

# SECURITIES AND EXCHANGE COMMISSION

## FORM 424B5

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### FILER

#### MORSERV INC

CIK: **918643** | IRS No.: **133784934** | State of Incorpor.: **DE** | Fiscal Year End: **1231**  
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SIC: **6189** Asset-backed securities

Mailing Address  
300 TICE BLVD  
WOODCLIFF LAKE NJ 07675

Business Address  
ONE CHASE MANHATTAN  
PLZ  
NEW YORK NY 10081  
2125521358

\$203,426,604 (APPROXIMATE)

MORSERV, INC.

DEPOSITOR

MULTI-CLASS MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 1996-2

<C>	<S>	<C>	<C>	<C>	<C>	<C>	<C>
\$ 114,282,033	Adjustable Rate(1)	Class IA-1	Certificates	\$ 36,521,592	7.25%	Class IIA-1	Certificates
\$ 0	Adjustable Rate(2)	Class IA-2	Certificates	\$ 501,860	(3)	Class IIA-P	Certificates
\$ 27,585,318	(3)	Class IA-3	Certificates	\$ 4,658,626	7.25%	Class M	Certificates
\$ 15,763,039	7.25%	Class IA-4	Certificates	\$ 2,070,499	7.25%	Class B-1	Certificates
\$ 490,762	(3)	Class IA-P	Certificates	\$ 1,552,875	7.25%	Class B-2	Certificates

</TABLE>

(1) The Class IA-1 Certificates will accrue interest at a per annum rate of 6.2875% through September 24, 1996. Thereafter, the Class IA-1 Certificates will accrue interest during each succeeding Floating Rate Interest Accrual Period (defined herein) at a per annum rate equal to LIBOR (defined herein) plus 0.85%, subject to a maximum rate of 9.00% per annum and a minimum rate of 0.85% per annum.

(2) The Class IA-2 Certificates will have no principal balance, but will accrue interest on the Class IA-2 Notional Amount (defined herein) (initially \$114,282,033). Interest will accrue on the Class IA-2 Notional Amount at a per annum rate of 2.7125% through September 24, 1996. Thereafter, interest will accrue on the Class IA-2 Notional Amount during each succeeding Floating Rate Interest Accrual Period at a per annum rate equal to 8.15% minus LIBOR, subject to a maximum rate of 8.15% per annum and a minimum rate of 0.00% per annum.

(3) The Class IA-3, Class IA-P and Class IIA-P Certificates will be entitled to principal only.

PRINCIPAL AND INTEREST PAYABLE ON THE 25TH DAY OF EACH MONTH

The Series 1996-2 Certificates will consist of the seven Classes of Class A Certificates set forth above (collectively, the "Class A Certificates"), the Class M Certificates, the Class B-1, Class B-2, Class B-3, Class B-4 and Class B-5 Certificates (collectively, the "Class B Certificates") and the Class R Certificates. The "Certificates" are the Class A, Class M, Class B and Class R Certificates, referred to collectively. The "Offered Certificates" are the Class A, Class M, Class B-1 and Class B-2 Certificates, referred to collectively. The "Non-Offered Class B Certificates" are the Class B-3, Class B-4 and Class B-5 Certificates, referred to collectively. Only the Offered Certificates are offered hereby.

The Certificates will represent beneficial interests in a pool (the "Mortgage Pool") of fixed rate one- to four-family first lien mortgage loans originated or purchased by The Chase Manhattan Bank (the "Mortgage Loans") and certain related property (together, the "Trust Fund") conveyed by MorServ, Inc. (the "Company"). The Offered Certificates will be issued in the initial principal amounts set forth above and the Non-Offered Class B Certificates will be issued in the aggregate initial principal amount of approximately \$3,623,376. Chase Manhattan Mortgage Corporation will serve as Master Servicer (the "Master Servicer") of the Mortgage Pool. Capitalized terms used and not otherwise defined herein shall have the respective meanings described to such terms in the Prospectus dated August 23, 1996 attached hereto (the "Prospectus").

(cover continued on next page)

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PROSPECTIVE INVESTORS IN THE OFFERED CERTIFICATES SHOULD CONSIDER THE FACTORS DISCUSSED UNDER "RISK FACTORS" BEGINNING ON PAGE 15 OF THE PROSPECTUS.

The Offered Certificates will be purchased from the Company by Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ") and Chase Securities Inc. ("CSI" and, together with DLJ, the "Underwriters") and will be offered by the Underwriters from time to time in negotiated transactions or otherwise at varying prices to be determined at the time of sale. Proceeds to the Company from the sale of the Offered Certificates will be approximately \$196,300,000



the Company, The Chase Manhattan Corporation, The Chase Manhattan Bank, or any of their affiliates. The Offered Certificates will not be savings accounts or deposits and neither the Offered Certificates nor the underlying Mortgage Loans will be insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency nor has the Federal Deposit Insurance Corporation or any other governmental agency passed upon the accuracy of the information contained in this Prospectus Supplement or in the Prospectus.

Based on certain assumptions set forth herein under "Prepayment and Yield Considerations," the weighted average life of each Class of Offered Certificates has been calculated at various constant percentages of the Prepayment Model (defined herein) and is shown in the tables beginning on page S-44. The weighted average lives of the Offered Certificates will depend on the rate and timing of principal payments (including prepayments and defaults) on the Mortgage Loans. NO ASSURANCE CAN BE GIVEN AS TO THE RATE OR TIMING OF PRINCIPAL PAYMENTS (INCLUDING PREPAYMENTS AND DEFAULTS) ON ANY OF THE MORTGAGE LOANS. See "Prepayment and Yield Considerations" herein and "Yield Considerations" in the Prospectus.

THE YIELD TO MATURITY OF THE CLASS IA-2 CERTIFICATES WILL BE EXTREMELY SENSITIVE TO THE RATE AND TIMING OF PRINCIPAL PAYMENTS (INCLUDING PREPAYMENTS, DEFAULTS AND REPURCHASES) ON THE MORTGAGE LOANS IN MORTGAGE GROUP ONE, WHICH MAY FLUCTUATE SIGNIFICANTLY FROM TIME TO TIME. A RAPID RATE OF PRINCIPAL PREPAYMENTS ON THE MORTGAGE LOANS IN MORTGAGE GROUP ONE WILL HAVE A MATERIAL NEGATIVE EFFECT ON THE YIELD TO MATURITY OF THE CLASS IA-2 CERTIFICATES. PROSPECTIVE INVESTORS IN THE CLASS IA-2 CERTIFICATES SHOULD FULLY CONSIDER THE ASSOCIATED RISKS, INCLUDING THE RISK THAT A RAPID RATE OF PRINCIPAL PREPAYMENTS ON THE MORTGAGE LOANS IN MORTGAGE GROUP ONE COULD RESULT IN THE FAILURE OF INVESTORS IN THE CLASS IA-2 CERTIFICATES TO FULLY RECOUP THEIR INITIAL INVESTMENT. IN ADDITION, THE YIELD TO MATURITY OF THE CLASS IA-1 AND CLASS IA-2 CERTIFICATES WILL BE EXTREMELY SENSITIVE TO FLUCTUATIONS IN THE LEVEL OF LIBOR. SEE "PREPAYMENT AND YIELD CONSIDERATIONS--YIELD CONSIDERATIONS WITH RESPECT TO THE CLASS IA-2 CERTIFICATES."

THE YIELD TO MATURITY OF THE CLASS IA-3 CERTIFICATES WILL BE EXTREMELY SENSITIVE TO THE RATE AND TIMING OF PRINCIPAL PAYMENTS (INCLUDING PREPAYMENTS, DEFAULTS AND REPURCHASES) ON THE MORTGAGE LOANS IN MORTGAGE GROUP ONE, WHICH MAY FLUCTUATE SIGNIFICANTLY FROM TIME TO TIME. SEE "PREPAYMENT AND YIELD CONSIDERATIONS--YIELD CONSIDERATIONS WITH RESPECT TO THE CLASS IA-3 CERTIFICATES."

THE YIELD TO MATURITY OF THE CLASS IA-P CERTIFICATES WILL BE EXTREMELY SENSITIVE TO THE RATE AND TIMING OF PRINCIPAL PAYMENTS (INCLUDING PREPAYMENTS, DEFAULTS AND REPURCHASES) ON THE DISCOUNT MORTGAGE LOANS (DEFINED HEREIN) IN MORTGAGE GROUP ONE, WHICH MAY FLUCTUATE SIGNIFICANTLY FROM TIME TO TIME. SEE "PREPAYMENT AND YIELD CONSIDERATIONS--YIELD CONSIDERATIONS WITH RESPECT TO THE CLASS IA-P CERTIFICATES."

THE YIELD TO MATURITY OF THE CLASS IIA-P CERTIFICATES WILL BE EXTREMELY SENSITIVE TO THE RATE AND TIMING OF PRINCIPAL PAYMENTS (INCLUDING PREPAYMENTS, DEFAULTS AND REPURCHASES) ON THE DISCOUNT MORTGAGE LOANS IN MORTGAGE GROUP TWO, WHICH MAY FLUCTUATE SIGNIFICANTLY FROM TIME TO TIME. SEE "PREPAYMENT AND YIELD CONSIDERATIONS--YIELD CONSIDERATIONS WITH RESPECT TO THE CLASS IIA-P CERTIFICATES."

The yield to maturity on the Class B-2 Certificates will be extremely sensitive to losses on the Mortgage Loans (and the timing thereof), to the extent such losses are not covered by the Non-Offered Class B Certificates, because the entire amount of any such losses which occur after the aggregate principal balance of the Non-Offered Class B Certificates has been reduced to zero will be allocable to the Class B-2 Certificates until their principal balance is reduced to zero. See "Prepayment and Yield Considerations."

The yield to maturity on the Class B-1 Certificates will be extremely sensitive to losses on the Mortgage Loans (and the timing thereof), to the extent such losses are not covered by the Class B-2 Certificates and the Non-Offered Class B Certificates, because the entire amount of any such losses which occur after the aggregate principal balance of the Class B-2 Certificates and the Non-Offered Class B Certificates has been reduced to zero will be allocable to the Class B-1 Certificates until their principal balance is reduced to zero. See "Prepayment and Yield Considerations."

The yield to maturity on the Class M Certificates will be extremely sensitive to losses on the Mortgage Loans (and the timing thereof), to the extent such losses are not covered by the Class B Certificates, because the entire amount of any such losses which occur after the aggregate principal balance of the Class B Certificates has been reduced to zero will be allocable to the Class M Certificates until their principal balance is reduced to zero. See "Prepayment and Yield Considerations."

The Company intends to cause an election to be made to treat the Trust Fund (the "Subsidiary REMIC") as a real estate mortgage investment conduit (a "REMIC") for federal income tax purposes. The Company also intends to cause an election to be made to treat the pool of assets represented by the "regular interests" in the Subsidiary REMIC as a separate REMIC (the "Master REMIC"). The

Offered Certificates will constitute "regular interests" in the Master REMIC. The Class R Certificates, which are not offered hereby, will represent the sole class of "residual interests" in each of the Master REMIC and the Subsidiary REMIC. See "Federal Income Tax Considerations" herein and "Certain Federal Income Tax Consequences" in the Prospectus.

Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ") intends to make a secondary market in the Offered Certificates (other than the Class IIA-1 Certificates) and Chase Securities Inc. ("CSI") intends to make a secondary market in the Class IIA-1 Certificates, but neither DLJ nor CSI has any obligation to do so. There can be no assurance that a secondary market for the Offered Certificates will develop or, if it does develop, that it will continue.

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This Prospectus Supplement does not contain complete information about the offering of the Offered Certificates. Additional information is contained in the Prospectus and purchasers are urged to read both this Prospectus Supplement and the Prospectus in full. Sales of the Offered Certificates may not be consummated unless the purchaser has received both this Prospectus Supplement and the Prospectus.

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UNTIL NOVEMBER 21, 1996, ALL DEALERS EFFECTING TRANSACTIONS IN THE OFFERED CERTIFICATES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS SUPPLEMENT AND PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF 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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#### TERMS OF THE CERTIFICATES

This summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Prospectus Supplement and in the accompanying Prospectus. Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned them in the Prospectus.

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Securities Offered.....	Multi-Class Mortgage Pass-Through Certificates, Series 1996-2, Class A (the "Class A Certificates"), Class M, Class B-1 and Class B-2. The Class A, Class M, Class B-1 and Class B-2 Certificates are sometimes collectively referred to herein as the "Offered Certificates." Only the Offered Certificates are offered hereby. The Class A Certificates will consist of the Class IA-1, Class IA-2, Class IA-3, Class IA-4, Class IA-P, Class IIA-1 and Class IIA-P Certificates. The Class A Certificates (exclusive of the Class IA-P and Class IIA-P Certificates) are sometimes collectively referred to herein as the "Non-PO Class A Certificates." "Class IA Certificates" means the Class IA-1, Class IA-2, Class IA-3, Class IA-4 and Class IA-P Certificates. "Class IIA Certificates" means the Class IIA-1 and Class IIA-P Certificates. The Class IA Certificates (exclusive of the Class IA-P Certificates) are sometimes collectively referred to herein as the "Non-PO Class IA Certificates." The Class IIA Certificates (exclusive of the Class IIA-P Certificates) are sometimes collectively referred to herein as the "Non-PO Class IIA Certificates." The Class IA-3, Class IA-P and Class IIA-P Certificates are principal only Certificates and will not be entitled to payments of interest. The "Class B Certificates" will consist of the Class B-1, Class B-2, Class B-3, Class B-4 and Class B-5 Certificates. The Class M and Class B Certificates are sometimes collectively referred to herein as the "Subordinated Certificates." The Class B-3, Class B-4, Class B-5 and Class R Certificates are not offered hereby.
Depositor.....	MorServ, Inc. (the "Company"), a wholly-owned, limited purpose subsidiary of The Chase Manhattan Bank ("Chase"). Neither The Chase Manhattan Corporation nor any of its affiliates, including the Company and Chase, has guaranteed or is otherwise obligated with respect to the Certificates. See "Risk Factors" in the Prospectus.
Seller.....	The Chase Manhattan Bank, a New York banking corporation. See "The Chase Manhattan Bank." The Mortgage Loans were originated by Chase and will be acquired by the Company on the Closing Date (defined herein). Chase will make certain

representations and warranties respecting the Mortgage Loans as described herein. Neither the Company nor Chase has guaranteed, or is otherwise obligated with respect to, the Certificates.

</TABLE>

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<TABLE>

<p>&lt;S&gt;</p> <p>Master Servicer.....</p> <p>Trustee.....</p> <p>Initial Principal Amount of Offered Certificates.....</p> <p>Denominations and Registration of the Certificates.....</p> <p>Cut-off Date.....</p> <p>Agreement.....</p> <p>The Mortgage Loans.....</p>	<p>&lt;C&gt;</p> <p>Chase Manhattan Mortgage Corporation (the "Master Servicer"). See "Servicing."</p> <p>Citibank, N.A., a national banking association (the "Trustee").</p> <p>\$203,426,604</p> <p>The Offered Certificates (other than the Class IA-2 Certificates) generally will be issuable in fully registered form in denominations of \$1,000 principal amount (or integral multiples thereof). The Class IA-2 Certificates generally will be issuable in fully registered form in denominations of \$100,000 (or integral multiples of \$1,000 in excess thereof) of the Class IA-2 Notional Amount (defined herein). The Class A Certificates (such Classes of Offered Certificates, the "Book-Entry Certificates") initially will be issued in book-entry form and initially will be represented by one or more physical certificates registered in the name of Cede &amp; Co., as the nominee of The Depository Trust Company ("DTC"). No person acquiring an interest in any Book-Entry Certificate (a "Certificate Owner") will be entitled to receive a Definitive Certificate (defined herein) representing such person's interest in the Trust Fund, except in the event that Definitive Certificates are issued under the limited circumstances described herein. The Class M, Class B-1 and Class B-2 Certificates will be issued in definitive form. All references herein to holders of Certificates ("Certificateholders") and their rights shall mean and include the rights of Certificate Owners, as such rights may be exercised through DTC and its participating organizations, except as otherwise specified herein. See "Description of the Certificates--Book-Entry Registration" and "--Definitive Certificates."</p> <p>August 1, 1996.</p> <p>The Pooling and Servicing Agreement, to be dated as of August 1, 1996 (the "Agreement"), among the Company, the Master Servicer, and the Trustee, relating to the Certificates.</p> <p>Fixed rate, first lien mortgage loans secured by one- to four-family residential properties, having an aggregate unpaid principal balance on the Cut-off Date of approximately \$207,049,981 (the "Mortgage Loans"). The Mortgage Loans were originated or purchased by The Chase Manhattan Bank. Monthly payments of principal of and interest on the Mortgage Loans ("Monthly Payments") will be due on the first day of each month (each, a "Due Date").</p> <p>The Company expects the Mortgage Loans to have the characteristics described below. References herein to percentages of the Mortgage Loans refer to the percentage of the aggregate principal balance of the Mortgage Loans (or, where so indicated, such percentage of the Mortgage Loans in the related Mortgage Group) as of the Cut-off Date, after giving effect to Monthly Payments due on or prior to the Cut-off Date, whether or not received. The Mortgage Pool will be divided into two groups (each, a "Mortgage Group"): "Mortgage Group One" (constituting approximately 81.03% of the Mortgage Pool) and "Mortgage Group Two" (constituting approximately 18.97% of the Mortgage Pool). See "The Mortgage Pool."</p>
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SELECTED MORTGAGE LOAN DATA  
 (APPROXIMATE AS OF THE CUT-OFF DATE)  
 MORTGAGE GROUP ONE

<TABLE>

<p>&lt;S&gt;</p> <p>Number of Mortgage Loans.....</p> <p>Aggregate Unpaid Principal Balance.....</p>	<p>&lt;C&gt;</p> <p>541</p> <p>\$167,767,803</p>
------------------------------------------------------------------------------------------------------	--------------------------------------------------

Range of Unpaid Principal Balances.....	\$144,357-\$1,251,278
Average Unpaid Principal Balance.....	\$310,107
Range of Mortgage Rates (defined herein).....	6.750%-10.000%
Weighted Average Mortgage Rate.....	8.204%
Weighted Average Mortgage Rate of Discount Mortgage Loans (defined herein).....	7.272%
Range of Remaining Terms to Stated Maturity.....	200 months-351 months
Weighted Average Remaining Term to Stated Maturity.....	320 months
Range of Remaining Terms to Expected Maturity(1).....	200 months-351 months
Weighted Average Remaining Term to Expected Maturity(1).....	318 months
Weighted Average Loan Age(2).....	40 months
Range of Original Loan-to-Value Ratios.....	19.55%-95.00%
Weighted Average Original Loan-to-Value Ratio.....	73.40%

</TABLE>

<TABLE>  
<CAPTION>

PERCENTAGE OF MORTGAGE GROUP ONE  
BY AGGREGATE PRINCIPAL BALANCE  
AS OF THE CUT-OFF DATE

<S>	<C>
Original Term	
20 years to 30 years.....	100%

</TABLE>

- 
- (1) Based on payments actually received (or scheduled to be received) on each Mortgage Loan in Mortgage Group One as of the Cut-off Date.
- (2) Based on the number of months from and including the first Monthly Payment to and including the Cut-off Date.

