSI
2/1/2003 TSI
3/1/2003 TSI
4/1/2003 TSI
5/1/2003 TSI
6/1/2003 TSI
7/1/2003 TSI
8/1/2003 TSI
9/1/2003 TSI
10/1/2003 TSI
11/1/2003 TSI
12/1/2003 TSI

1/17/2003 Hartley (TSI Rental Space)
2/17/2003 Hartley (TSI Rental Space)

1/17/2003 Armanda
2/17/2003 Armanda
3/17/2003 Armanda

2004 Tax Summary

Property Taxes Paid

1/12/2004	[redacted]	Chester Co. Real Estate
1/15/2004		Lexington Co. Van
7/21/2004		Lexington Ford Pickup Tax
8/27/2004		Chester Co. BMW
1/15/2004		Casa Ybel Real Estate Tax
1/15/2004		Lexington Co. Real Estate TSI
1/15/2004		Lexington Co. Boat
1/15/2004		Lexington Co. Real Estate 211LV
1/15/2004		Lexington Co. Real Estate 213 LV
1/15/2004		Lexington Co. Real Estate BC
1/15/2004		Lexington Co. Real Estate MH
1/15/2004		Lexington Co. Real Estate Prop TSI
Total		

Other Property Expenses

Chester		
	[redacted]	Maintenance Chester Property
		Utilities, Chester
CasaYbel		
1/23/2004		Casa Ybel Operating Fee
		Casa Ybel Reserve Fee
Seawatch		
1/26/2004		Seawatch
10/15/2004		Assessment
Mountainsi		
		Mountainside Timeshare Assoc.
Total		

Charitable Contributions

	[redacted]	LAS PTA
		March of Dimes
		Greater Cola. Chamber of Commerce
		ETV
		Gov. fund
Total		

Dividends Earned

	[redacted]	SCU
		SCU

Interest Earned

	[redacted]	Spratt S & L
		Scottrade
		Spratt S & L
		Regions

Other Income

	[redacted]	US Dept. of Agriculture
		US Dept. of Agriculture
		401(k) Refund, Cathy
		401(k) Refund, Randy

Miscellaneous Expenses

	[redacted]	Settlement for TSI property loan closed 12/04
		CPA Charges to prepare taxes
Total		

TSI or Magnolia House Expenses not Reimbursed:

[redacted]	Maintenance (TSI AC system)
	Long Distance
	Retail Items
	Retail Items
	Retail Items
	Retail Items
	NAWBO
	TSI Christmas Party
Total	

Association Dues & Memberships

[redacted]	SC Restaurant Assoc.
	Lake Murray Assoc.
Total	

Mortgage Interest Paid

		Principal Paid if Known:
[redacted]	First Community Bank Mtg. Interest (Lehigh	[redacted]
	BOA Mtg. TSI Property	
	CCB Mtg. Interest (LV & Chester Prop.)	
$20,268.68	Everhome mtg. Interest (BC Primary)	$99,731.32
[redacted]	Regions Mtg. Interest (BC LOC)	[redacted]
	Indymac Mtg. Interest (Sanibel Prop.)	

2005 Tax Summary, Personal Taxes: Cathy & Randy Lanier

Property Taxes Paid

10/2/2005	Chester Co. Real Estate
7/31/2005	Lexington Co. Van
7/26/2005	Lexington Ford Pickup Tax
7/18/2005	Lexington Co. BMW
7/15/2005	Casa Ybel Real Estate Tax
7/15/2005	Lexington Co. Real Estate TSI
7/15/2005	Lexington Co. Boat
7/15/2005	Lexington Co. Real Estate 211LV
7/15/2005	Lexington Co. Real Estate 213 LV
7/15/2005	Lexington Co. Real Estate BC
7/15/2005	Lexington Co. Real Estate MH
7/15/2005	Lexington Co. Real Estate Prop TSI
al	

er Property Expenses

ster

26/2005	Maintenance Chester Property
	Utilities, Chester
	Insurance, Chester

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ares

aYbel

3/2005	Casa Ybel Operating Fee
7/2005	Casa Ybel

watch

6/2005	Seawatch

ntainsi

	Mountainside Timeshare Assoc.

l

itable Contributions

	ETV
	Harvest Hope (value of 1 week at FL condo donated to auction)

l

Dividends Earned

	SCU
	SCU

Interest Earned

	IRA Interest (Randy, BB&T)
	Regions
	Spratt S & L

Other Income

	US Dept. of Agriculture
	US Dept. of Agriculture
	Principal Life (401K Dist. Cathy)
	Principal Life (401K Dist. Randy)

Distribution from an HSA

	Cathy
	Randy

Income Tax Refund

Mortgage Interest Paid

	Regions on BC
	Suntrust on 213 LV
$28,186.49	Everhome on BC

Principal Paid if Know

$91,813.51

Current Value as of 12/31/05 Roth IRA

	Cathy
	Randy

Scottrade for Cathy

	Interest Income

Contributions to an HSA

	Total Contributions made in 2005, Cathy
	Total Cont. made in 2006 for 2005, Cathy
	Fair Market Value, Cathy
	Total Contributions made in 2005, Randy
	Total Cont. made in 2006 for 2005, Randy
	Fair Market Value, Randy

2006 Tax Summary, Personal Taxes: Cathy & Randy Lanier

Sent to Mike on 8/1/07

operty Taxes Paid

6/28/1905	[redacted]	Chester Co. Real Estate
)06		Lexington Co. Van
)06		Lexington Suzuki Tax
)06		Chester Co. BMW
06		Casa Ybel Real Estate Tax
06		Lexington Co. Property TSI
06		Lexington Co. Boat
06		Lexington Co. Real Estate 211LV
06		Lexington Co. Real Estate 213 LV
06		Lexington Co. Real Estate BC
06		Lexington Co. Real Estate MH
06		Lexington Co. Real Estate Prop TSI
tal		

ıer Property Expenses

ester

2006	[redacted]	Maintenance Chester Property
		Utilities, Chester
		Insurance, Chester

ROA0706

ai

ıeShares

ıaYbel

3/8/2006	[redacted]	Casa Ybel
3/8/2006		Casa Ybel
21/2006		Casa Ybel
21/2006		Casa Ybel

watch

/8/2006	[redacted]	Seawatch
29/2006		Seawatch

ıntainsi

ıl	[redacted]	Mountainside Timeshare Assoc.

ritable Contributions

	[redacted]	ETV
		Harvest Hope (value of 1 week at FL condo donated to auction)
		College of HRT (value of 1 week at FL condo donated to auction)
		Sistercare
		Riverbanks

Interest Earned

	[redacted]	SCU
		SCU
		SCU
		IRA Interest (Randy, BB&T)
		Regions
		Spratt S & L

Other Income

	[redacted]	US Dept. of Agriculture
		US Dept. of Agriculture
		Principal Life (401K Dist. Cathy)
		Principal Life (401K Dist. Randy)
		Burnlounge Cathy

Distribution from an HSA

	[redacted]	Cathy
		Randy

Income Tax Refund

	[redacted]	IRS

Mortgage Interest Paid

	[redacted]	Regions on BC
$38,597.31		Everhome on BC

Principal Paid if Known

[redacted]	
$21,402.69	

[redacted]

Current Value as of 12/31/06 Roth IRA

	[redacted]	Cathy
		Randy
		Maint. Fee
		Maint. Fee

Scottrade for Cathy

	[redacted]	Interest Income

BB&T IRA

	[redacted]	Randy

Contributions to an HSA

	[redacted]	Total Contributions made in 2006, Cathy
		Total Cont. made in 2007 for 2006, Cathy
		Fair Market Value, Cathy
		Total Contributions made in 2006, Randy
		Total Cont. made in 2007 for 2006, Randy
		Fair Market Value, Randy

2007 Tax Summary, Personal Taxes: Cathy & Randy Lanier

roperty Taxes Paid

	[redacted]	Chester Co. Real Estate
007		Lexington Co. Van
007		Lexington Suzuki
007		Chester Co. BMW
007		Casa Ybel Real Estate Tax
007		Lexington Co. Real Estate TSI
007		Lexington Co. Boat
007		Lexington Co. Real Estate 211LV
007		Lexington Co. Real Estate 213 LV
007		Lexington Co. Real Estate BC
007		Lexington Co. Real Estate MH
007		Lexington Co. Real Estate Prop TSI
otal		

ther Property Expenses

hester

2/26/2007	[redacted]	Maintenance Chester Property
		Utilities, Chester
		Insurance, Chester

ROA0707

meShares

saYbel

/27/2007	[redacted]	Casa Ybel
/27/2007		Casa Ybel

awatch

/20/2007	[redacted]	Seawatch 106
		Seawatch 203
		Seawatch 310
/31/2007		Seawatch 106
		Seawatch 203
		Seawatch 310

ountainside

tal	[redacted]	Mountainside Timeshare Assoc.

aritable Contributions

	[redacted]	ETV
		Harvest Hope (value of 1 week at FL condo donated to auction)
		College of HRT (value of 1 week at FL condo donated to auction)

Interest Earned

	[redacted]	SCU
		SCU
		IRA Interest (Randy, BB&T)
		Regions
		Spratt S & L

Other Income

	[redacted]	US Dept. of Agriculture
		US Dept. of Agriculture
		Principal Life (401K Dist. Cathy)
		Principal Life (401K Dist. Randy)

Distribution from an HSA

	[redacted]	Cathy
		Randy

Income Tax Refund

[redacted]

Mortgage Interest Paid

	[redacted]	Regions on BC
$6,870.70		EMC on BC
$34,641.15		Everhome on BC

Principal Paid if Known:

[redacted]	
$5,129.30	
$30,358.85	

[redacted]

Current Value as of 12/31/07 Roth IRA

	[redacted]	Cathy
		Randy
		Maint. Fee
		Maint. Fee

Scottrade for Cathy

	[redacted]	Interest Income

BB&T IRA

	[redacted]	Randy

Contributions to an HSA

	[redacted]	Total Contributions made in 2007, Cathy
		Total Cont. made in 2007 for 2006, Cathy
		Fair Market Value, Cathy
		Total Contributions made in 2006, Randy
		Total Cont. made in 2007 for 2006, Randy
		Fair Market Value, Randy

2008 Tax Summary, Personal Taxes: Cathy & Randy Lanier

perty Taxes Paid

Year

7 Chester Co. Real Estate
8 Lexington Co. Van
7 Lexington Co. Expedition
8 Lexington Co. Expedition
8 Lexington Co.Suzuki
8 Chester Co. BMW
8 Casa Ybel Real Estate Tax
8 Lexington Co. Boat
7 Lexington Co. Real Estate BC
7 Lexington Co. Real Estate MH

[redacted]

Dividends Earned

[redacted]
SCU
SCU
SCU

Interest Earned

[redacted]
IRA Interest (Randy, BB&T)
Regions
Spratt S & L

Other Income

[redacted]
Principal Life (401K Dist. Cathy)
Principal Life (401K Dist. Randy)
Amex baggage claim
Timber sales
Commission on timber

Distribution from an HSA

[redacted]
Cathy
Randy

Income Tax Refunds received in 2008

[redacted]
SC 2007
SC 2006
SC 2005
Fed. 2007
Fed. 2006
Fed. 2005

Mortgage Interest Paid

[redacted] Regions on BC
$34,872.50 EMC on BC

[redacted]

Principal Paid if Known

[redacted]
$13,127.50

Current Value as of 12/31/08 Roth IRA

[redacted]
Cathy
Randy

BB&T IRA Randy [redacted]

roperty Expenses

ROA0708

3/2008 [redacted]
Maintenance Chester Property
Utilities, Chester
Insurance, Chester

Shares

Ybel

4/18/2008 [redacted] Casa Ybel
4/18/2008 Casa Ybel
ratch Seawatch
ntainside Mountainside Timeshare Assoc.

itable Contributions

[redacted]
ETV
Harvest Hope (value of 1 week at FL condo donated to auction)
USC HRT
1/26/2008 Trauma Services

2009 Tax Summary, Personal Taxes: Cathy & Randy Lanier

Updated 8/15/10

erty Taxes Paid

Year

[redacted] Chester Co. Real Estate
Lexington Co. Van
Lexington Co. Expedition
Chester Co. Suzuki
Chester Co. BMW
Casa Ybel Real Estate Tax
Lexington Co. Boat
Lexington Co. Real Estate BC

Dividends Earned

[redacted] SCU
SCU
SCU

Interest Earned

[redacted] IRA Interest (Randy, BB&T)
Regions

Other Income

[redacted] Principal Loan (w/h $2600 in taxes)
Principal Loan (w/h $3299.56 in taxes)
GTI

Mortgage Interest Paid

[redacted] Regions on BC
$21,076.67 EMC on BC

[redacted]

Principal Paid if Known:

[redacted]
$14,923.33

TSI Taxes [redacted]

Interest Paid

[redacted] SCU LOC
SCU OD

[redacted]

BB&T IRA Randy
Total [redacted]

r Property Expenses

ster

2/26/2009 [redacted] Maintenance Chester Property
Utilities, Chester
Insurance, Chester

es

Distribution from an HSA

[redacted] Cathy Interest pd [redacted] Contribution [redacted]
Randy Interest pd Contribution

ROA0709

2009 [redacted] Casa Ybel
2/20/2009 Casa Ybel

watch Seawatch

ntainside Mountainside Timeshare Assoc.

Income Tax Refunds received in 2009

[redacted] SC 2008
Fed. 2008

itable Contributions

[redacted] Harvest Hope (value of 1 week at FL condo donated to auction)
USC HRT

cal Expenses

[redacted]

2010 Tax Summary, Personal Taxes: Cathy & Randy Lanier

roperty Taxes Paid

or Year		
)09	[redacted]	Chester Co. Real Estate
)10		Lexington Co. Expedition
)10		Chester Co. Suzuki
)10		Chester Co. BMW
)10		Casa Ybel Real Estate Tax
)09		211 LV (paid by Suntrust)
)09		213 LV (paid by Suntrust)
)10		213 LV (paid by Suntrust)
)09		Lexington Co. Real Estate BC
)10		Lexington Co. Real Estate BC
)10		1324 North Lake (Paid by Bayview)
ıtal		

Dividends Earned

[redacted] SCU

Interest Earned

[redacted] Regions

Other Income

Principal	[redacted]	Distribution	[redacted]	Taxes W/H
Principal		Distribution		Taxes W/H
NWM		Distribution		Taxable Amount

Mortgage Interest Paid **Principal Paid if Known:**

$10,628.57 EMC on BC $2,371.43

[redacted] SCU
SCU
Regions [redacted]

[redacted]

[redacted]

BB&T IRA Randy

[redacted]

Distribution from an HSA

Cathy	Interest pd	[redacted]	Contribution [redacted]
Randy	Interest pd		Contribution

her Property Expenses

ıester

12/26/2010	[redacted]	Maintenance Chester Property
		Utilities, Chester
		Insurance, Chester

ROA0710

ıares

ısaYbel

6/20/2009	[redacted]	Casa Ybel
6/20/2009		Casa Ybel

ıawatch

Seawatch

ıuntainside

Mountainside Timeshare Assoc.

tal

Income Tax Refunds received in 2009

[redacted] SC 2009
Fed. 2009

LE330 (MPB) Income $1,000.00

Expenses

7/30/2010	Meal
8/5/2010	Office Supplies
8/18/2010	Travel
8/23/2010	Advertising
9/8/2010	Meal
9/17/2010	Advertising
9/17/2010	Office Supplies
9/28/2010	Advertising

ıaritable Contributions

[redacted]	Harvest Hope (value of 1 week at FL condo donated to auction)
	USC HRT (condo)
	PAALS (Condo)
	PAALS Donation

tal

PAYMENT ANALYSIS FOR BELLE CHASE MORTGAGE

CANON IV

	[redacted]	Interest Paid According to EMC	Principal Paid according to EMC	Interest Paid according to Chase	Principal Paid according to Chase	[redacted]	Late Charges	Taxes	Corporate Advance	Property Preservation	Statutory Expenses	Misc F/C & B/R expenses	Attorney Advances	New Principal	[redacted]	Escrow Advance Recovery	[redacted]	Interest
9/1/2002	$ 1,940.03	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
10/1/2002		NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
11/1/2002		NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
12/1/2002		NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
1/1/2003	$ 1,934.17	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
2/1/2003	$ 1,927.50	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
3/1/2003	$ 1,686.56	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
4/1/2003	$ 1,682.94	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												3.5
5/1/2003	$ 1,680.45	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
6/1/2003	$ 1,677.53	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
7/1/2003	$ 1,674.62	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
8/1/2003	$ 1,671.70	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
9/1/2003	$ 1,552.29	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
10/1/2003	$ 1,546.88	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												3.25
11/1/2003	$ 1,544.17	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
12/1/2003	$ 1,541.46	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
1/1/2004	$ 1,538.35	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
2/1/2004	$ 1,535.64	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
3/1/2004	$ 1,597.53	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
4/1/2004	$ 1,589.08	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												3.375
5/1/2004	$ 1,586.27	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
6/1/2004	$ 1,583.45	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
7/1/2004	$ 1,580.62	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
8/1/2004	$ 1,577.78	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
9/1/2004	$ 1,931.87	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
10/1/2004	$ 1,922.57	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												4.125
11/1/2004	$ 1,920.24	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
12/1/2004	$ 1,917.90	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
1/1/2005	$ 1,915.56	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
2/1/2005	$ 1,913.20	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
3/1/2005	$ 2,263.84	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
4/1/2005	$ 2,256.88	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												4.875
5/1/2005	$ 2,255.49	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
6/1/2005	$ 2,254.09	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
7/1/2005	$ 2,252.68	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
8/1/2005	$ 2,251.27	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
9/1/2005	$ 2,714.77	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
10/1/2005	$ 2,707.98	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												5.875
11/1/2005	$ 2,706.55	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS												
12/1/2005	$ 2,705.12	$ 2,705.12	$ 294.88	NO RECORDS	NO RECORDS	NO RECORDS												
1/1/2006	$ 2,703.67	$ 2,703.67	$ 293.33	NO RECORDS	NO RECORDS	NO RECORDS												

ROA0711

PAYMENT ANALYSIS FOR BELLE CHASE MORTGAGE

	[redacted] Payment	Interest Paid According to EMC	Principal Paid according to EMC	Interest Paid according to Chase	Principal Paid according to Chase	[redacted]	Late Charges	Taxes	Corporate Advance	Property Preservation	Statutory Expenses	Misc F/C & B/R expenses	Attorney Advances	New Principal	[redacted]	Escrow Advance Recovery	[redacted]	[redacted]	Interest
2/1/2006	$ 2,702.22	$ 2,702.22	$ 497.78	NO RECORDS	NO RECORDS	NO RECORDS													
3/1/2006	$ 3,162.17	$ 3,159.32	$ 40.68	NO RECORDS	NO RECORDS	NO RECORDS		If I paid $40.68 extra, why was the full amount owed on interest not applied?											6.875
4/1/2006	$ 3,159.09	$ 3,159.09	$ 40.91	NO RECORDS	NO RECORDS	NO RECORDS													
5/1/2006	$ 3,158.85	$ 3,158.85	$ 41.15	NO RECORDS	NO RECORDS	NO RECORDS													
6/1/2006	$ 3,158.62	$ 3,158.62	$ 41.38	NO RECORDS	NO RECORDS	NO RECORDS													
7/1/2006	$ 3,158.38	$ 3,158.38	$ 41.62	NO RECORDS	NO RECORDS	NO RECORDS													
8/1/2006	$ 3,158.14	$ 3,158.14	$ 41.86	NO RECORDS	NO RECORDS	NO RECORDS													
9/1/2006	$ 3,560.09	$ 3,559.82	$ 3,600.00	NO RECORDS	NO RECORDS	NO RECORDS	[redacted]	Payment was not late											7.75
10/1/2006		$ 3,559.82		NO RECORDS	NO RECORDS	NO RECORDS	[redacted]	Payment was not late											
11/1/2006		$ 3,697.63		NO RECORDS	NO RECORDS	NO RECORDS	[redacted]	Payment was not late											
12/1/2006	$ 3,559.56	$ 3,559.56	$ 60.44	NO RECORDS	NO RECORDS	NO RECORDS													
1/1/2007	$ 3,559.17	$ 3,559.17	$ 40.83	$ 3,559.17		$ 22.96		Numbers don't agree between EMC & Chase											
2/1/2007	$ 3,558.90	$ 3,558.90	$ 41.10	$ 3,558.90	$ 40.83	$ 22.96		Numbers don't agree between EMC & Chase											
3/1/2007	$ 3,444.10	$ 3,443.84	$ 156.16	$ 3,443.84	$ 41.10	$ 22.96		If I paid extra, why was the full amount owed on interest not applied?											7.5
4/1/2007	$ 3,442.87	$ 3,442.87	$ 157.13	$ 3,442.87	$ 156.16	$ 22.95		Numbers don't agree between EMC & Chase								$ 150.00			
5/1/2007	$ 3,441.89	$ 3,441.89	$ 158.11	$ 3,441.89	$ 157.13	$ 22.95		Numbers don't agree between EMC & Chase											
6/1/2007	$ 3,440.90	$ 3,440.90	$ 159.10	$ 3,440.90	$ 158.11	$ 22.94		Numbers don't agree between EMC & Chase											
7/1/2007	$ 3,439.90	$ 3,439.90	$ 160.10	$ 3,439.90	$ 159.10	$ 22.93		Numbers don't agree between EMC & Chase											
8/1/2007	$ 3,438.90	$ 3,438.90	$ 161.10	$ 3,438.90	$ 160.10	$ 22.93		Numbers don't agree between EMC & Chase											
9/1/2007	$ 3,438.90	$ 3,437.90	$ 162.10	$ 3,437.90	$ 161.10	$ 22.92		If I paid extra, why was the full amount owed on interest not applied?											7.5
10/1/2007	$ 3,436.88	$ 3,436.88	$ 163.12	$ 3,436.88	$ 162.10	$ 22.91													
11/1/2007	$ 3,435.86	$ 3,435.86	$ 164.14		$ 163.12	$ 22.91													
12/1/2007		$ 3,434.84	$ 17.00	NO RECORDS	NO RECORDS	NO RECORDS									$ 171.64				
1/1/2008		$ 3,433.39	$ 231.28	NO RECORDS	NO RECORDS	NO RECORDS									$ 171.67				
2/1/2008		$ 3,432.35	$ 166.61	NO RECORDS	NO RECORDS	NO RECORDS									$ 171.62				
3/1/2008		$ 3,088.17	$ 171.56	NO RECORDS	NO RECORDS	NO RECORDS									$ 339.21				
4/1/2008		$ 3,085.29	$ 511.83	NO RECORDS	NO RECORDS	NO RECORDS									$ 171.40				
5/1/2008		$ 3,082.40	$ 514.71	NO RECORDS	NO RECORDS	NO RECORDS									$ 171.24				
6/1/2008		$ 3,079.49	$ 517.60	NO RECORDS	NO RECORDS	NO RECORDS									$ 171.08				
7/1/2008		$ 3,076.56	$ 520.51	NO RECORDS	NO RECORDS	NO RECORDS									$ 170.92				
8/1/2008		$ 3,073.61	$ 523.44	NO RECORDS	NO RECORDS	NO RECORDS									$ 170.76				
9/1/2008		$ 2,388.29	$ 526.39	NO RECORDS	NO RECORDS	NO RECORDS									$ 170.59				
10/1/2008		$ 2,382.68	$ 1,211.71	NO RECORDS	NO RECORDS	NO RECORDS													
11/1/2008		$ 2,377.66	$ 1,217.02	$ 2,377.66	$ 1,222.34			Numbers don't agree between EMC & Chase											
12/1/2008		$ 2,372.31	$ 1,222.34	$ 2,372.31	$ 1,227.69			Numbers don't agree between EMC & Chase											
1/1/2009		$ 2,366.94	$ 1,227.69	$ 2,366.94	$ 1,233.06			Numbers don't agree between EMC & Chase							$ 169.07				
2/1/2009		$ 2,361.55	$ 1,233.06	$ 2,361.55	$ 1,238.45		[redacted]	Payment was not late							$ 168.68				
3/1/2009			$ 1,238.45	$ 1,739.05	$ 60.95			Numbers don't agree between EMC & Chase							$ 168.28				
4/1/2009		$ 1,738.85	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	[redacted]	Misapplied payment							$ 168.28				
5/1/2009		$ 1,738.85			$ 35.36		[redacted]	Misapplied payment							$ 194.07				
6/1/2009		$ 1,738.74	$ 35.36	$ 1,738.74	$ 61.26			Numbers don't agree between EMC & Chase							$ 168.27				

ROA0712

PAYMENT ANALYSIS FOR BELLE CHASE MORTGAGE

	[redacted]	Interest Paid According to EMC	Principal Paid according to EMC	Interest Paid according to Chase	Principal Paid according to Chase	[redacted]	Late Charges	Taxes	Corporate Advance	Property Preservation	Statutory Expenses	Misc F/C & B/R expenses	Attorney Advances	New Principal	[redacted]	Escrow Advance Recovery	[redacted]	[redacted]	Interest
7/1/2009		$ 1,738.74	$ 61.26	$ 1,738.54	$ 61.46			Numbers don't agree between EMC & Chase							$ 168.25				
8/1/2009		$ 1,738.34	$ 61.46	$ 1,738.34	$ 61.66			Numbers don't agree between EMC & Chase							$ 163.23				
9/1/2009		$ 1,457.80	$ 61.66	$ 1,457.80	$ 142.20			Numbers don't agree between EMC & Chase							$ 168.21				
10/1/2009		$ 1,457.41	$ 142.20	$ 1,457.41	$ 142.59			Numbers don't agree between EMC & Chase							$ 168.16				
11/1/2009		$ 1,457.02	$ 142.59	$ 1,457.02	$ 142.98			Numbers don't agree between EMC & Chase							$ 168.12				
12/1/2009		$ 1,456.64	$ 142.98	$ 1,456.64	$ 143.36			Numbers don't agree between EMC & Chase							$ 168.07				
1/1/2010		$ 1,456.25	$ 143.36	$ 1,456.25	$ 143.75			Numbers don't agree between EMC & Chase							$ 168.03				
2/1/2010		$ 1,455.86	$ 143.75	$ 1,455.86	$ 44.14			Numbers don't agree between EMC & Chase							$ 167.98				
3/1/2010		$ 1,119.80	$ 44.14	$ 1,119.80	$ 80.20			Numbers don't agree between EMC & Chase							$ 167.97				
4/1/2010		$ 1,119.63	$ 80.20	$ 1,119.63	$ 80.37			Numbers don't agree between EMC & Chase							$ 167.94				
5/1/2010		$ 1,119.47	$ 80.37	$ 1,119.47	$ 80.53			Numbers don't agree between EMC & Chase							$ 167.92				
6/1/2010		$ 1,119.30	$ 80.53	$ 1,119.30	$ 80.70			Numbers don't agree between EMC & Chase							$ 167.90		$3,783.41	$ 587.51	
7/1/2010		$ 1,119.13	$ 80.70			1280,87									$ 167.87	$ 80.87			
8/1/2010		$ 1,119.13	$ 80.87			$ 1,287.87									$ 167.87	$ 80.87			
9/1/2010		$ 1,287.00				$ 1,200.00	[redacted]	Payment was not late							$ 111.46				
10/1/2010		NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	NO RECORDS	$ 111.46												
11/1/2010						$ 1,200.00	$ 111.46	$ 3,738.46							$ 1,200.00				
12/1/2010							$ 111.46			$ 87.00		$ 65.00			$ 87.00				
1/1/2011							$ 111.46			$ 9.00					$ 9.00				
2/1/2011										$ 9.00					$ 9.00				
3/1/2011						$ 1,200.00				$ 9.00					$ 9.00				
4/1/2011																			
5/1/2011										$ 28.00									
6/1/2011																			
7/1/2011																			
8/1/2011																			
9/1/2011																			
10/1/2011										$ 14.00									
11/1/2011								$ 3,240.27											
12/1/2011										$ 28.00	$ 300.00		$ 252.50		$ 562.50				
1/1/2012									$ -										
2/1/2012										$ 42.00	$ 60.00								
3/1/2012										$ 14.00									
4/1/2012										$ 14.00									
5/1/2012										$ 14.00									
6/1/2012									$ -	$ 14.00									
7/1/2012										$ 14.00									
8/1/2012										$ 14.00									
9/1/2012										$ 14.00									
10/1/2012										$ 14.00									
11/1/2012								$ 3,971.25		$ 14.00									

ROA0713

	[redacted]	Interest Paid According to EMC	Principal Paid according to EMC	Interest Paid according to Chase	Principal Paid according to Chase	[redacted]	Late Charges	Taxes	Corporate Advance	Property Preservation	Statutory Expenses	Misc F/C & B/R expenses	Attorney Advances	New Principal	[redacted]	Escrow Advance Recovery	[redacted]	Interest
12/1/2012										$ 14.00								
1/1/2013										$ 14.00								
2/1/2013										$ 14.00								
3/1/2013										$ 14.00								
4/1/2013										$ 14.00								
5/1/2013										$ 14.00	$ 106.00		$ 60.00					
6/1/2013									$ 20.00	$ 14.00								
7/1/2013									$ 20.00		$ 561.00	$ 78.00	$ 472.50					
8/1/2013												$ 70.80						
9/1/2013																		
10/1/2013											$ 95.00							
11/1/2013																		
12/1/2013								$ 4,069.83						$ 18,028.99				

ROA0714

Exhibit [redacted] O

-309 EVERHOME MORTGAGE COMPANY 10/30/07
LOAN-NO (CONT'D) [redacted]6523 MASTER RECORD STATUS REPORT, REQUESTED BY EMC 110107 PAGE 8418

CHANGE STATUS (@) LEGEND: A-APPLIED P-PENDING U-UNAVAILABLE C-HISTORY ADDED M-HISTORY CHANGED

CHANGE DATE / DESCRIPTION	NEW VALUE	@	DESCRIPTION	NEW VALUE	@	DESCRIPTION	NEW VALUE	@	DESCRIPTION	NEW VALUE	@
03-01-03											
CHG-PEND-IR	3.50000	A	CHG-PEND-PI	1,686.56	A	INDEX-RATE	1.38000	A	PMT-CALC-RATE	3.50000	A
PI-CHANGE-TYPE	A	A	IR-CHANGE-TYPE	A	A	CALC-PRIN	578,250.00	A	CALC-REMAINING-TERM	294	A
INT-ONLY-PI	1,686.56	A	FULLY-AM-PI	2,931.88	A	PAYMT-OPT-4	4,133.61	A	PMT-RATE-INDX	.00000	A
04-01-03											
CHG-PEND-PI	1,682.94	A	PI-CHANGE-TYPE	N	A						
05-01-03											
CHG-PEND-PI	1,680.45	A									
06-01-03											
CHG-PEND-PI	1,677.53	A									
07-01-03											
CHG-PEND-PI	1,674.62	A									
08-01-03											
CHG-PEND-PI	1,671.70	A									
09-01-03											
CHG-PEND-IR	3.25000	A	CHG-PEND-PI	1,549.59	A	INDEX-RATE	1.11938	A	PMT-CALC-RATE	3.25000	A
PI-CHANGE-TYPE	A	A	IR-CHANGE-TYPE	A	A	CALC-PRIN	573,154.52	A	CALC-REMAINING-TERM	288	A
INT-ONLY-PI	1,552.29	A	FULLY-AM-PI	2,868.72	A	PAYMT-OPT-4	4,027.38	A	PMT-RATE-INDX	.00000	A
10-01-03											
CHG-PEND-PI	1,546.88	A	PI-CHANGE-TYPE	N	A						
11-01-03											
CHG-PEND-PI	1,544.17	A									
12-01-03											
CHG-PEND-PI	1,541.46	A									
01-01-04											
CHG-PEND-PI	1,538.35	A									
02-01-04											
CHG-PEND-PI	1,535.64	A									
03-01-04											
CHG-PEND-IR	3.37500	A	CHG-PEND-PI	1,591.89	A	INDEX-RATE	1.22000	A	PMT-CALC-RATE	3.37500	A
PI-CHANGE-TYPE	A	A	IR-CHANGE-TYPE	A	A	CALC-PRIN	568,006.35	A	CALC-REMAINING-TERM	282	A
INT-ONLY-PI	1,597.52	A	FULLY-AM-PI	2,920.15	A	PAYMT-OPT-4	4,025.80	A	PMT-RATE-INDX	.00000	A

Exhibit P

Account Register

View and sort your current account activity for all of your accounts.
Simply select an account from the dropdown list to view any of your available accounts.
To view a different date range, indicate the applicable dates within the View Transactions area

Construction Account Checking - xx-xxxx-7114

Balance [redacted]

As Of 11 1 2002

Transactions

Issued	Description	Payee	Status	Debit (-)	Credit (+)	Balance
10/3/2002			CLR		[redacted]	[redacted]
10/3/2002		EB TO REGIONS	CLR	[redacted]		[redacted]
10/3/2002		EB TO COMCAST	CLR	[redacted]		[redacted]
10/4/2002			CLR		[redacted]	[redacted]
10/4/2002		EB TO ALLIANCE	CLR	$15,000.00		[redacted]
10/4/2002		EB TO WMC	CLR	[redacted]		[redacted]
10/4/2002		EB TO CHECKING # 3904057295	CLR	[redacted]		[redacted]
10/9/2002		EB DEPOSIT	CLR		[redacted]	[redacted]
10/16/2002		EB FROM CHECKING # 3904057295	CLR		[redacted]	[redacted]
10/19/2002		EB FROM CHECKING # 3900181013	CLR		[redacted]	[redacted]
10/21/2002		INTEREST PAYMENT	CLR		[redacted]	[redacted]
10/21/2002		EB TO LEE COUNTY ELEC	CLR	[redacted]		[redacted]
10/28/2002		EB TO SPRINT	CLR	[redacted]		[redacted]
10/29/2002			CLR		[redacted]	[redacted]
10/30/2002			CLR		[redacted]	[redacted]
10/30/2002		EB TO SAVINGS # 0059454466	CLR	[redacted]		[redacted]
10/30/2002		EB TO CHECKING # 3900181013	CLR	[redacted]		[redacted]

View and sort your current account activity for all of your accounts.
Simply select an account from the dropdown list to view any of your available accounts.
To view a different date range, indicate the applicable dates within the View Transactions area.

Construction Account Checking - xx-xxxx-7114

Balance [redacted]

As Of 2/1/2003

Issued	Description	Payee	Status	Debit (-)	Credit (+)	Balance
1/3/2003		EB TO REGIONS	CLR	[redacted]		
1/6/2003			CLR		[redacted]	
1/6/2003		EB TO ALLIANCE	CLR	$10,000.00		
1/6/2003		EB TO WMC	CLR	[redacted]		
1/9/2003		EB DEPOSIT	CLR		[redacted]	
1/16/2003		EB FROM CHECKING # 3904057295	CLR		[redacted]	
1/21/2003		INTEREST PAYMENT	CLR		[redacted]	
1/23/2003		EB TO LEE COUNTY	CLR	[redacted]		
1/23/2003		EB TO CASA YBEL	CLR	[redacted]		
1/27/2003		EB TO SPRINT	CLR	[redacted]		
1/29/2003		EB TO SANIBEL ONE RESERVE	CLR	[redacted]		
1/29/2003			CLR		[redacted]	
1/30/2003		EB TO SAVINGS # 0059454466	CLR	$1,500.00		

2/1/2003

Q

STATE OF SOUTH CAROLINA)	**IN THE COURT OF COMMON PLEAS**
)	**11TH JUDICIAL CIRCUIT**
COUNTY OF LEXINGTON)	
)	**CASE NO.: 2013-CP-32-01709**
The Bank of New York Mellon, f/k/a)	
The Bank of New York as successor-in-)	
Interest to JPMorgan Chase Bank, N.A.)	**DEFENDANT'S**
As successor-in-interest by merger to)	**FOLLOW UP MEMORANDUM**
Bank One, N.A. as Trustee for Structured)	**TO HEARING FOR MOTIONS FOR**
Asset Mortgage Investments Inc.,)	**SUMMARY JUDGMENT**
Mortgage Pass-Through Certificates,)	
Series 2002-AR4,)	
Plaintiff,)	
Vs.)	
)	
Cathy G. Lanier; Branch Banking and)	
Trust Company; Regions Bank,)	
Defendants.)	

ADDENDUM

Cases or Case Summaries for:

St. Claire v. US Bank, NA

LaCombe v. Deutsche Bank

Kenney v. HSBC

Murray v. HSBC

Holm v. Wells Fargo

NOT FINAL UNTIL TIME EXPIRES TO FILE REHEARING
MOTION AND, IF FILED, DETERMINED

IN THE DISTRICT COURT OF APPEAL
OF FLORIDA
SECOND DISTRICT

RONALD ST. CLAIR,

Appellant,

v.

U.S. BANK NATIONAL ASSOCIATION, Trustee Terwin Mortgage Trust 2005 8HE Asset-Backed Certificates, Series 2005 8HE,

Appellee.

Case No. 2D14-2111

Opinion filed July 17, 2015.

Appeal from the Circuit Court for Lee County; James R. Thompson, Senior Judge.

Michael E. Chionopoulos, Fort Myers, for Appellant.

Elizabeth T. Frau of Ronald R. Wolfe & Associates, P.L., Tampa, for Appellee.

VILLANTI, Chief Judge.

Ronald St. Clair seeks review of the trial court's final judgment of foreclosure in favor of U.S. Bank. Because the trial court erred in finding that U.S. Bank demonstrated it had standing to foreclose, we reverse.

After St. Clair defaulted on a loan issued by original mortgagor Lenders Direct Capital Corporation, U.S. Bank brought foreclosure proceedings. St. Clair defended, alleging that U.S. Bank failed to prove standing. Although U.S. Bank maintained that the mortgage and note were sold to it by Lenders Direct, neither document had been indorsed. Despite the lack of indorsements, the mortgage and note were placed in a trust with U.S. Bank as the trustee and the loan was serviced by Specialized Loan Servicing (SLS). Based on these facts, U.S. Bank asserted that it had the rights of a holder as a "nonholder in possession" of the documents. At a nonjury trial, U.S. Bank relied on a pooling service agreement, a default notice letter, and a fee payment schedule to show that it had standing to foreclose. Agreeing with this argument, the trial court ruled in favor of U.S. Bank and this appeal followed.

Under section 673.3011, Florida Statutes (2014), a person entitled to enforce a negotiable instrument must be either: (1) the holder of the instrument, (2) a "nonholder in possession of the instrument who has the rights of a holder," or (3) a person not in possession but who has the right to enforce a lost, destroyed, or stolen instrument or an instrument paid by mistake. A holder is a person in possession of the negotiable instrument that is payable either to bearer or to the holder. § 671.201(21)(a), Fla. Stat. (2014). A person in possession of the instrument but who is not the original lender can still be a holder, but only if the instrument bears a special indorsement in his or her favor or a blank indorsement. See McLean v. JP Morgan Chase Bank Nat'l Ass'n, 79 So. 3d 170, 173 (Fla. 4th DCA 2012). Absent a special or blank indorsement, "the mere delivery of a note and mortgage, with intention to pass the title, upon a proper consideration, will vest the equitable interest in the person to whom it is so delivered."

Seffar v. Residential Credit Solutions, Inc., 160 So. 3d 122, 125 (Fla. 4th DCA 2015) (quoting McLean, 79 So. 3d at 173). However, possession of the instrument alone is an insufficient basis to prove standing to foreclose. See Murray v. HSBC Bank USA, 157 So. 3d 355, 358 (Fla. 4th DCA 2015). The person trying to enforce the instrument must demonstrate that he or she had standing as of the time the complaint is filed. McLean, 79 So. 3d at 173. This court reviews issues of standing in foreclosure cases using the de novo standard of review. Boyd v. Wells Fargo Bank, N.A., 143 So. 3d 1128, 1129 (Fla. 4th DCA 2014).

Here, U.S. Bank attempted to prove it had standing under section 673.3011(2) as a nonholder in possession of the instrument with the rights of a holder.[1] It argued below and on appeal that its possession of the note and mortgage, along with evidence of its servicing the loan through SLS, its pooling and servicing agreement with SLS, and SLS's notice of default letter sent to St. Clair, prove that U.S. Bank had standing to enforce the instrument. But contrary to U.S. Bank's argument, mere possession is an inadequate basis on which to affirm the lower court's final judgment. See Murray, 157 So. 3d at 358.

Because mere possession was inadequate to establish standing, U.S. Bank was required to show that it received the instrument from a holder with enforcement rights. This is known as the "shelter rule." Id. But there was no competent evidence presented below to show that U.S. Bank had actually acquired the note and mortgage from Lenders Direct. While U.S. Bank attempts to rely on its pooling

[1]Because the note and mortgage were not indorsed in blank or specially indorsed to U.S. Bank, U.S. Bank is unable to establish its standing as a holder of the instrument. See § 673.3011(1).

and servicing agreement with SLS to show that it had standing, this document does not contain any mention of Lenders Direct or its alleged transfer of the note and mortgage into the U.S. Bank trust. Likewise, the payment schedule shows only that Lenders Direct was servicing the loan prior to SLS; it does not indicate that Lenders Direct transferred the loan to U.S. Bank or to SLS. While there is a document that indicates Lenders Direct sold the rights to the instrument, it does not indicate to whom Lenders Direct sold the rights. Without evidence establishing who Lenders Direct sold the instrument to, the question of standing remains an open one. This court cannot fill in the blanks of an incomplete chain in order to determine that U.S. Bank actually acquired the instrument, as it contends, from holder Lenders Direct versus a nonholder third party. See id. at 358-59 (noting that because "[t]he transferee does not enjoy the statutorily provided assumption of the right to enforce the instrument that accompanies a negotiated instrument . . . the transferee must account for possession of the unindorsed instrument by proving the transaction through which the transferee acquired it" (quoting Anderson v. Burson, 35 A.3d 452 (Md. 2011) (internal quotations omitted))). The documentation here was simply too inadequate to constitute competent, substantial evidence of U.S. Bank's standing.

The only document that purports to indicate that Lenders Direct sold the rights of the instrument to U.S. Bank is a letter from SLS to St. Clair, stating that SLS would be servicing the loan after Lenders Direct had sold the note and mortgage. But without reference to whom the loan was sold, this letter alone cannot substantiate U.S. Bank's claim that it obtained the note and mortgage from Lenders Direct. See Seffar, 160 So. 3d at 126-27 (finding that a letter from a loan servicer to the mortgagor

informing him of the transfer of servicing rights was insufficient to establish that the servicer had standing when the letter did not address the servicer's specific right to enforce the instrument). Thus, U.S. Bank's claim suffers from a fatal failure of necessary proof.

Ultimately, the problem with U.S. Bank's attempt to establish standing to foreclose is that it relies on a "paper trail" that beats around the bush but never axes the tree necessary to establish the legal requirement of standing. We cannot, as advocated by U.S. Bank, presume standing simply because it serviced the loan. Longstanding case law prevents us from doing so. See Withers v. Sandlin, 18 So. 856 (Fla. 1896). Accordingly, it was error for the trial court to rule in favor of U.S. Bank.

Reversed and remanded for further proceedings.

KHOUZAM and LUCAS, JJ., Concur.

149 So.3d 152
District Court of Appeal of Florida,
First District.

Anastacia S. LACOMBE and Max P. Lacombe,
Appellants,
v.
DEUTSCHE BANK NATIONAL TRUST COMPANY, as Trustee for Long Beach Mortgage Loan Trust, Appellee.

No. 1D13–4094. | Oct. 14, 2014.

Synopsis
Background: Trustee of mortgage loan trust filed suit for foreclosure. The Circuit Court, Duval County, A.C. Soud, Jr., J., entered judgment of foreclosure, and mortgagors appealed.

Holdings: The District Court of Appeal held that:

[1] trustee lacked standing to bring foreclosure action, and

[2] remand was not warranted to permit trustee to establish ownership of note secured by mortgage.

Reversed.

Osterhaus, J., concurred in result.

West Headnotes (7)

[1] **Appeal and Error**
Necessity of timely objection
Appeal and Error
Sufficiency of evidence

When the final judgment was based on a bench trial and the appellant challenges the sufficiency of the evidence to support the judgment, the general rule requiring specific contemporaneous objection to preserve the asserted error for appeal does not apply. West's F.S.A. RCP Rule 1.530(e).

1 Cases that cite this headnote

[2] **Mortgages**
Presentation and reservation in lower court of grounds of review

The rule permitting appellate review of the sufficiency of the evidence to support a judgment obtained following a bench trial, despite any deficiencies in the objections made at trial and absence of post-trial motions, applies to appeals challenging the sufficiency of the evidence in mortgage foreclosure actions after bench trial. West's F.S.A. RCP Rule 1.530(e).

3 Cases that cite this headnote

[3] **Mortgages**
Holders of obligations secured

Trustee for mortgage loan trust lacked standing to bring foreclosure action against mortgagors, where only **endorsement** of note was from original payee to successor payee, none of trustee's exhibits qualified as **indorsement** from successor payee to trustee, and none of exhibits tended to **show** that trustee was entity entitled to enforce note. West's F.S.A. § 673.3011.

8 Cases that cite this headnote

[4] **Bills and Notes**
Formal requisites

An "allonge" is a legal term for a supplemental attachment to a note in which **endorsements** to subsequent note holders may be identified.

Cases that cite this headnote

[5] **Mortgages**
Holders of obligations secured
Mortgages
Production of bond, note, or other obligation secured

A **plaintiff** who is not the original lender may establish standing to **foreclose** a mortgage loan by submitting a note with a blank or **special endorsement**, an assignment of the note, or an affidavit otherwise proving the **plaintiff's** status as the holder of the note, but standing must be established as of the time of filing the foreclosure complaint.

7 Cases that cite this headnote

[6] **Mortgages**
Determination and disposition of cause

Remand was not warranted upon reversal of judgment of foreclosure to permit trustee for mortgage loan trust to establish ownership of note secured by mortgage, as basis for establishing that it had standing to enforce note, where trustee had more than five years from time complaint was filed until trial to produce competent evidence establishing its **right to** enforce note and to prove indebtedness, and yet failed to do so.

3 Cases that cite this headnote

[7] **Appeal and Error**
Ordering New Trial, and Directing Further Proceedings in Lower Court

Appellate courts do not generally provide parties with an opportunity to retry their case upon a failure of proof.

1 Cases that cite this headnote

Attorneys and Law Firms

*153 Austin T. Brown of Parker & DuFresne, P.A., Jacksonville, for Appellant.

Jeffrey S. York and N. Mark New, II of McGlinchey Stafford, Jacksonville and Latoya O. Fairclough, Choice Legal Group, P.A., Fort Lauderdale, for Appellee.

Opinion

PER CURIAM.

The Lacombes, defendants below, appeal the final judgment of foreclosure against them and in favor of Deutsche Bank National Trust Co., as Trustee for Long Beach Mortgage Loan Trust 2006–2 ("Deutsche Bank"). Appellants assert that the evidence presented at the bench trial was insufficient to support the trial court's judgment because Deutsche Bank's documents and witness did not prove the bank's standing to bring the foreclosure action. We agree and the judgment is thus reversed.

[1] [2] Because the final judgment was based on a bench trial and Appellants challenge the sufficiency of the evidence to support the judgment, the general rule requiring specific contemporaneous objection to preserve the asserted error for appeal does not apply. Rather, rule 1.530(e), Florida Rules of Civil Procedure allows review of the sufficiency of the evidence despite any deficiencies in the objections made at trial and absence of post-trial motions. Rule 1.530(e) applies to appeals challenging the sufficiency of the evidence in mortgage foreclosure actions after bench trial. *See Correa v. U.S. Bank N.A.*, 118 So.3d 952, 954 (Fla. 2d DCA 2013). Accordingly, Appellants' challenge to the sufficiency of the evidence is properly before this court.

We review the sufficiency of the evidence to prove standing to bring a foreclosure action *de novo*. *Dixon v. Express Equity Lending Grp.*, 125 So.3d 965 (Fla. 4th DCA 2013).

[3] [4] Deutsche Bank commenced its foreclosure action on February 19, 2008, by filing its complaint, together with a promissory note payable to Tower Mortgage and Financial Services and secured by a mortgage on Appellants' residential real property. The note was "payable to order" under section 673.1091, Florida Statutes because it specifically named Tower Mortgage as the payee. The note itself did not contain any **indorsement**, but an allonge signed by a representative of Tower Mortgage was attached to the note and filed with the complaint.[1] The allonge was a "**special indorsement**"

because it named a specific payee, Long Beach Mortgage Company. § 673.2051(1), Fla. Stat. Negotiation of the note thus required both possession and an **indorsement** by Long Beach Mortgage Company. *Id.*

Deutsche Bank alleged in its complaint that it was the owner of the note. In every pleading and other filing, Appellants denied this allegation. Appellants raised the affirmative defense that Deutsche Bank lacked standing to enforce the note and failed to acquire an interest in the note prior to the filing of the lawsuit. *See* ***154** *Mazine v. M & I Bank,* 67 So.3d 1129 (Fla. 1st DCA 2011) (party seeking foreclosure must prove it owns and holds note and mortgage to establish standing). Accordingly, throughout the litigation Appellants disputed the fact of Deutsche Bank's **right to** enforce the note and attendant standing to maintain an action for foreclosure. Deutsche Bank's ownership of the note was thus an issue it was required to prove. *Gee v. U.S. Bank Nat. Ass'n,* 72 So.3d 211, 214 (Fla. 5th DCA 2011) ("When [defendant] denied that U.S. Bank had an interest in the Mortgage, ownership became an issue that U.S. Bank, as the **plaintiff**, was required to prove.").

At trial, as proof of its ownership and standing to enforce the note, Deutsche Bank presented the testimony of Andrew Benefield, case manager for Select Portfolio Servicing ("SPS"), and five exhibits.

Exhibit 1 was a Limited Power of Attorney under which SPS obtained certain powers from JPMorgan Chase Bank, N.A. (described as "Master Servicer") and Deutsche Bank National Trust Company as Trustee (described as "Trustee") "in connection with all mortgage or other loans serviced by Master Servicer" including foreclosure on the Trustee's interest in mortgage notes. Attached to the Power of Attorney was Exhibit A, a list of thirty-five "Pooling and Servicing Agreements" governing groups of "asset-backed certificates." While exhibit 1 **shows** that JPMorgan Chase and Deutsche Bank transferred certain powers to SPS in 2013, it is not clear from Exhibit 1 or Mr. Benefield's testimony that the particular note and mortgage executed by Appellants in 2005 and **endorsed** by Tower Mortgage to Long Beach Mortgage Company is one of the mortgages affected by one of the multitude of pooling and servicing agreements referenced in the attachment.

Exhibit 2 consisted of the note and mortgage. As previously noted, the only **indorsement** of the note was from Tower Mortgage to Long Beach Mortgage Company.

Deutsche Bank's Exhibit 3 consisted of a collection of nine pages from one or more documents. The first page of this exhibit is a title page of a Pooling and Servicing Agreement with the phrase "dated as of March 1, 2006" under the title. The parties listed on this page are Long Beach Securities Corp., Long Beach Mortgage Company, and Deutsche Bank National Trust Company. The next five pages of the exhibit are signature and notarization pages. The seventh page is entitled "Summary of Terms" and states:

> The following summary highlights selected information from this prospectus supplement. It does not contain all of the information that you need to consider in making your investment decision. To understand the terms of the offered certificates, read carefully this entire prospectus supplement and the accompanying prospectus.

The final three pages of Exhibit 3 appear to be computer-generated print-outs of single lines of data which might or might not correspond to Appellants' note and mortgage. These pages were not authenticated by the witness and their significance was not explained by Mr. Benefield's testimony or any other evidence. *See LaFrance v. U.S. Bank Nat. Ass'n,* 141 So.3d 754, 756 (Fla. 4th DCA 2014) (reversing summary judgment for Bank due to failure of proof that Bank was owner of note prior to filing of complaint; loan servicing records without any explanation failed to prove Bank was owner of note).

Although Mr. Benefield repeatedly testified that he was relying on "the pooling and servicing agreement" for proof that Deutsche Bank had standing to enforce the note, no actual pooling and servicing agreement, **indorsement**, or other evidence ***155** of negotiation of the note at issue from Long Beach Mortgage Company to any entity is contained in **Plaintiff's** Exhibit 3 or elsewhere in the record. Deutsche Bank's evidence to prove its **right to** enforce the Note, including Mr. Benefield's testimony, is incoherent. Mr. Benefield testified that he did not know why pooling and service agreements were so entitled, did not know whether Exhibit 3 was a composite exhibit from several documents or an incomplete copy of a single document, and did not address the meaning of the page which referenced a "Prospectus Settlement" and "information ... to consider in making your investment decision." Exhibit 3 fails to support any finding that the Note between Tower Mortgage and the Lacombes was ever negotiated, by subsequent **indorsement** or otherwise, to Deutsche Bank. The composite document admitted as Exhibit 3 and

the testimony of Mr. Benefield were not competent or substantial evidence even to ***tend*** to prove Deutsche Bank's standing to enforce the Note.

Exhibit 4 was a copy of a letter entitled "Notice of Intent to Accelerate," addressed to Mrs. Lacombe from Washington Mutual in Chatsworth California, dated December 5, 2007. The letter has no certificate of service, return receipt, or other indication from a courier or delivery service that it was actually received by the addressee. Appellants' pleadings consistently denied ever receiving this letter. Although Mr. Benefield was questioned about this document, he had no personal information about its authenticity or delivery. It was never suggested that he ever worked for Washington Mutual or had any knowledge about the creation of the letter or about Washington Mutual's business practices regarding such letters, as would be required to admit the hearsay document as a business record. *See* § 90.803(6), Fla. Stat.

Finally, Deutsche Bank's Exhibit 5 was submitted as a "payment history" for the debt at issue. The computer-generated pages indicate preparation by SPS for some pages and Washington Mutual Bank for other. Counsel for Appellants objected to the lack of foundation to admit this hearsay document into evidence and noted that Mr. Benefield was not a records custodian for SPS or any of the previous loan servicers. *See* §§ 90.801, 90.803(6), Fla. Stat. The court overruled the objection without discussion and the document was admitted into evidence.

[5] It is well-settled that:

> A **plaintiff** who is not the original lender may establish standing to **foreclose** a mortgage loan by submitting a note with a blank or **special endorsement**, an assignment of the note, or an affidavit otherwise proving the **plaintiff's** status as the holder of the note. *McLean v. JP Morgan Chase Bank Nat'l Ass'n*, 79 So.3d 170, 173 (Fla. 4th DCA 2012). But standing must be established as of the time of filing the foreclosure complaint.

Focht v. Wells Fargo Bank, N.A., 124 So.3d 308, 310 (Fla. 2d DCA 2013) (footnote omitted). Even if exhibits 1, 3, 4 and 5—admitted by the trial court—had been relevant, properly authenticated, and qualified for the business records exception to the hearsay rule, see *Hunter v. Aurora Loan Services, LLC*, 137 So.3d 570 (Fla. 1st DCA 2014), none of Deutsche Bank's exhibits qualifies as an **indorsement** from Long Beach Mortgage to Deutsche Bank, an assignment from Long Beach Mortgage to Deutsche Bank, or an affidavit otherwise proving the **plaintiff's** standing to bring the foreclosure action on the note and mortgage at issue as a matter of law. Likewise, the record contains no assertion or proof by Deutsche Bank of its standing ***156** under any means identified in section 673.3011, Florida Statutes. *See Mazine v. M & I Bank*, 67 So.3d 1129, 1130 (Fla. 1st DCA 2011). Absent evidence of the **plaintiff's** standing, the final judgment must be reversed.

Appellants also challenge the trial court's pre-trial denial of their motion for summary judgment. However, the trial of the issue of fact regarding **plaintiff's right to** enforce the note via ownership thereof rendered any error in the denial of summary judgment moot. *Sunrise Lakes Condo. Apts. Phase III, Inc. v. Frank*, 73 So.3d 901 (Fla. 4th DCA 2011).

[6] [7] We decline to remand the case for the presentation of additional evidence because "appellate courts do not generally provide parties with an opportunity to retry their case upon a failure of proof." *Morton's of Chicago, Inc. v. Lira*, 48 So.3d 76, 80 (Fla. 1st DCA 2010). Deutsche Bank filed its complaint in 2008 and had more than five years until the eventual trial to produce competent evidence to prove its **right to** enforce the note at the time the suit was filed and prove the amount of the indebtedness. When Deutsche Bank finally tried its case in mid–2013, it relied upon a note secured by a mortgage payable to the order of the original lender, a specific **indorsement** transferring the debt to an entity other than Deutsche Bank, a single witness employed by the latest in a succession of "loan servicers," and upon unauthenticated, largely unexplained papers it advanced as proof of its standing. This failure of proof after ample opportunity is no reason to provide Deutsche Bank with a second opportunity to prove its case on remand. *See Wolkoff v. American Home Mortg. Servicing, Inc.*, —— So.3d ——, 39 Fla. L. Weekly D1159, 2014 WL 2378662 (Fla. 2d DCA May 30, 2014); *Correa v. U.S. Bank, N.A.*, 118 So.3d 952, 956 (Fla. 2d DCA 2013).

The final judgment of foreclosure is reversed due to the insufficiency of the evidence to support the judgment. This case is remanded for the entry of an order of involuntary dismissal of the action.

BENTON and CLARK, JJ., concur; OSTERHAUS, J.,

concurs in result.

149 So.3d 152, 39 Fla. L. Weekly D2156

All Citations

Footnotes

1 "In essence, an allonge is simply an elegant-sounding legal term for a supplemental attachment to a note in which **endorsements** to subsequent note holders may be identified." *Wells Fargo Bank, N.A. v. Bohatka,* 112 So.3d 596, 598 (Fla. 1st DCA 2013).

End of Document

WestlawNext

DISTRICT COURT OF APPEAL OF THE STATE OF FLORIDA
FOURTH DISTRICT

GEORGE L. KENNEY a/k/a **GEORGE KENNEY,**
Appellant,

v.

HSBC BANK USA, NATIONAL ASSOCIATION, AS TRUSTEE FOR DEUTSCHE ALT-A SECURITIES, INC., MORTGAGE PASS-THROUGH CERTIFICATES SERIES 2005-6, SUSIE N. KENNEY a/k/a **SUSIE KENNEY, SEA OAKS PROPERTY OWNERS ASSOCIATION, INC., SEA OATS OF JUNO BEACH CONDOMINIUM TWO ASSOCIATION, MORTGAGE ELECTRONIC REGISTRATION SYSTEMS, INC.,**
Appellees.

No. 4D13-4165

[July 22, 2015]

Appeal from the Circuit Court for the Fifteenth Judicial Circuit; Judy P. Biebel, Senior Judge; L.T. Case No. 502009CA043442XXXXMB.

Jeffrey Harrington, Millie Orrico and Adriana C. Clamens of Harrington Law Associates, PLLC, West Palm Beach, for appellant.

Michael K. Winston, Dean A. Morande and Donna L. Eng of Carlton Fields Jorden Burt, P.A., West Palm Beach, for Appellee-HSBC Bank USA, National Bank.

PER CURIAM.

The borrower, George Kenney, appeals a final judgment of foreclosure entered after a non-jury trial. We find merit in his argument that HSBC Bank USA, National Association, as Trustee for the Holders of Deutsche Alt-A Securities, Inc., Mortgage Loan Trust, Series 2005-6 ("HSBC") failed to prove it had standing at the time it filed the foreclosure action. We therefore reverse.

In 2005, the borrower and his wife executed a promissory note in favor of American Brokers Conduit. The borrower also executed a mortgage securing payment of the note.

On December 29, 2009, HSBC filed a foreclosure complaint against the

borrower and his wife. The complaint alleged that HSBC "as servicer for the owner and acting on behalf of the owner with authority to do so, is the present designated holder of the note and mortgage with authority to pursue the present action." The copy of the note attached to the complaint did not contain any endorsements.

On January 4, 2010, a vice president of American Brokers Conduit executed an Assignment of Mortgage in favor of HSBC. The assignment reflected that it was assigning the mortgage together with the note. The assignment stated that it was effective "as of the 1st day of December, 2009 . . . ."

In the borrower's answer, he asserted as an affirmative defense that HSBC was not in possession of the original promissory note and did not have standing to foreclose.

At trial, HSBC attempted to prove its standing by introducing the original note, as well as the testimony of a loan verification analyst employed by Wells Fargo. The original note bears a blank endorsement from the original lender, American Brokers Conduit. But there was no testimony indicating when the blank endorsement was placed onto the note.

The analyst testified that Wells Fargo acquired the loan and began servicing it on August 1, 2006. He testified that when Wells Fargo boarded the note on August 1, 2006, there were procedures in place to ensure that the original note had the proper endorsement. He also explained that there has not been any transfer of ownership of the note since Wells Fargo became the servicer on August 1, 2006.

The analyst testified that on August 1, 2006, HSBC—as trustee for an entity of Deutsche Bank—was the owner of the note. At another point, however, he testified that HSBC was not the owner of the loan and was merely the trustee for the Deutsche Bank entity, explaining: "[T]he investor – the owner of the note is Deutsche Bank. The plaintiff is HSBC. They're the trustee for them on this case." He did not know the date when HSBC purchased the note.

The borrower introduced the Assignment of Mortgage into evidence and questioned the analyst about its contents. The analyst had no explanation for why the assignment was signed after the case was filed. He first saw the assignment about ten days before trial. He pointed out that the assignment indicated that it was effective on a date "prior to the case being filed." However, the analyst's testimony was based solely on the plain

language of the assignment document, and was not based on personal knowledge of an assignment that occurred before the filing of the complaint.

Following the conclusion of trial, the lower court entered a final judgment in favor of HSBC. This appeal ensued.

An appellate court applies a de novo standard of review to the ultimate question of whether a plaintiff proved its standing to bring the foreclosure action. *Dixon v. Express Equity Lending Grp.*, 125 So. 3d 965, 967 (Fla. 4th DCA 2013).

"A crucial element in any mortgage foreclosure proceeding is that the party seeking foreclosure must demonstrate that it has standing to foreclose." *McLean v. JP Morgan Chase Bank Nat'l Ass'n*, 79 So. 3d 170, 173 (Fla. 4th DCA 2012). The plaintiff must prove that it had standing to foreclose when the original complaint was filed. *Id.*

The UCC provides that a "person entitled to enforce" a negotiable instrument means the holder of the instrument, a non-holder in possession of the instrument who has the rights of a holder, or a person not in possession of the instrument who is entitled to enforce. § 673.3011(1)-(3), Fla. Stat. (2013).