MORTGAGE GROUP TWO

<TABLE>	
<S>	<C>
Number of Mortgage Loans.....	129
Aggregate Unpaid Principal Balance.....	\$39,282,178
Range of Unpaid Principal Balances.....	\$176,270-\$1,042,047
Average Unpaid Principal Balance.....	\$304,513
Range of Mortgage Rates.....	6.625%-9.750%
Weighted Average Mortgage Rate.....	7.868%
Weighted Average Mortgage Rate of Discount Mortgage Loans.....	7.199%
Range of Remaining Terms to Stated Maturity.....	81 months-161 months
Weighted Average Remaining Term to Stated Maturity.....	140 months
Range of Remaining Terms to Expected Maturity(1).....	81 months-161 months
Weighted Average Remaining Term to Expected Maturity(1).....	139 months
Weighted Average Loan Age(2).....	38 months
Range of Original Loan-to-Value Ratios.....	21.14%-88.99%
Weighted Average Original Loan-to-Value Ratio.....	65.73%

</TABLE>

<TABLE>  
<CAPTION>

PERCENTAGE OF MORTGAGE GROUP TWO  
BY AGGREGATE PRINCIPAL BALANCE  
AS OF THE CUT-OFF DATE

<S>	<C>
Original Term	
10 years to 15 years.....	100%

</TABLE>

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- (1) Based on payments actually received (or scheduled to be received) on each Mortgage Loan in Mortgage Group Two as of the Cut-off Date.
- (2) Based on the number of months from and including the first Monthly Payment to and including the Cut-off Date.

MORTGAGE POOL

<TABLE>	
<S>	<C>
Number of Mortgage Loans.....	670
Aggregate Unpaid Principal Balance.....	\$207,049,981
Range of Unpaid Principal Balances.....	\$144,357-\$1,251,278
Average Unpaid Principal Balance.....	\$309,030
Range of Mortgage Rates.....	6.625%-10.000%
Weighted Average Mortgage Rate.....	8.140%
Weighted Average Mortgage Rate of Discount Mortgage Loans.....	7.241%
Range of Remaining Terms to Stated Maturity.....	81 months-351 months





RAPID RATE OF PRINCIPAL PREPAYMENTS ON THE MORTGAGE LOANS IN MORTGAGE GROUP ONE COULD RESULT IN THE FAILURE OF INVESTORS IN THE CLASS IA-2 CERTIFICATES TO FULLY RECOUP THEIR INITIAL INVESTMENT. IN ADDITION, THE YIELD TO MATURITY OF THE CLASS IA-1 AND CLASS IA-2 CERTIFICATES WILL BE EXTREMELY SENSITIVE TO FLUCTUATIONS IN THE LEVEL OF LIBOR. SEE "PREPAYMENT AND YIELD CONSIDERATIONS--YIELD CONSIDERATIONS WITH RESPECT TO THE CLASS IA-2 CERTIFICATES."

THE YIELD TO MATURITY OF THE CLASS IA-3 CERTIFICATES WILL BE EXTREMELY SENSITIVE TO THE RATE AND TIMING OF PRINCIPAL PAYMENTS (INCLUDING PREPAYMENTS, DEFAULTS AND REPURCHASES) ON THE MORTGAGE LOANS IN MORTGAGE GROUP ONE, WHICH MAY FLUCTUATE SIGNIFICANTLY FROM TIME TO TIME. SEE "PREPAYMENT AND YIELD CONSIDERATIONS--YIELD CONSIDERATIONS WITH RESPECT TO THE CLASS IA-3 CERTIFICATES."

THE YIELD TO MATURITY OF THE CLASS IA-P CERTIFICATES WILL BE EXTREMELY SENSITIVE TO THE RATE AND TIMING OF PRINCIPAL PAYMENTS (INCLUDING PREPAYMENTS, DEFAULTS AND REPURCHASES) ON THE DISCOUNT MORTGAGE LOANS (DEFINED HEREIN) IN MORTGAGE GROUP ONE, WHICH MAY FLUCTUATE SIGNIFICANTLY FROM TIME TO TIME. SEE "PREPAYMENT AND YIELD CONSIDERATIONS--YIELD CONSIDERATIONS WITH RESPECT TO THE CLASS IA-P CERTIFICATES."

THE YIELD TO MATURITY OF THE CLASS IIA-P CERTIFICATES WILL BE EXTREMELY SENSITIVE TO THE RATE AND TIMING OF PRINCIPAL PAYMENTS (INCLUDING PREPAYMENTS, DEFAULTS AND REPURCHASES) ON THE DISCOUNT MORTGAGE LOANS IN MORTGAGE GROUP TWO, WHICH MAY FLUCTUATE SIGNIFICANTLY FROM TIME TO TIME. SEE "PREPAYMENT AND YIELD CONSIDERATIONS-- YIELD CONSIDERATIONS WITH RESPECT TO THE CLASS IIA-P CERTIFICATES."

THE YIELD TO MATURITY ON THE CLASS B-2 CERTIFICATES WILL BE EXTREMELY SENSITIVE TO LOSSES ON THE MORTGAGE LOANS (AND THE TIMING THEREOF), TO THE EXTENT SUCH LOSSES ARE NOT COVERED BY THE NON-OFFERED CLASS B CERTIFICATES, BECAUSE THE ENTIRE AMOUNT OF ANY SUCH LOSSES WHICH OCCUR AFTER THE AGGREGATE PRINCIPAL BALANCE OF THE NON-OFFERED CLASS B CERTIFICATES HAS BEEN REDUCED TO ZERO WILL BE ALLOCABLE TO THE CLASS B-2 CERTIFICATES UNTIL THEIR BALANCE IS REDUCED TO ZERO.

THE YIELD TO MATURITY ON THE CLASS B-1 CERTIFICATES WILL BE EXTREMELY SENSITIVE TO LOSSES ON THE MORTGAGE LOANS (AND THE TIMING THEREOF),

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TO THE EXTENT SUCH LOSSES ARE NOT COVERED BY THE CLASS B-2 CERTIFICATES AND THE NON-OFFERED CLASS B CERTIFICATES, BECAUSE THE ENTIRE AMOUNT OF ANY SUCH LOSSES WHICH OCCUR AFTER THE AGGREGATE PRINCIPAL BALANCE OF THE CLASS B-2 CERTIFICATES AND THE NON-OFFERED CLASS B CERTIFICATES HAS BEEN REDUCED TO ZERO WILL BE ALLOCABLE TO THE CLASS B-1 CERTIFICATES UNTIL THEIR PRINCIPAL BALANCE IS REDUCED TO ZERO.

THE YIELD TO MATURITY ON THE CLASS M CERTIFICATES WILL BE EXTREMELY SENSITIVE TO LOSSES ON THE MORTGAGE LOANS (AND THE TIMING THEREOF), TO THE EXTENT SUCH LOSSES ARE NOT COVERED BY THE CLASS B CERTIFICATES, BECAUSE THE ENTIRE AMOUNT OF ANY SUCH LOSSES WHICH OCCUR AFTER THE AGGREGATE PRINCIPAL BALANCE OF THE CLASS B CERTIFICATES HAS BEEN REDUCED TO ZERO WILL BE ALLOCABLE TO THE CLASS M CERTIFICATES UNTIL THEIR PRINCIPAL BALANCE IS REDUCED TO ZERO.

If an Offered Certificate is purchased at a discount from its original principal amount and if the purchaser of such Offered Certificate calculates its yield to maturity based on a faster assumed rate of payment of principal than that actually received on such Offered Certificate, its actual yield to maturity will be lower than that so calculated. Conversely, if an Offered Certificate is purchased at a premium to its original principal amount, and if the purchaser of such Offered Certificate calculates its yield to maturity based on a slower assumed rate of payment of principal than that actually received on such Offered Certificate, its actual yield to maturity will be lower than that so calculated and, under certain circumstances, such a purchaser may fail to recoup its initial investment.

See "Prepayment and Yield Considerations" herein and "Yield Considerations" and "Maturity and Prepayment Considerations" in the Prospectus.

Description of the  
Certificates.....

Initially, the Class A Certificates will evidence in the aggregate a beneficial interest of approximately 94.25% (the "Class A Percentage") in the pool of Mortgage Loans (the "Mortgage Pool") and certain other property held in trust

for the benefit of the Certificateholders (the "Trust Fund"), generally allocated between the Class IA Certificates, which will initially represent a beneficial interest of approximately 94.25% (the "Class IA Percentage") based upon the Mortgage Loans and other property related to Mortgage Group One, and the Class IIA Certificates, which will initially represent a beneficial interest of approximately 94.25% (the "Class IIA Percentage") based upon the Mortgage Loans and other property related to Mortgage Group Two. Initially, the Class M Certificates will evidence in the aggregate a beneficial interest of approximately 2.25% (the "Class M Percentage") in the Trust Fund, the Class B-1 Certificates will evidence in the aggregate a beneficial interest of approximately 1.00% (the "Class B-1 Percentage") in the Trust Fund, the Class B-2 Certificates will evidence in the aggregate a beneficial interest of approximately 0.75% (the "Class B-2 Percentage") in the Trust Fund and the Non-Offered Class B Certificates will evidence in the aggregate the remaining beneficial interest of approximately 1.75% (the "Non-Offered Class B Percentage") in the Trust Fund. The Class A Percentage (both in the aggregate and with respect to each Mortgage Group), the Class M Percentage, the Class B-1

</TABLE>

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Percentage and the Class B-2 Percentage will vary from time to time, as described herein, to the extent that the Class A, Class M, Class B-1 or Class B-2 Certificateholders do not receive amounts due to them on any Remittance Date, losses are realized on the Mortgage Loans or there are principal prepayments of, or certain other unscheduled amounts of principal are received with respect to, the Mortgage Loans. The Non-Offered Class B Certificates will have an initial aggregate principal balance of approximately \$3,623,376 and will be privately placed with a limited number of institutional investors and are not offered hereby. See "Description of the Certificates--Distributions of Principal and Interest" and "--Subordinated Certificates and Shifting Interests."

Record Date..... The last business day of the month preceding the month of each Remittance Date.

Principal (Including Prepayments)..... Principal received as a portion of the Monthly Payment on each Mortgage Loan will be passed through monthly, on the 25th day of the month (or if such day is not a business day, the next succeeding business day) in which the related Due Date occurs (each, a "Remittance Date"), commencing September 25, 1996. Principal prepayments received during the period from the first day of any month to the last day of such month (each, a "Principal Prepayment Period") will be distributed on the Remittance Date occurring in the month following the month of receipt. Distributions in respect of principal will be made to each Class as described herein under "Description of the Certificates-- Distributions of Principal and Interest" and on a pro rata basis among the Certificates of each Class. The rate of distribution allocable to principal will depend on, among other factors, the rate of payment of principal (including prepayments) of the Mortgage Loans. The Final Scheduled Remittance Date (defined herein) of each Class of Offered Certificates has been calculated as described herein. The actual final distribution with respect to each Class of Offered Certificates is likely to occur prior to its Final Scheduled Remittance Date, although, in the event of defaults in payment of the Mortgage Loans, it could occur later or earlier. See "Description of the Certificates."

Interest..... On each Remittance Date, commencing September 25, 1996, interest will be payable to each Class of Offered Certificates (other than the Class IA-3, Class IA-P and Class IIA-P Certificates) at a rate equal to the applicable rate of interest (the "Certificate Rate") specified or described on the cover hereof (less any Non-Supported Interest Shortfalls allocated thereto) on the outstanding respective principal balances (or on the Class IA-2 Notional Amount, in the case of the Class IA-2 Certificates) of such Certificates as of the relevant Determination Date (defined herein), calculated on the basis of a 360-day year of twelve 30-day months. The Class IA-3, Class IA-P and Class IIA-P Certificates will be entitled to principal only and will not be entitled to distributions of interest. See "Description of the

Certificates--Distributions of Principal and Interest." The Master Servicer will receive a fee for the servicing of each Mortgage Loan (the "Servicing Fee") equal to (i) 0.25% per annum of the unpaid principal balance of each Mortgage Loan having a Mortgage Rate (defined herein) greater than or equal to

</TABLE>

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7.50% per annum; and (ii) 0.20% per annum of the unpaid principal balance of each Mortgage Loan having a Mortgage Rate of less than 7.50% per annum. See "Servicing--Servicing Compensation and Payment of Expenses."

The portion, if any, of each Monthly Payment that represents interest on the related Mortgage Loan (other than the Discount Mortgage Loans) at a rate equal to the Mortgage Rate less the sum of (i) 7.25% per annum (the "Remittance Rate") and (ii) the Servicing Fee will constitute "Excess Interest." Excess Interest will not be available for distribution to Certificateholders. Excess Interest is expected to be retained by Chase and is not offered hereby. See "Description of the Certificates--Distributions of Principal and Interest."

Subordinated Certificates.....

The rights of the holders of each Class of Subordinated Certificates to receive distributions with respect to the Mortgage Loans will be subordinated to the rights of the Class A Certificateholders, and (except in the case of the Class M Certificateholders) to the holders of each Class of Class B Certificates having a lower numerical class designation, to the extent described below. The subordination provided by the Subordinated Certificates is intended to enhance the likelihood of regular receipt by the Class A Certificateholders of the full amount of monthly distributions due them and to protect the Class A Certificateholders against losses. The subordination provided by each Class of Class B Certificates relative to the Class M Certificates and each Class of Class B Certificates having a lower numerical class designation is intended to similarly benefit such Classes of Subordinated Certificates.

On each Remittance Date, payments to the Class A Certificateholders will be made prior to payments to the Class M and Class B Certificateholders, payments to the Class M Certificateholders will be made prior to payments to the Class B Certificateholders, payments to the Class B-1 Certificateholders will be made prior to payments to the Class B-2 Certificateholders and the Non-Offered Class B Certificateholders and payments to the Class B-2 Certificateholders will be made prior to payments to the Non-Offered Class B Certificateholders. If, on any Remittance Date on which the Class IA Percentage or Class IIA Percentage is less than 100%, the Class IA or Class IIA Certificateholders receive less than the amount due to them on such date, the interest of such Class A Certificateholders in the related Mortgage Group and in the Trust Fund will increase so as to preserve the entitlement of such Class A Certificateholders with respect to unpaid principal of the Mortgage Loans in the applicable Mortgage Group and interest thereon. If a principal prepayment is made or certain other unscheduled amounts of principal are received on a Mortgage Loan, the applicable Non-PO Class A Certificateholders (other than the Class IA-4 Certificateholders) will be entitled to receive an amount equal to the applicable Non-PO Class A Prepayment Percentage (defined herein) of the applicable Non-PO Percentage of the amount received. This will have the effect of accelerating receipt of principal by the applicable Non-PO Class A Certificateholders (other than the Class IA-4 Certificateholders), thus reducing their proportionate interest in the related Mortgage Group and in the Trust Fund and increasing the relative interest evidenced by the Class M and Class B Certificates (absent

</TABLE>

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offsetting Realized Losses (defined herein) allocated to the Class B or Class M Certificates). Increasing the interest of

the Class M and Class B Certificates relative to that of the Class A Certificates is intended to preserve the availability of the subordination provided by the Class M and Class B Certificates. Similarly, because, as described herein, the then-current level of Credit Support (defined herein) of each Class of Subordinated Certificates will determine which Class or Classes of Subordinated Certificates will receive amounts in respect of the Subordinated Principal Distribution Amount (defined herein), under certain circumstances, on any Remittance Date, Realized Losses on the Mortgage Loans may cause one or more Classes of Subordinated Certificates to receive all or a disproportionate amount of the Subordinated Principal Distribution Amount. For example, if, as a result of Realized Losses on the Mortgage Loans, the sum of the Class B-1 Percentage, the Class B-2 Percentage and the Non-Offered Class B Percentage decreases to less than its initial aggregate level (approximately 3.5%), amounts relating to principal payments (including prepayments) on the Mortgage Loans otherwise distributable to the Class B Certificateholders will be distributed to the Class M Certificateholders (until the next Remittance Date, if any, on which the sum of the Class B-1 Percentage, the Class B-2 Percentage and the Non-Offered Class B Percentage is at least equal to approximately 3.5%), thereby accelerating receipt of principal by the Class M Certificateholders and reducing their relative interest in the Trust Fund while increasing the relative interest in the Trust Fund evidenced by the Class B Certificates. Amounts actually received by the Class M and Class B Certificateholders in accordance with the terms of the Agreement will not be subsequently recoverable from the Class M and Class B Certificateholders. See "Description of the Certificates-- Distributions of Principal and Interest" and "--Subordinated Certificates and Shifting Interests."

Advances..... If the amount available for distribution to the Certificateholders on any Remittance Date is less than the amount which is due the Certificateholders on such Remittance Date, the Master Servicer is obligated to make advances ("Advances") for distribution to the Certificateholders to the extent such deficiency is due to delinquent Monthly Payments due on the immediately preceding Due Date unless the Master Servicer determines such Advances will not be recoverable from future payments or collections on the related Mortgage Loans. See "Servicing--Advances."

Optional Termination..... On any Remittance Date on which the aggregate unpaid principal balance of the Mortgage Loans is less than 5% of the aggregate unpaid scheduled principal balance of the Mortgage Pool on the Cut-off Date, the Master Servicer may repurchase from the Trust Fund all Mortgage Loans remaining outstanding at a purchase price equal to the sum of (i) the unpaid principal amount of such Mortgage Loans (other than any such Mortgage Loans as to which the related Mortgaged Properties have been acquired and whose fair market values are included in clause (ii) below), plus accrued interest thereon at the Net Mortgage Rate (defined herein) to the next Due Date and (ii) the fair market value of any such acquired properties, in each case less any unreimbursed Advances made with respect to such Mortgage Loans. Upon such repurchase, holders of the Offered Certificates generally will receive the outstanding

</TABLE>

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principal balance of the Offered Certificates plus accrued interest thereon (other than on the Class IA-3, Class IA-P and Class IIA-P Certificates) at the Remittance Rate. See "Description of the Certificates--Optional Termination."

Federal Income Tax

Considerations..... An election will be made to treat the assets of the Trust Fund (the "Subsidiary REMIC") as a real estate mortgage investment conduit (a "REMIC") for federal income tax purposes. An election will be made to treat the pool of assets represented by the regular interests in the Subsidiary REMIC as a REMIC (the "Master REMIC"). The Offered Certificates will represent regular interests in the Master REMIC. As such, the Offered Certificates will generally be treated as debt instruments issued by a REMIC. The Class R Certificates will represent the sole Class of "residual interests" in each of the Master REMIC and the Subsidiary REMIC. The Class IA-3, Class IA-P and Class IIA-P Certificates will

be issued with original issue discount in an amount equal to the excess of their initial principal balance over their issue price. It is anticipated that the Class IA-2 Certificates will be treated as being issued with original issue discount for federal income tax purposes in an amount equal to the excess of all distributions of interest expected to be received thereon over their issue price (including accrued interest). In addition, it is anticipated that the Class IA-4, Class M, Class B-1 and Class B-2 Certificates will be issued with original issue discount in an amount equal to the excess of their initial principal balances over their respective issue prices (including accrued interest). It is also anticipated that the Class IIA-1 Certificates will be issued at a premium, and that the Class IA-1 Certificates will be issued with de minimis original issue discount for federal income tax purposes. Holders of Offered Certificates that have original issue discount will be required to include amounts in income with respect to such Certificates in advance of the receipt of cash attributable to such income. The prepayment assumption that will be used in computing the amount of original issue discount includible periodically will be 215% of the Prepayment Model described herein. See "Prepayment and Yield Considerations." No representation is made that payments on the Offered Certificates will occur at those rates or any other rate.

The Offered Certificates will be treated as (i) "qualifying real property loans" within the meaning of section 593(d)(1) of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) assets described in section 7701(a)(19)(C) of the Code and (iii) "real estate assets" within the meaning of section 856(c)(5)(A) of the Code, in each case to the extent described herein and in the Prospectus. See "Certain Federal Income Tax Consequences" in the Prospectus.