"A plaintiff who is not the original lender may establish standing to foreclose a mortgage loan by submitting a note with a blank or special endorsement, an assignment of the note, or an affidavit otherwise proving the plaintiff's status as the holder of the note." *Focht v. Wells Fargo Bank, N.A.*, 124 So. 3d 308, 310 (Fla. 2d DCA 2013). "When a plaintiff asserts standing based on an undated endorsement of the note, it must show that the endorsement occurred before the filing of the complaint through additional evidence, such as the testimony of a litigation analyst." *Lloyd v. Bank of New York Mellon*, 160 So. 3d 513, 515 (Fla. 4th DCA 2015).

Here, HSBC did not prove that it was a person entitled to enforce the note at the time it filed the foreclosure complaint.

First, the original note was insufficient to prove HSBC's standing at the inception of the case because there was no evidence indicating when the blank endorsement was placed onto the note. *See Tremblay v. U.S. Bank, N.A.*, 40 Fla. L. Weekly D1064, 2015 WL 2089069 (Fla. 4th DCA May 6, 2015). In *Tremblay*, we explained:

> Bank's attachment of a copy of the note with a blank indorsement was insufficient to establish standing because Bank's only witness testified that his employer—the servicer—had been the holder of the note since August of 2005. Based on this testimony, the servicer was the proper party to initiate the action, not Bank.

Id. at *1.

Likewise, in this case, the Wells Fargo analyst's testimony suggested that Wells Fargo—the servicer—was the entity in possession of the note since 2006, which would mean that Wells Fargo was likely the holder of the note when the complaint was filed and would have been the proper party to initiate the action. The analyst's testimony failed to establish that, at the time of the original complaint, HSBC was the holder of the note or was otherwise a person entitled to enforce the note.

Second, the assignment was insufficient to establish HSBC's standing. Although the assignment contained a purported effective date before the complaint was filed, it was executed after the complaint was filed and the witness "did not have any information, other than the document itself, to verify when the assignment took place." *See Lloyd*, 160 So. 3d at 515; *see also Matthews v. Fed. Nat'l Mortg. Ass'n*, 160 So. 3d 131, 133 (Fla. 4th DCA 2015) ("Nor does the backdated assignment, standing alone, establish standing."); *Vidal v. Liquidation Props., Inc.*, 104 So. 3d 1274, 1277 n.1 (Fla. 4th DCA 2013) ("Allowing assignments to be retroactively effective would be inimical to the requirements of pre-suit ownership for standing in foreclosure cases.").

Finally, the analyst's vague testimony that either HSBC or a Deutsche Bank entity owned the note was insufficient to prove HSBC's standing. HSBC did not introduce a pooling and servicing agreement ("PSA"), nor did HSBC introduce any competent evidence that the depositor under the PSA had the intent to transfer any interest to HSBC as the trustee. *See Jelic v. LaSalle Bank, Nat'l Ass'n*, 160 So. 3d 127, 130 (Fla. 4th DCA 2015) (reversing a final judgment of foreclosure where there was no evidence that the party transferring the note into a PSA had any intent to transfer an interest to the trustee); *Deutsche Bank Nat'l Trust Co. v. Boglioli*, 154 So. 3d 494, 495 (Fla. 4th DCA 2015) (evidence at trial failed to demonstrate the plaintiff's standing to foreclose where the sole testifying witness was unable to testify as to when the note was endorsed, and the plaintiff failed to introduce a pooling and servicing agreement that was the alleged method through which the plaintiff acquired the assignment of the note).

Because HSBC did not prove that it had standing when it filed the original complaint, we reverse and remand for entry of an order of involuntary dismissal of the action.

Reversed.

TAYLOR, MAY and KLINGENSMITH, JJ.

* * *

Not final until disposition of timely filed motion for rehearing.

DISTRICT COURT OF APPEAL OF THE STATE OF FLORIDA
FOURTH DISTRICT

DONNA MURRAY and **MARC MURRAY,**
Appellants,

v.

HSBC BANK USA, NATIONAL ASSOCIATION AS TRUSTEE FOR ACE SECURITIES CORP HOME EQUITY LOAN TRUST, SERIES 2006-OP1 ASSET BACKED PASS THROUGH CERTIFICATES,
Appellee.

No. 4D13-4316

[January 21, 2015]

Appeal from the Circuit Court for the Fifteenth Judicial Circuit, Palm Beach County; Howard Harrison, Judge; L.T. Case No. 502009CA005458XX.

Kunal A. Mirchandani and Joann M. Hennessey of Civil Justice Advocates, PL, Fort Lauderdale, for appellants.

Khari E. Taustin, Jeremy W. Harris, Masimba M. Mutamba, and Angela Barbosa Wilborn of Morris, Laing, Evans, Brock & Kennedy CHTD., West Palm Beach, for appellee.

MAY, J.

In this foreclosure puzzle, one of the pieces is missing. The borrowers appeal a final judgment of foreclosure following a non-jury trial. They argue the bank failed to prove standing. We agree and reverse.

The borrowers and Option One Mortgage Corporation, a California corporation ("Option One California"), executed a mortgage and note. When the borrowers missed their monthly payment, HSBC filed a two-count complaint seeking to foreclose the mortgage and reestablish the lost note. The original complaint, filed February 13, 2009, alleged that HSBC "owns and holds said note and mortgage." The borrowers then filed their answer and affirmative defenses.

On April 3, 2009, Sand Canyon Corporation f/k/a Option One Mortgage Corporation ("Sand Canyon") executed an assignment of the

mortgage to HSBC. The assignment included an effective date of January 24, 2009. On April 6, 2010, HSBC voluntarily dismissed the lost note count and filed the original note and mortgage. The note was made payable to Option One California, but did not have an indorsement or allonge.

On October 5, 2010, Sand Canyon executed another assignment in favor of HSBC, with a stated effective date of April 23, 2007. On February 6, 2013, HSBC filed a second amended complaint alleging that HSBC was "a nonholder in possession with the rights of a holder and is entitled to enforce the terms of the Note and Mortgage, pursuant to Florida Statute 673.3011." The case proceeded to a non-jury trial.

At trial, HSBC offered the testimony of a loan analyst with Ocwen Loan Servicing ("Ocwen"). HSBC also offered the pooling and servicing agreement ("PSA"), note, mortgage, demand letter, and payment history. HSBC did not admit the assignments into evidence.

The main issue at trial concerned HSBC's allegation that it was a nonholder in possession with the rights of a holder.[1] The PSA and attached mortgage loan schedule both referenced the borrowers' loan. The PSA had ACE Securities Corp. ("ACE") as the Depositor, Option One Mortgage Corporation as the Servicer, Wells Fargo Bank, N.A. ("Wells Fargo") as the Master Servicer and Securities Administrator, and HSBC as the Trustee. The effective date of the PSA was May 1, 2006; it does not reference Option One California.

The loan analyst testified that Option One Mortgage Corporation was a predecessor to American Home Mortgage Servicing ("AHMS"), which was rebranded as Homeward Residential, and subsequently purchased by Ocwen. Those companies serviced the loan from its inception and Ocwen

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[1] The trial court stated:

> To me, that's the only issue in the case; can this Court enter a judgment on what you say is that possession is enough without the [i]ndorsement.
>
> In every other respect they have it. They got the mortgage. They got the records. They got the servicing. They got the whole thing. They just don't have the [i]ndorsement, and is that fatal?
>
> In other words do you have to go and get, and then start over again? That's the question. I don't know the answer.

was currently servicing the loan for HSBC. He also testified that AHMS acquired servicing rights from Option One Mortgage Corporation, a Delaware corporation ("Option One Delaware").

After the trial, the court took the matter under advisement and had the parties submit memoranda. On November 4, 2013, the trial court entered a final judgment of foreclosure in favor of HSBC, from which the borrowers now appeal.

The borrowers argue the trial court erred in granting a final judgment of foreclosure because Option One California never transferred its rights to HSBC, directly or through ACE. They argue that HSBC failed to connect the dots between ACE and the last identifiable holder of the note, Option One California. HSBC responds that it proved its right to enforce the note as a nonholder in possession with the rights of a holder.

We have de novo review. *Dixon v. Express Equity Lending Grp., LLLP*, 125 So. 3d 965, 967 (Fla. 4th DCA 2013).

"A crucial element in any mortgage foreclosure proceeding is that the party seeking foreclosure must demonstrate that it has standing to foreclose" when the complaint is filed. *McLean v. JP Morgan Chase Bank Nat'l Ass'n*, 79 So. 3d 170, 173 (Fla. 4th DCA 2012). "[S]tanding may be established from the plaintiff's status as the note holder, regardless of any recorded assignments." *Id.* "If the note does not name the plaintiff as the payee, the note must bear a special [i]ndorsement in favor of the plaintiff or a blank [i]ndorsement." *Id.*

The plaintiff may also show "evidence of an assignment from the payee to the plaintiff or an affidavit of ownership to prove its status as the holder of the note." *Id.* "Because a promissory note is a negotiable instrument and because a mortgage provides the security for the repayment of the note, the person having standing to foreclose a note secured by a mortgage may be . . . a nonholder in possession of the note who has the rights of a holder." *Mazine v. M & I Bank*, 67 So. 3d 1129, 1130 (Fla. 1st DCA 2011).

A "person entitled to enforce" an instrument is: "(1) [t]he holder of the instrument; (2) [a] nonholder in possession of the instrument who has the rights of a holder; or (3) [a] person not in possession of the instrument who is entitled to enforce the instrument pursuant to s[ection] 673.3091 or s[ection] 673.4181(4)." § 673.3011, Fla. Stat. (2013). A "holder" is defined as "[t]he person in possession of a negotiable instrument that is payable either to bearer or to an identified person that is the person in possession." § 671.201(21)(a), Fla. Stat. (2013). Thus, to be a holder, the instrument

must be payable to the person in possession or indorsed in blank. *See* § 671.201(5), Fla. Stat. (2013).

HSBC did not qualify under section 673.3011(1) or (3). It was not a holder of the note because the note is payable to Option One California, and there is no blank indorsement. HSBC failed to produce any evidence to prove its status as the holder of the note at trial. Indeed, HSBC admitted it was not a holder of the note. HSBC was thus left to enforce the note under section 673.3011(2) as a nonholder in possession of the instrument with the rights of a holder. The issue then is whether HSBC is a nonholder in possession with the rights of a holder.

Anderson v. Burson, 35 A.3d 452 (Md. 2011), is instructive. There, the court held that the plaintiff was a nonholder in possession and analyzed whether it had rights of enforcement pursuant to a Maryland statute that employs the same language as section 673.3011, Florida Statutes. *Anderson*, 35 A.3d at 462. "A transfer vests in the transferee only the rights enjoyed by the transferor, which may include the right to enforce[ment]," through the "shelter rule." *Id.* at 461–62.

> A nonholder in possession, however, cannot rely on possession of the instrument alone as a basis to enforce it. . . . The transferee does not enjoy the statutorily provided assumption of the right to enforce the instrument that accompanies a negotiated instrument, and so the transferee "must account for possession of the unindorsed instrument by proving the transaction through which the transferee acquired it." Com. Law § 3–203 cmt. 2. *If there are multiple prior transfers, the transferee must prove each prior transfer. Once the transferee establishes a successful transfer from a holder, he or she acquires the enforcement rights of that holder.* *See* Com. Law § 3–203 cmt. 2. A transferee's rights, however, can be no greater than his or her transferor's because those rights are "purely derivative."

Id. (emphasis added) (internal citations omitted).

HSBC had to prove the chain of transfers starting with Option One California as the first holder of the note. The only document admitted that purported to transfer the note was the PSA. Although the note was included in the PSA, the parties to the PSA were ACE, Option One Mortgage Corporation, Wells Fargo, and HSBC; not Option One California.

The loan analyst testified that Option One California was acquired by

AHMS, which rebranded to Homeward Residential, which was ultimately acquired by Ocwen. HSBC argues that since "Option One" is defined under the PSA as "Option One Mortgage Corporation or any successor thereto," and Option One transferred its interest to HSBC through the PSA, HSBC had the rights of a holder. We disagree.

Even if Option One California, Option One Delaware, Option One Mortgage Corporation, and Option One Mortgage Corporation, a Maryland corporation, were all the same corporation, HSBC's argument fails. Although Option One Mortgage Corporation was a party to the PSA, it was the Servicer. "Servicing" is defined in the PSA as "the act of servicing and administering the Mortgage Loans." Nothing in the PSA established that the Servicer conveyed rights in mortgage loans to any party. Also, even though the loan analyst testified that through a chain of transfers Ocwen was the current servicer of the loan, it does not prove that HSBC had standing as a nonholder in possession with the rights of a holder.

The chain of transfers starts with Option One California as the original holder of the note. ACE, as the Depositor, transferred its rights in the note to HSBC through the PSA. However, there was no evidence that Option One California transferred its rights in the note to ACE. This is the missing piece of the puzzle. *See* Appendix. As HSBC cannot prove that ACE had any right to enforce the note, it cannot derive any right from ACE and is not a nonholder in possession of the instrument with the rights of a holder to enforce. §§ 673.2031, .3011, Fla. Stat. (2013). Put simply, HSBC failed to prove standing. We therefore reverse the final judgment of foreclosure.

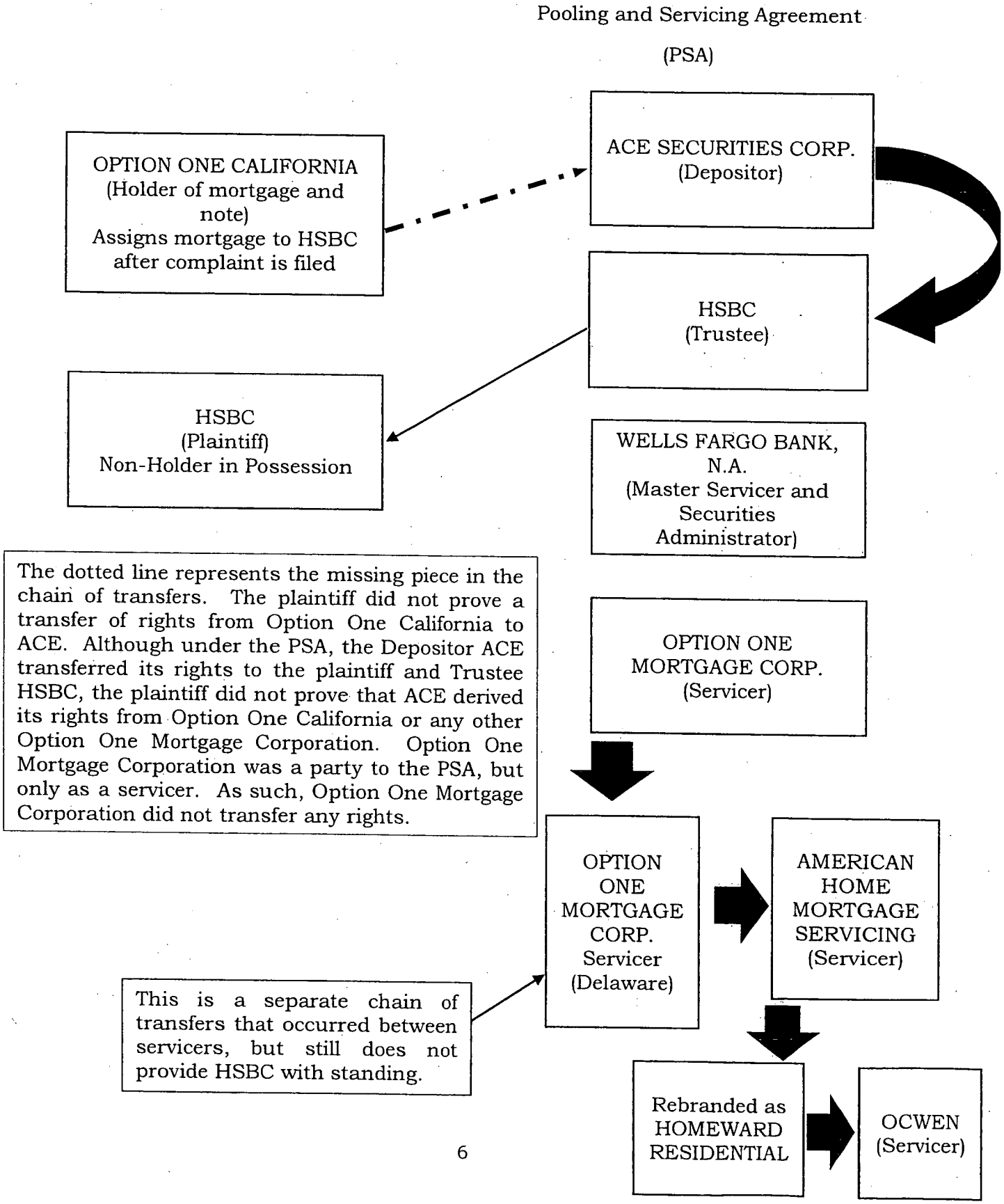
Reversed and Remanded for entry of judgment in favor of appellants.

WARNER and TAYLOR, JJ., concur.

* * *

Not final until disposition of timely filed motion for rehearing.

Appendix


Pooling and Servicing Agreement
(PSA)
OPTION ONE CALIFORNIA
(Holder of mortgage and note)
Assigns mortgage to HSBC after complaint is filed
ACE SECURITIES CORP.
(Depositor)
HSBC
(Trustee)
HSBC
(Plaintiff)
Non-Holder in Possession
WELLS FARGO BANK, N.A.
(Master Servicer and Securities Administrator)
The dotted line represents the missing piece in the chain of transfers. The plaintiff did not prove a transfer of rights from Option One California to ACE. Although under the PSA, the Depositor ACE transferred its rights to the plaintiff and Trustee HSBC, the plaintiff did not prove that ACE derived its rights from Option One California or any other Option One Mortgage Corporation. Option One Mortgage Corporation was a party to the PSA, but only as a servicer. As such, Option One Mortgage Corporation did not transfer any rights.
OPTION ONE MORTGAGE CORP.
(Servicer)
OPTION ONE MORTGAGE CORP.
Servicer
(Delaware)
AMERICAN HOME MORTGAGE SERVICING
(Servicer)
This is a separate chain of transfers that occurred between servicers, but still does not provide HSBC with standing.
Rebranded as HOMEWARD RESIDENTIAL
OCWEN
(Servicer)

IN THE CIRCUIT COURT OF CLINTON COUNTY, MISSOURI
DIVISION II

DAVID and CRYSTAL HOLM,	)	
	)	
Plaintiffs,	)	
v.	)	
	)	
	)	
WELLS FARGO HOME MORTGAGE INC.	)	
	)	
and	)	
	)	
FEDERAL HOME LOAN MORTGAGE CORPORATION (FREDDIE MAC).	)	**Case No. 08CN-CV00944**
	)	
Defendants.	)	

FILED
JAN 26 2015
MOLLY LIVINGSTON
Clerk of Clinton Co. Circuit Court

JUDGMENT

NOW, THEREFORE, this matter having been tried before the Court, commencing on the 14th day of January, 2015, and, further, the Court having taken this matter under advisement upon its submission on the 16th day of January, 2015, and

WHEREAS, Plaintiffs appeared in person and by and through counsel, Gregory Leyh, and Defendants appeared by and through counsel, Martin Blanchard, Janet McKillip, and Andrew Jones, and

WHEREAS, Plaintiffs having dismissed Count III, the Court finds on Count II and Count I as follows:

GENERAL FINDINGS

Plaintiffs Crystal G. Holm and David E. Holm were, at all times relevant to this proceeding, husband and wife residing in Clinton County, Missouri. Further, Plaintiffs were,

until the foreclosure sale at issue, owners of real property situate in Clinton County, Missouri, commonly known as 3800 Timberlake Drive, Holt, Missouri, more particularly described as follows:

LOT SIXTEEN (16) IN WOODRAIL, A SUBDIVISION IN CLINTON COUNTY, MISSOURI, ACCORDING TO THE RECORDED PLAT THEREOF.

In 2008, a dispute arose as to Plaintiffs' debt on the property. The property also sustained substantial damage from a storm and the application of insurance proceeds was at issue. Plaintiffs had numerous communications (both verbal and written) with various representatives of Defendant Wells Fargo Home Mortgage, Inc. (hereinafter referred to as Wells Fargo), and various representatives of Kozeny & McCubbin, L.C. (legal counsel for both Defendants in this proceeding and hereinafter referred to as Kozeny & McCubbin).

Plaintiffs were still seeking to resolve the disputed debt issues when Kozeny and McCubbin, acting, as Successor Trustee, and/or as legal counsel for the Successor Trustee, and/or as legal counsel for Defendant Wells Fargo, commenced foreclosure proceedings against Plaintiffs relating to the above-referenced property.

Undisputed evidence reveals Plaintiffs finally received a dollar amount to stop the foreclosure from Kozeny & McCubbin and Defendant Wells Fargo. Plaintiffs procured the necessary funds per the agreement. Regardless, on August 15, 2008, Kozeny & McCubbin proceeded to foreclosure, selling the property to Defendant Federal Home Loan Mortgage Corporation (hereinafter referred to as Freddie Mac) for the sum of $141,792.30. Plaintiffs' efforts to set aside the foreclosure and/or reinstate the loan were in vain. Ultimately, Freddie Mac filed an action in Unlawful Detainer (14CN-CV00501), currently pending against Plaintiffs, and Plaintiffs filed the instant lawsuit.

The Court will first address Plaintiffs' claim for quiet title relief set forth in Count II.

COUNT II

Uncontroverted evidence at trial establishes Plaintiffs possessed title to the subject property until the date of the foreclosure sale. Prior to the sale, June 26, 2008, the "Foreclosure Department" of Kozeny & McCubbin sent a letter to Plaintiffs "in response to your correspondence disputing the validity of the debt" on the subject property. (It is unclear to the Court whether Kozeny & McCubbin issued the letter in their capacity as Successor Trustees, Attorneys for Successor Trustees, Attorneys for Wells Fargo, or in some other capacity.) The correspondence indicated they were providing Plaintiffs with "1. A copy of the deed of trust, and 2. A copy of the note", to "verify the debt which is owed." The promissory note (included in Plaintiffs' Exhibit 26) was a promise to pay the original lender, Commercial Federal Mortgage Corp., and contained no endorsements, either in blank or to a specific party. The undisputed facts are neither Wells Fargo nor Freddie Mac had the right to enforce the note rendering the foreclosure sale void. In Williams v. Kimes, 996 S.W. 2nd 43, 45 (Mo. 1999), the Missouri Supreme Court indicated "no title is conveyed through the sale" when a party who lacks a right to enforce the note proceeds with foreclosure sale.

Based upon the evidence, the Court finds neither Wells Fargo nor Freddie Mac had the right to enforce the unendorsed note incorrectly described by Kozeny & McCubbin as evidence to "verify the debt which is owed." This Court finds Freddie Mac did not obtain title to the instant property through the foreclosure sale and title to the instant property should be quieted in the name of Plaintiffs.

COUNT I

In Count I, Plaintiffs seek both compensatory and punitive damages for wrongful foreclosure of their property by Defendant Wells Fargo. Based upon the facts presented at trial, including, but not limited to, the facts set forth herein, the Court finds the foreclosure sale of the subject property on August 15, 2008, was wrongful.

Compensatory Damages

The uncontroverted evidence is that on August 15, 2008, Freddie Mac paid $141,762.30 to purchase Plaintiffs' property. Due to the actions of Defendant Wells Fargo, Plaintiffs have spent the last six and one-half years living in limbo. This Court is acutely aware of a pending unlawful detainer suit against David and Crystal Holm (Clinton County Case No. 14CN-CV00501). An unlawful detainer case was initially filed by Freddie Mac against David and Crystal Holm on September 8, 2008, less than one month following the foreclosure sale (Clinton County Case No. 08CN-CV00729). Mr. and Mrs. Holm have been under the threat of eviction for well over six years. Upkeep and maintenance are constants when it comes to property. It would be ludicrous to spend large sums of money to maintain a home titled to Freddie Mac and to which Plaintiffs might never regain title.

Plaintiff David Holm testified that the current value of the property is $52,000. Mr. Holm's testimony was uncontroverted. The difference in value is $89,762.30, which constitutes reasonable lost value to Plaintiffs' property. In addition, Plaintiffs testified they made repairs in the amount of $6,150 to the property to prevent even greater deterioration or diminution in value.

Mr. Holm made the repairs himself and paid for the necessary materials. The cost of past home repairs to prevent additional loss of the value of his home was $6,150. Exhibit 40 was received as additional evidence of the cost of past home repairs. Crystal Holm testified to her role in preparing Exhibit 40 and to the accuracy of the costs identified.

The Court finds Plaintiffs sustained actual damages as set forth hereinabove in the amount of NINETY-FIVE THOUSAND NINE HUNDRED TWELVE DOLLARS AND THIRTY CENTS ($95,912.30).

The evidence further established Plaintiffs suffered considerable emotional distress and mental and physical anxiety attributable to, or as a direct result of, Defendant Wells Fargo's actions. Plaintiff David Holm suffered panic attacks, heart problems requiring a heart monitor, high blood pressure, and daily anxiety due to the circumstances relating to the wrongful foreclosure. Plaintiff Crystal Holm testified regarding her "fear" of losing her family's home, and the impact of such a loss on her 12-year-old daughter, Liberty, and family. Mrs. Holm recounted her loss of optimism regarding a property that she hoped would be populated by horses and other animals. Both Plaintiffs testified about the substantial stress on their marriage resulting from the Defendants' predatory and extreme and outrageous conduct.

Based upon the uncontroverted facts presented at trial, and including, but not limited to, the facts set forth hereinabove, the Court finds Plaintiffs are entitled to damages for emotional distress against Defendant Wells Fargo Home Mortgage, Inc. in the amount of TWO HUNDRED THOUSAND DOLLARS ($200,000.00). Based upon the record, the Court finds this sum to be fair and reasonable and supported by the evidence adduced at trial.

Punitive Damages

The evidence established that Wells Fargo intentionally promised a reinstatement to Plaintiffs and told David Holm that no foreclosure sale would take place if he accepted the reinstatement. Mr. Holm immediately accepted the offer, but Wells Fargo deliberately ignored the reinstatement deal and, in an egregious and deceitful manner, intentionally foreclosed on David and Crystal Holm's family home.

Through its agent Kozeny & McCubbin, Wells Fargo received a facsimile copy of Plaintiffs' reinstatement check on the date of the foreclosure sale. Kozeny & McCubbin received the physical reinstatement check on August 16, 2008. Plaintiffs fully and completely complied with the instructions provided by Wells Fargo and Kozeny & McCubbin regarding payment of the reinstatement check.

Defendant Freddie Mac's representative, Dean Meyer, testified that there is nothing in the Freddie Mac servicing guide stating that a reinstatement check must be received before the foreclosure sale. This is particularly true when the servicer and trustee make explicit promises to a borrower that they will not foreclose.

Notwithstanding these promises, contracts, and commitments to Plaintiffs, Wells Fargo refused to stop the foreclosure. Further, Wells Fargo refused to cash the reinstatement check and reinstate Plaintiffs' loan. The Court finds Defendant Wells Fargo's attitude toward Plaintiffs unfathomable. The incredible effort made by Plaintiffs to keep the property they so clearly love should have been commended, not condemned. Wells Fargo's decisions to renege on its promises and contract, and to deceive Plaintiffs with the pledge to cancel the foreclosure sale, were outrageous and reprehensible.

The Court finds Defendant Wells Fargo was deceitful in its dealings with David and Crystal Holm. Defendant Wells Fargo's deceptive and intentional conduct displayed a complete and total disregard for the rights of David and Crystal Holm.

Dean Meyer testified Freddie Mac considered reinstatement of the Holm note to be the most desirable of all possible outcomes. Freddie Mac's servicing guide champions reinstatement, and requires that servicers comply with its guidelines. Freddie Mac demands that its servicers must go "the extra mile" to obtain a reinstatement whenever possible. Defendant Wells Fargo could easily have kept its word and reinstated the loan. Instead, Wells Fargo and its agents expended immeasurable, if not incomprehensible, time and effort to avert reinstatement. The result of Wells Fargo's egregious conduct was to impose approximately six and one-half years of uncertainty, lost optimism, emotional distress, and paralysis on Plaintiffs' family.

The evidence established that Wells Fargo's intentional choice to foreclose arose from its own financial incentives. Dr. Kurt Krueger testified that Wells Fargo had financial incentives to seek reimbursement of its fees at a foreclosure sale. This economic motivation collided with the well-being of David and Crystal Holm, and was clearly contrary to the interests of Freddie Mac. In other words, in this case, a powerful financial company exerted its will over a financially distressed family in Clinton County, Missouri. The result is predictable. Plaintiffs were severely damaged; Wells Fargo took its money and moved on, with complete disregard to the human damage left in its wake.

Defendant Wells Fargo is an experienced servicer of home loans. Wells Fargo knew that its decision to foreclose after reinstatement was accepted would inflict a devastating injury on the Holm family. Wells Fargo's actions were knowing, intentional, and injurious.

Defendant Wells Fargo operated from a position of superiority provided by its enormous wealth. Wells Fargo's decision took advantage of an obviously financially vulnerable family, and there is no evidence of remorse for the harm caused to David and Crystal Holm. In fact, the Court recalls the lack of remorse and humanity illustrated by a Wells Fargo's corporate representative who testified, "I'm not here as a human being. I'm here as a representative of Wells Fargo."

Based upon the facts presented at trial, and including, but not limited to, the facts set forth hereinabove, the Court finds Plaintiffs are entitled to punitive damages against Defendant Wells Fargo Home Mortgage, Inc., in the amount of TWO MILLION NINE HUNDRED FIFTY- NINE THOUSAND ONE HUNDRED TWENTY-THREE DOLLARS ($2,959,123.00). Based upon the record, the Court finds this sum to be fair and reasonable and supported by clear and convincing evidence adduced at trial.

IT IS THEREFORE ORDERED ADJUDGED AND DECREED that judgment is entered for damages in favor of Plaintiffs David and Crystal Holm, husband and wife, and against Defendant Wells Fargo Home Mortgage, Inc., in the amount of TWO HUNDRED NINETY-FIVE THOUSAND NINE HUNDRED TWELVE DOLLARS AND THIRTY CENTS ($295,912.30). Based upon the record, the Court finds this sum to be fair and reasonable and supported by the evidence adduced at trial.

IT IS FURTHER ORDERED ADJUDGED AND DECREED that judgment is entered for punitive damages in favor of Plaintiffs David and Crystal Holm, husband and wife, and against Defendant Wells Fargo Home Mortgage, Inc. in the amount of TWO MILLION NINE HUNDRED FIFTY-NINE THOUSAND ONE HUNDRED TWENTY-THREE DOLLARS

($2,959,123.00). Based upon the record, the Court finds this sum to be fair and reasonable and supported by clear and convincing evidence adduced at trial.

IT IS FURTHER ORDERED ADJUDGED AND DECREED that judgment is entered in favor of Plaintiffs David and Crystal Holm, husband and wife, and against Defendant Federal Home Mortgage Corporation (Freddie Mac) on the claim for quiet title relief. Title to the property is quieted in the name of Plaintiffs David and Crystal Holm, husband and wife, who are hereby vested with fee simple title in and to the property commonly known as 3800 Timberlake Dr., Holt, Missouri 64048 and legally described as follows:

LOT SIXTEEN (16) IN WOODRAIL, A SUBDIVISION IN CLINTON COUNTY, MISSOURI, ACCORDING TO THE RECORDED PLAT THEREOF.

IT IS FURTHER ORDERED ADJUDGED AND DECREED that costs are assessed against Defendant Wells Fargo Home Mortgage Inc., and Defendant Federal Home Loan Mortgage Corporation.

Dated this 26th day of January, 2015

R. Brent Elliott
Circuit Judge Division II
43rd Judicial Circuit, Missouri

ORIGINAL

STATE OF SOUTH CAROLINA

COUNTY OF LEXINGTON

IN THE COURT OF COMMON PLEAS

Case No. 2013-CP-32-01709

The Bank of New York Mellon, f/k/a The Bank of New York as successor-in-Interest to JPMorgan Chase Bank. N.A. as successor-in-interest by merger to Bank One, N.A. as Trustee for Structured Asset Mortgage Investments Inc., Mortgage Pass-Through Certificates, Series 2002-AR4,

Plaintiff,

vs.

Cathy G. Lanier; Branch Banking and Trust Company; Regions Bank,

Defendants.

SUPPLEMENTAL MEMORANDUM IN SUPPORT OF PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT AND IN OPPOSITION TO DEFENDANT'S MOTION FOR SUMMARY JUDGMENT

Plaintiff, The Bank of New York Mellon, f/k/a The Bank of New York as successor-in-Interest to JPMorgan Chase Bank. N.A. as successor-in-interest by merger to Bank One, N.A. as Trustee for Structured Asset Mortgage Investments Inc., Mortgage Pass-Through Certificates, Series 2002-AR4 ("Plaintiff"), by and through its undersigned attorney, hereby submits this Supplemental Memorandum in support of its Motion for Summary Judgment filed on October 19, 2015, and in opposition to Defendant's Motion for Summary Judgment filed on August 28, 2015. Discussion of the topics in this memorandum was requested by the Court at the hearing of this matter on October 29, 2015.

As explained below, none of the evidence submitted by Defendant creates a genuine issue of material fact to dispute Plaintiff's proof that it has standing to foreclose the subject mortgage and its calculation of the amount due. Defendant's arguments concerning standing are simply

incorrect interpretations of the law and are unsupported by the admissible evidence in this case. Further, Defendant has refused to share with Plaintiff and the Court her proof concerning the amount of the debt, which she claims to have summarized. Because none of the alleged proof offered by Defendant r creates a genuine issue of material fact, Plaintiff is entitled to summary judgment in its favor, and Defendant's motion or summary judgment should be denied.

ARGUMENT

1. The exhibits to the affidavit of Plaintiff's proposed expert, William McCaffrey, are not admissible as evidence, and none of his testimony creates a material issue of genuine fact.

In support of her Motion, Defendant relies on the Affidavit of William McCaffrey ("McCaffrey Affidavit"), which is Exhibit 3 to her Return to Plaintiff's Motion. Mr. McCaffrey's affidavit purports to include several exhibits[1]: (1) a document titled "Prospectus Supplement to Prospectus dated October 29, 2002", listing Structured Asset Mortgage Investments, Inc., as Seller, and Structured Asset Mortgage Investments Trust 2002-AR4 as the Issuer ("Prospectus"), (2) recorded assignments of the subject mortgage; and (3) a letter from US Bank to Defendant concerning the ownership of her loan ("US Bank Letter").

As an initial matter, the Prospectus and US Bank letter are inadmissible hearsay and should not be considered by the Court. Rule 56(e), SCRCP; *see Hall v. Fedor*, 349 S.C. 169, 175, 561 S.E.2d 654, 657 (Ct. App. 2002). Rule 801, FRE, provides that "'Hearsay' is a statement, other than one made by the declarant while testifying at the trial or hearing, offered in evidence to prove the truth of the matter asserted." Here, Defendant is offering the Prospectus and US Bank letter as proof that Plaintiff does not have standing to bring the loan because of alleged statements or requirements in those documents. Neither of those documents is admissible unless they are offered by the party that made them, or if they are subject to one of

[1] Plaintiff is informed and believes that the exhibits to Mr. McCaffrey's affidavit were not filed with the clerk of court, and Plaintiff's counsel was not provided a copy at the hearing. However, Defendant has produced the exhibits in discovery to Plaintiff.

the exceptions in Rule 803. Defendant has not offered any affidavit or other testimony to authenticate either document, and none of the exceptions in Rule 803 apply.[2]

Second, even if the documents in Mr. McCaffrey's affidavit were not hearsay, his testimony should not be considered by the Court. Several of his statements are legal conclusions and are not proper for expert testimony. *See Dawkins v. Field*, 354 S.C. 58, 65, 580 S.E.2d 433, 437 (2003) (in general, expert testimony on issue of law is inadmissible). For example, Mr. McCaffrey testifies that it is a requirement that to obtain REMIC classification, "within three months after the trust's startup date substantially all of its assets must be assigned to the trust and qualified mortgages." (McCaffrey Aff. at p. 2.) This is a legal conclusion. It is also an incorrect statement of the law. 26 U.S.C. § 860D(a)(4) defines a REMIC, and provides that in order to obtain REMIC classification, within three months after the trust's startup date, substantially all of its assets must be qualified mortgages (as opposed of other types of assets). There is nothing in the statute that states that all assets must be transferred into a trust within three months of the trust's startup date.

Nevertheless, Mr. McCaffrey continues, testifying that the recorded assignments of mortgage prove that Defendant's loan was not timely transferred into the Structured Asset Mortgage Investments Inc., Mortgage Pass-Through Certificates, Series 2002-AR4 (the "Trust"). (McCaffrey Aff. at p. 2.) Specifically, he claims that since the assignments were not recorded until 2012 or 2013, the loan was not timely transferred into the Trust. However, a recorded assignment of mortgage is not required in order for a note or mortgage to be transferred. South Carolina law does not even require assignments of mortgages to be recorded to show proof of ownership. *In re Woodberry*, 383 B.R. 373, 377 (Bankr. D.S.C. 2008) (citation omitted); *BAC*

[2] Plaintiff does not contend that the documents attached as Exhibit B to Mr. McCaffrey's affidavit are inadmissible. They are copies of the assignments of mortgages filed with respect to the subject property, and would be considered Records of Documents Affecting an Interest of Property, and constitute an exception to the general hearsay rule. *See* Rule 803(14).

Home Loan Servicing, L.P. v. Kinder, 398 S.C. 619, 623, 731 S.E.2d 547, 549 (2012). Instead, to have standing to foreclose, South Carolina law requires only that an assignment of mortgage into the plaintiff be recorded before any foreclosure complaint is filed, which was indisputably done in this case.

In sum, Defendant's attempts to introduce evidence through Mr. McCaffrey's affidavit fail, and none of the information should be considered by the Court. Simply, his testimony and the Prospectus and US Bank letter on which he relies are inadmissible and do not create any issue of fact that Plaintiff is the current owner and holder of the subject note and mortgage, and has standing to foreclose.

2. Defendant does not have standing to allege a breach of the Pooling and Servicing Agreement, even if it was violated.

In her pleadings and at the hearing, Defendant has argued that her loan was not transferred to the Trust before the Trust was closed. She argues that requirements of the Trust documents, which have not been filed with the Court, were breached by the Trust's failure to accept transfer of her loan, and thus the Trustee has no standing to pursue a foreclosure of her loan on behalf of the Trust.[3] This is the same theory advanced by the borrower in *Glaski v. Bank of Am., Nat'l Ass'n*, 218 Cal App. 4th 1079, 1099, 160 Cal. Rptr. 3d 449, 464 (2013), which Defendant cited during the hearing.

In *Glaski*, the court held that a borrower had standing to assert a challenge to a non-judicial foreclosure sale based upon an alleged violation of the terms of the pooling and servicing agreement ("PSA") relating to the transfer and securitization of the borrower's mortgage loan. Interpreting New York law (which governed the PSA), the court held that the alleged failure by

[3] Mr. McCaffrey's affidavit references a copy of the Prospectus, which is a disclosure document that describes a financial security for potential buyers. It is not an agreement between any party, and is not the Pooling and Servicing Agreement, which has never been filed and is not before the Court. However, even if the agreement was before the court, Defendant would not have standing to assert a breach of the agreement in order to halt the foreclosure.

the mortgagor to transfer the borrower's mortgage in compliance with the terms of the PSA rendered a prior foreclosure void, as opposed to merely voidable at the election of the actual parties to that secondary market transaction. The court found that, as a result of the void nature of the foreclosure sale, the borrower had standing to challenge the foreclosure of his property based upon an alleged violation of the PSA. This was ***entirely contrary*** to the Fourth Appellate District's prior holding in *Jenkins v. JP Morgan Chase Bank, N.A., Jenkins*, 216 Cal. App. 4th 497, 156 Cal. Rptr. 3d 912 (2013) (issued less than three months prior), which held that a borrower who was not a party to the PSA did not have standing to challenge a foreclosure based upon an alleged violation of the PSA. No attempt was made by the *Glaski* court to reconcile the conflict of its opinion with that in *Jenkins*.

Since the decision in *Glaski* was published, courts have refused to follow its ruling. Virtually every court that has had cause to review the case has found it to be an unpersuasive, minority opinion that is an "outlier." *See, e.g., In re Sandri*, 501 B.R. 369, 374-75 (Bankr. N.D. Cal. 2013) (describing *Glaski* as an "outlier"). The federal district courts in California have issued a number of decisions rejecting *Glaski*, and many courts have taken the position that unless either the Ninth Circuit or the California Supreme Court says otherwise, the court will follow the decision in *Jenkins*, which was not followed or addressed in *Glaski. See, e.g., Lanini v. JPMorgan Chase Bank, N.A.*, No. 2:13-cv-00027 KJM, 2014 WL 1347365, at *5 (E.D. Cal. Apr. 4, 2014). The Fourth District appellate court in California published the majority rule in *Jenkins*, and recently expressly voiced its rejection of *Glaski*, stating that "the majority view [of *Jenkins*] is the better one." *See Sporn v. JPMorgan Chase Bank, N.A.*, No. G047501, 2014 WL 280627 (Cal. Ct. App. Jan. 27, 2014). Several decisions applying *Jenkins* over *Glaski* are on review with the California Supreme Court, and courts continue to predict that the California Supreme Court will reject *Glaski*. *See, e.g., In re Turner*, No. ADV 14-4001, 2015 WL

3485876, at *9 (BAP 9th Cir. June 2, 2015) ("We predict the California Supreme Court will follow *Jenkins*, so we will follow it as well").

Courts outside of the Ninth Circuit applying other states' laws have reached similar conclusions. *See Rajamin v. Deutsche Bank Nat'l Trust Co.*, 757 F.3d 79, 90 (2d. Cir. 2014) (rejecting *Glaski* as inconsistent with New York law and other courts' interpretation of New York law, including *Erobobo*); *Correia v. Deutsche Bank Nat'l Trust Co. (In re Correia),* 452 B.R. 319, 324–25 (1st Cir. BAP 2011) (debtors lacked standing to raise violations of a pooling and servicing agreement).

Common sense should serve as a backstop to a foreclosure challenge based on *Glaski*. It's simply bad law. This Court should follow the holding in *Jenkins*, which is aligned with South Carolina's general law on a third party's right to enforce a contract between two other parties. In *Jenkins*, the court held that a borrower, as an unrelated third party to the securitized investment trust, lacked standing to challenge foreclosed on the basis of the purported violations of the trust's pooling and servicing agreement. *Jenkins*, 216 Cal. App. 4th at 514-515. The court stated:

> Because a promissory note is a negotiable instrument, a borrower must anticipate it can and might be transferred to another creditor. **As to plaintiff, an assignment merely substituted one creditor for another, without changing her obligations under the note.** (*Herrera, supra,* 205 Cal.App.4th at p. 1507, 141 Cal.Rptr.3d 326.) As an unrelated third party to the alleged securitization, and any other subsequent transfers of the beneficial interest under the promissory note, **Jenkins lacks standing to enforce any agreements, including the investment trust's pooling and servicing agreement, relating to such transactions.**

Id. at 515 (emphasis added).

This is consistent with the well-settled principle of South Carolina law that "a third person not in privity of contract with the contracting parties has no right to enforce a contract." *Goode v. St. Stephens United Methodist Church*, 329 S.C. 433, 445, 494 S.E.2d 827, 833 (Ct. App. 1997). Thus, even if the Trust agreement was breached, Defendant does not have standing

to make a claim or defense related to the breach. The Trust agreement was not made for Defendant's benefit, and she cannot enforce it. *Bob Hammond Constr. Co v. Banks Constr. Co.*, 312 S.C. 422, 424, 440 S.E.2d 890, 891 (Ct. App. 1994). Moreover, the transfer of Defendant's loan to one creditor or another does not change her obligations under the subject note. Defendant has not made any allegation that any party other than Plaintiff seeks to collect the debt from her and she does not claim that she has made payments to one creditor while another creditor is demanding payment. No one other than Plaintiff, the holder and owner of the note, is trying to collect the debt from Defendant.

Based on the foregoing, even if Defendant's claim that Plaintiff did not timely transfer the note and mortgage was true, Defendant does not have standing to try to enforce the terms of the trust now.

3. Plaintiff, as trustee, has the authority to foreclosure a loan in its trust.

Defendant has argued that Plaintiff, as the trustee of the Trust, does not have the authority to act as a plaintiff in this foreclosure action. She has never cited to any particular document or case to support her position, and may merely be relying on theories like the one in *Glaski* that have been soundly rejected by the courts.[4] Here, as the record holder of the mortgage and the holder of the original note and mortgage, Plaintiff is the real party in interest to act as the foreclosing party in this matter. "A real party in interest is a party with a real, material, or substantial interest in the outcome of the litigation." *Hill v. S. Carolina Dep't of Health and Envtl. Control,* 389 S.C. 1, 22, 698 S.E.2d 612, 623 (2010) (citations omitted).

This Court has already ruled that Plaintiff has possession of the original note and mortgage. (*See* Order on Cross Motions for Summary Judgment filed on Nov. 5, 2015, at p. 1.) The note is made payable to Plaintiff as follows:

[4] Defendant's argument concerning the Plaintiff's inability to foreclose is hard to follow, but to the extent that Defendant is alleging that Plaintiff, as trustee of the Trust, does not have authority to foreclose under the Pooling and Servicing Agreement, that agreement is not properly before the Court.

Pay to the order of THE BANK OF NEW YORK MELLON, F/K/A THE BANK OF NEW YORK AS SUCCESSOR-IN-INTEREST OF JPMORGAN CHASE BANK, N.A. AS SUCCESSOR IN INTEREST BY MERGER TO BANK ONE, N.A. AS TRUSTEE FOR STRUCTURED ASSET MORTGAGE INVESTMENTS INC., MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 2002-AR4

Without Recourse

(Devine Aff. ¶ 6, Exh. C). Because the note is made payable to Plaintiff, Plaintiff has a real, substantial interest in the note, and is the real party in interest. *See* S.C. Code Ann. § 36-3-205.

During the hearing, Defendant questioned whether the allonge in Plaintiff's possession was adequate to indorse the note to Plaintiff. An allonge is simply a paper affixed to the note so as to become a part of the note. 27 S.C. Jur. *Mortgages* § 165. Defendant argued that the allonge was not valid because there was adequate room on the note itself to indorse the note, but S.C. Code Ann. § 36-3-204(a) expressly contradicts that argument by providing: "For the purpose of determining whether a signature is made on an instrument, a paper affixed to the instrument is a part of the instrument." The reporter's comments further state: "An indorsement on an allonge is valid even though there is sufficient space on the instrument for an indorsement." Thus, Defendant's arguments that the note is not properly indorsed should be rejected—Plaintiff is the real party in interest, has authority to enforce a note made payable to it, and has standing to pursue this foreclosure action.

4. The summary of payments attached to Defendant's affidavit dated October 23, 2015, is inadmissible and does not create an issue of fact as to the amount due to Plaintiff.

Plaintiff has the initial burden of pointing to the absence of genuine issue of material fact, but then the burden shifts to Defendant, as the nonmoving party, to come forward with facts sufficient to create triable issues of fact. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247–48 (1986). Plaintiff has produced records dating back to 2002 when the loan was originated, and based on the payment records maintained by Chase, as servicer, Plaintiff has offered evidence

that the amount due on the loan through September 22, 2015, is $637,127.12. (Devine Aff. at Exh. H.)

Defendant contends that there is a genuine issue of material fact as to the amount of debt due under the note, but she has failed to meet her burden to rebut the evidence offered by Plaintiff. In support of her claim, Defendant submitted an affidavit dated October 23, 2015 ("Lanier Affidavit"), in which she testified that she believed that the loan was paid in full prior to the alleged default date in 2010. (Lanier Aff. ¶ 9.) Exhibit A to her affidavit is a document she claims is a summary from her "personal records" showing the total payments she has made on the note. Defendant did not file, and has never produced, any of the "personal records" or other documents she claims support the summary of payments she claims to have made. In response to an interrogatory asking her to identify the last payment made on the loan, Defendant responded "Defendant can find no payments made to Plaintiff in this case." (Defendant's Amended Response to Interrogatories, a copy of which is attached hereto as Exhibit A, at No. 7.) Plaintiff also served requests for production to Defendant requesting all documents provided to her experts, all documents concerning any payments made on the loan, and all documents Defendant intended to use at any hearing in this case. (Defendant's Response to Requests for Production dated April 16, 2014, a copy of which is attached hereto as Exhibit B, at Nos. 2, 3, and 8.) Plaintiff has never received any payment records of any kind, such as bank statements, cancelled checks, or any of the other unspecified "records" Defendant claims she has to prove her case.

Instead, Defendant expects the Court to take her word for what her records show, offered through a summary, which is inadmissible. Under the South Carolina Rules of Evidence, a summary of voluminous documents is admissible if the ***underlying documents*** themselves are admissible and are properly in evidence. *Crowley v. Spivey*, 285 S.C. 397, 412, 329 S.E.2d 774,

783 (Ct. App. 1985) (citing *Butler v. Sea Pines Plantation Company,* 282 S.C. 113, 317 S.E.2d 464 (Ct. App. 1984)). Here, Defendant has not offered any of the "records" on which she claims the summary is based. As a result, the summary itself is inadmissible and cannot be used to create a genuine issue of material fact. *Hansen v. DHL Labs, Inc.*, 316 S.C. 505, 510, 450 S.E.2d 624, 627 (Ct. App. 1994), aff'd, 319 S.C. 79, 549 S.E.2d 850 (1995) ("A genuine issue of fact . . . can only be created by evidence which would be admissible at trial.")

Defendant also submitted the affidavit of her CPA, Michael L. Williams, a witness whom she had never previously disclosed in discovery. Mr. Williams testifies about the same summary of purported payments Defendant offers, but Mr. Williams expressly acknowledges that his conclusions are not based on any cancelled checks or other documents provided by Defendant. (Williams Aff. ¶ 6.) None of Mr. Williams' testimony is based on personal knowledge of payments made by Defendant or even records provided by Defendant other than her summary. Like the Court, Mr. Williams was asked by Defendant to take her word for the payments she claims to have made. His affidavit and exhibits to his affidavit are not proper admissible evidence and do not create a material issue of fact to prevent summary judgment in Plaintiff's favor.

CONCLUSION

Based on the foregoing, Plaintiff requests that the Court deny Defendant's Motion for Summary Judgment, grant Plaintiff's Motion for Summary Judgment and enter judmgent in its favor, and grant such other and further relief as may be just and proper.

[signature on following page]

HAYNSWORTH SINKLER BOYD, P.A.

James Y. Becker
Mary M. Caskey

1201 Main Street, Suite 2200
Post Office Drawer 11889 (29211-1889)
Columbia, South Carolina 29201
(803) 779.3080 Tel
Attorneys for Plaintiff

November 13, 2015

KR ORIGINAL

STATE OF SOUTH CAROLINA	**IN THE COURT OF COMMON PLEAS**
COUNTY OF LEXINGTON	**11TH JUDICIAL CIRCUIT**
	CASE NO.: 2013-CP-32-01709
The Bank of New York Mellon, f/k/a The Bank of New York as successor-in-Interest to JPMorgan Chase Bank, N.A. As successor-in-interest by merger to Bank One, N.A. as Trustee for Structured Asset Mortgage Investments Inc., Mortgage Pass-Through Certificates, Series 2002-AR4, **Plaintiff,** **Vs.** **Cathy G. Lanier; Branch Banking and Trust Company; Regions Bank,** **Defendants.**	**DEFENDANT'S RESPONSE TO PLAINTIFF'S SUPPLEMENTAL MEMORANDUM IN SUPPORT OF PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT**

2015 NOV 25 AM 9:30

BETH A. CARRIGG
CLERK OF COURT
LEXINGTON, SC

Defendant, Cathy G. Lanier provides the following as a clarification and response to Plaintiff's Supplemental Memorandum in Support of their Motion for Summary Judgment and in Opposition to Defendant's Motion for Summary Judgment. The following issues require clarification:

1. Plaintiff characterizes the Prospectus and Pooling and Servicing Agreement provided as an exhibit to Mr. McCaffrey's affidavit as hearsay. This document was pulled from the Securities & Exchange Commission's website after many requests by Defendant to have Plaintiff produce this document in discovery, and having those requests ignored. It is a publicly available document, and therefore meets the criteria for admissible evidence under Rule 803(8). The document also affects an interest in property, and meets the exception under Rule 803(14) and (15).
2. Plaintiff also indicates that some of Mr. McCaffrey's statements are legal conclusions. They use as an example his statement that in order for the trust he investigated to obtain REMIC status, all the assets must be assigned to the trust

within three months. This is a direct requirement for the specific trust referenced in this case, and is clearly spelled out in the Prospectus and Pooling and Servicing Agreement. It is not a legal conclusion – it is a fact, specific to the subject trust of this case.

3. Plaintiff indicates there is not a requirement for a recorded assignment of a mortgage or note. This appears to be in direct conflict with § SC 30-7-10. Additionally, the trust's own governing documents, the Prospectus and Pooling & Servicing Agreement, clearly specify these assignments must be recorded at the time of the transfer. An additional fatal flaw in Plaintiff's case is that the created assignments filed into the county records before the foreclosure case had a party with no authority or chain of title to the property assigning to another party. A party without authority to assign, cannot assign a mortgage. Ms. Caskey provided answers to chain of title of the note questions in the last hearing as represented by the transcript. According to Page 13, beginning on line 25 and proceeding through the first few lines of page 14, "And in this case the ownership has been transferred from South Star Funding to Bank One; and then it was transferred by Chase, which was the successor to Bank One by merger, so there is no allonge from Bank One to Chase; to the Bank of New York Mellon." There seems to be an admission that there is nothing transferring from Chase, who "may" have acquired ownership via the merger with Bank One, to the actual Plaintiff, BNYM. Page 28, lines 17 through 21 has Ms. Caskey telling us, "The Note was transferred to ownership to Bank One as evidenced by the allonge. Bank One through JPMorgan Chase's successor transferred the Note to the Bank of New York Mellon." So where is the evidence of that transfer from JPMorgan Chase's successor to Bank of New York Mellon? Although Defendant has requested

just this specific paperwork, there has been none provided, in evidence or otherwise. But Page 10 of the transcript shows an area where there was a statement that indicates that the Motion for Summary Judgment was, in fact filed by Chase, not the Plaintiff, BNYM. That brings up the problem that the wrong plaintiff has sued because clearly, due to the fact that it is impossible to depose or get any sort of affidavit or testimony from the actual Plaintiff, it is Chase who has brought this case and is hiding behind BNYM.

4. There have been other cases besides Glaski V. Bank of America that have allowed a borrower, the responsible party for creating the note and mortgage in the first place, to argue and show proof of a breach of the trust's governing documents. One such case is Wells Fargo v. Erebobo in the Supreme Court of New York. Others include US Bank v. Ibanez and Wells Fargo Bank v. LaRace. All these cases revealed the fatal defects in the securitization of the loans that led the judge to overturn the foreclosures, and certainly the borrowers had standing to challenge the securitization of the trusts involved, as well as their governing documents. Another is a case determined just weeks ago on November 10, 2015, Wolf v. Wells Fargo in Texas. In that case, soon to be published, the jury was shown the "true sales" that were necessary to properly securitize the Wolf's mortgage. Once the jury understood the requirements of the Mortgage Loan Purchase Agreement and the Pooling & Servicing Agreement, they were able to see why the Transfer of lien (in SC that is the same as an assignment of mortgage) was fraudulent. The jury also found that even though Wells Fargo was in physical possession of the original note, it did not own the mortgage loan because it was never securitized into the Mortgage Loan Trust over which Wells Fargo serves as the Trustee (just as in the instant case). The

Wolfs were awarded clear title to their property, and real and punitive damages totaling nearly $5.4 million. "The jury verdict in the Wolf v. Wells Fargo trial is epic. Among other things, it demonstrates that when given all the facts, average people can distinguish the difference between "deadbeat borrowers" and a family who fell upon hard times and always tried to do the right thing. This case should send a message of hope for others; it also provides a road map for cutting through the complexities of modern finance to arrive at a just result."[1]

Additionally, US Bank's (another large bank engaged in the same business as Plaintiff, BNYM) very clear description of REMIC trusts, as shown in Defendant's Exhibit J to her Memorandum filed into the case on November 13, 2015, lists the borrower as a party to the transactions that create the trust. This hardly describes the role of a third party. The borrower certainly has standing to discuss such matters that impact the disposition of their property and the ownership of any liens on their property.

5. Defendant has not been provided any evidence that the note has been made payable to Plaintiff as described in their Item 3 of the memorandum. The only evidence provided shows an unendorsed note with an unattached allonge (likely created after the case was commenced) that makes the note payable to Bank One. There is nothing further that has been provided in evidence or discovery to move it past Bank One. There is also nothing to string together Bank One to any of the Plaintiffs claiming to be pursuing this foreclosure.

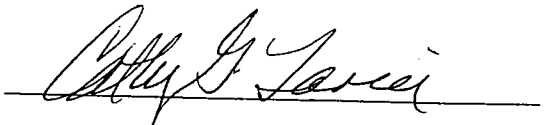
[1] Quote from Marie McDonnell who served as expert witness in the case. Marie McDonnell is Founder and President of ***McDonnell Property Analytics***, in Brewster, Massachusetts, a leading provider of title and securitization forensic reports and expert services to attorneys, consumers, registries of deeds, and other governmental agencies.

6. Defendant has provided all the supporting documentation that consists of spreadsheets kept in the course of her business (meeting the requirements of Rule 803(6)) that show how the figures on the summary spreadsheet were derived. Further, there is no dispute that Plaintiff is missing 3.5 years of payment records to corroborate the balance they claim is now owed, and Defendant has provided at least 2 bank statements showing payments that were not accounted for during the first years of the mortgage, demonstrating that by the 7th month into the mortgage, the accounting was already off by a minimum of $17,000.

7. Mr. Williams' testimony was only required after Plaintiff finally provided all the accounting records requested for over a year in discovery, and admitted that the records provided were "all they had." By the time this occurred, Defendant had long since completed her discovery response and admissions, but if required, she will amend her admissions to list Mr. Williams as a potential witness. He was merely asked, as a certified accounting professional, to verify that the summary spreadsheet created by Defendant was, in fact, an accurate representation of the records provided by Plaintiff, so that it could be used to more easily demonstrate the omissions, errors and misapplied payments shown on Plaintiff's accounting records, making it impossible for them to verify that a debt is owed or if one is, the auditable amount of the debt.

Plaintiff continues to misrepresent the facts of this case, and ignores the areas of clear and unchallenged disputes. Summary judgment cannot be granted and based on the information in Defendant's memorandum, this case should be dismissed with prejudice against Plaintiff, and consideration should be given to award damages, both real and punitive, in favor of Defendant.

Respectfully submitted,



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Lexington, SC
November 24, 2015

2015 NOV 25 AM 9:30
BETH A. CARRIGG
CLERK OF COURT
LEXINGTON, SC

STATE OF SOUTH CAROLINA COUNTY OF LEXINGTON	IN THE COURT OF COMMON PLEAS 11TH JUDICIAL CIRCUIT CASE NO.: 2013-CP-32-01709
The Bank of New York Mellon, f/k/a The Bank of New York as successor-in-Interest to JPMorgan Chase Bank, N.A. As successor-in-interest by merger to Bank One, N.A. as Trustee for Structured Asset Mortgage Investments Inc., Mortgage Pass-Through Certificates, Series 2002-AR4, **Plaintiff,** **Vs.** **Cathy G. Lanier; Branch Banking and Trust Company; Regions Bank,** **Defendant.**	DEFENDANT'S AMENDED RESPONSE TO INTERROGATORIES COPY

Defendant Cathy G. Lanier, upon information and belief, avers this inquiry by Plaintiff is premature, in that there has been no discovery period, and there is still the outstanding issue that this Court may not have jurisdiction to rule on any issues because of Plaintiff's failure to prove standing. However, Defendant provides the following incomplete response to Plaintiff's Interrogatories, and has used the same numbering scheme contained in Plaintiff's document. Additionally, this document refers to Exhibits in the Exhibit package prepared for Defendant's Response to Production. To conserve paper, Defendant has labeled Exhibits in this document to match those in the Production Exhibit package:

1. Identify all persons known to you to be witnesses concerning the facts of this case and provide a copy of any written or recorded statement taken from each witness or, if no such statements have been written or recorded, set forth a summary sufficient to inform Plaintiff

of the important facts known to or observed by each such witness. Identify any document that supports this answer.

RESPONSE: At this time, the following persons will be called upon as witnesses concerning the facts of this case. A brief summary of the facts to which they might testify is included.

Cathy G. Lanier: Ms. Lanier will testify to the facts surrounding the origination of the subject of this action, as well as her history of receiving notice of any changes impacting the terms and conditions of any note or mortgage involved. She will also attest to the research she has performed using Lexington County's Registrar of Deeds and other such sources indicating wrongdoing on the part of Plaintiff in asserting claims for which they have no standing or authority to enforce.

William McCaffrey: Mr. McCaffrey is an expert witness with over 30 years in banking and securities, and has been certified as such in courts across the nation, including South Carolina. He has utilized his industry resources to locate and provide information concerning Plaintiff's standing or lack thereof, as well as the status of the subject of this action and is available to testify telephonically or in person at any hearing or trial concerning this matter. Documents that will be used to support his opinion include but are not limited to:

- Expert Declaration of William McCaffrey (Exhibit C)
- Securitization Flow Chart (Back page of Exhibit C affidavit)
- Structured Asset Mortgage Investments, Inc. Mortgage Pass-Through Certificates Series 2002-AR4 Trust Prospectus Supplement (Mr. McCaffrey's Exhibit A)
- Loan Documents (note, mortgage, assignments) (Mr. McCaffrey's Exhibit B)
- Bank of New York Mellon Notification in re: Mortgage Pass-through Certificates, Series 2002-AR4 Trust (Exhibit D)
- Structured Asset Mortgage Investments, Inc. Mortgage Pass-Through Certificates Series 2002-AR4 Trust Foreclosure Loan Level Detail (Exhibit E)
- Structured Asset Mortgage Investments, Inc. Mortgage Pass-Through Certificates Series 2002-AR4 Trust Pooling and Servicing Agreement (Exhibit F)

Medina Dzaferovic, Bank of New York Mellon Investor Trust Representative: Ms. Dzaferovic is expected to testify as to the status of the trust related to this action, and to provide documentation indicating that Plaintiff has no authority to enforce the collection rights of the subject of this matter.