ERISA Considerations..... A fiduciary of any employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 4975 of the Code, including an individual retirement account (each, a "Plan"), or any other person investing "plan assets" of any Plan, should carefully review with its legal advisors whether the purchase or holding of Class A Certificates could give rise to a transaction prohibited or not otherwise permissible under ERISA or the Code. Because the Class M, Class B-1 and Class B-2

</TABLE>

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<TABLE>  
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Certificates are subordinated to the Class A Certificates, such Certificates may not be transferred unless the transferee has delivered (i) a representation letter to the Trustee stating either (a) that the transferee is not a Plan and is not acting on behalf of a Plan or using the "plan assets" of a Plan to effect such purchase or (b) subject to certain conditions described herein, that the source of funds used to purchase the Class M, Class B-1 or Class B-2 Certificates is an "insurance company general account" or (ii) an opinion of counsel as described under "ERISA Considerations" in this Prospectus Supplement. See "ERISA Considerations" herein and in the Prospectus.

Legal Investment..... The Class A and Class M Certificates will constitute "mortgage related securities" under the Secondary Mortgage Market Enhancement Act of 1984 ("SMMEA") for so long as they are rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization and, as such, will be "legal investments" for certain types of institutional investors to the extent provided in SMMEA, subject to state laws overriding SMMEA. There may be certain restrictions on the ability of certain investors either to purchase Class A and Class M Certificates or to purchase Class A and Class M Certificates representing more than a specified percentage of the investor's assets. THE CLASS B-1 AND CLASS B-2 CERTIFICATES WILL NOT CONSTITUTE "MORTGAGE RELATED SECURITIES" UNDER SMMEA. The appropriate characterization of the Class B-1 and Class B-2 Certificates under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase the Class B-1 or Class B-2 Certificates may be subject to significant interpretive uncertainties. Prospective purchasers of the Offered Certificates, including those institutions whose investment activities are subject to review by federal or state

regulatory authorities, should consult their own legal, tax and accounting advisors and, where appropriate, applicable regulatory authorities, in determining the consequences to them of the purchase, ownership and disposition of the Offered Certificates. See "Legal Investment Matters" herein and "Legal Investment" in the Prospectus.

Use of Proceeds..... Substantially all of the net proceeds from the sale of the Offered Certificates will be applied by the Company to the purchase price of the Mortgage Loans and to pay expenses connected with pooling such Mortgage Loans and issuing the Certificates. See "Use of Proceeds."

Rating..... It is a condition to the issuance of the Offered Certificates that (i) the Class A Certificates (other than the Class IA-2, Class IA-3, Class IA-P and Class IIA-P Certificates) be rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), (ii) the Class IA-2, Class IA-3, Class IA-P and Class IIA-P Certificates be rated "Aaa" by Moody's and "AAAr" by S&P, (iii) the Class M Certificates be rated at least "AA" by S&P, (iv) the Class B-1 Certificates be rated at least "A" by S&P, and (v) the Class B-2 Certificates be rated at least "BBB" by S&P. See "Rating."

</TABLE>

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#### THE MORTGAGE POOL

#### GENERAL

The mortgage pool with respect to the Certificates (the "Mortgage Pool") will consist of approximately 670 conventional mortgage loans (the "Mortgage Loans") evidenced by fixed interest rate promissory notes (each, a "Mortgage Note") having an aggregate principal balance on August 1, 1996 (the "Cut-off Date") of approximately \$207,049,981. References herein to percentages of Mortgage Loans refer in each case to the percentage of the aggregate principal balance of the Mortgage Loans or, as the case may be, the Mortgage Loans in the applicable Mortgage Group, as of the Cut-off Date, based on the outstanding principal balances of the Mortgage Loans as of the Cut-off Date, after giving effect to Monthly Payments (defined herein) due on or prior to the Cut-off Date, whether or not received. References to percentages of Mortgaged Properties (defined herein) refer, in each case, to the percentages of aggregate principal balances of the related Mortgage Loans (determined as described in the preceding sentence). The Mortgage Loans were originated or purchased by The Chase Manhattan Bank ("Chase"). See "Mortgage Loans" and "The Chase Manhattan Bank" below. The Mortgage Notes are secured by mortgages or deeds of trust or other similar security instruments creating first liens on single-family (one- to four-family) residential properties, including stock allocated to dwelling units in residential cooperative housing corporations (the "Mortgaged Properties"). The Mortgaged Properties consist of individual dwelling units, individual cooperative apartment dwelling units, individual condominium units, two- to four-family dwelling units and planned unit developments. The Trust Fund includes, in addition to the Mortgage Pool, (i) the amounts held from time to time in one or more accounts (collectively, the "Certificate Account") maintained in the name of the Trustee pursuant to the Pooling and Servicing Agreement (the "Agreement") to be dated as of August 1, 1996 by and among MorServ, Inc. (the "Company"), Chase Manhattan Mortgage Corporation, as master servicer (the "Master Servicer") and Citibank, N.A., as trustee (the "Trustee"), (ii) any property which initially secured a Mortgage Loan and which is acquired by foreclosure or deed-in-lieu of foreclosure, (iii) all insurance policies and the proceeds thereof described below and (iv) certain rights to require repurchase of the Mortgage Loans by Chase for breach of representation or warranty.

The Company will purchase the Mortgage Loans from Chase and will cause the Mortgage Loans to be assigned to the Trustee. The Master Servicer will service the Mortgage Loans either by itself or through other mortgage servicing institutions, including affiliates of the Master Servicer (the "Sub-servicers"), pursuant to the Agreement. With respect to those Mortgage Loans serviced by the Master Servicer through a Sub-servicer, the Master Servicer will remain liable for its servicing obligations under the Agreement as if the Master Servicer alone were servicing such Mortgage Loans.

#### REPRESENTATIONS AND WARRANTIES

Chase will make certain representations and warranties for the benefit of the Company and the Trustee with respect to the Mortgage Loans as described in the Prospectus under "The Trust Fund-- The Mortgage Pools" and "Mortgage Loan Program--Representations by Sellers; Repurchases" and will be obligated to repurchase any Mortgage Loan sold by it to the Company as to which there is a material breach of any such representation or warranty. Such repurchase will constitute the sole remedy available to Certificateholders for a breach of such representations or warranties. The Trustee will enforce the repurchase obligations of Chase, and the Company will not be obligated to repurchase any

Mortgage Loan for a breach of any representation or warranty. In lieu of such repurchase obligation, Chase may, within two years after the date of initial delivery of the Certificates, substitute for the affected Mortgage Loans Substitute Mortgage Loans, as described under "The Trust Fund--The Mortgage Pools" in the Prospectus.

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MORTGAGE LOANS

Certain data with respect to the Mortgage Loans are set forth below. The Mortgage Loans were originated between January 1991 and October 1995. The Mortgage Loans will be divided into two groups: "Mortgage Group One" and "Mortgage Group Two" (each, a "Mortgage Group"). Mortgage Group One, constituting approximately 81.03% of the Mortgage Loans, consists primarily of Mortgage Loans which had original terms to stated maturity of approximately 30 years. Mortgage Group Two, constituting approximately 18.97% of the Mortgage Loans, consists primarily of Mortgage Loans which had original terms to stated maturity of approximately 15 years.

Monthly payments of principal and interest on the Mortgage Loans ("Monthly Payments") will be due on the first day of each month (each, a "Due Date").

All of the Mortgage Loans having Loan-to-Value Ratios of greater than 80% (other than one Mortgage Loan, with an outstanding principal balance as of the Cut-off Date of approximately \$266,916) are insured under Primary Mortgage Insurance Policies (as defined in the Prospectus). Not more than approximately 8.80% of the Mortgage Loans in Mortgage Group One, and not more than approximately 0.64% of the Mortgage Loans in Mortgage Group Two are insured by any one Primary Mortgage Insurance Policy insurer. At the time of origination of the Mortgage Loans, each of the Primary Mortgage Insurance Policy insurers was approved by the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC"). See "Servicing" herein and "Description of Insurance" in the Prospectus.

Additional data with respect to the Mortgage Loans are set forth in the following tables (certain dollar amounts and percentages may not add up to totals due to rounding):

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MORTGAGE GROUP ONE  
MORTGAGE RATES(1)

<TABLE>  
<CAPTION>

MORTGAGE RATE	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP ONE BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
6.750%	4	\$ 1,456,477	0.87%
7.125	1	250,707	0.15
7.250	21	8,700,686	5.19
7.375	31	9,558,396	5.70
7.500	31	9,908,672	5.91
7.625	30	9,562,623	5.70
7.750	52	17,228,123	10.27
7.875	32	9,708,871	5.79
8.000	31	9,270,189	5.53
8.125	36	9,727,161	5.80
8.250	36	12,206,349	7.28
8.375	40	12,331,832	7.35
8.500	38	11,699,647	6.97
8.625	25	7,727,664	4.61
8.750	19	5,360,124	3.19
8.875	35	10,992,471	6.55
9.000	14	4,228,459	2.52
9.125	14	3,410,922	2.03
9.250	16	5,102,013	3.04
9.375	6	1,567,378	0.93
9.500	13	3,483,892	2.08
9.625	3	854,946	0.51
9.750	3	833,428	0.50
9.875	8	2,105,668	1.26
10.000	2	491,106	0.29
Totals	541	\$ 167,767,803	100.00%

</TABLE>

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(1) The interest rates (the "Mortgage Rates") borne by the Mortgage Loans in Mortgage Group One as of the Cut-off Date ranged from 6.750% per annum to 10.000% per annum and the weighted average Mortgage Rate on the Mortgage Loans in Mortgage Group One as of the Cut-off Date was approximately 8.204% per annum.

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MORTGAGE GROUP ONE  
GEOGRAPHICAL DISTRIBUTION  
OF MORTGAGED PROPERTIES

<TABLE>  
<CAPTION>

STATE	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP ONE BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
Alabama.....	1	\$ 241,291	0.14%
Arizona.....	7	2,504,016	1.49
California.....	65	21,632,576	12.89
Colorado.....	22	6,612,119	3.94
Connecticut.....	29	9,494,368	5.66
Florida.....	22	5,597,577	3.34
Georgia.....	2	460,742	0.27
Idaho.....	3	804,109	0.48
Illinois.....	10	2,740,716	1.63
Indiana.....	1	202,302	0.12
Kansas.....	1	276,720	0.16
Kentucky.....	1	238,154	0.14
Louisiana.....	1	326,505	0.19
Maryland.....	3	883,554	0.53
Massachusetts.....	2	503,756	0.30
Michigan.....	3	631,843	0.38
Missouri.....	1	281,735	0.17
Nevada.....	4	1,276,037	0.76
New Jersey.....	34	12,006,728	7.16
New York.....	219	69,257,553	41.28
North Carolina.....	8	2,195,191	1.31
Ohio.....	7	2,137,497	1.27
Oklahoma.....	2	508,177	0.30
Pennsylvania.....	5	1,319,320	0.79
Rhode Island.....	2	663,717	0.40
South Carolina.....	3	1,108,969	0.66
South Dakota.....	1	217,864	0.13
Tennessee.....	1	227,580	0.14
Texas.....	69	20,020,964	11.93
Utah.....	2	498,678	0.30
Virginia.....	7	2,055,156	1.23
Washington.....	1	287,454	0.17
Wisconsin.....	2	554,837	0.33
Totals.....	541	\$ 167,767,803	100.00%

</TABLE>

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<TABLE>  
<CAPTION>

STATE/COUNTY	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP ONE BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
State--New York County--			
Bronx.....	2	\$ 498,796	0.30%
Kings.....	20	6,828,198	4.07
Monroe.....	1	215,155	0.13
Nassau.....	30	8,751,857	5.22
New York.....	50	16,787,507	10.01
Queens.....	11	2,913,309	1.74
Richmond.....	4	1,216,132	0.72
Rockland.....	2	712,231	0.42
Suffolk.....	30	9,327,221	5.56
Westchester.....	69	22,007,147	13.12



Totals.....	219	\$69,257,553	41.28%
State--Texas			
County--			
Anderson.....	1	\$ 220,339	0.13%
Collin.....	7	2,482,797	1.48
Dallas.....	13	3,402,191	2.03
Denton.....	1	218,654	0.13
El Paso.....	1	201,014	0.12
Harris.....	32	9,254,694	5.52
Hidalgo.....	1	239,600	0.14
Jefferson.....	1	243,279	0.15
Lubbock.....	1	336,499	0.20
Montgomery.....	2	557,112	0.33
Tarrant.....	6	1,534,688	0.91
Travis.....	3	1,330,099	0.79
Totals.....	69	\$20,020,964	11.93%

</TABLE>

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MORTGAGE GROUP ONE  
ORIGINAL PRINCIPAL BALANCE (2)

<TABLE>  
<CAPTION>

ORIGINAL PRINCIPAL BALANCE	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP ONE BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
\$200,001-\$250,000.....	176	\$ 38,943,670	23.21%
\$250,001-\$300,000.....	169	45,243,040	26.97
\$300,001-\$350,000.....	68	21,298,159	12.70
\$350,001-\$400,000.....	37	13,575,259	8.09
\$400,001-\$450,000.....	21	8,668,804	5.17
\$450,001-\$500,000.....	32	15,033,815	8.96
\$500,001-\$550,000.....	8	4,098,172	2.44
\$550,001-\$600,000.....	10	5,678,720	3.38
\$600,001-\$650,000.....	5	2,836,421	1.69
\$650,001-\$700,000.....	2	1,354,651	0.81
\$700,001-\$750,000.....	3	2,166,624	1.29
\$750,001-\$800,000.....	3	2,270,711	1.35
\$800,001-\$850,000.....	1	808,108	0.48
\$850,001-\$900,000.....	2	1,709,301	1.02
\$900,001-\$950,000.....	1	902,673	0.54
\$950,001-\$1,000,000.....	2	1,928,398	1.15
More than \$1,000,000.....	1	1,251,278	0.75
Totals.....	541	\$ 167,767,803	100.00%

</TABLE>

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(2) The average outstanding principal balance of the Mortgage Loans in Mortgage Group One as of the Cut-off Date was approximately \$310,107. The original principal balances of the Mortgage Loans in Mortgage Group One ranged from \$207,860 to \$1,300,000.

MORTGAGE GROUP ONE  
YEAR OF ORIGINATION

<TABLE>  
<CAPTION>

YEAR OF ORIGINATION	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP ONE BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
1991.....	80	\$ 22,587,347	13.46%
1992.....	199	59,098,477	35.23
1993.....	127	42,216,850	25.16
1994.....	108	34,002,322	20.27
1995.....	27	9,862,808	5.88

Totals.....	541	\$ 167,767,803	100.00%
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</TABLE>

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MORTGAGE GROUP ONE  
ORIGINAL LOAN-TO-VALUE RATIO (3)

<TABLE>  
<CAPTION>

ORIGINAL LOAN-TO-VALUE RATIO	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP ONE BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
50.00% or less.....	28	\$ 11,987,393	7.15%
50.01%-55.00%.....	10	2,582,886	1.54
55.01%-60.00%.....	19	6,273,040	3.74
60.01%-65.00%.....	35	10,233,647	6.10
65.01%-70.00%.....	56	19,222,689	11.46
70.01%-75.00%.....	109	34,449,187	20.53
75.01%-80.00%.....	180	54,304,305	32.37
80.01%-85.00%.....	14	3,832,440	2.28
85.01%-90.00%.....	80	22,260,015	13.27
90.01%-95.00%.....	10	2,622,200	1.56
Totals.....	541	\$ 167,767,803	100.00%

</TABLE>

(3) The weighted average original Loan-to-Value Ratio of the Mortgage Loans in Mortgage Group was approximately 73.40% as of the Cut-off Date.

MORTGAGE GROUP ONE  
LOAN PURPOSE

<TABLE>  
<CAPTION>

LOAN PURPOSE	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP ONE BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
Cash-out Refinance.....	66	\$ 18,800,109	11.21%
Purchase.....	262	80,192,835	47.80
Rate/Term Refinance.....	213	68,774,859	40.99
Totals.....	541	\$ 167,767,803	100.00%

</TABLE>

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MORTGAGE GROUP ONE  
REMAINING TERMS TO STATED MATURITY (4)

<TABLE>  
<CAPTION>

MONTHS REMAINING	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP ONE BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
193-204.....	1	\$ 215,189	0.13%
265-276.....	1	281,899	0.17
289-300.....	18	4,972,547	2.96
301-312.....	181	52,855,314	31.51
313-324.....	149	46,192,632	27.53
325-336.....	126	43,162,688	25.73
337-348.....	52	15,099,777	9.00
349-360.....	13	4,987,758	2.97

Totals.....	541	\$ 167,767,803	100.00%
	---	-----	-----

</TABLE>

-----

(4) The weighted average remaining term to stated maturity of the Mortgage Loans in Mortgage Group One as of the Cut-off Date was approximately 320 months.

MORTGAGE GROUP ONE  
REMAINING TERMS TO EXPECTED MATURITY(5)

<TABLE>  
<CAPTION>

MONTHS REMAINING	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP ONE BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
193-204.....	1	\$ 215,189	0.13%
265-276.....	3	704,569	0.42
277-288.....	3	758,230	0.45
289-300.....	35	9,527,586	5.68
301-312.....	181	53,178,662	31.70
313-324.....	140	43,980,847	26.22
325-336.....	118	40,840,076	24.34
337-348.....	47	13,574,886	8.09
349-360.....	13	4,987,758	2.97
	---	-----	-----
Totals.....	541	\$ 167,767,803	100.00%
	---	-----	-----

</TABLE>

-----

(5) Based on payments actually received (or scheduled to be received) on each Mortgage Loan in Mortgage Group One as of the Cut-off Date. The weighted average remaining term to expected maturity of the Mortgage Loans in Mortgage Group One as of the Cut-off Date was approximately 318 months.

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MORTGAGE GROUP ONE  
TYPES OF MORTGAGED PROPERTIES

<TABLE>  
<CAPTION>

PROPERTY TYPE	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP ONE BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
Single-family Residence.....	456	\$ 140,591,068	83.80%
Cooperative Unit (6).....	13	3,906,346	2.33
Condominium.....	50	14,863,345	8.86
Planned Unit Development.....	1	342,884	0.20
Two- to Four-family Dwelling Unit.....	21	8,064,161	4.81
	---	-----	-----
Totals.....	541	\$ 167,767,803	100.00%
	---	-----	-----

</TABLE>

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(6) Mortgage Loans secured by "Cooperative Units" were made to finance or refinance the purchase of stock allocated to units in residential cooperative housing corporations (each, a "Co-Op Loan").

MORTGAGE GROUP ONE  
OCCUPANCY (7)

<TABLE>  
<CAPTION>

OCCUPANCY	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP ONE BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
-----------	-----------------------------	-------------------------------------------------------------	----------------------------------------------------------------------------------------------------

<S>	<C>	<C>	<C>
Owner-occupied.....	521	\$ 161,745,774	96.41%
Second Home.....	17	5,316,535	3.17
Investor.....	3	705,494	0.42
Totals.....	541	\$ 167,767,803	100.00%

</TABLE>

(7) Based on representations by the Mortgagors at the time of origination of the related Mortgage Loans.