Defendant reserves the right to call upon additional witnesses as they may be identified during the case's normal progression. Defendant assumes it may be necessary to call upon the Plaintiff's bank examiner and/or officials in a capacity with the Securities and Exchange Commission to testify as to the wrongdoing by Plaintiff in their actions leading up to this matter. Defendant reserves the right to add to this list as discovery progresses and is completed.

2. Identify any expert witness whom you propose to use as a witness at the trial of this case and provide a summary of the expert's opinion sufficient to inform Plaintiff of the basis for the expert's opinion and sufficient to inform Plaintiff of the substance of the expert's expected testimony. Identify any document that supports this answer.

RESPONSE: As illustrated in Item 1, Defendant will call upon William McCaffrey to testify as to his first-hand knowledge gained as a result of researching the genealogy of the subject of this action. For a summary of his opinion, please see his affidavit and exhibits, attached here as Exhibit C. Mr. McCaffrey has produced the documents listed under his name in Item 1 to support his position. Defendant reserves the right to add to this list as discovery progresses and is completed. Ms. Dzaferovic may be subpoenaed as an expert witness as well.

3. Identify and describe all evidence, including but not limited to, documents and potential witness testimony you contend would substantiate, support, or corroborate any and all claims made in Lanier's responses to Plaintiff's Complaint, amended or otherwise, filed in this case. Identify any document that supports this answer.

RESPONSE: Defendant will provide the documents produced by her expert witness, Mr. McCaffrey as listed above as evidence of the fraud, filing of false documents and illegality of Plaintiff's attempt to enforce a foreclosure in this matter, as well as other infractions of law. Defendant reserves the right to add to this list as discovery progresses and is completed.

4. Identify and describe all evidence, including but not limited to, documents and potential witness testimony you contend would substantiate, support or corroborate the allegation that the Bank of New York Mellon lacks standing to bring the foreclosure action. Identify any document that supports this answer.

RESPONSE: This question is substantially the same as previous items, and all named evidence, documents, etc. apply. Defendant reserves the right to add to this list as discovery progresses and is completed.

5. Identify and describe all evidence, including but not limited to, documents and potential witness testimony you contend would substantiate, support or corroborate the allegation that the Assignments in this case are invalid. Identify any document that supports this answer.

RESPONSE: This question is substantially the same as previous items, and all named evidence, documents, etc. apply. Defendant reserves the right to add to this list as discovery progresses and is completed.

6. Identify and describe all evidence, including but not limited to, documents and potential witness testimony you contend would substantiate, support or corroborate the allegation that the amount owed on the Loan is incorrect. Identify any document that supports this answer.

RESPONSE: Further research by Defendant's expert witness has revealed that the trust referenced in the caption has been degraded and potentially charged off completely. That would indicate that there is no remaining balance on the subject of this action, or potentially a credit balance exists due to the large amounts of interest paid by Defendant while Defendant was enticed into paying an

entity with no claim to payments in this matter. Also. the loan level detail reports a substantially lower ending balance on the subject loan than was reported in Plaintiff's claim. Defendant states that Plaintiff has not complied with audit requirements by law that requires first-hand testimony. explanation and accounting ledgers to support any claimed amount owed. Defendant reserves the right to add to this list as discovery progresses and is completed.

7. Identify the last date on which you contend you made a payment towards the Loan, identify the payment amount, the bank on which payment was drawn, and how payments were made (check, electronically, etc.). Identify any document that supports this answer.

RESPONSE: Defendant can find no payments made to Plaintiff in this case, however she has supplied, in Exhibit K, redacted, a page from an online bank statement showing several payments made to a different entity (EMC Mortgage), for which no audit trail exists on behalf of this property address.. It appears the final payment was made on September 10, 2010 for an amount of $1,200.00. This was paid electronically from Regions Bank Defendant reserves the right to add to this list in the event additional documentation can be located.

8. Identify any document that you intend to introduce as exhibits or evidence at trial.

RESPONSE: At a minimum, documents listed in all other items in this document will be introduced as exhibits or evidence at trial. Defendant reserves the right to add to this list as discovery progresses and is completed.

Respectfully submitted,

CATHY G LANIER, Pro Se

Cathy G. Lanier
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803-315-3636

803-359-7031 (fax)
[redacted]
Pro Se

Lexington, SC
April 16, 2014

STATE OF SOUTH CAROLINA COUNTY OF LEXINGTON **The Bank of New York Mellon, f/k/a Interest to JPMorgan Chase Bank, N.A. As successor-in-interest by merger to Bank One, N.A. as Trustee for Structured Asset Mortgage Investments Inc., Mortgage Pass-Through Certificates, Series 2002-AR4,** **Plaintiff,** **Vs.** **Cathy G. Lanier; Branch Banking and Trust Company; Regions Bank,** **Defendant.**	IN THE COURT OF COMMON PLEAS 11TH JUDICIAL CIRCUIT CASE NO.: 2013-CP-32-01709 DEFENDANT'S AMENDED RESPONSE TO INTERROGATORIES

CERTIFICATE OF SERVICE

On or about the date below, Defendant served upon the following the above-referenced document by US Mail:

Haynsworth Sinkler Boyd, P.A.
PO Box 11889
Columbia, SC 29211
Attn: Mary M. Caskey, Attorney

Respectfully Submitted,

Cathy G Lanier
172 Belle Chase Drive
Lexington, SC 29072
Pro Se Defendant

Lexington, SC
April 16, 2014

STATE OF SOUTH CAROLINA)	IN THE COURT OF COMMON PLEAS
)	11TH JUDICIAL CIRCUIT
COUNTY OF LEXINGTON)	
)	CASE NO.: 2013-CP-32-01709
)	
The Bank of New York Mellon, f/k/a)	**DEFENDANT'S RESPONSE TO**
The Bank of New York as successor-in-)	**REQUESTS FOR PRODUCTION**
Interest to JPMorgan Chase Bank, N.A.)	
As successor-in-interest by merger to)	
Bank One, N.A. as Trustee for Structured)	
Asset Mortgage Investments Inc.,)	
Mortgage Pass-Through Certificates,)	
Series 2002-AR4,)	
)	
Plaintiff,)	
)	
Vs.)	
)	
Cathy G. Lanier; Branch Banking and)	
Trust Company; Regions Bank,)	
)	
Defendant.)	

COPY

Defendant Cathy G. Lanier hereby responds, according to the numbering scheme utilized in Plaintiff's request, to the best of her ability to Plaintiff's Requests for Production of Documents, and advises the Court that the majority of the documents required to prove Defendant's case lies with Plaintiff. Defendant will serve upon Plaintiff shortly its own specific Requests for Production, and relies upon the Court to compel Plaintiff to supply requested documents, even if these documents prove perjury by Plaintiff and/or its counsel, and even if these documents support Defendant's claims. All exhibits referred to in this document are in the Exhibits Package that serves this filing, as well as others filed on the same date by Defendant:

1. All documents identified in your Answers to Plaintiff's First Set of Interrogatories.

EXHIBIT B

RESPONSE: Defendant identified no documents in her Answers to Plaintiff's First Set of Interrogatories, but provides here the following documents she assumed she might produce if given ample time:

a. Affidavit of Joseph Esquivel and his Exhibits A through G (Exhibit A)

b. Educational package produced by Mr. Esquivel showing the appropriate law proving Plaintiff has no standing and has likely engaged in perjury, fraud, misprision of a felony, violations to various contract laws, violations to various real-property transaction laws, and others. (Exhibit B)

c. Expert Declaration of William McCaffrey (Exhibit C)

d. Securitization Flow Chart (back page of Exhibit C affidavit)

e. Structured Asset Mortgage Investments, Inc. Mortgage Pass-Through Certificates Series 2002-AR4 Trust Prospectus Supplement (Mr. McCaffrey's Exhibit A)

f. Loan Documents (note, mortgage, assignments) (Mr. McCaffrey's Exhibit B)

g. Bank of New York Mellon Notification in re: Mortgage Pass-through Certificates, Series 2002-AR4 Trust and screen shots showing last date of this trust reporting with Bank of New York Mellon was November 26, 2010 (Exhibit D)

h. Structured Asset Mortgage Investments, Inc. Mortgage Pass-Through Certificates Series 2002-AR4 Trust Foreclosure Loan Detail Loan Level detail of Trust as of March 19, 2014. This detail shows a balance on March 19, 2014 of nearly $50,000 LESS than the balance claimed in Plaintiff's Complaint they state was owed as of September 1, 2010. Their 2010 balance

did not include accrued interest, late fees, attorney's fees, or any other charges they claimed would have been assessed, yet the current balance is significantly lower than their stated balance before fees, charges and interest 3.5 years ago. (Exhibit E)

i. Structured Asset Mortgage Investments, Inc. Mortgage Pass-Through Certificates Series 2002-AR4 Trust Pooling and Servicing Agreement (Exhibit F)

2. All documents produced or provided to any expert witness concerning the subject of this action.

RESPONSE: Documents provided to potential expert witnesses include the following. Items a. through e. were taken directly from Plaintiff's Complaint:

a. Plaintiff's Complaint (Exhibit G)

b. Plaintiff's copies of mortgage, note, allonge (Exhibit H)

c. Plaintiff's assignments of mortgage (Exhibit I)

d. US Bank response to Qualified Written Request (Exhibit J)

3. All documents concerning the Loan, including but not limited to the Loan's origination, any payments made on the Loan, and any modifications, forbearance agreements or other work-out agreements or documents for the Loan.

RESPONSE: Defendant is still in process of determining whether there is a valid loan associated with Plaintiff, and provides the following documentation of payments made to an "EMC Corporation" in 2010 (Exhibit K, redacted). The last payment made to EMC Corporation was on September 10, 2010, yet Plaintiff's Complaint finds Defendant in default as of September 1, 2010, well before any payments had gone late or missing. However, there is no valid assignment to EMC Corporation from a loan closed under the

name of Southstar Funding, and Defendant now assumes the demands for payment by EMC Corporation were fraudulent. There have been no offers of modification, forbearance agreements or other work-out agreements of documents for the loan to which Plaintiff references, and there has not been made a connection between Plaintiff and this purported loan.

4. All documents concerning or demonstrating the amount, nature and extent of any damages you claim to have sustained or suffered from the acts alleged in this action.

RESPONSE: Documentation referenced in item 1, as well as testimony and documentation produced at trial will be used to determine amount of damages necessary to resolve this matter. Defendant believes she has been defrauded since August of 2002, and has just learned of this fraudulent behavior by the various lending institutions identified in this case, and will rely upon statutes and precedence to determine the real, punitive and corrective damages and penalties, including comprehensive injunctive relief to ensure that Bank of New York Mellon's (and related parties') fraud stops now.

5. All records evidencing the allegations that The Bank of New York Mellon does not have standing in this case, including but not limited to, letters, emails and handwritten notes.

RESPONSE: Please reference documents provided in Item 1, as well as a document illustrating the genealogy of Bank of New York Mellon. (Exhibit L)

8. All documents evidencing payments you or anyone on your behalf made on the Loan as required by the terms of the Loan, including but not limited to, cancelled checks and bank statements.

RESPONSE: Defendant has utilized online bill pay from her bank for the life of this Loan. Therefore there are no cancelled checks available to her – all of those would be in the possession of Plaintiff or other entity who received and cashed online bill pay checks

tendered. Defendant is no longer in possession of online bank statements or other documentation requested. This information was lost during an office move and subsequent server crash, and what few paper records that existed have not been located in storage. A single document illustrating online bank payments made in 2010 to an entity not associated with Plaintiff has been provided in Item 3.

9. All documents that support your claim that The Bank of New York Mellon lacks standing to bring the foreclosure action.

RESPONSE: Please refer to documents provided in Item 1. Others may come available after discovery is complete.

10. All documents that support your claim that the Assignments in this case are invalid.

RESPONSE: Please refer to documents provided in Item 1. Others may come available after discovery is complete.

11. All documents representing any correspondence or communications between you and Plaintiff or its representatives concerning the Loan.

RESPONSE: See attached emails and documents. (Exhibit M)

12. All documents representing any correspondence or communications between you and JPMorgan Chase Bank, N.A. concerning the Loan.

RESPONSE: See attached document. (Exhibit N)

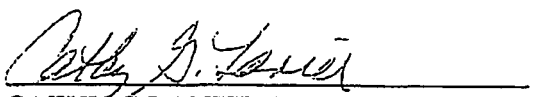
13. All documents concerning the Loan.

RESPONSE: All documents available to Defendant have been provided in various other items in this document.

14. All documents you intend to introduce as evidence or as an exhibit in any hearing or at the trial of this case.

RESPONSE: All documents included in this response are subject to being introduced as evidence or exhibits in any hearing or at trial of this case, as well as additional documents received as a result of any discovery response by Plaintiff, and other documentation that becomes available to Defendant.

Respectfully submitted,



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Lexington, SC
April 16, 2014

STATE OF SOUTH CAROLINA)	**IN THE COURT OF COMMON PLEAS**
)	**11TH JUDICIAL CIRCUIT**
COUNTY OF LEXINGTON)	
)	**CASE NO.: 2013-CP-32-01709**
The Bank of New York Mellon, f/k/a)	
The Bank of New York as successor-in-)	
Interest to JPMorgan Chase Bank, N.A.)	**DEFENDANT'S**
As successor-in-interest by merger to)	**MOTION TO RECONSIDER**
Bank One, N.A. as Trustee for Structured)	**ORDER**
Asset Mortgage Investments Inc.,)	
Mortgage Pass-Through Certificates,)	
Series 2002-AR4,)	
Plaintiff,)	
Vs.)	
)	
Cathy G. Lanier; Branch Banking and)	
Trust Company; Regions Bank,)	
Defendants.)	

Defendant, Cathy G. Lanier respectfully requests reconsideration of several items listed in the Supplemental Order on Cross Motions for Summary Judgment. This document, as of mail service on January 12, 2016, has still not been served to Defendant, so she has based her motion on the scanned and emailed copy sent to her by opposing counsel approximately a week ago. If the served copy differs from that received from opposing counsel, she reserves her right to amend and/or correct this motion accordingly. She believes the court has erred in granting Summary Judgment on several of these matters, and that these would be overturned on appeal.

1. Plaintiff has still not provided any legitimate and admissable proof that it is the real party in interest. In fact, the affidavit of Joseph G. Devine, Jr. supplied by Plaintiff indicates Mr. Devine, a JPMorgan Chase Bank, NA ("Chase") employee, claims to be "attorney in fact" for the Plaintiff. There has been nothing produced showing that the Plaintiff, Bank of New York Mellon ("BNYM"), has authorized in any way this lawsuit, or representation by Mr. Devine as its attorney in fact. Defendant has repeatedly requested such proof, but Plaintiff has provided none. Mr. Devine also verifies that the note and

mortgage are in the possession of Chase – not the party who has brought this lawsuit, BNYM. Therefore, it appears that the real Plaintiff in this case is not BNYM, but Chase, and this case has been brought by the wrong party as per SCRCP Rule 17. Based on that fact alone, this case must be dismissed. "A Court of law can know no other persons as parties, than those whose rights are made to appear by the record . . . ." M'Elwee v. House, 17 S.C.L. (1 Bail.) 108, 109 (1828).

Additionally, there has been no proof provided that any party to this lawsuit, the Plaintiff or the Servicer, were in possession of the note and mortgage as of the inception of this case, as is required by law. Further, Plaintiff cannot show, as required by SC §36-3-310 that it is a holder, a non-holder with the rights of a holder, or a person not in possession but who has the right to enforce a lost, destroyed, or stolen instrument or an instrument paid by mistake.

2. Plaintiff characterizes the Prospectus and Pooling and Servicing Agreement provided as an exhibit to Mr. McCaffrey's affidavit as hearsay. This document was pulled from the Securities & Exchange Commission's website (www.SEC.gov) after many requests by Defendant to have Plaintiff produce this document in discovery, and having those requests ignored. It is a publicly available document, and therefore meets the criteria for admissible evidence under Rule 803(8). The document also affects an interest in property, and meets the exception under Rule 803(14) and (15).

3. Plaintiff also indicates that some of Mr. McCaffrey's statements are legal conclusions. They use as an example his statement that in order for the trust he investigated to obtain REMIC status, all the assets must be assigned to the trust within three months. This is a direct requirement for the specific trust referenced in this case, and is clearly spelled out in the Prospectus and Pooling and Servicing Agreement. See Defendant's Exhibit C to

her Memorandum filed into the case on November 13, 2015, pages S-21 through S-22. Additionally the Prospectus and Pooling and Servicing Agreement grants no authority to the Trustee to collect on a mortgage loan or effect a foreclosure. That authority is granted only to the servicer, and they must bring the action (in their own name, as per Rule 17). The Trustee, by acting in a capacity as Plaintiff in this case, triggers REMIC penalties with the IRS, resulting in a 100% tax penalty on all proceeds from the trust. It is highly unlikely that BNYM would risk its reputation and profits over a simple foreclosure such as this one. This is further evidence that BNYM likely has no knowledge their name has been used to pursue this matter, as has been the case in numerous foreclosure cases, including the Deutsche Bank v. Heinrich et al., 2011-CP-10-1060, Court of Common Pleas of the 9th Judicial Circuit, (decision July 31, 2013) case. Quite simply, the named Plaintiff, BNYM, cannot be the Plaintiff in this foreclosure action. See Defendant's Exhibit C to her Memorandum filed into the case on November 13, 2015, pages S-60 through S-63 and pages 74 through 101. These are not legal conclusions – they are facts, stated in black and white in the trust's contracts, specific to the subject trust of this case. Whether the State of South Carolina has time limits on filing assignments is irrelevant, as the trust bringing this case by BNYM has very specific and easily interpreted limits on these filings. However, even SC law, § SC 30-7-10 applies limitations on the time for filing assignments and Plaintiff's assignments did not meet those.

4. The (created for the purpose of litigation) assignments filed into the county records before the foreclosure case showed a party with no authority or chain of title to the property assigning to another party. A party without authority to assign, cannot assign a mortgage. Ms. Caskey provided answers to chain of title of the note questions in the last

hearing as represented by the transcript. According to Page 13, beginning on line 25 and proceeding through the first few lines of page 14, "And in this case the ownership has been transferred from South Star Funding to Bank One; and then it was transferred by Chase, which was the successor to Bank One by merger, so there is no allonge from Bank One to Chase; to the Bank of New York Mellon." There seems to be an admission that there is nothing transferring from Chase, who "may" have acquired ownership via the merger with Bank One, to the actual Plaintiff, BNYM. Page 28, lines 17 through 21 has Ms. Caskey telling us, "The Note was transferred to ownership to Bank One as evidenced by the allonge. Bank One through JPMorgan Chase's successor transferred the Note to the Bank of New York Mellon." There has been no evidence provided of a transfer from Chase's successor to BNYM. However, Page 10 of the transcript shows an area where there was a statement that indicates that the Motion for Summary Judgment was, in fact filed by Chase, not the Plaintiff, BNYM. That emphasizes the problem illustrated in Item 1 of this document, that the wrong plaintiff has sued because clearly, due to the fact that it is impossible to depose or get any sort of affidavit or testimony from the actual Plaintiff, it is Chase who has brought this case and is litigating it under the name of an unrelated (and likely uninformed) party, BNYM. The real party in interest has not brought this case. Further, the various gyrations described by Plaintiff or that would have had to take place to put them into a position to bring this case, most certainly indicate the note and mortgage have been bifurcated, thereby rendering the mortgage invalid. See Deutsche Bank v. Heinrich et al., 2011-CP-10-1060, Court of Common Pleas of the 9th Judicial Circuit, (decision July 31, 2013), based on the Supreme Court ruling in Carpenter v. Longan, 83 U.S. 271, 16 Wal. 271, 21 L.Ed 313 (1872)).

5. There have been other cases besides Glaski V. Bank of America, 218 Cal.App.4th 1079, 160 Cal Rptr. 3d 449, that have allowed a borrower, the responsible party for creating the note and mortgage in the first place, to argue and show proof of a breach of the trust's governing documents. One such case is Wells Fargo v. Erebobo 39 Misc.3d 1220(A), 972 N.Y.S.2d 147 (N.Y.Sup. 2013). Others include US Bank v. Ibanez 458 Mass. 637 (Mass. 2011) and a case consolidated with US Bank v. Ibanez, Wells Fargo Bank v. LaRace. All these cases revealed the fatal defects in the securitization of the loans that led the judge to overturn the foreclosures, and certainly the borrowers had standing to challenge the securitization of the trusts involved, as well as their governing documents. Another is a case determined two months ago on November 10, 2015, Wolf v. Wells Fargo, 2011-36476, in the 151st Judicial District of Texas (decision November 10, 2015). In the Wolf case, the jury was shown the "true sales" that were necessary to properly securitize the Wolf's mortgage. Once the jury understood the requirements of the Mortgage Loan Purchase Agreement and the Pooling & Servicing Agreement, they were able to see why the Transfer of lien (in SC that is the same as an assignment of mortgage) was fraudulent. The jury also found that even though Wells Fargo was in physical possession of the original note, it did not own the mortgage loan because it was never securitized into the Mortgage Loan Trust over which Wells Fargo serves as the Trustee (just as in the instant case). The Wolfs were awarded clear title to their property, and real and punitive damages totaling nearly $5.4 million. "The jury verdict in the Wolf v. Wells Fargo trial is epic. Among other things, it demonstrates that when given all the facts, average people can distinguish the difference between "deadbeat borrowers" and a family who fell upon hard times and always tried to do the right thing.

> This case should send a message of hope for others; it also provides a road map for cutting through the complexities of modern finance to arrive at a just result."[1]
>
> Additionally, US Bank's (another large bank engaged in the same business as Plaintiff, BNYM) very clear description of REMIC trusts, as shown in Defendant's Exhibit J to her Memorandum filed into the case on November 13, 2015, lists the borrower as a party to the transactions that create the trust. This hardly describes the role of a third party. The borrower certainly has standing to discuss such matters that impact the disposition of their property and the ownership of any liens on their property.

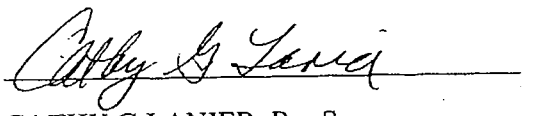
Plaintiff continues to misrepresent the facts of this case, and now this court appears to support them in their arguments without requiring even minimal proof of their statements. "Because they say so" does not provide a legal basis for this order, and it is certain that an appeals court would also require proof of these claims. If evidence has been provided to this Court to dispute these issues, this evidence must be provided to Defendant as well. It appears that some level of bias may exist, in that Defendant has been required to provide strict evidentiary proof of her defenses, while Plaintiff has not been required to provide evidentiary proof of its claims by the same standards to which Defendant has been held. For this reason, Defendant respectfully requests, rather than holding another hearing on this matter, that this Court issue written responses to each of the five (5) items in this motion, providing or referencing the evidence it used to determine its decision in the instant order.

Therefore, Defendant respectfully requests that these items be reviewed for correction or adjustment and require that Plaintiff provide actual and real proof of their chain of title, their

[1] Quote from Marie McDonnell who served as expert witness in the case. Marie McDonnell is Founder and President of ***McDonnell Property Analytics***, in Brewster, Massachusetts, a leading provider of title and securitization forensic reports and expert services to attorneys, consumers, registries of deeds, and other governmental agencies.

standing to bring this case, and the status of the trust and the clear manipulation of the trust's rules that has taken place.

Respectfully submitted,



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Lexington, SC
January 12, 2016

Transcript of the Testimony of

BANK OF NEW YORK MELLON, ET AL. V. CATHY LANIER, ET AL

Date: October 29, 2015



CREEL COURT REPORTING, INC.
Condensed Transcript and Word Index

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STATE OF SOUTH CAROLINA) COURT OF COMMON PLEAS
)
COUNTY OF LEXINGTON)C/A No. 2013-CP-32-01709
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. et al.)
)
Plaintiff,)
)
v.)
)
Cathy G. Lanier; Branch Banking and)
Trust Company; Regions Bank,)
)
Defendants.)
)

HEARING

****

Thursday, October 29, 2015
1:57 p.m. - 3:50 p.m.

The hearing before the Honorable James O. Spence, Master-In-Equity for Lexington County, was taken at 205 East Main Street, Suite 204, Lexington, South Carolina on the 29th day of October, 2015 before M. Sean Cary, Court Reporter and Notary Public in and for the State of South Carolina.

APPEARANCES

Mary M. Caskey, Esquire
Haynesworth, Sinkler & Boyd
1201 Main Street, 22nd Floor
Columbia, South Carolina 29072
Attorney for the Plaintiff

Also Present:
Cathy G. Lanier, Pro Se Defendant

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Certificate 117

EXHIBITS

(No exhibits were marked during this hearing.)

THE COURT: We're here on, I believe, cross summary judgment motions on Bank of New York vs. Lanier et al. It's case 2013-CP-32-1709. I want to just confirm on record: prior to the hearing I saw Ms. Lanier, and I asked if your husband was coming. And I know he's not a party but he's always been he here. But he's not ---

MS. LANIER: No.

THE COURT: --- you're not waiting on him? Okay. All right. I have read both Motions. I have read the Responses to the Motions. And as I -- as I see it there are two main issues. There is: one issue is does the Plaintiff have standing to sue, and two, have they established the debt amount. Would y'all agree based on what each side has filed, that's, in essence, what the two issues are -- the two broad issues?

MS. LANIER: Those, I think, are the two main issues. I did want to bring up the HAMP violations as well though.

THE COURT: Well, I think that was also in there.

MS. LANIER: Yes, Your Honor.

THE COURT: HAMP was also in there.

MS. LANIER: Yes, sir. And just for a little bit of

housekeeping, I filed a Response to their Response that I got yesterday afternoon. While I object to getting one so late before the hearing, I did go ahead and craft a little bit of a Response and I have a copy for you.

THE COURT: All right. May I see it very quickly? And if you'll hand one to her and I'll just look at that.

MS. LANIER: She's -- I've given her ---

THE COURT: Okay. All right. Just let me see it very quickly. Because what I'm going to do is, I think -- because we've got cross-motions and they're talking about the same thing, I think what I'm going to ask y'all to do is I'm going -- I want to address the standing issue first. So, what I'm going to do is I'm going to ask Defendant to tell -- to argue why they don't have standing, and I'm going to let them respond. And then we'll deal with the dollar issue. All right?

MR. LANIER: Sounds good.

THE COURT: Because otherwise we're going to be doing the same arguments twice I think. Okay. All right. Ms. Caskey, will you tell me then -- and again, for both of y'all, just reminding

you that -- that I have read all the memos so you don't have to go exhaustive into the argument. But if you'll just hit the highlights on it, and then I'm going to let her respond and then I'm going to ask some questions and make a ruling on that issue. All right. Yes, ma'am.

MS. LANIER: All right. The first issue I'd like to address is whether or the not the Plaintiff had possession of the Note Mortgage at inception. And I don't believe they've shown us any proof that has any dated documents or anything of that nature. And as you'll recall when they filed a Complaint, it was with a different law firm, and there was not even a copy of the Note and Mortgage filed. And if you have read my Affidavit, I reported that I actually went to the other law office and reviewed what they've purported was the entire loan file at the time. They had a photocopy. They made no representation that it was the original wet ink anything. But they had a photocopy of the Note and the Mortgage. There was no allonge. There was no endorsement to anyone. At that point I left and I, you know, shared with the attorney

that showed it to me, or the assistant that showed it to me, that it seemed to me that these were, you know, copies of legitimate documents. But, it still showed that the ownership of the Note was still with South Star Funding who originated it; or the ownership of the Mortgage was with South Star Funding. So, later, after Ms. Caskey's firm got the case, I also went to her office to look at the documents. And they were actually purporting to show me originals, but I looked under -- at it under magnification, and just having been in the computer business for 30 years and knowing a little bit about what laser printed copies versus originals look under magnification and that kind of thing, I do not believe those were originals. I do not believe I've ever seen a wet ink original of the Note, the Mortgage or anything in this case. But what was also unusual is that there were not one, but two copies of the same allonge, both represented to be originals, showing an endorsement with an unattached allonge. Now, I only know what I read in like Black's Law Dictionary and that sort of thing, and their definition of a valid

allonge says an allonge can be used as long as there is no space left on a Note, on the front, back, margins, anywhere else. So if there were an endorsement of that Note, that would have had to be present for that endorsement for it to be legal, then that endorsement should have actually been on that -- that Note, because the Note ended half way on the last page. There was plenty of room for an endorsement and there was nothing on the backs of any of those documents. So -- but -- so the allonge appearing as a separate page not even stapled to the Note was unusual to me because I'd never seen anything like that, and that kind of sent me on the trail of figuring out well what the heck is an allonge and how's it supposed to be presented. But the allonge simply has an endorsement that appears to be an endorsement of the Note over to Bank One, and that seems to be where the chain of title ends. Because in my research, and then obviously asking them over and over for Discovery, and documents that showed where the assignments -- where the sales of the Mortgage went from one end to another and to another and to another, none of that's

ever been provided. So I hired an expert, Mr. Bill McCaffrey: which you also have a copy of his Affidavit. He did extensive research. He worked on this for probably a month to try to find what was actually in the banking records. He has access to all the major banking databases, I think they call it the ABS records and that sort of thing. He also obviously has access to the SEC records. Which because this loan purportedly was put into a Trust, there would have to be ---

THE COURT: All right. Hold on because you're now getting into the -- to the Trust and do they have authority argument.

MS. LANIER: Okay.

THE COURT: Right.

MS. LANIER: Well, I mean ---

THE COURT: All right. Well hold on.

MS. LANIER: --- it's all kind of part of the same.

THE COURT: Well, I understand. Have a seat, because I want to address now the issue of -- the original Note issues, the assignment, what the law is on South Carolina. Ms. Caskey.

MS. CASKEY: Your Honor, first of all in respect to the original -- I -- when she says -- Ms.

Lanier argues that Chase -- I think she means Chase's counsel did not have possession of the original Note and Mortgage at the time the foreclosure was filed. I'm not aware of any requirement that says that counsel has to have possession of anything. It's routine for the foreclosing party to provide the original documents at sometime during the foreclosure, but I'm not aware of any law whatsoever that says that foreclosure counsel has to have possession at the time that the foreclosure is filed.

THE COURT: All right. Stop here. Let me address that. My understanding of the law is precisely that, and I want to go -- and I want to explain why I believe that's the law. Number one is, if you attached the original anything to a Complaint and served it on a defendant, the defendant could tear it up and it was gone. So, obviously, there is no requirement that you attach an original to a document. I don't know if under our pleadings there's even really a requirement that you attach copies to it. I think it's the better practice to do that. But it is now -- so, there is no requirement that

an original be attached to the pleadings. There's no requirement that the attorneys possess the original at the beginning of the lawsuit. The -- as I understand, the rule for originals is, is copies are good unless they're challenged. And then if they're challenged or requested, then you have to produce the originals. And you're response to that.

MS. CASKEY: That's my understanding, Your Honor. And in this case I'm aware of two occasions where Ms. Lanier has been invited to our office to view the original documents. The original documents include the exact same copy -- exact same documents that are attached to the Affidavit of Joseph Devine who was submitted in support of Chase's Motion -- or excuse me, the Bank of New York Mellon's Motion for Summary Judgment. He is with JP Morgan Chase, who is the servicer of the loan. As the servicer of the loan, certainly Chase has the records. They maintain the records: payment records, copies of the Note, original versions of the Note, anything related to the loan is going to be in Chase's possession. I have the original file here today. I've brought it to every

hearing. It's maintained in a safe in our office, and it has a custody log that shows you what date we received it and what was received in the file when we got it. It includes the original Note, it includes the original allonges, and it includes the original Mortgage.

THE COURT: Hold on a minute. She's arguing that she thinks that it's a late -- I mean I don't recall ever hearing any argument that that's not my signature. What I recall is -- I think today, and I don't -- it may have been made because I think we've had this argument before in an earlier Motion Hearing that I've already ruled on. Did we have a earlier Motion -- a Motion to Dismiss where we talked about standing?

MS. CASKEY: Yes, Your Honor.

THE COURT: And did we rule on this issue before?

MS. CASKEY: You ruled that the Plaintiff had quote sufficient facts in the Complaint to proceed with the foreclosure.

THE COURT: Was one of those complaints that you didn't have standing because you didn't have the Note?

MS. CASKEY: I believe so, Your Honor. There were quite a few arguments. I believe that one was included as well.

THE COURT: All right. Well ---

MR. CASKEY: But you did not make a specific finding as to ---

THE COURT: On that.

MS. CASKEY: --- that. Yes.

THE COURT: Okay. Now as I understand the law is, the law on the original -- the original versus the copy, and y'all both correct if this is -- is wrong, but my understanding from the Rules of Copies are that you can have copies. If somebody says that's not my signature or its been altered, than they have to -- they could request the document and they have to prove it. They have to offer proof that it is not.

MS. CASKEY: Correct.

THE COURT: All right. Now what I'm understanding, Ms. Lanier, you're saying today is, is because you haven't challenged, I don't think, that's my signature, you say in your opinion based upon your experience with computer stuff, you believe that that's a laser copy?

MS. LANIER: Yes, sir.

THE COURT: Okay.
MS. LANIER: And I don't believe the -- a signature is valid on a copy, so.
THE COURT: All right. But what I'm saying ---
MS. LANIER: I think it's kind of the same thing you're saying.
THE COURT: Okay. But I'm trying to make sure I understand. You're not saying I didn't sign the Note?
MS. LANIER: I'm not saying I didn't sign a Note.
THE COURT: You're just saying ---
MS. LANIER: I don't know if that's the one I signed.
THE COURT: Right. You're just saying you think that's a laser copy?
MS. LANIER: Yes.
THE COURT: All right. Okay. All right. Well, on that point -- well, no, let me address the allonges. Allonges are -- Ms. Caskey, I've heard her argument what an allonge is. What is an allonge and what is a assignment and what is the rule in South Carolina about an assignment of the Mortgage and ownership of a Note?
MS. CASKEY: Your Honor, the allonge is intended to transfer ownership of the Note. And in this

case the ownership has been transferred from South Star Funding to Bank One; and then it was transferred by Chase, which was the successor to Bank One by merger, so there is no allonge from Bank One to Chase; to the Bank of New York Mellon. All that the allonge does is transfer ownership of the Note. An assignment of Mortgage transfers the -- or transfers ownership of the Mortgage -- the right to enforce the Mortgage. And in this case, of course, assignments of record completely follow the chain of the allonge as well. So, I'm not sure what the argument is with respect to the fact that there -- whether there was enough room on the Note for there to be an endorsement or not, Your Honor. I'm not familiar with that argument. I don't -- I'm just not familiar with that argument. I'm not familiar with any law on whether or not an allonge is proper if there's technically enough room. I will say that the allonges in this case are rather large so I don't see how they would fit on the bottom of any document.

THE COURT: All right. I -- I don't -- again, I don't ---

MS. CASKEY: And I may be misunderstanding her argument.

THE COURT: Well, no. I think what I heard Ms. Lanier say is that she's done research and reading trying to figure out what an allonge is. And -- and I have too. I've gone to seminars where I've heard arguments saying allonge means glue and that you can't use a staple, and if it's attached with a staple it's not valid because you didn't use glue or you didn't use a wooden staple or you didn't use the kind of -- which I think are just ludicrous arguments. Because the underlying policy behind this whole issue of standing is, the defendant does not want to be sued twice. That's the reason for determining ownership of the Note, because they are negotiable instruments. I mean that's why a defendant -- anybody wants to make sure that if I get sued, it better by the person who owns it because I don't want to get in another lawsuit and have to go to the -- the benefit of it all. So I -- I don't -- I don't think there has been sufficient evidence raised to -- to grant your argument that they don't have standing.

They've got -- there is no evidence that that's not the original Note or the assign- -- it has been assigned. It's got the chain of custody. They say it's the original. The only evidence that you've put forward is, is that I think based upon my 30 years of this, that it is -- it does -- it looks like a laser copy. There hasn't been any other independent evidence person coming in saying that's a laser copy. So I think -- I think they win on the they have the Note. All right. The physical ---

MS. LANIER: Well, my -- one of my points, if you would let me ---

THE COURT: Yes, ma'am.

MS. LANIER: --- is that I was presented with what was purported to be the entire loan document by the original law firm involved in this case. The loan file rather.

THE COURT: All right.

MR. LANIER: I literally flipped through every page. There was no allonge.

THE COURT: All right. Well, let's ---

MS. LANIER: there was no endorsement.

THE COURT: Let me -- let me -- let me, again ---

MS. LANIER: I'm alleging that was created for this

THE COURT: All right. And I don't -- but I mean that's like saying -- but there's no evidence. You have to have -- for example, in a Summary Judgment Motion, if they say we have the Note and you answer, you fabricated it. You fabricated this. I looked at the stuff. When you come to summary judgment, you cannot rely just on your pleadings or your allegations, you have to put evidence into it. And what I've heard is the evidence is, is the law is, is that the law firm when they file a Complaint they don't have to have all the original -- there's no thing that says they have to have all the Discovery documents. Because they couldn't, because you cannot anticipate what the other side is going to ask for. So, I don't think there's evidence -- there is evidence that indicates that that is not the original Note; and that the -- a chain of assignments and the law of South Carolina about when the assignment's made; if you assign the Mortgage or the Note, does the Mortgage follow. I think all that's proper. As to the technicalities, further what we could do, if --

when we get to the end of the case, is we could always take the original, and we can write on the original, a Note not to be transferred or negotiated by order of Court. Because the whole purpose of doing this is not that I didn't sign it, but it's to prevent a second lawsuit. And if we have an original document and we write on it and put a Court endorsement on it, then it cannot be negotiated. So the whole fear of, it's not the ori- -- it can be negotiated again, is -- is protected against to some degree. All right?

MS. LANIER: May I add one more thing ---

THE COURT: Yes, ma'am.

MS. LANIER: --- to that? It's not so much that I'm concerned about what you just talked about, about whether it's a copy or Note or whatever. I'm just simply making the statement that I don't believe I've every seen the original. But what I'm most concerned about is that there is no chain of title. There has never been any proof of chain of title to get the Note into the possession of the actual Plaintiff prior to or on the day that they filed the Complaint. And the law is very clear about having

possession at inception, and they provided us no proof of that.

THE COURT: All right. What your -- what you're saying is, is that a Plaintiff has to come in and say on the -- on the -- do you mean the Plaintiff? Do you mean the law firm? Do you mean ---

MS. LANIER: I mean the Plaintiff.

THE COURT: --- service ---

MS. LANIER: I mean the Plaintiff ---

THE COURT: Do you mean ---

MS. LANIER: --- as represented by their law firm.

THE COURT: All right. But what I've already said is, is the law firm does not have to have in their possession ---

MR. LANIER: Okay.

THE COURT: --- the original documents.

MS. LANIER: It wouldn't matter. I mean there has been nothing presented that shows that Bank of New York Mellon was in possession of this Note and Mortgage on -- in May of 2014.

THE COURT: Ms. Caskey, that's not how I read your response to it. I mean, is there any evidence to show that you did not have the possession of the Note when the lawsuit was filed?

MS. CASKEY: No, Your Honor. I mean, I personally didn't have possession. The Affidavit that's presented is that we have possession now, we've had possession since they -- since they received the Note. I don't -- I don't know the exact date that they came into the original possession of the Note. They have -- as far as the chain of title issue, that's a Mortgage issue. So ---

THE COURT: Right.

MS. CASKEY: --- I think we're confusing the terms a little bit.

THE COURT: Right.

MS. CASKEY: Chain of custody of the Note, the Plaintiff has had, through it's servicer Chase, has had possession of the Note since it became the owner of the loan.

THE COURT: All right.

MS. CASKEY: And it's been the owner of the loan. Chase has been the servicer, and at one point Chase was the owner because it was the successor by Bank One. Chase has had custody of the Note since that time. There has been no evidence to refute that. There have been no Discovery on that issue, and there's no

evidence whatsoever to dispute the Affidavit testimony that Chase as the servicer ---

THE COURT: All right.

MS. CASKEY: --- or the Plaintiff has the Note.

THE COURT: All right. That issue goes here. I think there's no evidence -- no proper evidence creating an issue of fact, because the only issue -- the only two things that I've heard, Ms. Lanier, from you is, is I think it's a laser copy and they haven't proven, as I understand your argument, that on the day the loan was filed -- I mean the lawsuit was filed on the day it was filed that they didn't own the Note.

MS. LANIER: Correct.

THE COURT: All right.

MS. LANIER: And I believe the law is very clear that unless there is proof, then we have to assume that -- the negative.

THE COURT: All right. So on the date the lawsuit was filed, the Mortgage had been assigned?

MS. CASKEY: Yes, Your Honor.

THE COURT: Okay.

MS. CASKEY: It was in the name of the Plaintiff as required by ---

THE COURT: And the Note was owned by who?
MS. CASKEY: The Note was owned by the Plaintiff.
THE COURT: All right. Okay. That's -- all right. I don't think there's an issue there.
MS. LANIER: And we're just going to accept it because they say so. They don't have to provide proof?
THE COURT: Well, if they signed an affidavit saying I owned it -- I mean you can -- and a question of fact is not created by saying, they say I had it and you say I don't believe you, prove that you had it; and they say, we had it, here's our chain of custody. And you say, I don't believe you. If -- if they've got a log here that says we had it -- we had it on these dates, then it's up to you to show it's not there. You can't make them prove like a double negative.
MS. LANIER: Would you mind if we kind of table that, because I think when we get into ---
THE COURT: No. No. No ---
MS. LANIER: --- the Trust, I can prove to you that there is no chain of title that put it in their hands.
THE COURT: Well, hold on -- hold on. I'm not going

to table it because I've ruled and we're going to deal with the Trust issue too.

MR. LANIER: Okay.

THE COURT: Because there's legal issues on that also. All right. So, the issue of that they got possession -- a proper legal possession of the Note and Mortgage as required by South Carolina goes on this side of the table (indicating). All right. So the next argument then, you want to raise the Trust argument?

MS. LANIER: Yes.

THE COURT: Okay. All right. Tell me the Trust argument.

MS. LANIER: Again, it goes back to the proof of the chain of title, and I kind of made some notes here. I don't know if it would help if I drew it out on the board. But according to the research done by the expert I hired, Mr. McCaffrey, and according to research that I've done as well looking at the SEC database and that sort of thing, it -- the situation is this: The Mortgage seller, which is -- that is the person that had to have possession, had to have rights to sell the Mortgage loans into the SAMI Trust.

THE COURT: Rights as opposed to physical possession? Because you can't say ---
MS. LANIER: It actually has to be both. It actually has to be both.
THE COURT: Well, wait a minute now. Are you arguing then ---
MS. LANIER: This is the Note.
THE COURT: Are you arguing then that it is illegal for people who are trading stock -- if -- if I send you a letter -- let's do a hypothetical.
MS. LANIER: Okay.
THE COURT: If A sends B a letter and says I own a Mortgage.
MS. LANIER: Huh-uh.
THE COURT: I want to sell it to you.
MS. LANIER: Uh-huh.
THE COURT: And -- and they agree.
MS. LANIER: Uh-huh.
THE COURT: All right?
MS. LANIER: Right.
THE COURT: And -- and A doesn't physically have it with him.
MR. LANIER: Okay.
THE COURT: He's got it in a locker in a bank somewhere.

MS. LANIER: Okay.
THE COURT: Is that illegal?
MS. LANIER: Uh-huh (affirmative response). We don't have to -- I'm not even talking about the paper.
THE COURT: Okay.
MS. LANIER: I'm just talking about the actual chain of how the agreements are in place ---
THE COURT: All right.
MS. LANIER: --- showing what the tracking -- what happens.
THE COURT: All right. But -- again, but you keep -- you're -- what I'm trying to figure out in my head is, because at some point it sounds like you're saying they have to have a legal right to do it, and other times it sounds like you're saying they have to have the physical document with them at all times or the action is not valid.
MS. LANIER: Ignore the physical document ---
THE COURT: Okay.
MS. LANIER: --- for the sake -- for the purpose of this.
THE COURT: Okay. I just want to make sure I'm following.

MR. LANIER: I'm simply talking about who has the rights of ownership to do anything with it from what point on.

THE COURT: Okay.

MS. LANIER: So as we know from the Mortgage, the originator of the Mortgage was a company called South Star Funding. I don't anybody disputes that, that's all over the place. But what the problem is, is that by the time this Trust got formed, EMC had become the seller of the mortgages. Which means they would have had to -- there would have had to be an assignment, a transfer or a sales agreement somewhere in the records, either with the banks that I've asked for repeatedly or on the SEC database or both. Actually, it would have to be both because the SEC has to be notified of all this stuff. So, there is from the very original originator of the loan, South Star Funding, there is no authority from them passing that onto EMC to begin with. So, how EMC even wound up being the seller of the mortgages -- which in -- in the Trust vernacular, that means EMC had the responsibility to sell the mortgages into the Trust. And then SAMI, which was the name of

the Trust, the structured asset mortgage whatever it is, then has the ability to go out and sell securities on that pool of mortgages. But EMC is who's responsible for owning and selling the mortgages into the SAMI Trust. So, to start with there's absolutely nothing on record anywhere that gave EMC the right from South Star Funding to do anything with my Mortgage. I don't know about the others in the pool, but there certainly is nothing there.

THE COURT: All right. I will ---

MS. LANIER: There would have to be an assignment and a sale agreement.

THE COURT: All right.

MS. LANIER: And it should be on record in Lexington County as well.

THE COURT: All right. Let's stop there and let's hear a response to that because I'm not -- I think I understand what the argument is but I want to hear a response.

MS. CASKEY: Your Honor, I think the first thing that is a huge issue is that none of this is in evidence. There is not a single Trust document that she has referred to in evidence. She has requested documents that are confidential and

proprietary. I've indicated I'm absolutely willing to produce them. She said, never mind, I don't need them; and she's produced what she believes is copies of these Trust documents. They're not in evidence. They weren't filed with any affidavit. I have no idea which documents she's talking about. But I think fundamentally ---

THE COURT: All right. Not -- not withstanding that ---

MS. CASKEY: Notwithstanding that ---

THE COURT: Notwithstanding that ---

MR. CASEKY: --- none of that's admissible under ---

THE COURT: --- I want to hear the legal argument.

MS. CASKEY: --- Rule 56.

THE COURT: Okay.

MS. CASKEY: None of this makes any sense. The Note was transferred to ownership to Bank One as evidenced by the allonge. Bank One through JPMorgan Chase's successor transferred the Note to the Bank of New York Mellon. If there is an agreement somewhere between third parties to which she is not a party that was breached because someone saw something they didn't own ---

THE COURT: That's the question.
MS. CASKEY: --- then the proper -- then the proper person to recover is the person harmed by selling that -- that item.
THE COURT: All right. Does she have -- is there any law that says she has a right to be a non-party to it and say the tra- -- it can't go forward?
MS. CASKEY: Your Honor, I'm not aware of any law that would allow her to step in the shoes -- step in and basically take over the rights of one of those parties except for of course if she was a third-party beneficiary, which she is not a third-party beneficiary to the any of these agreements.
THE COURT: All right. When was this -- when did this transaction occur or not occur? Ms. Lanier, when did it -- or when was this alleged to have occurred?
MS. LANIER: I closed the Mortgage August -- early in August of 2002.
THE COURT: Okay.
MS. LANIER: The date that the Mortgages had to be sold and closed into the Trust was October 31st of 2002.

THE COURT: All right.
MS. LANIER: So, this document -- this documentation would have had to exist sometime between my closing the Mortgage in August and their closing the Trust the end of October.
THE COURT: Okay. So, the parties to the agreement -- to this agreement should have known or done something once the breach occurred -- or they -- or something in 2002 because the alleged breach occurred in 2002. Has either of the parties ---
MR. CASKEY: They were the ---
MR. LANIER: The first one?
THE COURT: I mean has anybody -- has anybody made any allegation -- the parties to this contract or Trust? Let's assume your documents are properly in record and they created an issue of fact, have they raised this issue?
MS. LANIER: I'm not sure who they is.
THE COURT: Well, you said one party was supposed to do something because the other party didn't do it.
MS. LANIER: Well, South Star Funding went out of business years ago.
THE COURT: All right. Okay.

MS. LANIER: And then so did EMC. And so we don't have either one of those to testify and tell us what happened.

THE COURT: Okay. All right.

MR. LANIER: So, I ---

MS. LANIER: EMC did not go out of business, Your Honor.

THE COURT: Okay.

MS. CASKEY: EMC is still an active company.

THE COURT: All right.

MR. CASKEY: It's an affiliate with Chase.

MS. LANIER: They were bought by Chase.

THE COURT: Okay. All right. All right. So -- all right. Is there any other argument on -- on this argument about you get a benefit because the Trust wasn't done properly?

MS. LANIER: Well, there is a case -- I had to pull it from District Court in Ohio, which seems to have more activity of this nature going on. But their Sixth Circuit did recognize that the homeowner does have standing to challenge Title, and therefore validity of transactions that purport to transfer the debt, Note or Mortgage. It's Rick Slorp versus Lerner, Sampson and Rothfuss.

THE COURT: Do you have the case?
MS. LANIER: I don't but I can supply that to you later.
THE COURT: Well, again, because that's -- that's law -- that's black letter law in every state that's got a Mortgage. It says a homeowner can challenge issues of that, that doesn't necessarily say it's a Trust case with these same facts.
MS. LANIER: Right. Okay. In this case it was, but.
THE COURT: All right. Okay.
MS. LANIER: But -- so what I'm saying is, there is no proof that my loan actually made it into this Trust that I'm being sued on behalf of the trustee.
THE COURT: Okay.
MR. LANIER: Okay.
THE COURT: All right.
MS. LANIER: So, that's issue number one. Issue number two is, we know that the trustee that was set up by the Trust, if we can assume that the loan made its way in there somehow -- although there's no chain of title doing that. The trustee was Bank One, and Chase purchased

Bank One. So, that put Chase in the kind of an untenable situation of being both the potential servicer and the trustee, which is prohibited by the Trust documents. And I do -- I do want to put into evidence the entire pooling in servicing agreement today or whatever.

THE COURT: Hold on. Hold on, hold on, hold on, hold on, hold on. We're in the Summary Judgment Motion here.

MS. LANIER: Okay.

THE COURT: All right. How can you put in evidence right now at the hearing?

MS. LANIER: Well, actually I already put it into evidence months ago.

THE COURT: But is it the act -- is it -- is it -- is it her documents that she gave you -- did you request them?

MS. LANIER: These are the documents that my expert found because they were never supplied. And I don't recall having any conversation that she was going to ever give me the pooling and servicing agreements?

THE COURT: All right. So these were -- these are your expert's reports?

MS. LANIER: Yes.

THE COURT: Okay. All right.
MS. LANIER: That were attached to his Affidavit when we initially put them before the Court last year.
THE COURT: And that was filed and supplied to her when?
MS. LANIER: I want to say April of last year maybe.
THE COURT: Okay.
MS. LANIER: Something -- April or May, I'm not sure of the dates.
MS. CASKEY: Do you have a copy of the Affidavit so I can ---
MR. LANIER: I do not.
MR. CASKEY: And, Your Honor, at this point too, I think it's probably a good time to go ahead and put on the record that I object to the expert's testimony. I don't -- I don't believe that this expert is qualified to testify about these matters. There are no attachments to this document.
MS. LANIER: No, because it's this entire book, and I've already provided you that.
MS. CASKEY: Was that filed though?
MS. LANIER: Yes.
THE COURT: Did you get that book?

MS. CASKEY: I don't have that book, but I'm not sure -- this is my own copy of pleadings, Your Honor.

MS. LANIER: I mailed it to her in a box. I don't think it was actually in a binder.

THE COURT: Okay. Hold on. Hold on. Hold on.

MS. CASKEY: Your Honor, I think the -- the bigger point is Mr. McCaffrey cannot authenticate documents simply by attaching them to his Affidavit. He could certainly give an opinion on it.

THE COURT: Right. I understand and I'm going to get y'all to address this.

MS. CASKEY: Yes, Your Honor.

THE COURT: Okay. On -- on -- is there anything else on the Trust issue?

MS. LANIER: Yes. Because if Chase in fact purchased Bank One, who was set up as the original trustee, there are no sales agreements or anything on record to move that trusteeship -- there also has to be something called a transfer of trustee agreement on record with the SEC to move that from Chase, now that they own Bank One, to Bank of New York Mellon, who is now claiming to be the trustee. There is

nothing on record and they provided nothing.

THE COURT: All right. So you're -- what you're in essence are alleging, or your expert is, is when these entities did that, their lawyers didn't document it properly?

MS. LANIER: They did not document it properly and therefore there is no chain of title. And basically what that has resulted in ten years later -- ten -- I mean, the Trust closed, just like I said, October 31st, 2002. If you would like to see this exhibit that I prepared. They have -- according to the Trust documents they have at most 180 days after that date to fix anything that's wrong. To -- if they left out a Mortgage that meant -- was supposed to go in there, they could fix it within 180 days. If they put the wrong documents in to support their moving those mortgages into the Trust they have 180 days, period. But the only assignments that we have on record, mind you, are the assignments prepared just in time for this litigation 10 years after the closing of the Trust. So basically all that has accomplished is -- is the false recordation and its clouded my title. Because those -- there's

no possible way those assignments could be valid because the Trust closed in 2002 and the latest possible date allowed to put anything in it was 180 days after that point.

THE COURT: All right. And that's based on what your expert says or SEC ---

MS. LANIER: And that's what the pooling and servicing agreement says.

THE COURT: All right. All right. So what your expert says is, is I read the SEC regulations to say this. I've got a document that I believe to be their pooling and servicing, and since I can't find any evidence this has been done, it goes back and invalidates something. Because we can't ---

MS. LANIER: Well, anything that would be filed after that 180 days after October 31st of 2002 would, by its very nature, be invalid because of their own agreements. I didn't make up the Trust agreements, and every Trust agreement on the -- every one I've read, which is a bunch at this point, it gives them anywhere from 90 to 180 days to cure any defects that -- once the Trust has been closed. So their's happens to give them 180 days. Well, clearly 10 years

after exceeds the 180 days, so any transfer or assignment that they're claiming and to put on the record is basically false at that point -- at any point after that 180 days, much less 10 years after. That's just -- that's ludicrous.

THE COURT: Let me ask you this question. So what you're arguing then is, let's say -- let me just do an analogy. Let's say that Deputy Kristy and Mr. Thompson had a contract to do -- to sell a piece of property ---

MS. LANIER: Okay.

THE COURT: --- in 2002. And Mr. Thompson sold the property to Deputy Kristy and she lived in it for 10 years, made payments to him, payments to him, payments to him; and the contract said you got to deliver a deed. And then 10 years later she was going to refinance so she needed to get her deed. And low and behold she found she didn't have a deed. In fact, through negligence or inadvertently her closing attorney, nobody had ever prepared a deed. And then at that point he gave her a deed. Are you saying under that situation that's illegal and invalid because the -- the contract ---

MS. LANIER: No. That has nothing to do with the

Trust law.

THE COURT: Well, it's kind -- Trust law has something to do with contract law.

MS. LANIER: Well, I agree.

THE COURT: Because what you're arguing is, is because the two parties -- because you're argument is they didn't follow what your expert says was the law and the contract and all of this, that they couldn't cure it or agree to it or anything else, but the fact that they allegedly did something years later invalidates or gives you rights to something or a defense to something as opposed to the two parties.

MS. LANIER: Well, but they're basically lying. They're saying that an assignment occurred in 2012, when there is no possible way it could have been accepted into this Trust unless it was done in 2002. So ---

THE COURT: What -- again, what you're saying is, is that if it's done after the time it's supposed to be done contractually, it -- it legally is void or is not valid?

MS. LANIER: But there are -- there is case law to support that.

THE COURT: Okay. I just want to make sure what

because the -- there's a factual allegation and then there's a -- even if this is true, what does it mean to the parties involved versus a third party.

MS. LANIER: Uh-huh.

THE COURT: Okay. All right. May I hear from you on the Trust now.

MS. CASKEY: Thank you, Your Honor.

THE COURT: Yes.

MS. CASKEY: Subject to my objection that none of this is in evidence, the two issues I see with this document are this. One, South Carolina law doesn't require that an assignment of Mortgage be filed in order for ownership of a Mortgage to transfer. I can assign it to you and we don't have to record anything, but I can't do anything with it until I've recorded the assignment of Mortgage. So the Courts have made it clear that assignment of Mortgage has to be filed before the Complaints are filed for foreclosures, right?

THE COURT: I understand.

MS. CASKEY: We all learned our lesson in 2010.

THE COURT: Right.

MR. CASKEY: In this case, that's exactly what

happened. The Mortgage ownership transferred. The assignment got recorded in 2012. There was another one in 2013 when the ownership transferred again, but the recording of the assignment of the Mortgage has nothing to do with when the underlying ownership of the Mortgage transferred. When we're talking about chain of title, its Mortgage, assignment of Mortgage, assignment of Mortgage, Foreclosure Complaint.

THE COURT: What's the chain of title for a Note?

MS. CASKEY: The chain of title for the Note -- there -- I'm not aware of -- it's not recorded. Notes are not recorded.

THE COURT: If you -- if you have the physical ownership of the Note are you the owner of it?

MS. CASKEY: Yes, Your Honor. And you have the ability to foreclose.

THE COURT: If you have a contractual right to it, do you have a ownership interest in it?

MS. CASKEY: You do. And it depends on how the note's made out, of course, as to whether or not you have to have possession of it.

THE COURT: Okay.

MS. CASKEY: That's about the extent of my ---

THE COURT: All right. Let's assume that Ms. Lanier is right that -- let's assume that -- first of all, that this evidence is proper. All right. I know you've got an objections saying this is him putting documents in, it's not our document -- I understand all that and you -- you -- you put that in. Let's assume, though, that those documents are here. Let's assume he's qualified. What I want to know is, is legally, so what? What does her -- even if it's all true, if they for whatever reason did not deliver the deed or did not record something, does she have a right then to say because y'all didn't do this right, somehow I don't have to pay my Mortgage or you can't sue me because I didn't make a mortgage payment?

MR. CASKEY: No, Your Honor. She doesn't. And it's for the same reason that we already highlighted with the first argument. The whole purpose is to protect her from a subsequent event for somebody trying to enforce this debt. This issue here of whether it was properly documented is between the seller and the buyer. If it wasn't properly documented, it's between them. And so what if they fix it later. It's

up to one of the parties to that transaction to complain about whether or not it was done properly. None of it affects the requirement that Ms. Lanier repay the amount that she borrowed. The only issue is to whom, and there's no dispute -- no legitimate dispute that the ownership transferred and was documented at a later date. I don't -- I think your analogy of the deed was right on. It's a so what. So -- so it wasn't filed at the time that the ownership transfer occurred? That has no bearing on whether or not the ownership of the Mortgage actually transferred.

THE COURT: All right. All right. This is how I'm going to rule on that. I'm going to make a conditional ruling on this issue. So what I want y'all to do is by next Friday -- or well, not next Friday. Let's give y'all to the next next Friday because tomorrow is the 30th -- second, third, fourth, fifth, sixth would be the 13th -- the 13th would be next Friday. I want a relatively short memo addressing this issue: A, is his stuff proper. Does this create a question of fact? Was it submitted properly? Is it -- because the -- the rule Ms.

Lanier is this, on summary judgment you can get evidence in that can create a material issue of fact two ways. Ms. Caskey, if you believe I'm stating this incorrectly, please voice your opinion. As I understand, you can create it two ways in essence. You can file an affidavit two days ahead of time, I think, on a summary judgment that says here's my creation of fact. Or, you can put it in as part of Discovery. For example, it could be a response to a Request to Admit. It could be production if it is a certain type of document. So what I hear Ms. Caskey arguing is, is while I can't put it in today, I've already put it in. And what I hear you saying is, you might have filed stuff, but it's not proper -- it's not proper stuff to come in because it's not -- I don't know that it is the authenticated Trust document or pooling agreement, and it's got to be expert testimony. It can't be somebody just saying stuff. You can't, in essence, file something and say I'm repeating what I said in my Answer and that gets me by summary judgment. All right. Does that make sense? Yes, ma'am.

MS. LANIER: So, therefore if ---

THE COURT: Well, let me -- I got one more thing. I got one more thing. Let me finish.

MS. LANIER: All right.

THE COURT: And the third thing is, is even if she's right -- let's assume she's right. Let's assume that what she filed was was the authenticated Trust agreement. Let's assume her facts are all right. Let's assume that it comes in properly in the Summary Judgment Motion as Discovery in opposition to it. We've still got the so what question. Because the issue is, you've got parties over here (indicating) about something they did 12 years ago. She's trying to raise it as a defense. Can she?

MS. CASKEY: Your Honor, if I may just ask one question. I guess my problem here is I don't -- I don't understand what the actual argument is in order to address that question. Because I don't know ---

THE COURT: Well, she ---

MS. CASKEY: --- I don't know -- I have yet to understand what it is that she believes happened incorrectly.

THE COURT: Well. I think what she's said was is

they lied. I think what ---
MR. CASKEY: Who lied?
THE COURT: --- she just said is that the parties -- -
MR. LANIER: Pretty much everybody.
THE COURT: --- the parties -- wait a minute. Let me make sure because that's a valid question.
MR. CASKEY: I just want to make sure. I think what, what I understood Ms. Lanier, in her argument and stuff she submitted, is she said in the chain of title, when the loan was done and it was going from entity to entity and entity, by either pooling agreement my guy says and by the SEC agreements, there were all these time lines that they technically had to do something, they didn't do it timely. They lied. They ---
MS. CASKEY: Which ti- -- which agreements?
THE COURT: Well, she said the first two. I mean she said it on record.
MS. LANIER: South Star to EMC, has nothing.
THE COURT: You can get the transcript, because she says when they did it and which group. But what she's saying is, is they lied. They didn't do what they were supposed to do under

the pooling agreement that I -- that she's claiming is valid and is properly before the Court, and SEC regulations that her -- her expert, she's claiming, says are violations. They lied because they didn't -- again, it's the same issue: they didn't do their contract correctly and timely. Is that correct, Ms. Lanier?