MORTGAGE GROUP ONE  
LOAN DOCUMENTATION

<TABLE>  
<CAPTION>

LOAN DOCUMENTATION	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP ONE BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
Full or Alternative Documentation.....	471	\$ 145,014,288	86.44%
No Income Verification.....	41	13,238,232	7.89
No Income or Asset Verification.....	29	9,515,282	5.67
Totals.....	541	\$ 167,767,803	100.00%

</TABLE>

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MORTGAGE GROUP TWO  
MORTGAGE RATES (1)

<TABLE>  
<CAPTION>

MORTGAGE RATE	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP TWO BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
6.625%.....	1	\$ 496,807	1.26%
6.750.....	3	649,628	1.65
6.875.....	2	703,900	1.79
7.000.....	2	556,104	1.42
7.125.....	1	316,834	0.81
7.250.....	31	9,078,734	23.11
7.375.....	9	2,669,050	6.79
7.500.....	14	5,401,188	13.75
7.625.....	12	3,149,892	8.02
7.750.....	4	1,634,202	4.16
7.875.....	6	1,474,624	3.75
8.000.....	4	1,311,964	3.34
8.125.....	3	595,117	1.51
8.250.....	4	1,286,014	3.27
8.375.....	3	728,804	1.86
8.500.....	2	592,678	1.51
8.625.....	2	465,640	1.19
8.750.....	1	231,450	0.59
8.875.....	7	2,046,137	5.21
9.000.....	2	474,333	1.21
9.125.....	5	1,112,915	2.83
9.250.....	4	2,195,552	5.59
9.375.....	1	655,199	1.67
9.500.....	3	791,003	2.01
9.625.....	2	413,518	1.05
9.750.....	1	250,893	0.64
Totals.....	129	\$39,282,178	100.00%

</TABLE>

(1) The Mortgage Rates borne by the Mortgage Loans in Mortgage Group Two as of the Cut-off Date ranged from 6.625% per annum to 9.750% per annum and the weighted average Mortgage Rate on the Mortgage Loans in Mortgage Group Two as of the Cut-off Date was approximately 7.868% per annum.

S-23

MORTGAGE GROUP TWO  
GEOGRAPHICAL DISTRIBUTION  
OF MORTGAGED PROPERTIES

<TABLE>  
<CAPTION>

STATE	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP TWO BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
Arkansas.....	1	\$ 215,712	0.55%
Arizona.....	2	898,032	2.29
California.....	9	2,568,576	6.54
Connecticut.....	2	470,923	1.20
Delaware.....	1	300,504	0.76
Florida.....	11	3,843,778	9.79
Illinois.....	2	618,566	1.57
Louisiana.....	2	769,552	1.96
Maryland.....	2	687,951	1.75
Michigan.....	2	448,009	1.14
Missouri.....	1	234,485	0.60
Nevada.....	1	239,851	0.61
New Jersey.....	8	2,808,913	7.15
New York.....	55	16,906,952	43.04
Ohio.....	3	864,400	2.20
Oklahoma.....	2	541,908	1.38
Pennsylvania.....	5	1,436,460	3.66
Rhode Island.....	1	268,981	0.68
South Carolina.....	1	348,059	0.89
Texas.....	14	3,948,875	10.05
Utah.....	1	189,531	0.48
Virginia.....	3	672,162	1.71
Totals.....	129	\$39,282,178	100.00%

</TABLE>

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<TABLE>  
<CAPTION>

STATE/COUNTY	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP TWO BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
State--New York			
County--			
Dutchess.....	1	\$ 338,578	0.86%
Kings.....	9	3,311,336	8.43
Nassau.....	13	3,888,629	9.90
New York.....	9	3,096,983	7.88
Richmond.....	1	375,935	0.96
Rockland.....	1	252,937	0.64
Suffolk.....	10	2,579,595	6.57
Sullivan.....	1	206,344	0.53
Westchester.....	10	2,856,616	7.27
Totals.....	55	\$16,906,952	43.04%
State--Texas			
County--			
Dallas.....	1	\$ 672,783	1.71%
El Paso.....	1	250,796	0.64
Harris.....	9	2,344,261	5.97
Midland.....	1	184,084	0.47
Montgomery.....	1	252,506	0.64

Tarrant.....	1	244,446	0.62
	--		
		-----	-----
Totals.....	14	\$ 3,948,875	10.05%
	--		
		-----	-----

</TABLE>

MORTGAGE GROUP TWO  
ORIGINAL PRINCIPAL BALANCE (2)

<TABLE>  
<CAPTION>

ORIGINAL PRINCIPAL BALANCE	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP TWO BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
\$200,001-\$250,000.....	30	\$ 5,973,666	15.21%
\$250,001-\$300,000.....	38	9,052,042	23.04
\$300,001-\$350,000.....	18	5,077,613	12.93
\$350,001-\$400,000.....	9	3,001,015	7.64
\$400,001-\$450,000.....	11	4,140,375	10.54
\$450,001-\$500,000.....	10	4,084,080	10.40
\$500,001-\$550,000.....	3	1,416,442	3.61
\$550,001-\$600,000.....	1	471,873	1.20
\$600,001-\$650,000.....	3	1,671,410	4.25
\$700,001-\$750,000.....	3	1,939,840	4.94
\$750,001-\$800,000.....	1	655,199	1.67
\$800,001-\$850,000.....	1	756,576	1.93
More than \$1,000,000.....	1	1,042,047	2.65
	----	-----	-----
Totals.....	129	\$39,282,178	100.00%
	----	-----	-----

</TABLE>

(2) The average outstanding principal balance of the Mortgage Loans in Mortgage Group Two as of the Cut-off Date was approximately \$304,513. The original principal balances of the Mortgage Loans in Mortgage Group Two ranged from \$210,000 to \$1,100,000.

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MORTGAGE GROUP TWO  
YEAR OF ORIGINATION

<TABLE>  
<CAPTION>

YEAR OF ORIGINATION	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP TWO BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
1991.....	17	\$ 4,306,035	10.96%
1992.....	30	9,023,078	22.97
1993.....	46	13,250,746	33.73
1994.....	36	12,702,318	32.34
	----	-----	-----
Totals.....	129	\$39,282,178	100.00%
	----	-----	-----

</TABLE>

MORTGAGE GROUP TWO  
ORIGINAL LOAN-TO-VALUE RATIO (3)

<TABLE>  
<CAPTION>

ORIGINAL LOAN-TO-VALUE RATIO	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP TWO BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
50.00% or less.....	20	\$ 6,629,688	16.88%

50.01%-55.00%.....	2	412,644	1.05
55.01%-60.00%.....	9	3,157,813	8.04
60.01%-65.00%.....	8	2,690,538	6.85
65.01%-70.00%.....	20	5,420,638	13.80
70.01%-75.00%.....	39	11,530,683	29.35
75.01%-80.00%.....	30	9,189,380	23.39
85.01%-90.00%.....	1	250,796	0.64
Totals.....	129	\$39,282,178	100.00%

</TABLE>

-----

(3) The weighted average original Loan-to-Value Ratio of the Mortgage Loans in Mortgage Group Two was approximately 65.73% as of the Cut-off Date.

MORTGAGE GROUP TWO  
LOAN PURPOSE

<TABLE>  
<CAPTION>

LOAN PURPOSE	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP TWO BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
Cash-out Refinance.....	25	\$ 7,214,715	18.37%
Purchase.....	33	9,910,172	25.23
Rate/Term Refinance.....	71	22,157,291	56.41
Totals.....	129	\$ 39,282,178	100.00%

</TABLE>

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MORTGAGE GROUP TWO  
REMAINING TERMS TO STATED MATURITY (4)

<TABLE>  
<CAPTION>

MONTHS REMAINING	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP TWO BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
73- 84	1	\$ 200,528	0.51%
85- 96.....	2	772,377	1.97
109-120.....	4	887,893	2.26
121-132.....	29	7,967,769	20.28
133-144.....	40	11,680,571	29.74
145-156.....	50	16,227,939	41.31
157-168.....	3	1,545,101	3.93
Totals.....	129	\$ 39,282,178	100.00%

</TABLE>

-----

(4) The weighted average remaining term to stated maturity of the Mortgage Loans in Mortgage Group Two as of the Cut-off Date was approximately 140 months.

MORTGAGE GROUP TWO  
REMAINING TERMS TO EXPECTED MATURITY (5)

<TABLE>  
<CAPTION>

MONTHS REMAINING	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP TWO BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
73- 84.....	1	\$ 200,528	0.51%
85- 96.....	2	772,377	1.97

109-120.....	5	1,086,140	2.76
121-132.....	35	10,094,251	25.70
133-144.....	39	11,024,728	28.07
145-156.....	44	14,559,054	37.06
157-168.....	3	1,545,101	3.93
Totals.....	129	\$39,282,178	100.00%

</TABLE>

(5) Based on payments actually received (or scheduled to be received) on each Mortgage Loan in Mortgage Group Two as of the Cut-off Date. The weighted average remaining term to expected maturity of the Mortgage Loans in Mortgage Group Two as of the Cut-off Date was approximately 139 months.

S-27

MORTGAGE GROUP TWO  
TYPES OF MORTGAGED PROPERTIES

<TABLE>  
<CAPTION>

PROPERTY TYPE	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP TWO BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
Single-family Residence.....	114	\$34,754,198	88.47%
Cooperative Unit.....	3	947,569	2.41
Condominium.....	6	1,290,379	3.28
Planned Unit Development.....	1	297,383	0.76
Two- to Four-family Dwelling Unit.....	5	1,992,650	5.07
Totals.....	129	\$39,282,178	100.00%

</TABLE>

MORTGAGE GROUP TWO  
OCCUPANCY (6)

<TABLE>  
<CAPTION>

OCCUPANCY	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP TWO BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
Owner-occupied.....	122	\$37,268,036	94.87%
Second Home.....	7	2,014,143	5.13
Totals.....	129	\$39,282,178	100.00%

</TABLE>

(6) Based on representations by the Mortgagors at the time of origination of the related Mortgage Loans.

MORTGAGE GROUP TWO  
LOAN DOCUMENTATION

<TABLE>  
<CAPTION>

LOAN DOCUMENTATION	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE GROUP TWO BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
Full or Alternative Documentation.....	91	\$27,487,696	69.98%
No Income Verification.....	21	5,845,512	14.88
No Income or Asset Verification.....	17	5,948,970	15.14
Totals.....	129	\$39,282,178	100.00%



</TABLE>

S-28

MORTGAGE POOL  
MORTGAGE RATES (1)

<TABLE>  
<CAPTION>

MORTGAGE RATE	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE POOL BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
6.625%	1	\$ 496,807	0.24%
6.750	7	2,106,105	1.02
6.875	2	703,900	0.34
7.000	2	556,104	0.27
7.125	2	567,541	0.27
7.250	52	17,779,420	8.59
7.375	40	12,227,446	5.91
7.500	45	15,309,861	7.39
7.625	42	12,712,515	6.14
7.750	56	18,862,325	9.11
7.875	38	11,183,495	5.40
8.000	35	10,582,152	5.11
8.125	39	10,322,278	4.99
8.250	40	13,492,363	6.52
8.375	43	13,060,637	6.31
8.500	40	12,292,325	5.94
8.625	27	8,193,304	3.96
8.750	20	5,591,574	2.70
8.875	42	13,038,608	6.30
9.000	16	4,702,792	2.27
9.125	19	4,523,837	2.18
9.250	20	7,297,565	3.52
9.375	7	2,222,577	1.07
9.500	16	4,274,895	2.06
9.625	5	1,268,464	0.61
9.750	4	1,084,321	0.52
9.875	8	2,105,668	1.02
10.000	2	491,106	0.24
Totals	670	\$ 207,049,981	100.00%

</TABLE>

(1) The interest rates (the "Mortgage Rates") borne by the Mortgage Loans as of the Cut-off Date ranged from 6.625% per annum to 10.000% per annum and the weighted average Mortgage Rate on the Mortgage Loans as of the Cut-off Date was approximately 8.140% per annum.

S-29

MORTGAGE POOL  
GEOGRAPHICAL DISTRIBUTION  
OF MORTGAGED PROPERTIES

<TABLE>  
<CAPTION>

STATE	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE POOL BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
Alabama	1	\$ 241,291	0.12%
Arkansas	1	215,712	0.10
Arizona	9	3,402,048	1.64
California	74	24,201,152	11.69
Colorado	22	6,612,119	3.19
Connecticut	31	9,965,291	4.81
Delaware	1	300,504	0.15
Florida	33	9,441,355	4.56
Georgia	2	460,742	0.22
Idaho	3	804,109	0.39

Illinois.....	12	3,359,282	1.62
Indiana.....	1	202,302	0.10
Kansas.....	1	276,720	0.13
Kentucky.....	1	238,154	0.12
Louisiana.....	3	1,096,057	0.53
Maryland.....	5	1,571,504	0.76
Massachusetts.....	2	503,756	0.24
Michigan.....	5	1,079,852	0.52
Missouri.....	2	516,220	0.25
Nevada.....	5	1,515,888	0.73
New Jersey.....	42	14,815,641	7.16
New York.....	274	86,164,505	41.62
North Carolina.....	8	2,195,191	1.06
Ohio.....	10	3,001,897	1.45
Oklahoma.....	4	1,050,085	0.51
Pennsylvania.....	10	2,755,780	1.33
Rhode Island.....	3	932,698	0.45
South Carolina.....	4	1,457,028	0.70
South Dakota.....	1	217,864	0.11
Tennessee.....	1	227,580	0.11
Texas.....	83	23,969,839	11.58
Utah.....	3	688,208	0.33
Virginia.....	10	2,727,318	1.32
Washington.....	1	287,454	0.14
Wisconsin.....	2	554,837	0.27
Totals.....	670	\$ 207,049,981	100.00%

</TABLE>

S-30

<TABLE>  
<CAPTION>

STATE/COUNTY	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE POOL BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>			
State--New York			
County--			
Bronx.....	2	\$ 498,796	0.24%
Dutchess.....	1	338,578	0.16
Kings.....	29	10,139,535	4.90
Monroe.....	1	215,155	0.10
Nassau.....	43	12,640,485	6.11
New York.....	59	19,884,490	9.60
Queens.....	11	2,913,309	1.41
Richmond.....	5	1,592,067	0.77
Rockland.....	3	965,167	0.47
Suffolk.....	40	11,906,817	5.75
Sullivan.....	1	206,344	0.10
Westchester.....	79	24,863,762	12.01
Totals.....	274	\$86,164,505	41.62%
State--Texas			
County--			
Anderson.....	1	\$ 220,339	0.11%
Collin.....	7	2,482,797	1.20
Dallas.....	14	4,074,974	1.97
Denton.....	1	218,654	0.11
El Paso.....	2	451,809	0.22
Harris.....	41	11,598,955	5.60
Hidalgo.....	1	239,600	0.12
Jefferson.....	1	243,279	0.12
Lubbock.....	1	336,499	0.16
Midland.....	1	184,084	0.09
Montgomery.....	3	809,617	0.39
Tarrant.....	7	1,779,134	0.86
Travis.....	3	1,330,099	0.64
Totals.....	83	\$23,969,839	11.58%

</TABLE>

S-31

MORTGAGE POOL  
ORIGINAL PRINCIPAL BALANCE (2)

<TABLE>  
<CAPTION>

ORIGINAL PRINCIPAL BALANCE	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE POOL BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
\$200,001-\$250,000.....	206	\$ 44,917,336	21.69%
\$250,001-\$300,000.....	207	54,295,081	26.22
\$300,001-\$350,000.....	86	26,375,772	12.74
\$350,001-\$400,000.....	46	16,576,274	8.01
\$400,001-\$450,000.....	32	12,809,179	6.19
\$450,001-\$500,000.....	42	19,117,896	9.23
\$500,001-\$550,000.....	11	5,514,614	2.66
\$550,001-\$600,000.....	11	6,150,593	2.97
\$600,001-\$650,000.....	8	4,507,831	2.18
\$650,001-\$700,000.....	2	1,354,651	0.65
\$700,001-\$750,000.....	6	4,106,465	1.98
\$750,001-\$800,000.....	4	2,925,910	1.41
\$800,001-\$850,000.....	2	1,564,684	0.76
\$850,001-\$900,000.....	2	1,709,301	0.83
\$900,001-\$950,000.....	1	902,673	0.44
\$950,001-\$1,000,000.....	2	1,928,398	0.93
More than \$1,000,000.....	2	2,293,324	1.11
Totals.....	670	\$ 207,049,981	100.00%

</TABLE>

(2) The average outstanding principal balance of the Mortgage Loans as of the Cut-off Date was approximately \$309,030. The original principal balances of the Mortgage Loans ranged from \$207,860 to \$1,300,000.

MORTGAGE POOL  
YEAR OF ORIGINATION

<TABLE>  
<CAPTION>

YEAR OF ORIGINATION	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE POOL BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
1991.....	97	\$ 26,893,382	12.99%
1992.....	229	68,121,555	32.90
1993.....	173	55,467,596	26.79
1994.....	144	46,704,640	22.56
1995.....	27	9,862,808	4.76
Totals.....	670	\$ 207,049,981	100.00%

</TABLE>

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MORTGAGE POOL  
ORIGINAL LOAN-TO-VALUE RATIO (3)

<TABLE>  
<CAPTION>

ORIGINAL LOAN-TO-VALUE RATIO	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE POOL BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
50.00% or less.....	48	\$ 18,617,081	8.99%
50.01%-55.00%.....	12	2,995,530	1.45
55.01%-60.00%.....	28	9,430,853	4.55
60.01%-65.00%.....	43	12,924,185	6.24
65.01%-70.00%.....	76	24,643,326	11.90
70.01%-75.00%.....	148	45,979,870	22.21
75.01%-80.00%.....	210	63,493,685	30.67

80.01%-85.00%.....	14	3,832,440	1.85
85.01%-90.00%.....	81	22,510,810	10.87
90.01%-95.00%.....	10	2,622,200	1.27
Totals.....	670	\$ 207,049,981	100.00%

</TABLE>

(3) The weighted average original Loan-to-Value Ratio of the Mortgage Loans was approximately 71.94% as of the Cut-off Date.

MORTGAGE POOL  
LOAN PURPOSE

<TABLE>  
<CAPTION>

LOAN PURPOSE	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE POOL BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
Cash-out Refinance.....	91	\$ 26,014,824	12.56%
Purchase.....	295	90,103,007	43.52
Rate/Term Refinance.....	284	90,932,150	43.92
Totals.....	670	\$ 207,049,981	100.00%

</TABLE>

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MORTGAGE POOL  
REMAINING TERMS TO STATED MATURITY (4)

<TABLE>  
<CAPTION>

MONTHS REMAINING	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE POOL BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
73- 84.....	1	\$ 200,528	0.10%
85- 96.....	2	772,377	0.37
109-120.....	4	887,893	0.43
121-132.....	29	7,967,769	3.85
133-144.....	40	11,680,571	5.64
145-156.....	50	16,227,939	7.84
157-168.....	3	1,545,101	0.75
193-204.....	1	215,189	0.10
265-276.....	1	281,899	0.14
289-300.....	18	4,972,547	2.40
301-312.....	181	52,855,314	25.53
313-324.....	149	46,192,632	22.31
325-336.....	126	43,162,688	20.85
337-348.....	52	15,099,777	7.29
349-360.....	13	4,987,758	2.41
Totals.....	670	\$ 207,049,981	100.00%

</TABLE>

(4) The weighted average remaining term to stated maturity of the Mortgage Loans as of the Cut-off Date was approximately 286 months.

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MORTGAGE POOL  
REMAINING TERMS TO EXPECTED MATURITY (5)

<TABLE>  
<CAPTION>

AGGREGATE PRINCIPAL BALANCE  
PERCENTAGE OF MORTGAGE POOL BY AGGREGATE PRINCIPAL

MONTHS REMAINING	NUMBER OF MORTGAGE LOANS	AS OF THE CUT-OFF DATE	BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
73- 84.....	1	\$ 200,528	0.10%
85- 96.....	2	772,377	0.37
109-120.....	5	1,086,140	0.52
121-132.....	35	10,094,251	4.88
133-144.....	39	11,024,728	5.32
145-156.....	44	14,559,054	7.03
157-168.....	3	1,545,101	0.75
193-204.....	1	215,189	0.10
265-276.....	3	704,569	0.34
277-288.....	3	758,230	0.37
289-300.....	35	9,527,586	4.60
301-312.....	181	53,178,662	25.68
313-324.....	140	43,980,847	21.24
325-336.....	118	40,840,076	19.72
337-348.....	47	13,574,886	6.56
349-360.....	13	4,987,758	2.41
Totals.....	670	\$ 207,049,981	100.00%

</TABLE>

(5) Based on payments actually received (or scheduled to be received) on each Mortgage Loan as of the Cut-off Date. The weighted average remaining term to expected maturity of the Mortgage Loans as of the Cut-off Date was approximately 284 months.