MS. LANIER: They didn't do one at all.

THE COURT: Okay. They didn't -- they didn't transfer the Note and/or the Mortgage, pursuant to their contract, timely, as she says, according to what her expert says is SEC and the pooling argument -- pooling argument. So my question is to both of y'all is, so what? Let's assume they didn't. Let's assume -- I mean I'm not saying they were lying. They could be negligent. They could have just missed it. They could have said, oops, didn't put it in the file, we'll get it to you next week, and that didn't happen. It could be for a lot of reasons. Doesn't have to be lying, but the point is she's arguing it didn't happen. And what I'm -- what I'm trying to figure out is, is there any law that says it

matters. Because they continue to do business. The physical Note went here. The mortgage assignments went here. And even if they did, in between themselves, not comply, either through lying or just being careless or negligent or I made a mistake, does -- does she have a right to come in and say, aha, they didn't do it right and I'm the one making the payments so you can't foreclose against me. Does she have any right as a party not to the contract? And it's -- and I believe, Ms. Lanier, Ms. Caskey said that that is the body of third-party ---

MS. CASKEY: Beneficiary.

THE COURT: --- beneficiary issue. All right. So not the next Friday but the next Friday, I want to get a memo on that. All right. So, the next -- all right. Then the -- all right. Now the next issue other than the Trust issue.

MS. LANIER: There's actually more of the Trust issue.

THE COURT: Okay.

MS. LANIER: If I can -- do you -- would you mind it if I read a quote out of another case that might clarify what we're talking about?

THE COURT: Well, if you -- if you furnished that to her and filed it, I don't -- I don't need you to re-read me stuff. What I'm trying to get to without reading and doing all the volumes of stuff that's been filed, I don't want to read all that and re-argue that because it's been filed. But are there any other -- other Trust issues to -- tell me what the other Trust issues are.

MS. LANIER: The fact that there's any proof at all that Bank of New York Mellon is involved in this and has knowledge that they are. I have suspected for a long, long time, especially when the push back occurred about them not wanting me to depose the Bank of New York Mellon employee versus a Chase employee, that Bank of New York Mellon didn't actually know that they were involved in this.

THE COURT: All right. Let me stop you right here. Let me see if I -- if I understand your argument. There is a lawsuit that is captioned as it is.

MS. LANIER: Correct.

THE COURT: And has got Bank of New York Mellon and a bunch of other names.

MS. LANIER: Well, actually it's just a Trust.
THE COURT: Okay.
MS. LANIER: It has the description of the Trust. Bank of New York Mellon is the only named Plaintiff.
THE COURT: All right. Well, there's a caption here. You agree with me, right?
MS. LANIER: Yes.
THE COURT: There is a -- there are -- the original law firm and this law firm that have been acting on somebody's behalf. So what your argument is, is that there is -- there is a rogue group of people with documents who have hired law firms to file a lawsuit, and that the real owner of the Note has no idea that this is going on.
MS. LANIER: Chase has been proven to have done that several times in New York State and ---
THE COURT: No, no, no, no, no. I'm not asking about other standards and things you read, I'm asking about your case ---
MS. LANIER: It appears suspiciously like some of the cases I have read.
THE COURT: Okay.
MS. LANIER: Yes.

THE COURT: All right. So, that's based on stuff you've read?

MS. LANIER: Yes.

THE COURT: And you're not deny- -- well ---

MS. LANIER: And -- and the fact that they would not let me depose anyone from the actual Plaintiff.

THE COURT: Okay. I don't want to go back into that ---

MS. LANIER: Right.

THE COURT: --- because we've had numerous hearings and -- about that argument.

MR. LANIER: Sure.

THE COURT: Okay. All right. All right. Anything else on the Trust issue.

MS. LANIER: Yes, sir. I also want to know if the Trust still exists and was it in existence. And again, in this same set of documents, which I have copies of today if anybody wants to take a look at them, shows that there was no reporting out of this Trust effective about the middle of 2010. We also have the actual Trust documents that are held on the Wells Fargo database because they are -- were the master servicer and we assumed were named so throughout the life of the Trust. We have

their reports showing that this Trust was zero -- was at a zero balance by, I think it was, November of 2010.

THE COURT: All right. Hold on. Hold on. Because you're getting into your payment argument: that -- that -- not that you paid it off, but ---

MS. LANIER: To me, it's does the Trust exist at all. That's who sued me is the trustee of the Trust.

THE COURT: Okay. All right.

MS. LANIER: So, how can I be sued by something that didn't exist as of the time the Complaint was filed?

THE COURT: Okay. Well, then that -- that's been responded to I think by Ms. Caskey in her memos and everything too where she says, yes, we did, we owned it, we filed this. So that's ---

MS. LANIER: But if the Trust was closed by 2010, how could I be sued by the Trust in 2013?

THE COURT: Okay.

MR. LANIER: Okay.

THE COURT: Well, she's given a response to that. All right. Anything else? Again, not the accounting issue, because we're going to deal with that separately.

MS. LANIER: Right. Right.
THE COURT: But the -- the Trust irregularities and those issues.
MS. LANIER: And the other part of the standing issue is that I -- I also object to the Affidavit of Mr. Devine, because in no place in that document does he provide any proof or even state that he's the document's custodian that has firsthand knowledge of all the records going back to the original servicer which was Alliance Mortgage in 2002. I don't bel- -- I think everything he's written is basically hearsay. You know, he didn't provide any proof of anything. He just, you know, gave the same things that we've seen in Discovery. But the overwhelming issue here is -- all right. Let's -- let's -- I'm kind of going to -- I don't know how to best phrase this. I wish I had a good analogy but I don't. But let's just assume for the sake of argument that everything is hunky dory with the Trust. That everybody did -- that South Star did actually assign or sell the Mortgage to EMC in the first place. EMC sold it into the Trust. Bank One was the trustee and they got bought by JP Morgan Chase

and there is an agreement -- you know, for the sake of assumption there is an agreement that put the Bank o New York Mellon into the trustee seat, okay? Well, their documents and just about every pooling and servicing agreement that I've ever heard of, seen or been told about says very specifically that the trustee has duties which are also -- that's also in some of these documents that I had put into the case before. The duties are very specific. That they cannot know about, touch, see, feel or know the existence of any of the individual Mortgages sitting in that Trust because they're role is to oversee the Trust for -- on behalf of the investors.

THE COURT: All right. Are you arguing that servicer can't foreclose?

MS. LANIER: No, sir. I'm not saying servicer, this is the trustee.

THE COURT: Okay.

MS. LANIER: The trustee is who sued me. But the trustee does not have the authority to enforce the foreclosure based on their own documents.

THE COURT: All right. So ---

MS. LANIER: So, therefore, the only way that the

servicer could -- could have brought -- in all, you know, respects, had JP Morgan Chase been the Plaintiff in this action and named themselves in the caption, they might have had something to go on. But not only did they not name themselves, they are not named anywhere in this. And I know in South Carolina law, Federal law and everywhere on God's green earth, the name of the party with the right to enforce has to be the one that brings the case. So JP Morgan may -- could have brought the case and legally done so and had the authority to do that. But they did not. They hid behind Bank of New York Mellon. The Bank of New York Mellon in no way, shape or form ever has the authority to go after one of the single mortgages in the Trust. Because if they would, it would trigger the tax penalties that were in the Trust, which is 100 percent tax penalty going to all the investors and everybody involved.

THE COURT: All right. So, what ---

MS. LANIER: Which I don't think any bank would ever do that knowingly.

THE COURT: All right. But you said they have?

MS. LANIER: Excuse me?
THE COURT: You said if they did it wrong, like you're alleging that they have, it would have triggered this massive punitive penalties.
MS. LANIER: Certainly. If J -- if Bank of New York Mellon is actually the Plaintiff as it says on the lawsuit, then, yes, sir, that triggers it. And we'll call up the SEC and get things rolling.
THE COURT: Well, whose -- well who -- who -- I mean this lawsuit was filed in 2013. So what you're saying is, is that all these people who would have benefitted by it have been asleep and they haven't discovered that they're due this massive SEC penalty?
MR. LANIE: Yeah. Well, it's an IRS penalty actually.
THE COURT: Or an IRS penalty, and the IRS doesn't know about it.
MS. LANIER: Right. Because nobody's reported it.
THE COURT: Because nobody's reported it yet. Okay. All right. Can I hear ---
MS. LANIER: But the wrong party has been named in the lawsuit. So, it -- how can -- how can the whole thing not be dismissed based on the fact

that the party -- because in order for the servicer to now step in, they would have to be an agent of Bank of New York Mellon. But Bank of New York Mellon cannot have them be an agent unless they themselves had the right to enforce and passed it to them.

THE COURT: And this is based on your reading of their Trust documents?

MS. LANIER: That's based on the Trust documents and laws.

THE COURT: Okay. All right.

MR. LANIER: Lots of appeal work down in Florida has addressed this.

THE COURT: All right. Ms. Caskey.

MS. CASKEY: Your Honor, at this point I'm responding to non-existent documents. I've never seen a document that says that a Trust cannot foreclose for a Mortgage that it owns, so I don't know how to respond to that. I don't believe that's what the document say. I don't believe that's what the law says. I'm arguing a negative because I've never seen any documents that say what Ms. Lanier is saying that they say.

THE COURT: Okay. Well, again, this is the same

kind of Trust thing that -- that -- that what she's saying is, is this is all in these documents that I filed before that you're saying I'm objecting to. Because, one, you don't know if you've got them; two, you don't know if there the correct documents.

MS. CASKEY: I'm saying, Your Honor, that those documents don't say what she says they're saying.

THE COURT: Well, what I'm saying ---

MS. CASKEY: Regardless of whether their admissible, it doesn't -- it doesn't matter.

THE COURT: Well, wait a minute. What I'm saying is, is you -- you can't say that because you haven't seen them; right?

MS. CASKEY: Your Honor, I've seen the documents that she filed in sup- -- or that she submitted in support of McCaffrey's Affidavit. Yes, Your Honor.

THE COURT: All right. So you've seen the Trust agreement that she's talking about?

MS. CASKEY: I -- I believe so. I'm not -- I'm not sure -- she's not identified which documents she's talking about.

THE COURT: All right. If ---

MS. CASKEY: But even if she has, I've reviewed the documents that Ms. Lanier's submitted in this case.
THE COURT: Okay.
MS. CASKEY: Every single one of them.
THE COURT: All right.
MS. CASKEY: None of them say what she says they say.
THE COURT: All right. Does the Trust document -- if a Trust document says -- is silent as to foreclose, does that mean it can't foreclose?
MS. CASKEY: No, Your Honor.
THE COURT: Okay. You say, well Ms. Lanier says legally it means something different. Is that your argument?
MS. CASKEY: Yes.
MR. LANIER: Yes.
THE COURT: Okay. That's an easy legal question.
MS. LANIER: The trustee is not allowed to know about, see, touch or do anything with an instrument ---
THE COURT: All right. What she's arguing and what she said is, under these agreements, trustee can't file foreclosure.
MS. CASKEY: Your Honor, that's not supported by any

law that I'm aware of.

THE COURT: Well, that's -- I agree. What I'm saying is, is -- is not this Friday or (sic) next Friday, I want to see some law that says that. Okay? Because I don't -- I don't -- I'm not aware of any law that says that either.

MR. CASKEY: Okay.

THE COURT: I mean, this is -- this is kind of new to me too.

MS. CASKEY: And I think, Your Honor -- I mean I would just point out that Trust foreclose all the time. They were cre- -- I mean ---

MS. LANIER: They get away with it, yeah, I would agree.

THE COURT: Well, I understa- -- I understand, but what I'm saying is, is there's law that says a Trust can or can't. And what I hear Ms. Lanier saying is, there's this massive thing where Trust apparently all over the nation are filing foreclosures and she's reading about it and they're violating SEC and nobody knows about it.

MS. CASKEY: So you're simply looking for a citation---

MS. LANIER: They're starting to know about it.

MS. CASKEY: --- that says that a Trust can foreclose.

THE COURT: Yeah. And that under this Trust document that you've got, there's nothing that prohibits you from doing it and general Trust laws say we can foreclose. And if you've got a Mortgage foreclosure case that's -- that's the same set of facts and the same thing, cite it and send a copy because I'm not aware of any law that says that.

MS. LANIER: Okay. I've got several.

THE COURT: Well. I understand, but -- but what I'm -- what I'm just very curious about is, it would seem to me given -- with all of the attention that's been given to foreclosure litigation and all the suits we've had and all the different penalties and things, it just would seem that would have been something that we -- that -- I don't know, I just have not heard that argument before. That's a new one -- that's a new argument to me. All right. Now -- all right. So, we've got the -- the Plaintiff owns it. We've got this Trust issue. All right. Is there another issue other than the Trust issue?

MS. LANIER: This is actually part of the same Trust issue but it's just the case of Glaski vs. Bank of America, where Bank of America not only lost their case but the Judge turned back on them and awarded sanctions to the people that were being foreclosed of the same amount that the bank had asked them for. The reason for this is that they had a -- an expert witness that was one of the lawyers that had helped to write the very first pooling and servicing agreements back in 1989 when all of this securitization stuff started. And he basically trans- -- he testified in that case that the Trust did not ever come to own the loan, and, in fact, no one in the chain ever owned the loan. They couldn't possibly own the loan because it's invalid according to the terms of the Trust itself.

THE COURT: All right. Where -- what's the citation for that case?

MS. LANIER: That's Glaski vs. Bank of America and it's ---

THE COURT: I mean you're reading from a case, is it a Federal case, is it a Florida case?

MS. LANIER: It's a -- I think it's an appeals case.

THE COURT: Is it an Ohio case?

MS. LANIER: I think it's appeals.

THE COURT: South Carolina?

MS. LANIER: I'm pretty sure it's -- let's see. It's an appeals case, and I think it's -- it's either Florida or California, I'm not real sure, but I can provide the actual -- I didn't bring all of the whole case.

THE COURT: All right. Please. Okay. Because that -- if you will supply that.

MS. LANIER: But anyway, he said that the alleged transfer of the case -- which was basically the same kind of thing that happened, right at the last minute there was these magical assignments that happened. The alleged transfer took place four years after the operations of the REMIC Trust closed. In our case it was 10 years. State law agrees with New York Trust laws, and pooling and servicing agreements says the same thing. In this case, of course, we're talking about the same situation, but our's took place 10 years after the Trust closed. The other reason is that the loan that they purport was transferred into this Trust by virtue of all of these people that claim to own it because it's

in this Trust, was declared to be in default at the time of the transfer. Now according to their Complaint and all the documents that they put in the records so far, they claim that this loan was in default in 2010. The -- the assignments took place in 2012. So, the -- but my loan, therefore, was declared to be in default prior to going into the Trust. These Trust documents mimic the ones these -- this guy is talking about because the loan was declared to be in default at the time of the transfer; hence the loan was not a qualified loan, is the term they used, under the terms of the pooling and servicing agreement.

THE COURT: All right. Hold -- hold -- hold on a minute. When did you make your last payment?

MS. LANIER: It was, I want to say, September or October of 2010.

THE COURT: All right. So you haven't made a payment since September 2010.

MS. LANIER: No, because I was in discussions with EMC, and believed that the loan was paid off at that time. And they couldn't provide information disputing it.

THE COURT: All right. All right. We'll get into

payment in a ---

MS. LANIER: But anyways, so in other words, the -- there's a set of qualifications that are in these Trust documents. I have the specific page if you want me to pull it out. But there's a list of qualifications for loans to be accepted into the Trust. So the trustee would have been liable for accepting any loans that were outside those parameters.

THE COURT: All right. Was the trustee or anybody part of that lawsuit?

MS. LANIER: Yeah. That's -- this was a Trust -- this was exactly the same kind of thing.

THE COURT: No, no, no. What I'm asking is, is was the trustee part of the lawsuit?

MS. LANIER: Yeah. Bank of America was the trustee in this case.

THE COURT: All right. Okay.

MS. LANIER: So -- but anyway, his argument and what, you know, they agreed was correct, is that had this assignment been a valid assignment in 2012 and my -- using my loan as an example, but my loan had been in default -- actually most loans claim default after 90 days. The pooling and servicing agreement for

my loan says that they cannot accept any loans into the Trust if they are more than 30 days delinquent. Okay. So ---

THE COURT: All right. So again, what you're arguing again is there's an -- that your loan was in default ---

MS. LANIER: My loan was in default and they ---

THE COURT: --- and they took it ---

MS. LANIER: --- took it and tried to transfer it in when it would not have met qualifications.

THE COURT: Then they couldn't do that because their internal agreement says we don't take -- in essence, we don't take bad loans.

MS. LANIER: Right.

THE COURT: But you were claiming, though, that it was paid off?

MS. LANIER: Yes.

THE COURT: So, you were claiming it was paid off but apparently the bank was saying it wasn't?

MS. LANIER: Right.

THE COURT: So they transferred the loan ---

MS. LANIER: We'll get into that when ---

THE COURT: So they transferred a loan that according to you was paid off?

MS. LANIER: It was paid off, but they claimed it

was in default.

THE COURT: Okay. All right.

MS. LANIER: And -- and what he went on to say is, it also means that none of the presumptions under the UCC apply as to possession, holder, or endorsement of the Note because it was an unqualified loan and that they were then claiming that they had transferred into the Trust: in this case four years after the Trust closed, and in my case 10 years after the Trust closed.

THE COURT: Okay. All right. Well, furnish her a copy of that case and any citations.

MS. LANIER: And he said -- he said one of the interesting things is that if the Trust never purchased or acquired the loan, then even the servicer who was named in the pooling and servicing agreement has no claim to being the servicer unless they have another instrument from the true creditor to service the loan, which they don't. If they did, they would be required to disclose the identities of the investors on each loan which would give each borrower a chance to contact those investors. No amount of false paperwork can cure this now.

And that's -- that's basically the summary of that case that they ruled in their favor because they cannot cure that paperwork once all these deadlines have happened.

THE COURT: All right. I -- I under- -- so that's the Trust argument?

MR. LANIER: Yes.

THE COURT: Okay. All right. Y'all -- not this Friday but the next Friday, respond to the Trust arguments. All right. Now, are there any other arguments as to why you're -- other than payment, that you're arguing about summary judgment? Okay. All right. Anything else you want to respond to or you just want to respond to it in the memo.

MS. CASKEY: Your Honor, I'll take the opportunity to respond to it in a memo.

THE COURT: Okay. All right. Now we have the payment issue. As I understand what Defendant is saying, Defendant is saying because they can't -- and again I'm not sure I understand exactly what you're saying. On one hand it sounds like you're saying I don't owe anything. I have paid off the loan. Is that correct?

MS. LANIER: That may well be true. That's my

assumption now.
THE COURT: All right. All right. I'm -- when was the loan made originally?
MS. LANIER: 2002.
THE COURT: Okay. And it went into -- was it a 10 year -- 15, 20?
MS. LANIER: It was a ---
THE COURT: What was the ---
MR. LANIER: No. I think it was a 15 year loan, but it was an interest only loan so that -- and based on the LIBOR market, so ...
THE COURT: So, you paid interest for 15 years and then have a balloon?
MS. LANIER: So I paid interest, but anything else that I paid over and above the actual interest was to go directly to principal.
THE COURT: The principal. Okay.
MS. LANIER: And every time the principal decreased, so did the interest obviously, you know, but ...
THE COURT: At the end of the term, whether it's 10 or 15 or 20, was there a -- would there be a balloon due?
MS. LANIER: Yes, there would be a balloon or a refinance or whatever.

THE COURT: Okay. All right. So again, I'm trying to make sure I understand your argument is, is are you saying that you have records that show you paid it all off?

MS. LANIER: I -- in 20- -- in early 2010 I started ---

THE COURT: Tell me first yes or no, and then explain?

MS. LANIER: Yes.

THE COURT: So -- so one of the things I'm -- I haven't gone back and -- I don't remember what you alleged in your Answer, but your -- you have alleged payment, I paid it off?

MS. LANIER: Yes.

THE COURT: Okay.

MS. LANIER: I believe that to be true.

THE COURT: Okay. Now you paid it off with your payments?

MS. LANIER: Yes.

THE COURT: Okay. All right. Was there an argument in this case that payment was also made by some kind of Federal funds that they may have received in giving you a credit or was that a definite ---

MS. LANIER: Well, I simply said -- I think that was

when we were talking about the Trust showing a zero balance.

THE COURT: Right.

MS. LANIER: But no matter what happened, whether I paid it off or whether they used TARP funds or som- -- in some former or manner, by the end of 2010 the Trust, and therefore all the loans in the Trust, were sitting at a zero balance.

THE COURT: All right. Okay. Again, what I'm trying to figure out though is, is your basis for saying it's paid off.

MR. LANIER: Yeah.

THE COURT: Because if you're saying I paid it off, then you should have a ---

MS. LANIER: A satisfaction of Mortgage.

THE COURT: Well, let's don't get the buggy before the cart at this point.

MR. LANIER: Okay.

THE COURT: And, for example, if -- if I have -- if I owe the jeweler a hundred dollars and I say it's paid off, then I go to the jeweler and say here's my 10, 10 dollars checks which add up to one hundred dollars.

MS. LANIER: Okay.

THE COURT: What you're saying is, is that I had an

interest bearing loan for a term period of time, and then I was going to pay the interest, was it monthly or yearly? How'd you pay the interest payments?

MS. LANIER: Monthly.

THE COURT: Okay, monthly. So, I paid -- so 12 monthly payments a year ---

MS. LANIER: Starting September of 2002.

THE COURT: Okay. However, if I paid -- so, was it a fixed rate or a floating rate?

MS. LANIER: No, it fluctuated.

THE COURT: Okay. So, they would have to send you a monthly statement each month that says you owe this much. Okay?

MS. LANIER: Yes. And the way I addressed that, is everything I had from that point and before was on online banks. And so I simply looked at what most the interest would ever be, which was payment number one, that was about nineteen hundred dollars, and I set my payments to always be some number above that so that I knew that I was making not only interest payments but I was making principal payments too.

THE COURT: All right. We're -- now we're getting into a question of math.

MS. LANIER: Okay.
THE COURT: All right. We're getting into a question of math.
MR. LANIER: Right.
THE COURT: Because if there is a loan document, as you allege, that says we have to make interest payments, and I send you a monthly statement; and if I pay over that, that goes to principal.
MS. LANIER: Right.
THE COURT: Right? How much was the balance of the loan? What was the loan amount that ---
MS. LANIER: Five eighty-two two fifty, I think.
THE COURT: So, $582,000 plus or minus?
MS. LANIER: Right.
THE COURT: So what you're saying then is, is that in the 10 years you not only paid the interest, but in those 12 monthly payments times 10, which would be 120 payments -- is that what it would be roughly?
MS. LANIER: Roughly.
THE COURT: That in those 120 payments, you also paid some amount close to $500,000?
MS. LANIER: Yes, sir.
THE COURT: Okay. And you have checks that show that?

MS. LANIER: I have some checks. I have some bank statements to corroborate with -- their payment record are absolutely in error, and I think that's all I have to prove is that they -- their account was wrong.

THE COURT: All right. All right. Let's back up.

MS. LANIER: Okay.

THE COURT: Back to my original question.

MS. LANIER: All right.

THE COURT: It's a math question.

MS. LANIER: Right. Well, let me -- can I ---

THE COURT: Well, no, no wait a minute. Let me -- because I think we're going -- you're answering a different question.

MS. LANIER: Okay.

THE COURT: It's a math question.

MS. LANIER: It is a math question.

THE COURT: It is simply a math question. Because if -- if there's amoritization schedules that say if my interest payment is a $150 a month and I owe $500,000 and I pay a $1150 instead of just the 150, then I've paid my interest, and the Mortgage amount now is less a, thousand dollars.

MS. LANIER: Right.

THE COURT: Right?
MS. LANIER: Right.
THE COURT: So then the next month the principal is now not 500, but it's 499 and it generates interest.
MS. LANIER: Right.
THE COURT: So, there should be a mathematical way to prove that. Right?
MS. LANIER: There should be, yes.
THE COURT: If you did or did not.
MS. LANIER: I agree.
THE COURT: Okay. And what you're saying is, is that you were keeping a running total monthly. And you were obviously figuring in your head or on a table to show that you have paid it down to zero?
MS. LANIER: Or very close.
THE COURT: Or very close.
MS. LANIER: And that's when I got in touch with EMC back in 2010 -- early 2010. And I said, look -- I said, my numbers -- because quite frankly my company was running and gunning back during that time and I set everything up on online bank and I can't tell you that I even opened the envelopes that the payment statements came

in until I started kind of looking at some things. I was doing something for taxes in early 2010 and I opened one up and I said, you know, that doesn't look right: because I knew that I had paid sixty thousand dollars in principal in the first two payments -- I mean first four payments. And I can tell you how that came about and why I know that. But I started kind of doing the math, and looked back at my own personal business records where I had actually tracked -- for my CPA, I prepare him a summary. And I -- every single year. And I give him -- I would give him the number -- you know how the bank mails you at the end of the year?

THE COURT: Right.

MS. LANIER: They send you a statement of how much interest?

THE COURT: Right.

MS. LANIER: So, I would give him the interest amount and just put it on a spreadsheet so I didn't have to send him all this paperwork. I just say this is what the bank says I owe -- I paid in interest. And then I would go back and look at my 12 payments from that year, subtract

the interest and put a little note out to the side if I knew it -- you know, what the principal would be.

THE COURT: All right. Is there evidence before me today in any affidavits that put that into issue?

MS. LANIER: You have a spreadsheet of my summary of that information. And today I have the actual redacted spreadsheets that I gave to my CPA if you want them.

THE COURT: All right. Do you have actual checks?

MS. LANIER: I don't have actual checks but I have four bank statements that show a payment of $15,000 that was not accounted for. A payment of $10,000 that was not accounted for. And two smaller payments at the end of 2003 -- I think that's when I bought my husband a car, so I didn't make huge payments towards the Mortgage that month --- that don't match the payment records that they provided.

THE COURT: Okay. All right.

MS. LANIER: By a long shot. I mean by August -- now keep in mind my first payment was September of 2002, by March 2003 they were already off on the principal by $17,000, so.

THE COURT: All right. When did you learn that and when did you bring that to their attention?

MS. LANIER: Back in the beginning of 2010 I got on the phone with their customer service people and I said, you know -- and their explanation to me at the time was well, you know, we got this from Alliance, who they were the servicer to start with, and their records weren't the best. I mean the girl actually told me that on the phone.

THE COURT: All right. So they were wrong for seven years before you figured it out?

MS. LANIER: Yeah. Yeah. I mean, like I said, I wasn't -- you know, I trust people as a rule. I figure if I'm sending you a payment, you're going to give me credit for that whole payment and put it in the right place.

THE COURT: Okay. All right. Let me -- let me stop on that because we got several sub issues on this. All right. What I hear her saying is, is because you haven't proven at this point the exact -- there is a question of fact as to whether it is paid off or the debt is correct, she's entitled to summary judgment saying it's all over. Ms. Caskey.

MS. CASKEY: Your Honor, with respect to that question, the -- this is Cross-Motions for Summary Judgement as well, so. The Plaintiff has put forth an Affidavit, with its payments records, and a payoff statement saying this is the amount of the debt. Ms. Lanier -- then the burden then shifts. Once we put forth that evidence, then it shifts to Ms. Lanier. Ms. Lanier has not -- not a single document of any payment made between 2002 and I believe 2008 or 9. Not a single document has been produced in Discovery ---

THE COURT: What about the spreadsheets?

MS. CASKEY: No spreadsheets except the one that's attached to her Affidavit, which is a summary of Lanier records. No idea what those records are. So, she hasn't put forth any admissible evidence, which is the only evidence that matters right now. None of it's been put in -- none of its been produced in Discovery, much less produced in support of her Affidavit at this hearing. You Honor, also, you know, we've mentioned in the record about the bankruptcy.

THE COURT: All right. I want to hold off on bankruptcy. All right. What your argument is,

is that we've put in -- we have put in an Affidavit about what we think it's worth. All right. In your Affidavit -- does your Affidavit say these are the records -- we have records for every payment or does it say this is to the best of our knowledge what the payment is?

MS. CASKEY: It says these are all the records that we have with respect to payment histories. These are all the payment histories for the loan. They begin in 2002 and they stop in 2014 or 15 through the date of the loan -- or the date of the Affidavit. And then there is a payoff statement that has an itemized break down that says this is what we believe is owed, and here's an itemized statement of why.

THE COURT: All right. Is there ever a gap in payment where, I believe Ms. Lanier alleged, y'all had no records for a period of time?

MS. CASKEY: No, Your Honor. There are records. Now are they -- there have been different servicers and there have been different servicing systems, so all of the payment records are not in the same format. So some of the records are much more detailed and frankly

easier to read than others. But the records themselves date back to 2002, and they say this is what was owed for the history of the loan. There is not necessarily an itemized breakdown of payments for those early years of the loan before EMC became the servicer. However, Your Honor, again, we put forth our evidence that we believe this is the amount owed. It shifted to Ms. Lanier and she hasn't put forth anything to rebut it.

THE COURT: I thought she say I filed, according to the Affidavit, a payment summary of what I paid?

MS. CASKEY: No, Your Honor, it's -- it's a payment summary by -- it's -- well, first of all, Your Honor, the summary itself should not be admissible as evidence. You can't summarize records without providing the records. That's not -- that's not admissible ---

MS. LANIER: Your Honor ---

MR. CASKEY: --- under the Rules of Evidence.

THE COURT: Hold on ---

MR. LANIER: I distinctly was trying to save paper.

THE COURT: Well, hold on -- all right. Let's stop for a minute. We've got her response, then

we'll come back to you.

MS. CASKEY: Your Honor, I'm sorry if I seem frustrated by this payment history issue. I have asked Ms. Lanier in Discovery, I filed a Motion to Compel, and I've asked her repeatedly in emails to provide me with these records. They have never been produced.

THE COURT: All right.

MS. CASKEY: And to provide a summary in support of summary judgment is -- is Discovery abuse, it is a waste of the Court's time, and it is a waste of my time and my client's money to require us to respond to something that she will not give us.

THE COURT: All right. Hold on. Have a seat. Because Ms. Lanier, this is -- this is goose and gander time. All right.

MR. LANIER: Well ---

THE COURT: Hold on. Listen to what I want to ask. What I want to ask is, is it seems like you're saying they haven't produced the records showing -- showing payment, all they've given me are summaries. And she's saying these are our business records, that's how we kept it. And she's saying same thing about you, that all

you've done is filed a summary that says this is what I think I've paid but there are no attached checks, there are no attached wires, there are no attached anything.

MS. LANIER: And I understood that I would be able to put evidence into admission today. I had no idea that I had to attach all of that but I've got all of that with me.

THE COURT: All right. Well, I'm very confused because this is a Summary Judgment Motion. We've had numerous -- numerous pre-trial conferences, discussions about rules and orders and -- and things like that.

MS. LANIER: We haven't talked about the payment issue yet until now.