MORTGAGE POOL  
TYPES OF MORTGAGED PROPERTIES

PROPERTY TYPE	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE POOL BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
Single-family Residence.....	570	\$ 175,345,266	84.69%
Cooperative Unit.....	16	4,853,914	2.34
Condominium.....	56	16,153,723	7.80
Planned Unit Development.....	2	640,267	0.31
Two- to Four-family Dwelling Unit.....	26	10,056,810	4.86
Totals.....	670	\$ 207,049,981	100.00%

</TABLE>

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MORTGAGE POOL  
OCCUPANCY (6)

OCCUPANCY	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE POOL BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
Owner-occupied.....	643	\$ 199,013,810	96.12%
Second Home.....	24	7,330,678	3.54
Investor.....	3	705,494	0.34
Totals.....	670	\$ 207,049,981	100.00%

</TABLE>

(6) Based on representations by the Mortgagors at the time of origination of the related Mortgage Loans.

MORTGAGE POOL

<TABLE>  
<CAPTION>

LOAN DOCUMENTATION	NUMBER OF MORTGAGE LOANS	AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE	PERCENTAGE OF MORTGAGE POOL BY AGGREGATE PRINCIPAL BALANCE AS OF THE CUT-OFF DATE
<S>	<C>	<C>	<C>
Full or Alternative Documentation.....	562	\$ 172,501,984	83.31%
No Income Verification.....	62	19,083,744	9.22
No Income or Asset Verification.....	46	15,464,253	7.47
Totals.....	670	\$ 207,049,981	100.00%

</TABLE>

At the date of issuance of the Certificates, no Mortgage Loan will be delinquent more than 30 days or will have had more than one delinquency in excess of 30 days as to any Monthly Payment during the preceding twelve months.

No zip code area contains greater than approximately 1.91% of the Mortgaged Properties.

A Standard Hazard Insurance Policy is required to be maintained by the Mortgagor with respect to each Mortgage Loan in an amount equal to the maximum insurable value of the improvements securing such Mortgage Loan or the principal balance of such Mortgage Loan, whichever is less. See "Description of Insurance--Hazard Insurance on the Mortgage Loans--Standard Hazard Insurance Policies" in the Prospectus. No Mortgage Pool Insurance Policy, Special Hazard Insurance Policy or Mortgagor Bankruptcy Insurance will be maintained with respect to the Mortgage Pool, nor will any Mortgage Loan be insured by the FHA or guaranteed by the VA.

The description in this Prospectus Supplement of the Mortgage Pool and the Mortgaged Properties is based upon the Mortgage Pool as presently constituted. Prior to the issuance of the Certificates, Mortgage Loans may be removed from the Mortgage Pool if the Company deems such removal necessary or appropriate. Other mortgage loans may be included in the Mortgage Pool prior to the issuance of the Certificates unless including such mortgage loans would materially alter the characteristics of the Mortgage Pool as described herein. The Company believes that the information set forth herein will be representative of the characteristics of the Mortgage Pool as it will be constituted at the time the Certificates are issued.

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ASSIGNMENT OF MORTGAGE LOANS

The Company will cause the Mortgage Loans to be assigned to the Trustee, together with the rights to all principal and interest due on or with respect to the Mortgage Loans after the Cut-off Date other than interest accrued on the Mortgage Loans prior to the Cut-off Date. The Trustee will, concurrently with such assignment, authenticate and deliver the Certificates. Each Mortgage Loan will be identified in a schedule appearing as an exhibit to the Agreement (the "Mortgage Loan Schedule"). The Mortgage Loan Schedule will specify, among other things, with respect to each Mortgage Loan, the original principal amount and the unpaid principal balance as of the close of business on the Cut-off Date; the Monthly Payment; the months remaining to stated maturity of the Mortgage Note; and the Mortgage Rate.

In addition, the Company will, as to each Mortgage Loan, deliver or cause to be delivered to the Trustee the Mortgage Note (together with all amendments and modifications thereto) endorsed without recourse to the Trustee or its designee, the original or a certified copy of the mortgage (together with all amendments and modifications thereto) with evidence of recording indicated thereon and an original or certified copy of an assignment of the Mortgage in recordable form. As to each Co-op Loan, the Company will also deliver or cause to be delivered to the Trustee a Uniform Commercial Code financing statement and an assignment thereof to the Trustee, the stock certificate representing the stock allocated to the dwelling unit in the residential cooperative housing corporation, an assignment to the Trustee of the collateral assignment of lease and the recognition agreement. The Company will cause the assignments to be recorded in the appropriate public records.

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THE CHASE MANHATTAN BANK

GENERAL

Effective July 15, 1996, The Chase Manhattan Bank, N.A. was merged with and

into Chemical Bank, with Chemical Bank as the surviving entity. The resulting institution, renamed The Chase Manhattan Bank ("Chase"), headquartered in New York, New York, provides consumer, corporate, trust and international banking services through branches in the New York City metropolitan area and upstate New York region, and conducts a worldwide banking business through overseas branches, subsidiaries, representatives and correspondents. The principal office of Chase is located at 270 Park Avenue, New York, New York 10017, and its telephone number is (212) 270-6000.

#### MORTGAGE LOAN UNDERWRITING

Chase's underwriting standards are intended to evaluate the borrower's credit standing and repayment ability, and the value and adequacy of the Mortgaged Property as collateral. Initially, a prospective borrower is required to 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 borrower is required to provide a current balance sheet describing assets and liabilities and a statement of income and expenses, as well as, to the extent required by applicable state law, an authorization to apply for a credit report which summarizes the borrower's credit history with merchants and lenders and any record of bankruptcy. While a credit report is always required for a prospective borrower, the extent of the report and other documentation requested varies among different origination programs.

For any prospective borrower, an employment verification is obtained from the borrower's employer wherein the employer reports the length of employment with the employer, the employee's current salary, and whether it is expected that the borrower will continue such employment in the future; alternatively, under the Alternative Documentation underwriting program, an employment verification may be obtained through examination of the borrower's income and withholding statements for the past one or two years and an original payroll earnings statement for the most recent 30-day period and a contact call may be made to the borrower's employer (or to the borrower if self-employed) at the borrower's place of business. For a self-employed prospective borrower, the borrower is generally required to submit copies of personal and business federal income tax returns for the previous two years. For any prospective borrower, the borrower authorizes verification of all deposits at all financial institutions at which the borrower has demand or savings accounts; alternatively, under the Alternative Documentation underwriting program, the borrower may be permitted to provide bank statements for deposit accounts or mutual fund or brokerage statements for securities accounts for the most recent 60-day period.

In addition to the foregoing, Chase maintains a "No Income Verification" underwriting program in which prospective borrowers are not required to provide documentation verifying statements made on their applications with respect to income. However, verification of deposits of the prospective borrower (either directly or by review of bank statements) is required. The program does provide, however, for Chase to obtain tax returns directly from the Internal Revenue Service.

Once the credit report and the employment and deposit verifications are received by the underwriting officer considering the loan application, a determination is made as to whether the prospective borrower has sufficient monthly income available (i) 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 home (such as property taxes and hazard insurance) and (ii) to meet other financial obligations and monthly living expenses. In all instances, Chase's underwriting policies may be varied in cases deemed appropriate by its underwriting officers and may be changed in the future.

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In determining the adequacy of the property as collateral, an independent appraisal is made of each property considered for financing. Each appraiser is selected in accordance with predetermined guidelines established for appraisers. The appraiser is required to inspect the property and verify that it is in good condition and that construction, if new, has been completed. If the appraiser reports any exceptions to the verification, Chase or its agent must determine that such property has been substantially completed to its satisfaction. The appraisal is based on the appraiser's judgment of value giving appropriate weight to both the market value of comparable properties and the cost of replacing the property and other factors as appropriate. Chase's underwriting standards also require a search of the public records relating to a Mortgaged Property for liens and judgments against such Mortgaged Property, as well as customary title insurance, except that title insurance is not required in connection with Co-op Loans.

In connection with Co-op Loans, a recognition agreement in customary form is generally required from the related cooperative corporation,

Through its Domestic Private Banking unit, Chase also originates mortgage loans for individuals with substantially higher than average income and net assets. In connection with such originations, certain exceptions to Chase's

standard underwriting guidelines may be made, and alternative documentation may be substituted for Chase's standard documentation. In addition, in certain cases, income and asset verification and other documentation has not been included in the borrower's mortgage file (any such Mortgage Loans included in the Mortgage Pool are referred to herein as "No Income or Asset Verification" Mortgage Loans).

#### PREPAYMENT AND YIELD CONSIDERATIONS

The rate of principal payments on the Offered Certificates (defined herein), the aggregate amount of each interest payment on the Offered Certificates (other than the Class IA-3, Class IA-P and Class IIA-P Certificates) and the yield to maturity of the Offered Certificates are related to the rate and timing of payments of principal on the underlying Mortgage Loans. The principal payments on such Mortgage Loans may be in the form of scheduled principal payments or prepayments (for this purpose, the term "prepayment" includes prepayments in full, curtailments and liquidations due to default, casualty, condemnation and the like, as well as repurchases by a mortgage loan seller). Any such prepayments will result in distributions to holders of Certificates ("Certificateholders") of principal amounts which would otherwise be distributed over the remaining terms of the Mortgage Loans. In addition, because, for at least nine years after the issuance of the Certificates, the Class A Certificateholders (other than the Class IA-3, Class IA-4, Class IA-P and Class IIA-P Certificateholders) will be entitled to receive a percentage of certain amounts, including principal prepayments, which is greater than their proportionate interest in the Trust Fund, the rate of principal prepayments on the Mortgage Loans will have a greater effect on the rate of principal payments and the amount of interest payments on, and the yield to maturity of, such Certificates than if such Certificateholders were entitled only to their proportionate interest in such amounts. As a result of the method of calculating the Class IA-4 Priority Amount (defined herein) and the priorities for the allocation of the Non-PO Class IA Distribution Amount (defined herein), it is expected that, absent an exceptionally high rate of principal prepayments on the Mortgage Loans in Mortgage Group One, no principal prepayments will be allocated to the Class IA-4 Certificates during the first five years following the issuance of the Certificates and that, while the percentage of principal prepayments allocated to the Class IA-4 Certificates during the four years thereafter will gradually increase, such percentage, until the tenth year following the issuance of the Certificates, will be disproportionately lower than the percentage of such principal prepayments allocated to the other Non-PO Class IA Certificates (other than the Class IA-P Certificates). See "Description of the Certificates--Distributions of Principal and Interest". In general, the prepayment rate may be influenced by a number of factors, including general economic conditions and homeowner mobility. Mortgagors are generally permitted to prepay the Mortgage

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Loans, in whole or in part, at any time without penalty. The rate of payment of principal may also be affected by any repurchase of the Mortgage Loans. See "The Mortgage Pool--General" and "Description of the Certificates--Optional Termination" herein. In such event, the repurchase price will be passed through to the Certificateholders as a prepayment of principal in the month following the month of such repurchase.

The rate of prepayments with respect to mortgage loans on one- to four-family residences has fluctuated significantly in recent years. The Company believes that in a fluctuating interest rate environment a predominant factor affecting the prepayment rate on a large pool of mortgage loans is the difference between the interest rates on the mortgage loans (giving consideration to the cost of any refinancing) and prevailing mortgage rates. In general, if mortgage interest rates were to fall below the interest rates on the Mortgage Loans, the rate of prepayment would be expected to increase. Conversely, in general, if mortgage interest rates were to rise above the interest rates on the Mortgage Loans, the rate of prepayment would be expected to decrease. Other factors affecting prepayment of mortgage loans include changes in mortgagors' housing needs, job transfers, unemployment, mortgagors' net equity in the mortgaged properties and servicing decisions. Additionally, in general, mortgage loans having relatively high principal balances and/or relatively low loan-to-value ratios may be more likely to prepay than mortgage loans having relatively low principal balances and/or relatively high loan-to-value ratios. Therefore, if a mortgage pool consists of mortgage loans which generally have relatively high principal balances and relatively low loan-to-value ratios, the rate of prepayments with respect to such mortgage pool could be higher than would otherwise be the case. In addition, prepayments generally will also result from home sales by mortgagors and from foreclosures due to defaults on mortgage loans. There is no historical prepayment data available for the Mortgage Pool, and comparable data is not available because the Mortgage Loans do not constitute a representative sample of mortgage loans generally. In addition, historical data available with respect to mortgage loans underlying mortgage pass-through certificates issued by GNMA, FNMA or FHLMC may not be comparable to prepayments expected to be experienced by the Mortgage Pool, because the Mortgage Loans have characteristics which differ from mortgage loans underlying pass-through certificates issued by GNMA, FNMA and FHLMC.



The timing of changes in the rate of prepayments on the Mortgage Loans may significantly affect the total distributions received, the date of receipt of such distributions and the actual yield to maturity to an investor in the Offered Certificates, even if the average rate of principal payments is consistent with an investor's expectations. Because the rate of distribution of principal of the Certificates will be directly related to the actual amortization (including prepayments) of the Mortgage Loans, which may include Mortgage Loans that have remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed, the distributions of the Offered Certificates are likely to differ from those reflected in the following tables, even if all the Mortgage Loans prepay at the indicated percentages of the Prepayment Model (defined below). In addition, it is not likely that the Mortgage Loans will prepay at a constant rate until maturity or that all of the Mortgage Loans will prepay at the same rate. In general, the earlier a payment of principal on the Mortgage Loans, the greater the effect on an investor's yield to maturity. As a result, if principal payments occur at a rate higher (or lower) than the rate anticipated by an investor in the Offered Certificates during the period immediately following the issuance of the Certificates, the effect on such investor's yield will not be equally offset by a subsequent like reduction (or increase) in the rate of principal payments. If an Offered Certificate is offered at a discount from its original principal amount and if the purchaser of such Offered Certificate calculates its yield to maturity based on a faster assumed rate of payment of principal than that actually received on such Certificate, its actual yield to maturity will be lower than that so calculated. Conversely, if an Offered Certificate is offered at a premium to its original principal amount, and if the purchaser of such Offered Certificate calculates its yield to maturity based on a slower assumed rate of payment of principal than that actually received on such Certificate, its actual yield to maturity will be lower than that so calculated and, under certain circumstances, such a

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purchaser may fail to recoup its initial investment. No assurances can be given as to the rate of payments on the Mortgage Loans.

If on any Remittance Date there are not sufficient funds to pay the Non-PO Class A Distribution Amount (defined herein), the amount of the resulting shortfall, together with interest thereon at the Remittance Rate (defined herein), will be due to the Non-PO Class A Certificateholders on the next Remittance Date. If on any Remittance Date on which the aggregate outstanding principal balance of the Class B Certificates is greater than zero, the Class M Certificates do not receive a full month's interest at the Remittance Rate, the resulting shortfall, together with interest thereon at the Remittance Rate, will be due to the Class M Certificateholders on the next Remittance Date. If on any Remittance Date on which the aggregate outstanding principal balance of the Class B-2 Certificates and the Non-Offered Class B Certificates is greater than zero, the Class B-1 Certificates do not receive a full month's interest at the Remittance Rate, the resulting shortfall, together with interest thereon at the Remittance Rate, will be due to the Class B-1 Certificateholders on the next Remittance Date. If on any Remittance Date on which the aggregate outstanding principal balance of the Non-Offered Class B Certificates is greater than zero, the Class B-2 Certificates do not receive a full month's interest at the Remittance Rate, the resulting shortfall, together with interest thereon at the Remittance Rate, will be due to the Class B-2 Certificateholders on the next Remittance Date. If any such shortfalls occur, the weighted average lives of the Class A, Class M, Class B-1 or Class B-2 Certificates, as the case may be, may be longer than if such shortfalls had not occurred.

IF THE AGGREGATE PRINCIPAL BALANCE OF THE NON-OFFERED CLASS B CERTIFICATES IS REDUCED TO ZERO, THE YIELD TO MATURITY ON THE CLASS B-2 CERTIFICATES WILL BE EXTREMELY SENSITIVE TO LOSSES ON THE MORTGAGE LOANS (AND THE TIMING THEREOF), BECAUSE THE ENTIRE AMOUNT OF ANY SUCH LOSSES WHICH OCCUR AFTER THE AGGREGATE PRINCIPAL BALANCE OF THE NON-OFFERED CLASS B CERTIFICATES HAS BEEN REDUCED TO ZERO WILL BE ALLOCABLE TO THE CLASS B-2 CERTIFICATES, AS DESCRIBED HEREIN. IF THE AGGREGATE PRINCIPAL BALANCE OF THE CLASS B-2 CERTIFICATES AND THE NON-OFFERED CLASS B CERTIFICATES IS REDUCED TO ZERO, THE YIELD TO MATURITY ON THE CLASS B-1 CERTIFICATES WILL BE EXTREMELY SENSITIVE TO LOSSES ON THE MORTGAGE LOANS AND THE TIMING THEREOF BECAUSE THE ENTIRE AMOUNT OF ANY SUCH LOSSES WHICH OCCUR AFTER THE AGGREGATE PRINCIPAL BALANCE OF THE CLASS B-2 CERTIFICATES AND THE NON-OFFERED CLASS B CERTIFICATES HAS BEEN REDUCED TO ZERO WILL BE ALLOCABLE TO THE CLASS B-1 CERTIFICATES, AS DESCRIBED HEREIN. IF THE AGGREGATE PRINCIPAL BALANCE OF THE CLASS B CERTIFICATES IS REDUCED TO ZERO, THE YIELD TO MATURITY ON THE CLASS M CERTIFICATES WILL BE EXTREMELY SENSITIVE TO LOSSES ON THE MORTGAGE LOANS AND THE TIMING THEREOF BECAUSE THE ENTIRE AMOUNT OF ANY SUCH LOSSES WHICH OCCUR AFTER THE AGGREGATE PRINCIPAL BALANCE OF THE CLASS B CERTIFICATES HAS BEEN REDUCED TO ZERO WILL BE ALLOCABLE TO THE CLASS M CERTIFICATES, AS DESCRIBED HEREIN. IN ADDITION, AS DESCRIBED HEREIN, FOR AT LEAST NINE YEARS AFTER THE ISSUANCE OF THE CERTIFICATES OR SUCH LESSER TIME AS THE CLASS A CERTIFICATES ARE OUTSTANDING, EACH CLASS OF SUBORDINATED CERTIFICATES (DEFINED HEREIN), AS WELL AS THE CLASS IA-4 CERTIFICATES, WILL BE ENTITLED TO RECEIVE A PERCENTAGE OF CERTAIN AMOUNTS, INCLUDING PRINCIPAL PREPAYMENTS, WHICH IS GENERALLY LESS THAN THEIR PROPORTIONATE INTEREST IN THE TRUST FUND. SEE "DESCRIPTION OF THE CERTIFICATES--SUBORDINATED CERTIFICATES AND SHIFTING INTERESTS."

No assurance can be given as to the rate or timing of principal payments or prepayments on the Mortgage Loans. In addition, it is unlikely that prepayments on the Mortgage Loans will occur at a constant rate even if the average prepayment experience equals the indicated levels of the Prepayment Model.

In the event of acceleration of Mortgage Loans as a result of enforcement of "due-on-sale" provisions in connection with transfers of the related Mortgaged Properties, the level of prepayments on the respective Mortgage Loans will be increased, thereby shortening the weighted average lives of the Offered Certificates. See "Maturity and Prepayment Considerations" in the Prospectus.

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The yield to holders of the Offered Certificates will depend upon, among other things, the price at which such Offered Certificates are purchased and the amount of and rate at which principal, including both scheduled and unscheduled payments thereof, is paid to the respective Certificateholders.

The yield to Certificateholders (other than the Class IA-3, Class IA-P and Class IIA-P Certificateholders) will be reduced by lags between the time interest income accrues to Certificateholders and the time the related interest income is received by Certificateholders. In addition, the yield to Certificateholders (other than the Class IA-3, Class IA-P and Class IIA-P Certificateholders) may be reduced as a result of Prepayment Interest Shortfalls (defined herein) to the extent described herein. See "Servicing--Adjustment to Servicing Fee in Connection with Prepaid Mortgage Loans."

Prepayments on mortgage loans are commonly measured relative to a prepayment standard or model. The model used in this Prospectus Supplement (the "Prepayment Model") represents an assumed rate of prepayment each month relative to the then outstanding principal balance of a pool of mortgage loans. A prepayment assumption of 100% of the Prepayment Model assumes prepayment rates of 0.2% per annum of the then outstanding principal balance of such mortgage loans in the first month of the life of the mortgage loans and an additional 0.2% per annum in each month thereafter until the thirtieth month. Beginning in the thirtieth month and in each month thereafter during the life of the mortgage loans, 100% of the Prepayment Model assumes a constant prepayment rate of 6.0% per annum. The tables set forth below are based on the assumption that the Mortgage Loans prepay at the indicated percentages of the Prepayment Model. Neither the Prepayment Model nor any other prepayment model purports to be a historical description of prepayment experience or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Mortgage Pool.

The tables set forth below have been prepared on the basis of the respective expected initial principal balances of the Offered Certificates. For purposes of preparation of the tables, it has been assumed that the composition of the Mortgage Pool is as follows: (a) the Non-Discount Mortgage Loans (defined herein) in Mortgage Group One had an aggregate outstanding principal balance as of the Cut-off Date of \$147,801,537.04, and each such Mortgage Loan has a Mortgage Rate of 8.3298439811%, a Net Mortgage Rate of 8.0798439811%, a remaining term to maturity of 317 months and a loan age of 41 months; (b) the Discount Mortgage Loans (defined herein) in Mortgage Group One had an aggregate outstanding principal balance as of the Cut-off Date of \$19,966,266.03, and each such Mortgage Loan has a Mortgage Rate of 7.2717978994%, a Net Mortgage Rate of 7.0717978994%, a remaining term to maturity of 326 months and a loan age of 31 months; (c) the Non-Discount Mortgage Loans in Mortgage Group Two had an aggregate outstanding principal balance as of the Cut-off Date of \$24,811,121.96, and each such Mortgage Loan has a Mortgage Rate of 8.2585561954%, a Net Mortgage Rate of 8.0085561954%, a remaining term to maturity of 135 months and a loan age of 42 months; and (d) the Discount Mortgage Loans in Mortgage Group Two had an aggregate outstanding principal balance as of the Cut-off Date of \$14,471,056.16, and each such Mortgage Loan has a Mortgage Rate of 7.1985676883%, a Net Mortgage Rate of 6.9985676883%, a remaining term to maturity of 146 months and a loan age of 32 months. For purposes of preparation of the tables, it also has been assumed that (i) the Offered Certificates are purchased on August 27, 1996; (ii) payments on the Offered Certificates are made on the 25th day of each month, commencing September 25, 1996; (iii) the initial principal balance of each Class of Offered Certificates and of the Non-Offered Class B Certificates is equal to the respective principal balance for each such Class or Classes set forth on the cover hereof; (iv) the initial Class A Percentage is approximately 94.25%; (v) the initial Class IA Percentage is approximately 94.25%, (vi) the initial Class IIA Percentage is approximately 94.25%; (vii) the initial Class M Percentage is approximately 2.25%; (viii) the initial Class B-1 Percentage is approximately 1.00%; (ix) the initial Class B-2 Percentage is approximately 0.75%; (x) the initial Non-Offered Class B Percentage is approximately 1.75%; (xi) the Mortgage Loans prepay monthly in full on the last day of each month (with no Prepayment Interest Shortfalls) at the specified percentage of the Prepayment Model, with no delinquencies, losses or repurchases, commencing in August 1996; (xii) all principal prepayments on the Mortgage Loans are applied on the Offered Certificates in the manner

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described herein; (xiii) each scheduled Monthly Payment is made on its Due Date commencing September 1, 1996; and (xiv) the Master Servicer does not repurchase the outstanding Mortgage Loans as described below under "Description of the Certificates--Optional Termination." The assumptions set forth in this paragraph are referred to herein as the "Modeling Assumptions."

Any discrepancy between the characteristics of the Mortgage Loans actually included in the Trust Fund and the characteristics of the Mortgage Loans expected to be so included may affect the percentages of the original principal balance outstanding set forth in the tables and the weighted average lives of the Offered Certificates. In addition, to the extent that the Mortgage Loans that actually are included in the Trust Fund have characteristics that differ from those assumed in preparing the following tables, the outstanding principal balance of any Offered Certificate will likely be reduced to zero earlier or later than indicated by the tables.

Variations in actual prepayment experience and the principal balances of Mortgage Loans that prepay may increase or decrease the percentages of the original principal balances outstanding and the weighted average lives shown in the following tables. Such variations may occur even if the average prepayment experience of all such Mortgage Loans equals the indicated levels of the Prepayment Model. There is no assurance that the Mortgage Loans will prepay at any constant level of the Prepayment Model.

Based on the foregoing assumptions, the following tables indicate the weighted average life of each Class of Offered Certificates and set forth the percentages of the original principal balance of each Class of Offered Certificates that would be outstanding after each of the dates shown at various constant percentages of the Prepayment Model.

The approximate weighted average life in years (determined as set forth in footnote (1) to each of the tables beginning on page S-44) of each Class of Offered Certificates at 215% of the Prepayment Model, the assumed prepayment speed used by the Underwriters (defined herein) to price the Offered Certificates, is as follows:

<TABLE>  
 <S>

	<C>	<C>	<C>
Class IA-1:	5.3	Class IIA-1:	3.9
Class IA-2:	5.3	Class IIA-P:	4.2
Class IA-3:	5.3	Class M:	10.5
Class IA-4:	11.4	Class B-1:	10.5
Class IA-P:	6.2	Class B-2:	10.5

</TABLE>

NO ASSURANCE CAN BE GIVEN AS TO THE RATE OR TIMING OF PRINCIPAL PAYMENTS OR PREPAYMENTS ON ANY OF THE MORTGAGE LOANS.

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PERCENTAGE OF INITIAL PRINCIPAL BALANCE OUTSTANDING  
 AT THE RESPECTIVE PERCENTAGES OF THE PREPAYMENT  
 MODEL SET FORTH BELOW

<TABLE>  
 <CAPTION>

REMITTANCE DATE	CLASS IA-1					CLASS IA-2 (2)					CLASS IA-3				
	0%	100%	215%	350%	500%	0%	100%	215%	350%	500%	0%	100%	215%	350%	500%
IN AUGUST	0%	100%	100%	100%	100%	0%	100%	100%	100%	100%	0%	100%	100%	100%	100%
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Initial.....	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1997.....	99	92	84	74	64	99	92	84	74	64	99	92	84	74	64
1998.....	98	84	70	54	39	98	84	70	54	39	98	84	70	54	39
1999.....	96	77	58	39	22	96	77	58	39	22	96	77	58	39	22
2000.....	95	70	47	27	10	95	70	47	27	10	95	70	47	27	10
2001.....	93	64	39	17	2	93	64	39	17	2	93	64	39	17	2
2002.....	92	59	31	11	0	92	59	31	11	0	92	59	31	11	0
2003.....	90	53	26	7	0	90	53	26	7	0	90	53	26	7	0
2004.....	88	49	21	4	0	88	49	21	4	0	88	49	21	4	0
2005.....	86	45	18	3	0	86	45	18	3	0	86	45	18	3	0
2006.....	84	41	15	2	0	84	41	15	2	0	84	41	15	2	0
2007.....	81	37	13	2	0	81	37	13	2	0	81	37	13	2	0
2008.....	78	34	11	1	0	78	34	11	1	0	78	34	11	1	0
2009.....	75	31	9	1	0	75	31	9	1	0	75	31	9	1	0
2010.....	72	28	7	1	0	72	28	7	1	0	72	28	7	1	0
2011.....	69	25	6	1	0	69	25	6	1	0	69	25	6	1	0
2012.....	65	22	5	*	0	65	22	5	*	0	65	22	5	*	0
2013.....	61	19	4	*	0	61	19	4	*	0	61	19	4	*	0
2014.....	57	17	3	*	0	57	17	3	*	0	57	17	3	*	0
2015.....	52	14	3	*	0	52	14	3	*	0	52	14	3	*	0
2016.....	47	12	2	*	0	47	12	2	*	0	47	12	2	*	0
2017.....	41	10	2	*	0	41	10	2	*	0	41	10	2	*	0
2018.....	35	8	1	*	0	35	8	1	*	0	35	8	1	*	0
2019.....	28	6	1	*	0	28	6	1	*	0	28	6	1	*	0

2020.....	21	4	1	*	0	21	4	1	*	0	21	4	1	*	0
2021.....	13	3	*	*	0	13	3	*	*	0	13	3	*	*	0
2022.....	4	1	*	*	0	4	1	*	*	0	4	1	*	*	0
2023.....	*	*	*	*	0	*	*	*	*	0	*	*	*	*	0
2024.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2025.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2026.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life in years(1).....	17.7	9.6	5.3	3.0	1.9	17.7	9.6	5.3	3.0	1.9	17.7	9.6	5.3	3.0	1.9

- 
- (1) The weighted average lives of the Offered Certificates as shown above are determined by (i) multiplying the amount of each assumed principal distribution by the number of years from the date of issuance of the Certificate's to the related Remittance Date, (ii) summing the results and (iii) dividing the sum by the total principal distribution on such Certificates.
- (2) Percentages and weighted average lives shown are based on the Class IA-2 Notional Amount, which at any time is equal to the outstanding principal balance of the Class IA-1 Certificates.

\* Less than 0.5% but greater than 0.0%.

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PERCENTAGE OF INITIAL PRINCIPAL BALANCE OUTSTANDING  
AT THE RESPECTIVE PERCENTAGES OF THE PREPAYMENT  
MODEL SET FORTH BELOW

REMITTANCE DATE IN AUGUST	CLASS IA-4					CLASS IA-P				
	0%	100%	215%	350%	500%	0%	100%	215%	350%	500%
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Initial.....	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1997.....	99	99	99	99	99	99	93	86	78	69
1998.....	98	98	98	98	98	97	86	74	61	48
1999.....	96	96	96	96	96	96	80	63	47	33
2000.....	95	95	95	95	95	95	74	54	37	23
2001.....	93	93	93	93	93	93	68	47	29	16
2002.....	92	90	88	86	64	91	63	40	22	11
2003.....	90	86	82	76	36	89	58	34	17	7
2004.....	88	81	74	65	20	87	53	29	13	5
2005.....	86	75	64	52	12	85	49	25	10	3
2006.....	84	69	55	40	8	83	45	21	8	2
2007.....	81	63	46	31	5	80	41	18	6	2
2008.....	78	57	39	24	4	78	37	15	5	1
2009.....	75	52	33	18	2	75	33	12	3	1
2010.....	72	47	27	14	2	71	30	10	3	*
2011.....	69	42	23	10	1	68	27	9	2	*
2012.....	65	37	19	8	1	64	24	7	1	*
2013.....	61	33	15	6	*	61	21	6	1	*
2014.....	57	28	12	4	*	56	19	5	1	*
2015.....	52	24	10	3	*	52	16	4	1	*
2016.....	47	21	8	2	*	47	14	3	*	*
2017.....	41	17	6	1	*	42	11	2	*	*
2018.....	35	14	4	1	*	36	9	2	*	*
2019.....	28	10	3	1	*	30	7	1	*	*
2020.....	21	7	2	*	*	24	5	1	*	*
2021.....	13	4	1	*	*	17	4	1	*	*
2022.....	4	1	*	*	*	9	2	*	*	*
2023.....	*	*	*	*	*	1	*	*	*	*
2024.....	0	0	0	0	0	0	0	0	0	0
2025.....	0	0	0	0	0	0	0	0	0	0
2026.....	0	0	0	0	0	0	0	0	0	0
Weighted Average Life in years(1).....	17.7	13.9	11.4	9.8	6.9	17.8	10.2	6.2	4.0	2.7

- 
- (1) The weighted average lives of the Offered Certificates as shown above are determined by (i) multiplying the amount of each assumed principal distribution by the number of years from the date of issuance of the Certificate's to the related Remittance Date, (ii) summing the results and (iii) dividing the sum by the total principal distribution on such Certificates.

\* Less than 0.5% but greater than 0.0%.

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PERCENTAGE OF INITIAL PRINCIPAL BALANCE OUTSTANDING  
AT THE RESPECTIVE PERCENTAGES OF THE PREPAYMENT  
MODEL SET FORTH BELOW

REMITTANCE DATE	CLASS IIA-1					CLASS IIA-P				
	0%	100%	215%	350%	500%	0%	100%	215%	350%	500%
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Initial.....	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1997.....	94	88	82	73	64	95	89	82	75	66
1998.....	89	78	66	53	41	89	79	67	56	44
1999.....	82	67	52	38	25	83	69	55	41	28
2000.....	75	58	41	26	14	76	59	44	30	18
2001.....	67	48	32	18	8	69	51	35	21	12
2002.....	59	40	24	12	4	61	42	27	15	7
2003.....	50	32	18	8	2	53	34	20	10	4
2004.....	41	24	12	5	1	44	27	15	7	3
2005.....	30	17	8	3	*	35	20	10	4	1
2006.....	19	10	4	1	*	25	13	6	2	1
2007.....	7	3	1	*	*	14	7	3	1	*
2008.....	1	*	*	*	*	2	1	*	*	*
2009.....	0	0	0	0	0	0	0	0	0	0
2010.....	0	0	0	0	0	0	0	0	0	0
2011.....	0	0	0	0	0	0	0	0	0	0
Weighted Average Life in years(1).....	6.7	5.2	3.9	2.9	2.1	7.0	5.4	4.2	3.1	2.3

REMITTANCE DATE	CLASS M					CLASS B-1					CLASS B-2				
	0%	100%	215%	350%	500%	0%	100%	215%	350%	500%	0%	100%	215%	350%	500%
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Initial.....	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1997.....	98	98	98	98	98	98	98	98	98	98	98	98	98	98	98
1998.....	96	96	96	96	96	96	96	96	96	96	96	96	96	96	96
1999.....	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94
2000.....	91	91	91	91	91	91	91	91	91	91	91	91	91	91	91
2001.....	89	89	89	89	89	89	89	89	89	89	89	89	89	89	89
2002.....	86	84	82	80	77	86	84	82	80	77	86	84	82	80	77
2003.....	82	79	75	70	64	82	79	75	70	64	82	79	75	70	64
2004.....	79	73	66	58	50	79	73	66	58	50	79	73	66	58	50
2005.....	75	66	56	46	36	75	66	56	46	36	75	66	56	46	36
2006.....	71	59	47	34	24	71	59	47	34	24	71	59	47	34	24
2007.....	67	52	38	26	16	67	52	38	26	16	67	52	38	26	16
2008.....	64	46	32	19	10	64	46	32	19	10	64	46	32	19	10
2009.....	61	42	26	15	7	61	42	26	15	7	61	42	26	15	7
2010.....	59	38	22	11	5	59	38	22	11	5	59	38	22	11	5
2011.....	56	34	18	8	3	56	34	18	8	3	56	34	18	8	3
2012.....	53	30	15	6	2	53	30	15	6	2	53	30	15	6	2
2013.....	49	26	12	5	1	49	26	12	5	1	49	26	12	5	1
2014.....	46	23	10	3	1	46	23	10	3	1	46	23	10	3	1
2015.....	42	20	8	2	1	42	20	8	2	1	42	20	8	2	1
2016.....	38	17	6	2	*	38	17	6	2	*	38	17	6	2	*
2017.....	33	14	5	1	*	33	14	5	1	*	33	14	5	1	*
2018.....	28	11	4	1	*	28	11	4	1	*	28	11	4	1	*
2019.....	23	8	2	1	*	23	8	2	1	*	23	8	2	1	*
2020.....	17	6	2	*	*	17	6	2	*	*	17	6	2	*	*
2021.....	11	3	1	*	*	11	3	1	*	*	11	3	1	*	*
2022.....	4	1	*	*	*	4	1	*	*	*	4	1	*	*	*
2023.....	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2024.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2025.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2026.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life in years(1).....	15.6	12.5	10.5	9.1	8.2	15.6	12.5	10.5	9.1	8.2	15.6	12.5	10.5	9.1	8.2

(1) The weighted average lives of the Offered Certificates as shown above are determined by (i) multiplying the amount of each assumed principal distribution by the number of years from the date of issuance of the Certificate's to the related Remittance Date, (ii) summing the results and (iii) dividing the sum by the total principal distribution on such Certificates.

\* Less than 0.5% but greater than 0.0%.

The pre-tax yield to maturity of the Class IA-2 Certificates will be extremely sensitive to fluctuations in the level of LIBOR and to the rate of the principal payments (including prepayments, defaults and repurchases) on the Mortgage Loans, which generally can be prepaid at any time. The Certificate Rate on the Class IA-2 Certificates will vary inversely with LIBOR. A high rate of LIBOR will have a material negative effect on the pre-tax yield to maturity of the Class IA-2 Certificates. See "Description of the Certificates--Determination of LIBOR." A high rate of principal payments (including prepayments, defaults and repurchases) also will have a material negative effect on the pre-tax yield to maturity of the Class IA-2 Certificates. It is possible that under certain LIBOR interest rate scenarios or prepayment scenarios investors in the Class IA-2 Certificates will not fully recoup their initial investment.

Changes in LIBOR may not correlate with changes in prevailing mortgage interest rates. It is possible that lower prevailing mortgage interest rates, which might be expected to result in faster prepayments, could occur concurrently with an increased level of LIBOR.

To illustrate the significance of changes in LIBOR and prepayments on the distributions on the Class IA-2 Certificates, the following table indicates the approximate annual pre-tax yields to maturity of the Class IA-2 Certificates stated on a corporate bond equivalent basis, under five different prepayment assumptions based on the Prepayment Model described above and five levels of LIBOR.

The tables set forth below are based on the Modeling Assumptions, and assuming further that the purchase price of the Class IA-2 Certificates is \$5,731,323.32 (which includes accrued interest) and that LIBOR with respect to the September 25, 1996 Remittance Date and each Remittance Date thereafter is as indicated in the table. There can be no assurance that the Mortgage Loans in Mortgage Group One will have the assumed characteristics, will prepay at any of the rates shown in the table or at any other particular rate, that the pre-tax yield to maturity on the Class IA-2 Certificates will correspond to any of the pre-tax yields shown herein, that the level of LIBOR will correspond to the levels shown herein or that the purchase price of the Class IA-2 Certificates will equal the price assumed above. The actual prices to be paid for the Class IA-2 Certificates have not been determined and will be dependent on the characteristics of Mortgage Group One as ultimately constituted. Each investor must make its own decision as to the appropriate prepayment assumptions to be used and the appropriate levels of LIBOR to be assumed in deciding whether or not to purchase a Class IA-2 Certificate.