THE COURT: We've talked about the payment issue and the Discovery and who could validate the payment issues numerous times. We've talked about it on conference calls, we've talked about it in here; because that, to me, is one of the big issues. So we've talked about it numerous -- numerous times. But we're in a Rule 56 that has -- that has rules. Where you're coming now saying here, now here it is, when she hasn't had a chance to look at it and

prepare. And our rules are designed not to allow that to happen. Because that's trial -- that's litigating by ambush. All right. Now, tell me about the -- the bankruptcy issue. When was bankruptcy filed?

MS. CASKEY: Your Honor, I believe the second bankruptcy was filed in 2011. There've been a couple of different bankruptcies that have been dismissed and then re-filed and then just dismissed as improperly filed. But in 2011 there was a schedules file that listed the claim for this loan, and it listed the amount of the claim as five hundred and something thousand dollars. There was no indication in those schedules of any claim against EMC or any claim against Chase or any claim against the Bank of America Mellon, who appeared in that bankruptcy by the way. She claims she had no idea who they were, but they appeared in the bankruptcy and objected to the plan; which was eventually not approved by the Court.

MS. LANIER: Excuse me, Your honor ---

MR. CASKEY: But in those schedules ---

MR. LANIER: --- but that's absolutely incorrect.

THE COURT: Wait, wait -- hold -- stop. Stop.

Stop. Sit down. Ms. Lanier, you're going to have your chance.

MS. LANIER: I understand, but that's a lie.

THE COURT: But stop talking.

MS. LANIER: Okay.

THE COURT: All right. Finish.

MS. CASKEY: Yes, Your Honor, thank you. Your Honor, in that bankruptcy Ms. Lanier filed a Chapter 13 plan. The Bank of New York Mellon appeared by filing an objection to the plan. The schedules listed the secured debt, there was an attachment to the memorandum. I'm sorry -- just give me one second and I'll put the exact amount on the record. The schedules listed the claim as having -- related to the property from Schedule D listed the amount as five hundred and fifty-seven thousand fifty-one cent -- fifty-one dollars and twenty-two cents. There's nothing in those schedules that disputes that amount as of 2010. And the reason I bring this up is that when a debtor files something, they sign under penalty of perjury. And at that time in 2010, Ms. Lanier represented that the amount of the claim, without deducting the value of the collateral,

was $557,000. Now she does note that it's disputed, but she doesn't put that anywhere else. There's no explanation in the statement of financial affairs about that amount of the claim. There are payment records that are itemized by month from 2007 forward. The only time period where the payment records are not 100 percent itemized in the way that Ms. Lanier wants is that early 2002 to 2005 time frame when she of course claims she made huge payments towards the loan which she has not substantiated at all. But for the vast majority of the loan history, the payment records show itemized, Your Honor, not summary, itemized payment records that go by month by month by month and tell her exactly what is owed and when. And there is not been a single piece of evidence put in this case to rebut any of that. There's nothing to say that one payment is wrong, that a different payment wasn't attrib- -- you know, wasn't accounted for. None of that evidence is here. Chase is clearly -- I'm sorry. And I keep referring to Chase because they are the servicer. And as Your Honor knows, the servicer is the one who's

really driving this on behalf of the Plaintiff. But the Plaintiff has clearly put forth significant evidence of the amount due and the payments its received, and there's been nothing offered in response other than a summary that has no foundation and is completely inadmissible. In addition, it's based on information that's never been provided to the other side.

THE COURT: All right. Let me ask another issue. What does the law say about the ability of somebody who signs an affidavit in Bankruptcy Court, can they then go to the State Court and take and take an opposite view in State Court as it relates to a Note and Mortgage? And I guess what I'm saying is, is there not law that says that if I go in and I seek bankruptcy protection and I say I want bankruptcy protection and I have this Mortgage, I can't then go when I'm kicked out of Bankruptcy Court and go to State Court and say it's not valid?

MS. CASKEY: That's correct, Your Honor. And that's cited in page six of the Memorandum in Opposition. It is judicial estoppel for a party to do that.

THE COURT: And it's specifically in a bankruptcy foreclosure case?

MS. CASKEY: The case cited here, Your Honor, I don't believe that this is a specifically a bankruptcy case or a bankruptcy foreclosure case, Your Honor. The cases cited are bankruptcy cases that say that a debtor -- a Defendant has to identify claims or defenses in their schedules, which -- it gives rise to these State Court cases that talk about judicial estoppel. If you fail to do that in bankruptcy, then of course you're prevented from doing that in the future.

THE COURT: Okay. All right. So when she swore in her Affidavit, it said how much was owed on her schedule?

MS. CASKEY: Five hundred and fifty-two thousand dollars I believe, Your Honor, in the schedules.

THE COURT: All right. But she -- but there is some indication it was disputed?

MS. CASKEY: She was disputing it, yes, Your Honor.

THE COURT: Okay. All right. Okay. Ms. Caskey (sic).

MS. LANIER: I don't know where to begin. First of

all the documents in the bankruptcy, I was instructed by both the bankruptcy instructions and an attorney that I sought some advice from that I had to put down what the debtor -- what the creditor claimed I owed. And the last statement that I found, that was the number on it. I then subsequently put in an amended schedule disputing that because I believe that, you know, the loan to be paid off or almost paid off at that time. And plus, the law that she stated about the bankruptcy does not apply. Because every single case that has been brought up in any Court about that uses, as a precedent, a case that has actually gone through bankruptcy. I was still -- by the time our bankruptcy case was dismissed, we were still -- we still had the ability to amend schedules.

THE COURT: All right.

MR. LANIER: We were in the process of doing that.

THE COURT: Time out. Time out, though. I want to make sure I understand you legal argument. Your legal argument says that, that that case law is only applicable if the case goes forward ---

MS. LANIER: Right.
THE COURT: --- or is finished.
MR. LANIER: Right.
THE COURT: And the fact that you swore, you're in essence saying a person could lie ---
MS. LANIER: No, I swore ---
THE COURT: Let me finish. That a person could change their mind, falsify, say one thing today, one thing tomorrow, because they have the ability to amend. So, they're not bound -- -
MS. LANIER: I was told to put down the amount that the creditor claimed I owed.
THE COURT: Okay. I mean, you put disputed.
MS. LANIER: And I put in ---
THE COURT: You put disputed?
MS. LANIER: Yes.
THE COURT: Okay. You put disputed, right?
MS. LANIER: Yes. But I still had the ability to amend ---
THE COURT: Okay.
MS. LANIER: --- even up until and through the day that the thing was ---
THE COURT: But what -- you filed. Regardless if you got good advice or bad advice ---

MS. LANIER: Right.
THE COURT: --- you signed, you filed ---
MS. LANIER: Yes.
THE COURT: --- you put this amount ---
MS. LANIER: I believe that's what they were asking me for at the time.
THE COURT: Right. And you put disputed.
MS. LANIER: Yes.
THE COURT: Okay. All right. You may continue.
MS. LANIER: So, that is that part of it, and I'm kind of losing track as to where we are.
THE COURT: Well, hold on -- hold on. We're on the bankruptcy. All right.
MS. LANIER: And talk about being ambushed, I got that -- that documentation about the bankruptcy about 5:30 p.m. last night. So, I kind of haven't had a lot of time to get prepared for that either.
MS. CASKEY: Your Honor, if I could just -- I believe it's your preference today to try to stay on the smaller issues as we can.
THE COURT: Right.
MS. CASKEY: If I might address why I think the bankruptcy issue is important. Ms. Lanier has testified in her Affidavit that EMC told her

the balance zero in 2010. If what she's saying is true, that when she put her schedules under penalty of perjury and said the claim was five hundred and fifty-plus thousand dollars, she's acknowledging that in 2010 EMC did not believe that that claim was zero. And there's no evidence whatsoever that they ever told her that it was paid off. And that's why I think it's important. Two, I do think it's important what a debtor puts in their schedules. Ms. Lanier's confusing res judicata with judicial estoppel. Res judicata, which is what those cases are based on, do clearly say that you have to have to the final order. Because it's not fair, right, for a debtor just to name a claim and then not do it -- you know, be held to that. But the judicial estoppel is when you tell one Court one thing, you can't go tell another Court another.

THE COURT: I understand that. It's clear -- there's clear law and I understand that you can't -- you can't -- if you swear, you're bound by what you said on that day.

MS. CASKEY: And that's all I wanted to say, Your Honor.

THE COURT: All right. Yes, ma'am.

MS. LANIER: And she's putting words in my mouth. I never said that EMC said that there was a zero balance. I said that I contacted them to get them to recalculate their figures based on what I was coming up with. And they told that they were in research and that they had some sloppy records from back in the Alliance Mortgage days; and that they were doing research. I called them constantly. I called them probably once a month in 2010 until I finally decided, well, if you're not going to give me any information I'm just not going to pay you, maybe that'll kind of build a fire under somebody to give me the information that I've asked for. And so that's really what happened. I did not ever say that EMC said there was a zero balance. I said I alleged that there might be. There might be a zero balance or there might -- I might owe one hundred thousand dollars. I didn't know where we were, but I knew their math was very, very far off from mine that I had kept up with over all those years.

THE COURT: Okay. All right.

MS. CASKEY: I just want to point out, Your Honor, I'm reading from Ms. Lanier's Affidavit. This is what I'm talking about. A statement made after receiving information indicating that the loan was recorded on EMC's records as having a zero balance.

MS. LANIER: That was from Mr. McCaffrey's information.

THE COURT: All right. I mean, you -- you ---

MR. CASKEY: It's in her Affidavit.

THE COURT: Is your -- okay. All right. Okay. Anything else?

MS. LANIER: I would like to go over the payment records if you don't mind.

THE COURT: This is not the -- summary judgment is not the trial. What summary judgment says is, there has to be two things to grant a summary judgment. There has to be, A, no legal dispute: no legal dispute about do they have a right to do the debt. The payment history -- in order -- it sounds like to me what you're saying is, is they think the number is X, I think the number is Y. Because you don't -- admittedly, you don't know what the number is. You've said -- you've said ---

MS. LANIER: I've been asking for it for years.
THE COURT: I mean for -- for -- looking at the numbers just objectively, the number could be as high as five hundred and seventy two thousand dollars or it could be zero. Right?
MS. LANIER: Pretty much.
THE COURT: Because you -- one thing you say, I think it's zero, and then but you said what they think it is. Right? So it could be anywhere in between ---
MS. LANIER: Okay.
THE COURT: --- those dollars. The only way to prove that -- they have a -- they have put forward what -- what they say in their Affidavit is the payment -- is the payment amount. All right?
MR. LANIER: Okay.
THE COURT: You're saying I think it is a different amount.
MS. LANIER: Yes.
THE COURT: Right? All right. The fact that you're disputing the debt amount, do you -- are you arguing that means I can dismiss the case at summary judgment because I dispute the debt amount?

MS. LANIER: I have proof to dispute the debt amount.

THE COURT: Okay. All right. But that doesn't ---

MS. LANIER: And they can't provide a to the penney accounting, I don't believe the foreclosure can be ---

THE COURT: All right. We're at summary judgment. They have provided their accounting. They have provided at summary judgment what they believe is their proof. What I'm saying is, is I don't think I can grant summary judgment on your part because it sounds like to me what you're saying is, is I'm coming up -- because you can't even say. You can't tell me whether it is zero ---

MS. LANIER: I can't, but I can show you three instances of -- four instances of payments that are absolutely diametrically opposed to what they have on their records.

THE COURT: All right. That's fine. That's fine. That doesn't mean the lawsuit gets disputed because they calculated it wrong. For example, in that jewelry case thing.

A: Uh-huh.

THE COURT: If I owe them one hundred dollars and I come in and say here's my checks, I paid 10 of

them. And they say no, you owe us thirty dollars. And I say no, here's my checks. And they show up that day and say yeah, you gave me 10 of them but three of them bounced. All right. That comes out in the trial and the trial, through the finding of fact, establishes the debt amount.

MR. LANIER: Okay.

THE COURT: You can't just show up at summary judgment and say I think it's a different amount. We disagree. Therefore, I win, case is over. I mean that's not the way summary judgment works. So I'm denying your Motion for Summary Judgment because you, by your own admission, don't know what the debt is. Because you said it could be zero, it could be this, it could be up to five seventy to what you filed: anywhere really from almost zero to the point. Now the question is, is in your Summary Judgement Motion, did you say the debt -- we have proven the debt amount is this?

MS. CASKEY: Yes, Your Honor.

THE COURT: All right.

MR. CASKEY: We believe the burden has now shifted to Ms. Lanier to dispute that fact.

THE COURT: All right. Has she put in evidence to dispute it?

MS. CASKEY: No, Your Honor.

THE COURT: All right.

MS. CASKEY: And we believe not the only evidence that was offered was her Affidavit, where again she said that she believed that the amount was zero in 2010, and then she puts forth a statement that she has records. And that would be talking about hearsay documents, right? These are documents that are not attached to the Affidavit. There's no description on these documents whatsoever. She doesn't list what they say. She doesn't even state in the Affidavit that I believe that X amount is owed and here's why. And instead, the only thing that's attached is a year by year summary where she says that she paid a certain amount of principal each year. There's no backup documentation. Summaries are only appropriate when the documents themselves are too voluminous and you still have to produce the documents themselves.

THE COURT: All right. That's the second issue -- that's the other issue I want y'all to brief.

MS. CASKEY: What issue is that?
THE COURT: Has she put in -- is the summary -- because what -- Ms. Lanier, what the law says is that you can come in and make all the legal -- all the legal argument you want, but if the facts aren't in evidence properly, then you're just making argument over -- over stuff that's not properly before the Court.
MS. LANIER: Okay.
THE COURT: So what ---
MS. LANIER: Many of those documents were already in there, and that was a part of Discovery.
THE COURT: All right. No, we're talking about payment now. We're talking about -- we're on the payment history issue now.
MS. LANIER: This zero balance thing is ---
THE COURT: Okay. What -- again -- what -- there's only -- the only person who could really prove payment is the person is who wrote the check or wired it. Because -- I mean think about it. The only person who could really prove it is the person who wrote the check or wired it. Because, then, think about it; the only person who could really prove it is the person who wrote the check or wired it. Because the

person receiving the check doesn't keep the checks. They create a payment history log like they have done. So, the only proof they can offer is the log. This is what we've done, this is what we kept in ordinary course of business. The only -- and if they say it's X, then it's up to the person -- the burden shifts. It's up to the person contesting that to come in and say no, you don't. Here's my check, here's my check, here's my check, here's my check, here's my check, here's my wire, let's do the math. And what I' hearing Ms. Caskey say is, we've done what we were supposed to do Here's our stuff. All she's done is said -- in essence, what she said in her Answer, I've made the payment, I think it's zero. But you haven't provided documentary proof.

MS. LANIER: I understand. I -- I admit that. I mean, I just -- I simply was putting together -- I had my own business records that corroborate where I got my numbers on that statement.

THE COURT: All right.

MS. LANIER: But I have not gotten a chance to redact them in time to get it submitted and

thought I could bring them today.

THE COURT: Well, I understand. But we've been doing this for months and months and months and months and months and months and months and months. This has been going on through scheduling through conference calls. I mean a lot of stuff, and I -- I have -- I have to use the same set of rules for you that I do for her.

MS. LANIER: I understand.

THE COURT: Okay. So, what I want to -- what I want to see then is, is in your memo, is she saying I -- I have put in proper evidence that creates a question of fact. Not that she wins, because clearly she doesn't win hers (indicating). Clearly she doesn't say because there is a disputed issue of fact to the debt amount, foreclosure's gone. Because that would mean every debt case never would go to trial. You'd simply file the summary judgment, say I think it's a different amount, and send some checks in. Okay? So she doesn't win. The question is, is do you win.

MS. CASKEY: Understood.

THE COURT: Do you win because you say, I have put

in evidence. Because all I've got are business records. I put in my evidence, and she has not put anything in to counter it. And then cite the law and you have the ability to say this case or this law says I can, or this counts or this creates the fact. A simple summary. Summaries without the actual checks, the underlying documentation, create an issue of fact. Because, for example, if the checks were all in, if you had all the checks in and you say this shows a different amount then they do, clearly that's a question of disputed fact. Then we come in and they bring in their witness and we -- you know, y'all get calculators and do charts and stuff like that and we do all the math charts. The problem is, is we're at summary judgment and it's not a trial. It is a summary judgment. So -- and I'm bound by the standards. And what she's saying is, is I've done it right, she hasn't. So what I'm ruling is, is she doesn't win hers. I'm delaying ruling on ruling on yours on those two issues. Because if her evidence is proper, it creates a question of fact which she lives to fight another day and we have a trial not on do they

own the Note, but what the debt is. Because if you're saying it's six hundred thousand dollars and she comes in and says I paid four hundred of it all, she got a right to do that. All right? So does that make sense what we're doing? Because I've ruled -- and what I want you to do is -- Ms. Caskey you're Plaintiff. So, if you'll send the email out to -- to everybody that says, in essence, this: you have issued a ruling from the bench that I'm going to prepare a short order that says as follows. And then do what I've ruled on about being the owner of the Note and other things and that you're getting the research in by this date. Very short form for order.

MS. CASKEY: In denying her Motion as to the amount of the debt?

THE COURT: Yes.

MS. CASKEY: Okay.

THE COURT: What -- well, because it doesn't dismiss the case.

MS. CASKEY: Right. I understand.

THE COURT: All it would do is create an issue of fact so.

MS. CASKEY: Okay.

THE COURT: All right. Does that make sense for both of y'all?

MS. CASKEY: Do you -- then do you -- okay. If it's all right with Your Honor, I will -- excuse me. I will summarize the research issues so that we are crystal clear on ---

THE COURT: Okay.

MS. CASKEY: --- on the briefing.

THE COURT: Yes.

MS. CASKEY: Okay.

THE COURT: And if you will, if that's what the -- I want you to do an email.

MS. CASKEY: Correct.

THE COURT: I want you to send an email around that says these are the research issues, this is what you've ruled on, I'm going to be submitting a short order -- you know, very short saying this, and then we're going to get our memos in on these other two issues which you delayed ruling on 'til two weeks.

MS. CASKEY: Correct.

THE COURT: All right.

MS. CASKEY: Yes, Your Honor.

THE COURT: All right.

MS. CASKEY: Can we address, I'm sorry, the HAMP

issue before ---

THE COURT: Yes. Yes.

MR. CASKEY: I'm sorry.

THE COURT: HAMP issue. All right. Ms. ---

MS. LANIER: I simply -- and of course I guess I can't show it to you, but I have the copy of everything that I did submit in my document that I put in the record today: the email from Ms. Caskey giving me the opportunity. It says -- she -- she had -- I'll give it a little history. Back in August or so, she had forwarded an email to me with an application for ---

THE COURT: August of this year?

MS. LANIER: Yes.

THE COURT: Excuse me. Okay.

MS. LANIER: An application for a modification or a refinance or a list a number of things. I think I put that in one of my pleadings someplace. And I explained to her at the time -- and actually I contacted the num- -- the email on the document from Chase; because they said if you had any questions or needed a deadline changed or something to call -- to contact us. So, I contacted them and said that

I would be very interested once we settled the matter on whether there's a debt owed and how much it might be. I would be very interested in talking to them about any of these options that they offered. But, I would not be able -- some of the -- they had a list of required documents, and they asked not to send any of the stuff until you had it all. And my CPA had filed a extension on my personal and business taxes for last year. And so those weren't all due until October 15th. So, I explained to them that I wouldn't have certain (sic) of the documents that they were asking for, because they did ask for tax returns and that kind of thing, until after that date; and what should I do? Could they extend the deadline to the end of October, middle of November or whatever? And I got a response back from Ms. Caskey that she was in receipt of -- she referred to it as a Complaint. I don't know. With the executive office of Chase I was merely asking for a deadline extension. Requested an extension to provide the necessary documents to be considered for a loan modification, please accept this email as a response. As indicated

below, you are free to provide the documents when you are able. And a review will be conducted once a complete application is received. Should you have any further questions, please let me know. That indicates to me that we are in some form of negotiation. And I believe, according to Justice Toal's orders, to proceed with the foreclosure while that's going on is what she always referred to as dual tracking. So, that's -- that's my point there. We are still looking at that. And they did indicated in their own documents that this does follow under the HAMP, you know, proceedings, and so that's what Justice Toal's order referred to.

THE COURT: Okay. Ms. Caskey.

MS. CASKEY: Your Honor, there's obviously two administrative orders. First the 2009 order I think is absolutely been complied with because all it requires that we do is put a statement in the Complaint that says this is subject to HAMP.

THE COURT: Right.

MS. CASKEY: And at that point she had not been approved for any loan modification.

THE COURT: Right.

MS. CASKEY: So, we're with the 2011 foreclosure intervention order.

THE COURT: Right.

MS. CASKEY: It requires that we give her notice of the opportunity to apply. We did, and she has in writing and again today reiterated that she is not willing to apply or be considered for a loan modification until we confirm the amount of the debt. That to me is almost a pre-emptive rejection of whatever we offer. Two, I checked yesterday afternoon, there was no pending application that Chase had received. And even if there was, it doesn't prevent Your Honor from moving forward. Obviously, if there's a pending loan mod reviewed then the foreclosure sale ---

THE COURT: Right.

MS. CASKEY: --- final hearing can't go forward, but nothing prevents Your Honor from ruling on these issues.

THE COURT: Right. I understand. And she's correct. HAMP's different from 211. And my assumption is, is that there isn't any CFPB or -- is this a home loan or a commercial loan or

---

MR. CASKEY: Home.

MS. LANIER: It's a resident- -- my personal residence.

THE COURT: Okay. All right. My assumption is, is that none of the CF -- the new CFPB stuff had been triggered. So, the 2011 order, although Chief Justice Toal did talk about dual tracking and stuff, she also indicated that -- recognized that this is a lawsuit, and that lawsuits happen, and every other form of lawsuit in the world moves forward while you're having settlement discussions. Because in other words, you don't have to have all the settlement discussions before you can do a lawsuit. We can't go to a final sale. So theoretically, if the Court were to find that the 2011 has been in complied with, I could still issue an order and then say, but it does not go to sale until y'all indicate there is no foreclosure intervention discussion going on. So -- and what you've said is -- what Ms. Caskey said is you said, I ain't filing anything until I know what the debt is. And --

-

MS. LANIER: Wouldn't that make sense. I mean ...
THE COURT: Well I -- I understand. I mean I understand where we are, but it makes -- it also makes sense that you can't -- you can't say I'm not going to file because they hadn't proved the debt, so they get punished by it. That's not -- that's not the spirit or letter of the order. So what will theoretically happen is, is for example -- let me just give you an example. If this was a routine default foreclosure and you were in complete default and you had been talking with the servicer; and Ms. Caskey, who doesn't come in for routine default foreclosures, came in and handed me the package and you walked in the door and said, I'm talking with your people about a loan mod, the she would go, who knew? They don't tell me a thing. They never tell me, those two departments. What I always do is, is I say fine, I'm going to review the documentation but we're not going forward 'til -- to sale. I put it off an extra month to allow the parties to confirm the status of the loan modification. And what I require the attorney to do is, the Monday before not the next sale but the next

sale, to send an email to you and to me that says one of three things: I ain't heard from her since she came in and said that; two, she was telling the truth, we're modifying, don't sell it; or we're still talking, don't sell it. So, that's what we do. We make sure if there is ongoing foreclosure intervention going on, that you would have an opportunity. So, for example, if -- if we have a trial or if we get a summary judgment order that says the evidence established that you owe them, I don't know, $300,000 -- I'm making up a number, I don't even know what the -- I don't even remember -- I've read so much and seen so many different numbers, I don't even know what y'all are claiming dollar-wise. But say it was #300,000 and you said, I can deal with that number. I want to do the foreclosure intervention now. Well, I could sign an order and say we're going back it off we're not selling it next month and y'all go see if y'all can do the foreclosure intervention. And we'd do the order but we would not sell the property until y'all -- you had an opportunity to get your documents in and they had received it. Because, theoretically,

they want a performing loan, you want to stay in -- stay in where you are. Right? So you will get an opportunity, if it gets to that point, to do that. That's how I handle it. Does that kind of make sense?

MR. LANIER: Uh-huh (affirmative response).

THE COURT: Okay. All right. So -- because you haven't filed something now that says on this latest thing -- or have you?

MS. CASKEY: Well, Your Honor, I filed after Ms. Lanier indicated that she was not willing to apply for a loan modification because she disputed that the debt was owed in the first place. I did file the Certification of Counsel. So, we would have to re-open the foreclosure intervention if she were to apply. And of course at that point, I would be under duty to let the Court know whether there was anything pending.

THE COURT: Okay. Well, then what I want y'all to do then is to -- to -- because you've already filed it?

MS. CASKEY: I filed it about a year ago.

THE COURT: Okay. All right. And -- and -- all right. On the latest one?

MS. CASKEY: There is no latest one ---
THE COURT: Okay.
MR. CASKEY: --- that's been a problem.
THE COURT: Okay. You say, when I told them I had to wait, that was a year ago?
MS. CASKEY: No. No. Your Honor, she -- she sent -- we were in settlement negotiations. We made an offer that she rejected. I then said, are you interested in a loan mod? She said, no.
THE COURT: Okay.
MS. CASKEY: We didn't -- I didn't re-file anything after that happened.
THE COURT: Okay.
MS. CASKEY: Because, again, I -- she's always open to -- I mean settlement negotiations ongoing -- as Your Honor's mentioned, she's always open to sending documents. She just hasn't done so yet. So, I can't certify that anything is open or closed until she sends in the documents to be considered for a modification.
THE COURT: Okay.
MS. CASKEY: There's no open review is my point.
THE COURT: Okay. Well then at some point everybody's got to be alert to the landscape can change. Because -- and that -- because

some of this is contractual. I mean what y'all are -- y'all are saying is, is -- and I don't want to know -- I don't need to know about a settlement negotiations, I don't want to hear about them. All I'm saying is, is at some point one or both sides can say I ain't talking anymore. The only way foreclosure intervention acts as a break is if there has been an application filed. You can't be talking about it or thinking about it, but one has to be requested and filed. All right.

MS. LANIER: I'm curious, since you've done this forever and I don't care if this is on the record. But I have been told that by filing the paperwork before we settle the dispute about what is owed, could be almost a contractual obligation that I'm accepting what they say is owed. That's been my hesitance.

THE COURT: I don't -- I don't -- again, I don't -- I never had that issue come up. I can't give you legal advice. But it would seem to me that you can -- that you can certainly craft and draft a phrase that says, here's my application, it's pending -- it would seem to me y'all could resolve that issue fairly --

that sounds like a drafting issue. I don't want to talk anymore about it because ---

MS. LANIER: The forms that you get from Chase are all -- you know, they're just forms.

THE COURT: I understand, but under the foreclosure intervention order, she's supposed to be getting copied too. So -- so if -- if y'all need to do this, again, y'all need to figure out how to do this. That's all I can say or do. But at some point ---

MS. LANIER: That's been my hesitancy.

THE COURT: Okay. Well, y'all -- y'all raise that to each other. Y'all are free to deal with that as you can, but I can't get involved in settlement stuff. I can only be involved in foreclosure intervention. And foreclosure intervention is not necessarily the same thing as the settlement offer. All right? Because a settlement offer, the Court's not involved in; foreclosure intervention, the Court is. So I'm just saying that's all I can be involved in. Because the 2011 order specifically says, Court hears disputes about foreclosure intervention. It doesn't say Court hears disputes about the settlement offers. All

right? Okay. Anything further from either of y'all?

MS. CASKEY: No, Your Honor.

THE COURT: Okay. All right.

MR. LANIER: Thank you.

THE COURT: So, we'll do the email and then the short order. And then not next Friday, but the Friday after, the two main issues we've talked about. Okay. All right. Okay. Thank y'all.

(There being nothing further, the hearing concluded at 3:50 p.m.)

STATE OF SOUTH CAROLINA) IN THE COURT OF COMMON PLEAS
) ELEVENTH JUDICIAL CIRCUIT
COUNTY OF LEXINGTON)

FILED
2016 SEP -3 PM 4:43
BETH A. CARRIGG
CLERK OF COURT
LEXINGTON
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The Bank of New York Mellon, f/k/a The Bank of New York as successor-in-Interest to JPMorgan Chase Bank, N.A. As successor-in-interest by merger to Bank One, N.A. as Trustee for Structured Asset Mortgage Investments Inc., Mortgage Pass-Through Certificates, Series 2002-AR4,

Plaintiff,

vs.

Cathy G. Lanier; Branch Banking and Trust Company; Regions Bank,

Defendants.

CASE NO.: 2013-CP-32-01709

NOTICE OF APPEARANCE

YOU WILL PLEASE TAKE NOTICE that S. Jahue Moore provides this Court with notification that he is now attorney of record for Defendant, Cathy G. Lanier.

MOORE TAYLOR LAW FIRM, P.A.

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ATTORNEY FOR DEFENDANT CATHY LANIER

September 20, 2016
West Columbia, South Carolina

ORIGINAL

STATE OF SOUTH CAROLINA

COUNTY OF LEXINGTON

IN THE COURT OF COMMON PLEAS

DOCKET NO.: 2013-CP-32-01709

The Bank of New York Mellon, f/k/a The Bank of New York as successor-in-interest to JPMorgan Chase Bank, N.A. as successor in interest by merger to Bank One, N.A. as Trustee for Structured Asset Mortgage Investments Inc., Mortgage Pass-Through Certificates, Series 2002-AR4,

Plaintiff,

v.

Cathy G. Lanier; Branch Banking and Trust Company; Regions Bank,

Defendant(s).

(506443.01216 CSG)

NOTICE OF TRANSFER WITHIN FIRM

You will please take notice that the responsibility for the representation of the Plaintiff, The Bank of New York Mellon, f/k/a The Bank of New York as successor-in-interest to JPMorgan Chase Bank, N.A. as successor in interest by merger to Bank One, N.A. as Trustee for Structured Asset Mortgage Investments Inc., Mortgage Pass-Through Certificates, Series 2002-AR4, in the within action has been transferred within the firm of Rogers Townsend & Thomas, P.C. to Charles S. Gwynne Jr., Esquire, and that all future pleadings, motions, notices and correspondence herein should be directed to the undersigned.

Charles S. Gwynne Jr. (SC Bar # 73844)
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Attorneys for Plaintiff
Rogers Townsend & Thomas, PC and its staff are debt collectors

FILED
2017 MAR -7 AM 10:55
LISA M. COMER
CLERK OF COURT
LEXINGTON SC

March 6, 2017

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STATE OF SOUTH CAROLINA
IN THE COURT OF APPEALS

APPEAL FROM LEXINGTON COUNTY
Court of Common Pleas

James O. Spence, Master-In-Equity

Case No. 2013-CP-32-01709

The Bank of New York Mellon, f/k/a The Bank of New York as successor-in-interest to JPMorgan Chase Bank, N.A. as successor in interest by merger to Bank One, N.A. as Trustee for Structured Asset Mortgage Investments Inc., Mortgage Pass-Through Certificates, Series 2002-AR4,

Respondent,

vs.

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APR 11 2017
SC Court of Appeals

Cathy C. Lanier; Branch Banking and Trust Company, Regions Bank,

Appellant.

NOTICE OF APPEAL

Cathy C. Lanier, appeals the Order of the Honorable James O. Spence, dated March 21, 2017. Appellant, Cathy C. Lanier, received written notice of entry of this Order on March 30, 2017.

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ATTORNEYS FOR APPELLANT,
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