SENSITIVITY OF THE CLASS IA-2 CERTIFICATES TO PREPAYMENTS AND LIBOR  
(PRE-TAX YIELD TO MATURITY)

<TABLE>  
<CAPTION>

% LIBOR	PREPAYMENT MODEL				
	0%	100%	215%	350%	500%
<S>	<C>	<C>	<C>	<C>	<C>
3.43750	109.23%	98.73%	85.85%	69.15%	47.51%
4.43750	83.63%	73.87%	61.78%	45.76%	24.20%
5.43750	59.15%	50.11%	38.77%	23.11%	0.72%
6.43750	35.70%	27.41%	16.80%	1.09%	(24.24%)
7.43750	12.46%	5.09%	(4.45%)	(19.73%)	(55.25%)

The pre-tax yields set forth in the preceding table were calculated by determining the monthly discount rates which, when applied to the assumed stream of cash flows to be paid on the Class IA-2 Certificates, would cause the discounted present value of such assumed stream of cash flows to equal an assumed offering price \$5,731,323.32 (which includes accrued interest). In all cases monthly rates are converted to the corporate bond equivalent yields shown above. Implicit in the use of any discounted present value or internal rate of return calculation such as these is the assumption that cash flows are reinvested at the related discount rates or internal rate of return. Thus, these calculations 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 Class IA-2 Certificates. Consequently, these pre-tax yields do not purport

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to reflect the return on any investment in the Class IA-2 Certificates when such reinvestment rates are considered.

It is possible that the characteristics of the Mortgage Loans in Mortgage Group One will not correspond exactly to those assumed in preparing the table above. The yields of the Class IA-2 Certificates at each level of LIBOR may therefore differ even if all the Mortgage Loans prepay monthly at the related assumed prepayment rate. In addition, it is unlikely that any Mortgage Loan will prepay at a constant rate until maturity or that all of the Mortgage Loans in

Mortgage Group One will prepay at the same rate. The timing of changes in the rate of prepayments may affect significantly the total distributions received, the date of receipt of such distributions and the actual pre-tax yield received by a holder of the Class IA-2 Certificates even if the average rate of principal prepayments on the Mortgage Loans in Mortgage Group One is consistent with an investor's expectations.

YIELD CONSIDERATIONS WITH RESPECT TO THE CLASS IA-3 CERTIFICATES

The yield to maturity of the Class IA-3 Certificates will be extremely sensitive to the rate and timing of principal payments (including prepayments and defaults) on the Mortgage Loans in Mortgage Group One, which may fluctuate significantly from time to time. A slower rate of principal payments on the Mortgage Loans in Mortgage Group One than that anticipated by investors will have a material negative effect on the yield to maturity of the Class IA-3 Certificates.

The following table illustrates the significant effect that principal prepayments on the Mortgage Loans in Mortgage Group One may have upon the yield to maturity of the Class IA-3 Certificates. The actual prices to be paid for the Class IA-3 Certificates have not been determined and will be dependent on the characteristics of Mortgage Group One. The table shows the hypothetical pre-tax yields to maturity of the Class IA-3 Certificates, stated on a corporate bond equivalent basis, under five different prepayment assumptions based on the Prepayment Model described above. The table is based on the Modeling Assumptions and assumes further that the purchase price of the Class IA-3 Certificates is 72.00%.

PRE-TAX YIELD

<TABLE>  
<CAPTION>

PREPAYMENT MODEL				
<S>	<C>	<C>	<C>	<C>
0%	100%	215%	350%	500%

<S>	<C>	<C>	<C>	<C>
1.91%	3.85%	7.38%	13.10%	20.46%

</TABLE>

Any change in the composition of Mortgage Group One from that assumed could substantially alter the information set forth in the table above. No assurances can be given as to the rate or timing of principal payments or prepayments on the Mortgage Loans in Mortgage Group One.

The pre-tax yields set forth in the preceding table were calculated by determining the monthly discount rates which, when applied to the assumed streams of cash flows to be paid on the Class IA-3 Certificates would cause the discounted present value of such assumed streams of cash flows to equal the assumed offering price of 72.00% for the Class IA-3 Certificates. In all cases monthly rates are then converted to the corporate bond equivalent yields shown above. Implicit in the use of any discounted present value or internal rate of return calculation such as these is the assumption that intermediate cash flows are reinvested at the discount rate or internal rate of return. Thus, these calculations do not take into account the different interest rates at which investors may be able to reinvest funds received by them as distributed on the Class IA-3 Certificates. Consequently, these yields do not purport to reflect the return on any investment in the Class IA-3 Certificates when such reinvestment rates are considered.

It is possible that the characteristics of the Mortgage Loans in Mortgage Group One will not correspond exactly to those assumed in preparing the table above. The pre-tax yield of the Class IA-3 Certificates may therefore differ even if all the Mortgage Loans in Mortgage Group One prepay

monthly at the assumed prepayment rate. In addition, it is unlikely that any Mortgage Loan in Mortgage Group One will prepay at a constant rate until maturity or that all the Mortgage Loans in Mortgage Group One will prepay at the same rate. The timing of changes in the rate of prepayments on the Mortgage Loans in Mortgage Group One may affect significantly the total distributions received, the date of receipt of such distributions and the actual yield received by a holder of a Class IA-3 Certificate even if the average rate of principal prepayments on the Mortgage Loans in Mortgage Group One is consistent with an investor's expectations.

YIELD CONSIDERATIONS WITH RESPECT TO THE CLASS IA-P CERTIFICATES

The yield to maturity of the Class IA-P Certificates will be extremely sensitive to the rate and timing of principal payments (including prepayments and defaults) on the Discount Mortgage Loans (defined herein) in Mortgage Group One, which may fluctuate significantly from time to time. A slower rate of

principal payments on the Discount Mortgage Loans in Mortgage Group One than that anticipated by investors will have a material negative effect on the yield to maturity of the Class IA-P Certificates. As of the Cut-off Date, there were approximately 57 Discount Mortgage Loans in Mortgage Group One, with an aggregate outstanding principal balance of approximately \$19,966,266.

The following table illustrates the significant effect that principal prepayments on the Discount Mortgage Loans in Mortgage Group One have upon the yield to maturity of the Class IA-P Certificates. The actual prices to be paid for the Class IA-P Certificates have not been determined and will be dependent on the characteristics of Mortgage Group One. The table shows the hypothetical pre-tax yields to maturity of the Class IA-P Certificates, stated on a corporate bond equivalent basis, under five different prepayment assumptions based on the Prepayment Model described above. The table is based on the Modeling Assumptions and assumes further that the purchase price of the Class IA-P Certificates is 70.00%.

PRE-TAX YIELD

<TABLE>  
<CAPTION>

PREPAYMENT MODEL				
0%	100%	215%	350%	500%
<S>	<C>	<C>	<C>	<C>
2.08%	3.91%	6.81%	10.92%	16.21%

</TABLE>

Any change in the composition of the Discount Mortgage Loans in Mortgage Group One from that assumed could substantially alter the information set forth in the table above. No assurances can be given as to the rate or timing of principal payments or prepayments on the Discount Mortgage Loans in Mortgage Group One.

The pre-tax yields set forth in the preceding table were calculated by determining the monthly discount rates which, when applied to the assumed streams of cash flows to be paid on the Class IA-P Certificates would cause the discounted present value of such assumed streams of cash flows to equal the assumed offering price of 70.00% for the Class IA-P Certificates. In all cases monthly rates are then converted to the corporate bond equivalent yields shown above. Implicit in the use of any discounted present value or internal rate of return calculation such as these is the assumption that intermediate cash flows are reinvested at the discount rate or internal rate of return. Thus, these calculations do not take into account the different interest rates at which investors may be able to reinvest funds received by them as distributed on the Class IA-P Certificates. Consequently, these yields do not purport to reflect the return on any investment in the Class IA-P Certificates when such reinvestment rates are considered.

It is possible that the characteristics of the Discount Mortgage Loans in Mortgage Group One will not correspond exactly to those assumed in preparing the table above. The pre-tax yield of the Class IA-P Certificates may therefore differ even if all the Discount Mortgage Loans in Mortgage Group One prepay monthly at the assumed prepayment rate. In addition, it is unlikely that any Discount Mortgage

Loan in Mortgage Group One will prepay at a constant rate until maturity or that all the Discount Mortgage Loans in Mortgage Group One will prepay at the same rate. The timing of changes in the rate of prepayments on the Discount Mortgage Loans in Mortgage Group One may affect significantly the total distributions received, the date of receipt of such distributions and the actual yield received by a holder of a Class IA-P Certificate even if the average rate of principal prepayments on the Discount Mortgage Loans in Mortgage Group One is consistent with an investor's expectations. Because the Discount Mortgage Loans in Mortgage Group One will have a lower average Net Mortgage Rate than the Mortgage Loans in Mortgage Group One as a whole, in general it is likely that prepayments on the Class IA-P Certificates will occur more slowly than on the Non-PO Class IA Certificates (other than the Class IA-4 Certificates)

YIELD CONSIDERATIONS WITH RESPECT TO THE CLASS IIA-P CERTIFICATES

The yield to maturity of the Class IIA-P Certificates will be extremely sensitive to the rate and timing of principal payments (including prepayments and defaults) on the Discount Mortgage Loans in Mortgage Group Two, which may fluctuate significantly from time to time. A slower rate of principal payments on the Discount Mortgage Loans in Mortgage Group Two than that anticipated by investors will have a material negative effect on the yield to maturity of the Class IIA-P Certificates. As of the Cut-off Date, there were approximately 49 Discount Mortgage Loans in Mortgage Group Two, with an aggregate outstanding principal balance of approximately \$14,471,056.

The following table illustrates the significant effect that principal prepayments on the Discount Mortgage Loans in Mortgage Group Two have upon the



yield to maturity of the Class IIA-P Certificates. The actual prices to be paid for the Class IIA-P Certificates have not been determined and will be dependent on the characteristics of Mortgage Group Two. The table shows the hypothetical pre-tax yields to maturity of the Class IIA-P Certificates, stated on a corporate bond equivalent basis, under five different prepayment assumptions based on the Prepayment Model described above. The table is based on the Modeling Assumptions and assumes further that the purchase price of the Class IIA-P Certificates is 68.00%.

PRE-TAX YIELD

<TABLE>  
<CAPTION>

PREPAYMENT MODEL

0%	100%	215%	350%	500%
<S>	<C>	<C>	<C>	<C>
5.89%	7.88%	10.74%	14.87%	20.43%

Any change in the composition of the Discount Mortgage Loans in Mortgage Group Two from that assumed could substantially alter the information set forth in the table above. No assurances can be given as to the rate or timing of principal payments or prepayments on the Discount Mortgage Loans in Mortgage Group Two.

The pre-tax yields set forth in the preceding table were calculated by determining the monthly discount rates which, when applied to the assumed streams of cash flows to be paid on the Class IIA-P Certificates would cause the discounted present value of such assumed streams of cash flows to equal the assumed offering price of 68.00% for the Class IIA-P Certificates. In all cases monthly rates are then converted to the corporate bond equivalent yields shown above. Implicit in the use of any discounted present value or internal rate of return calculation such as these is the assumption that intermediate cash flows are reinvested at the discount rate or internal rate of return. Thus, these calculations do not take into account the different interest rates at which investors may be able to reinvest funds received by them as distributed on the Class IIA-P Certificates. Consequently, these yields do not purport to reflect the return on any investment in the Class IIA-P Certificates when such reinvestment rates are considered.

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It is possible that the characteristics of the Discount Mortgage Loans in Mortgage Group Two will not correspond exactly to those assumed in preparing the table above. The pre-tax yield of the Class IIA-P Certificates may therefore differ even if all the Discount Mortgage Loans in Mortgage Group Two prepay monthly at the assumed prepayment rate. In addition, it is unlikely that any Discount Mortgage Loan in Mortgage Group Two will prepay at a constant rate until maturity or that all the Discount Mortgage Loans in Mortgage Group Two will prepay at the same rate. The timing of changes in the rate of prepayments on the Discount Mortgage Loans in Mortgage Group Two may affect significantly the total distributions received, the date of receipt of such distributions and the actual yield received by a holder of a Class IIA-P Certificate even if the average rate of principal prepayments on the Discount Mortgage Loans in Mortgage Group Two is consistent with an investor's expectations. Because the Discount Mortgage Loans in Mortgage Group Two will have a lower average Net Mortgage Rate than the Mortgage Loans in Mortgage Group Two as a whole, in general it is likely that prepayments on the Class IIA-P Certificates will occur more slowly than on the Non-PO Class IIA Certificates.

The Company makes no representation that any of the Mortgage Loans will prepay in the manner or at any of the rates assumed in the tables set forth above. Each investor must make its own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase any of the Offered Certificates. Since the rate of principal payments (including prepayments) and repurchases on the Mortgage Loans will significantly affect the yield to maturity on the Offered Certificates, prospective investors are urged to consult their investment advisors as to both the anticipated rate of future principal payments (including prepayments) on the Mortgage Loans and the suitability of the Offered Certificates to their investment objectives.

The Company intends to file certain additional yield tables and other computational materials with respect to one or more Classes of Offered Certificates with the Securities and Exchange Commission in a Report on Form 8-K. See "Incorporation of Certain Documents By Reference" in the Prospectus. Such tables and materials were prepared by the Underwriters at the request of certain prospective investors, based on assumptions provided by, and satisfying the special requirements of, such investors. Such tables and assumptions may be based on assumptions that differ from the Modeling Assumptions. Accordingly, such tables and other materials may not be relevant to or appropriate for investors other than those specifically requesting them.

SERVICING

The Mortgage Loans will be serviced by the Master Servicer generally in accordance with procedures described in the accompanying Prospectus under the heading "Description of the Certificates."

When any Mortgaged Property is conveyed by the Mortgagor, the Master Servicer generally will enforce, and will cause any Subservicer to enforce, any "due-on-sale" clause contained in the Mortgage Loan, to the extent permitted under applicable law and governmental regulations. Acceleration of Mortgage Loans as a result of enforcement of such "due-on-sale" provisions in connection with transfers of the related Mortgaged Properties will affect the level of prepayments on the Mortgage Loans, thereby affecting the weighted average lives and yields to maturity of the Offered Certificates. See "Prepayment and Yield Considerations" herein and "Maturity and Prepayment Considerations" in the Prospectus. The terms of the Mortgage Loans or applicable law, however, may provide that the Master Servicer is prohibited from exercising the "due-on-sale" clause if information is submitted so as to evaluate the intended buyer as if a new loan were being made to the buyer and it can reasonably be determined that the security under the related Mortgage Note will not be impaired by the assumption of

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the Mortgage Loan and that the risk of a breach of any covenant in the Mortgage Note is acceptable. Upon any such assumption, a fee equal to a specified percentage of the outstanding principal balance of the Mortgage Loan is typically required, which sum will be retained by the Master Servicer as additional servicing compensation.

The Master Servicer generally institutes foreclosure proceedings when all other reasonable means to cure a default have been exhausted. It monitors each foreclosure action on its residential loans to ensure that required actions are completed on a timely basis in accordance with the laws of the applicable jurisdiction. The Master Servicer will acquire title to the Mortgaged Property in the name of the Trustee for the benefit of the Certificateholders and manage the disposition of such property.

Generally, when a mortgagor fails to make a required payment on a mortgage loan and does not cure the deficiency promptly, the loan is classified as delinquent. In many cases, delinquencies are cured promptly, but if not, foreclosure proceedings are generally commenced. The procedural steps necessary for foreclosure vary from state to state, but generally, if the loan is not reinstated within certain periods specified by the relevant mortgage loan documents, the property securing the loan can be acquired by the lender. If a mortgagee takes title to the mortgaged property through foreclosure but the mortgaged property has a value lower than the outstanding amount of the debt, the law in certain states permits such mortgagee to obtain a deficiency judgment in the amount of the difference. The laws of certain other states restrict or prohibit such deficiency judgments. It is anticipated that in most cases the Master Servicer will not seek deficiency judgments against defaulted mortgagors.

## CHASE MANHATTAN MORTGAGE CORPORATION

Effective April 1, 1996, Chemical Residential Mortgage Corporation ("CRMC") purchased certain assets of Chase Manhattan Mortgage Corporation (which on such date changed its name to Chase Mortgage Services, Inc.) and changed its name to Chase Manhattan Mortgage Corporation ("CMMC"). CMMC will act as Master Servicer pursuant to the Agreement. As of June 30, 1996, CMMC serviced or subserviced approximately \$95 billion of conventional one- to four-family residential mortgage loans. The principal office of CMMC is located at 343 Thornall Street, Edison, New Jersey 08837, and its telephone number is (908) 205-0600. The loans contained in CMMC's servicing portfolio include fixed and adjustable rate loans, first and second lien loans and one- to four-family loans, and therefore may differ significantly from the Mortgage Loans. There can be no assurance, and no representation is made, that the delinquency experience with respect to the Mortgage Loans will be similar to that reflected in the table below, nor is any representation made as to the rate at which losses may be experienced on liquidation of defaulted Mortgage Loans.

The following table summarizes the foreclosure and delinquency experience on conventional residential (fixed and adjustable rate) first trust deed or mortgage loans (including loans originated by unaffiliated originators) serviced or subserviced by CMMC as of the dates indicated. As of each of the dates indicated (other than June 30, 1996), CMMC was known as Chemical Residential Mortgage Corporation; however, the statistical information set forth below has been restated to include corresponding information with respect to the corporation, formerly known as Chase Manhattan Mortgage

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Corporation, certain of the assets of which Chemical Residential Mortgage Corporation purchased effective April 1, 1996.

<TABLE>  
<CAPTION>

	AS OF DECEMBER 31,		AS OF JUNE 30,	
	1994	1995	1995	1996
<S>	<C>	(DOLLAR AMOUNTS	IN THOUSANDS)	<C>
Total Principal Balance (End of Period).....	\$73,927,369	\$93,123,503	\$81,654,744	\$94,847,046
Total Number of Loans.....	678,883	876,107	741,911	881,913
DELINQUENCIES AND FORECLOSURES				
Period of Delinquency: 30-59 Days				
Principal Balance.....	\$ 1,746,294	\$ 2,022,700	\$ 1,658,328	\$ 1,978,733
Number of Loans.....	16,241	19,453	15,350	18,692
Percent Delinquent by Number of Loans.....	2.39%	2.22%	2.07%	2.12%
Period of Delinquency: 60-89 Days				
Principal Balance.....	\$ 340,305	\$ 369,325	\$ 324,120	\$ 352,004
Number of Loans.....	3,170	3,639	2,929	3,325
Percent Delinquent by Number of Loans.....	0.47%	0.42%	0.39%	0.38%
Period of Delinquency: 90 Days or more				
Principal Balance.....	\$ 240,348	\$ 338,106	\$ 251,916	\$ 218,825
Number of Loans.....	2,220	3,279	2,336	2,084
Percent Delinquent by Number of Loans.....	0.33%	0.37%	0.31%	0.24%
In Foreclosure				
Principal Balance.....	\$ 525,454	\$ 709,646	\$ 575,729	\$ 786,740
Number of Loans.....	4,837	6,805	5,314	7,541
Percent in Foreclosure by Number of Loans.....	0.71%	0.78%	0.72%	0.86%
Total Delinquent or in Foreclosure				
Principal Balance.....	\$ 2,852,401	\$ 3,439,777	\$ 2,810,093	\$ 3,336,302
Number of Loans.....	26,468	33,176	25,929	31,642
Percent Delinquent or in Foreclosure by Number of Loans.....	3.90%	3.79%	3.49%	3.59%

</TABLE>

The above delinquency and foreclosure statistics represent the recent experience of CMMC. There can be no assurance, however, that the delinquency experience on the Mortgage Loans will be comparable. In addition, the foregoing statistics include mortgage loans with a variety of payment and other characteristics that may not correspond to those of the Mortgage Loans. Further, the Mortgage Loans were not chosen from CMMC's portfolio on the basis of any methodology which could or would make them representative of the total pool of mortgage loans in CMMC's portfolio. The actual delinquency experience on the Mortgage Loans will depend, among other things, upon the value of the real estate securing such Mortgage Loans and the ability of the mortgagors to make required payments.

The likelihood that mortgagors will become delinquent in the payment of their mortgage loans and the rate of any subsequent foreclosures may be affected by a number of factors related to borrowers' personal circumstances, including, but not limited to, unemployment or change in employment (or in the case of self-employed mortgagors or mortgagors relying on commission income, fluctuations in income), marital separation and a mortgagor's equity in the related mortgaged property. In addition, delinquency and foreclosure experience may be sensitive to adverse economic conditions, either nationally or regionally, may exhibit seasonal variations and may be influenced by the level of interest rates and servicing decisions on the applicable mortgage loans. Regional economic conditions (including

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declining real estate values) may particularly affect delinquency and foreclosure experience on mortgage loans to the extent that mortgaged properties are concentrated in certain geographic areas.

#### SERVICING COMPENSATION AND PAYMENT OF EXPENSES

The Master Servicer will be paid a monthly fee (the "Servicing Fee") (including sub-servicing compensation) with respect to each Mortgage Loan in an amount equal to (i) 0.25% per annum of the unpaid principal balance of each Mortgage Loan having a Mortgage Rate greater than or equal to 7.50% per annum; and (ii) 0.20% per annum of the unpaid principal balance of each Mortgage Loan having a Mortgage Rate less than 7.50% per annum.

The Master Servicer is obligated to pay certain ongoing expenses associated with the Mortgage Pool and incurred by the Master Servicer in connection with its responsibilities under the Agreement. See "Description of the Certificates--Certificates Evidencing Interests in Mortgage Loans--Servicing Compensation and Payment of Expenses" in the Prospectus for information regarding other possible compensation to the Master Servicer and for information regarding expenses payable by the Master Servicer.

When a Mortgagor makes a full or partial principal prepayment of a Mortgage Loan between Due Dates, the Mortgagor generally is required to pay interest on the principal balance thereof only to the date of prepayment. In order to minimize any resulting shortfall in interest (such shortfall, a "Prepayment Interest Shortfall"), the aggregate amount of the Servicing Fee will be reduced to the extent necessary to include an amount in payments to the holders of the Offered Certificates equal to a full month's interest payment at the applicable Net Mortgage Rate (defined herein) with respect to such prepaid Mortgage Loan. Such reductions in the Servicing Fee will be made only to the extent that the aggregate amount of such interest shortfalls does not exceed the aggregate amount of the Servicing Fee on the related Remittance Date. Any Prepayment Interest Shortfalls (adjusted to the applicable Net Mortgage Rate) in excess of the aggregate amount of the Servicing Fee deposited in the Certificate Account for a Remittance Date (such excess, the "Non-Supported Interest Shortfall") will be allocated on such Remittance Date pro rata among the outstanding Classes of Certificates based upon the amount of interest which each such Class would otherwise be paid on such Remittance Date and will consequently reduce the yield on the applicable Classes of Certificates. Any principal prepayment, together with a full month's interest thereon at the applicable Net Mortgage Rate (to the extent described in this paragraph), will be paid on the Remittance Date in the month following the month in which the last day of the related Principal Prepayment Period (defined herein) occurred. See "Yield Considerations" in the Prospectus.

## ADVANCES

The Master Servicer is obligated to make Advances of cash each month for distribution to the Certificateholders equal to the difference between the amount due to them and the amount in the Certificate Account available to be distributed to them pursuant to the Agreement, but only to the extent such difference is attributable to delinquent Monthly Payments due on the immediately preceding Due Date. The Master Servicer is under no obligation to make an Advance with respect to any Mortgage Loan if the Master Servicer determines, in its sole discretion, that such Advance will not be recoverable from future payments and collections, including liquidation proceeds, on such Mortgage Loan. Advances are intended to maintain a regular flow of scheduled interest and principal payments to the Certificateholders, not to guarantee or insure against losses. Accordingly, any funds so advanced are recoverable by the Master Servicer out of amounts received on the Mortgage Loans.

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## DESCRIPTION OF THE CERTIFICATES

The Certificates will be issued pursuant to the Agreement. A copy of the Agreement will be attached as an exhibit to the Current Report on Form 8-K of the Company that will be available to purchasers of the Certificates at, and will be filed with the Securities and Exchange Commission within 15 days of, the initial delivery of the Certificates. Reference is made to the Prospectus for additional information regarding the terms and conditions of the Agreement.

The following summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the provisions of the Agreement. When particular provisions or terms used in the Agreement are referred to, the actual provisions (including definitions of terms) are incorporated by reference.

## GENERAL

Initially, the Class A Certificates will evidence in the aggregate a beneficial interest of approximately 94.25% in the Trust Fund (the "Class A Percentage"), allocated between the Class IA Certificates, which will initially represent a beneficial interest of approximately 94.25% (the "Class IA Percentage") based upon the Mortgage Loans and other property related to Mortgage Group One and the Class IIA Certificates, which will initially represent a beneficial interest of approximately 94.25% (the "Class IIA Percentage") based upon the Mortgage Loans and other property related to Mortgage Group Two. Initially, the Class M Certificates will evidence a beneficial interest of approximately 2.25% in the Trust Fund (the "Class M Percentage"), the Class B-1 Certificates will evidence a beneficial interest of approximately 1.00 in the Trust Fund (the "Class B-1 Percentage"), the Class B-2 Certificates will evidence in the aggregate a beneficial interest of approximately 0.75% in the Trust Fund (the "Class B-2 Percentage") and the Non-Offered Class B Certificates will evidence in the aggregate the remaining beneficial interest (the "Non-Offered Class B Percentage") in the Trust Fund. Initially, the Non-Offered Class B Percentage will be approximately 1.75%. The Class A Percentage (both in the aggregate and with respect to each Mortgage Group), the Class M Percentage, the Class B-1 Percentage and the Class B-2 Percentage will vary from time to time to the extent that the respective Class A, Class M, Class B-1 or Class B-2 Certificateholders do not receive amounts due to them on any Remittance Date, losses are realized on the Mortgage Loans, or principal prepayments are made or certain other unscheduled amounts of principal

are received in respect of the Mortgage Loans. See "Description of the Certificates--Subordinated Certificates and Shifting Interests." The Non-Offered Class B Certificates will be privately placed with a limited number of institutional investors and are not offered hereby. The Offered Certificates (other than the Class IA-2 Certificates) generally will be issuable in denominations of \$1,000 principal amount (or integral multiples thereof). The Class IA-2 Certificates will generally be issuable in denominations of \$100,000 (or integral multiples of \$1,000 in excess thereof) of the Class IA-2 Notional Amount (defined herein).

The Class M, Class B-1 and Class B-2 Certificates, as well as Definitive Certificates (defined herein), if any, will be transferable and exchangeable at the corporate trust office of the Trustee at 111 Wall Street, New York, New York. No service charge will be made for any registration or transfer of Offered Certificates, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge in connection with such transfer. The Offered Certificates, other than the Class M, Class B-1 and Class B-2 Certificates (such Classes of Certificates, the "Book-Entry Certificates") will be represented initially by one or more physical certificates registered in the name of Cede & Co. ("Cede") as the nominee of The Depository Trust Company ("DTC"). No person acquiring an interest in the Book-Entry Certificates (a "Certificate Owner") will be entitled to receive a certificate representing such person's interest in the Trust Fund, except as set forth below under "Description of the Certificates--Definitive Certificates." Unless and until Definitive Certificates are issued under the

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limited circumstances described herein, all references to actions by the Book-Entry Certificateholders shall refer to actions taken by DTC upon instructions from its Participants (as defined below) and all references herein to distributions, notices, reports and statements to the Book-Entry Certificateholders shall refer to distributions, notices, reports and statements to DTC or Cede, as the registered holder of the Book-Entry Certificates, as the case may be, for distribution to Certificate Owners in accordance with DTC procedures. See "Description of the Certificates--Book-Entry Registration."

The Final Scheduled Remittance Date of each Class of Offered Certificates (other than the Class IIA-1 and Class IIA-P Certificates) is November 25, 2026, which is the Remittance Date occurring in the month that is twelve months following the latest stated maturity date of any Mortgage Loan in Mortgage Group One. The Final Scheduled Remittance Date for each Class of Class IIA Certificates is January 25, 2011, which is the Remittance Date occurring in the month that is twelve months following the latest stated maturity date of any Mortgage Loan in Mortgage Group Two.

The rate of principal payments of the Certificates will depend on the rate of principal payments of the Mortgage Loans (including prepayments, defaults, delinquencies and liquidations) which, in turn, will depend on the characteristics of the Mortgage Loans, the level of prevailing interest rates and other economic factors, and no assurance can be given as to the actual payment experience. The principal balance or notional amount, as applicable, of each Class of Certificates may be reduced to zero earlier or later than its Final Scheduled Remittance Date.

#### BOOK-ENTRY REGISTRATION

DTC is a limited purpose trust company organized under the laws of the State of New York and is a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to Section 17A of the Securities Exchange Act of 1934. DTC was created to hold securities for its participating organizations (each, a "Participant") and to facilitate the clearance and settlement of securities transactions between Participants through electronic book-entries, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers (including Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ") and Chase Securities Inc. ("CSI" and, together with DLJ, the "Underwriters")), banks, trust companies and clearing corporations. Indirect access to the DTC system also is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly ("Indirect Participants").

Certificate Owners that are not Participants or Indirect Participants and that desire to purchase, sell or otherwise transfer ownership of, or other interests in, the Book-Entry Certificates may do so only through Participants and Indirect Participants. In addition, Certificate Owners will receive all distributions of principal and interest on the Book-Entry Certificates through a Participant or an Indirect Participant. Under a book-entry format, Certificate Owners may experience some delay in their receipt of payments, since such payments will be forwarded by Chase, as Paying Agent, to Cede, as nominee for DTC. DTC will forward such payments to its Participants, which thereafter will forward them to Certificate Owners directly or through an Indirect Participant. It is anticipated that the only "Certificateholder" of a Book-Entry Certificate will be Cede, as nominee of DTC. Certificate Owners will not be recognized by

the Trustee as Certificateholders, as such term is used in the Agreement, and Certificate Owners will be permitted to exercise the rights of Book-Entry Certificateholders only indirectly through DTC and its Participants.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "Rules"), DTC will be required to make book-entry transfers of Book-Entry Certificates among Participants and to receive and transmit distributions of principal of, and interest on, Book-Entry

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Certificates. Participants and Indirect Participants with which Certificate Owners have accounts with respect to the Book-Entry Certificates similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Certificate Owners. Accordingly, although Certificate Owners will not possess physical certificates, the Rules provide a mechanism by which Participants and Certificate Owners will receive payments and will be able to transfer their interests.

Because DTC can only act on behalf of Participants, who in turn act on behalf of Indirect Participants, and on behalf of certain banks, the ability of a Certificate Owner to pledge Book-Entry Certificates to persons or entities that do not participate in the DTC system, or to otherwise act with respect to such Certificates, may be limited due to the absence of physical certificates for such Certificates.

DTC has advised the Company that it will take any action permitted to be taken by a Certificateholder under the Agreement only at the direction of one or more Participants to whose accounts with DTC the Book-Entry Certificates are credited. Additionally, DTC has advised the Company that it will take such action where the consent of specified percentages of the Offered Certificates is required under the Agreement only at the direction of and on behalf of Participants whose interests represent such specified percentages. DTC may take conflicting actions on behalf of other Participants.

Neither the Company, the Master Servicer, the Certificate Administrator nor the Trustee will have any liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of the Book-Entry Certificates held by Cede, as nominee for DTC, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

#### DEFINITIVE CERTIFICATES

The Class M, Class B-1 and Class B-2 Certificates will be issued in fully registered, certificated form. The Book-Entry Certificates will be issued in fully registered, certificated form ("Definitive Certificates") to Certificate Owners or their nominees, rather than to DTC or its nominee, only if (i) the Company advises the Trustee in writing that DTC is no longer willing or able to discharge properly its responsibilities as depository with respect to the Book-Entry Certificates and the Company is unable to locate a qualified successor within 30 days or (ii) the Company, at its option, elects to terminate the book-entry system through DTC.

Upon the occurrence of either event described in the immediately preceding paragraph, the Trustee is required to notify DTC which in turn will notify all Certificate Owners through Participants of the availability of Definitive Certificates in exchange for Book-Entry Certificates. Upon surrender by Cede, as nominee of DTC, of the definitive certificates representing the Book-Entry Certificates and receipt of instructions for re-registration, the Trustee will reissue the Book-Entry Certificates as Definitive Certificates to Certificate Owners.

#### DISTRIBUTIONS OF PRINCIPAL AND INTEREST

Distributions of principal and interest on the Certificates will be made on the 25th day of each month or, if such day is not a business day, the next succeeding business day (each, a "Remittance Date"), beginning September 25, 1996, to the persons in whose names the Certificates are registered at the close of business on the last business day of the month preceding the month in which payment is made (each, a "Record Date"). Distributions will be made to each Class as described below and on a pro rata basis among the Certificates of each Class. Distributions of principal of and interest on the Book-Entry Certificates will initially be made by Chase, as Paying Agent, directly to Cede by wire transfer. Distributions of principal and/or interest with respect to the Class IA-3, Class IA-P, Class IIA-P, Class M, Class B-1 and Class B-2 Certificates and, upon the issuance of Definitive Certificates to

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persons other than Cede, distributions of principal and/or interest on such Definitive Certificates will be made by Chase, as Paying Agent, directly to holders in whose names such Certificates were registered at the close of business on the related Record Date. Such distributions will be made by check mailed to the address of the person entitled thereto as it appears on the certificate register, or, upon written request to the Certificate Administrator

delivered at least ten business days prior to the first Remittance Date for which distribution by wire transfer is to be made, by a holder of an Offered Certificate having an original aggregate principal balance (or Class IA-2 Notional Amount, in the case of the Class IA-2 Certificates) of at least \$5,000,000, by wire transfer to such Certificateholder, except that the final distribution in retirement of Certificates will be made only upon presentation and surrender of the Certificates at the office or agency of the Trustee specified in the final distribution notice to Certificateholders.

Principal received as part of a regularly scheduled Monthly Payment on each Mortgage Loan will be passed through monthly on the Remittance Date occurring in the month in which the related Due Date occurs. The Non-PO Class IA Certificateholders and Non-PO Class IIA Certificateholders will be entitled to an amount equal to the Non-PO Class IA Percentage (defined herein) and Non-PO Class IIA Percentage (defined herein), respectively, of the applicable Non-PO Percentage (defined herein) of scheduled principal amounts due with respect to Mortgage Group One and Mortgage Group Two, respectively. Principal prepayments and certain other unscheduled amounts of principal received during the period from the first day of any month to the last day of such month (each, a "Principal Prepayment Period") will be passed through on the Remittance Date occurring in the month following the month of receipt. The Non-PO Class IA Certificateholders and Non-PO Class IIA Certificateholders will be entitled to an amount equal to the Non-PO Class IA Prepayment Percentage (defined herein) and Non-PO Class IIA Prepayment Percentage (defined herein), respectively, of the applicable Non-PO Percentage of such unscheduled amounts of principal paid with respect to Mortgage Group One and Mortgage Group Two, respectively.

"Class IA Certificates" means the Class IA-1, Class IA-2, Class IA-3, Class IA-4 and Class IA-P Certificates, referred to collectively.

"Class IIA Certificates" means the Class IIA-1 and Class IIA-P Certificates, referred to collectively.

"Class A Certificates" means the Class IA and Class IIA Certificates, referred to collectively.

The Class A, Class M, Class B-1 and Class B-2 Certificates are sometimes collectively referred to herein as the "Offered Certificates."

The Class IA Certificates (exclusive of the Class IA-P Certificates) are sometimes collectively referred to herein as the "Non-PO Class IA Certificates."

The Class IIA Certificates (exclusive of the Class IIA-P Certificates) are sometimes collectively referred to herein as the "Non-PO Class IIA Certificates."

"Class B Certificates" means the Class B-1, Class B-2, Class B-3, Class B-4 and Class B-5 Certificates, referred to collectively.

"Non-Offered Class B Certificates" means the Class B-3, Class B-4 and Class B-5 Certificates, referred to collectively.

"Subordinated Certificates" means the Class M and Class B Certificates, referred to collectively.

On any Remittance Date, the "Class IA-2 Notional Amount" will be an amount equal to the outstanding principal balance of the Class IA-1 Certificates.

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With respect to each Mortgage Loan, the "PO Percentage" will equal a fraction, expressed as a percentage (but not less than 0%), the numerator of which will equal the excess, if any, of 7.25% per annum (the "Remittance Rate") over the applicable Net Mortgage Rate (defined herein) and the denominator of which will equal the Remittance Rate. The PO Percentage will be 0% with respect to Mortgage Loans for which the Net Mortgage Rate is greater than or equal to the Remittance Rate. As of the Cut-off Date, the weighted average Mortgage Rate of the Discount Mortgage Loans (defined below) in Mortgage Group One is approximately 7.272% and the weighted average Mortgage Rate of the Discount Loans in Mortgage Group Two is approximately 7.199%.

With respect to each Mortgage Loan, the "Non-PO Percentage" will equal a fraction, expressed as a percentage (but not greater than 100%), the numerator of which will equal the applicable Net Mortgage Rate and the denominator of which will equal the Remittance Rate. The Non-PO Percentage will be 100% with respect to Mortgage Loans for which the Net Mortgage Rate is greater than or equal to the Remittance Rate.

The "Discount Mortgage Loans" are those Mortgage Loans having Net Mortgage Rates less than the Remittance Rate.

The "Non-Discount Mortgage Loans" are those Mortgage Loans having Net Mortgage Rates greater than or equal to the Remittance Rate.

The Class IA-P and Class IIA-P Certificates will not be entitled to receive interest and will be entitled to receive principal only from the applicable PO Percentage of principal received with respect to the Discount Mortgage Loans in the related Mortgage Group. With respect to each Mortgage Loan, the "Net Mortgage Rate" equals the applicable Mortgage Rate less the applicable Servicing Fee.

The Class IA-3 Certificates will not be entitled to receive interest and will be entitled to receive principal only from the applicable Non-PO Percentage of principal received with respect to the Mortgage Loans in Mortgage Group One as further described herein.

The "Mortgage Group One PO Allocated Amount" will be calculated as of any date by (i) multiplying the outstanding principal balance of each Mortgage Loan in Mortgage Group One as of such date (giving effect to any Advances but prior to giving effect to any principal prepayments received with respect to such Mortgage Loan that have not been passed through to the Certificateholders) by the PO Percentage with respect to such Mortgage Loan and (ii) summing the results.

The "Mortgage Group Two PO Allocated Amount" will be calculated as of any date by (i) multiplying the outstanding principal balance of each Mortgage Loan in Mortgage Group Two as of such date (giving effect to any Advances but prior to giving effect to any principal prepayments received with respect to such Mortgage Loan that have not been passed through to the Certificateholders) by the PO Percentage with respect to such Mortgage Loan and (ii) summing the results.

The "Mortgage Group One Non-PO Allocated Amount" will be calculated as of any date by (i) multiplying the outstanding principal balance of each Mortgage Loan in Mortgage Group One as of such date (giving effect to any Advances but prior to giving effect to any principal prepayments received with respect to such Mortgage Loan that have not been passed through to the Certificateholders) by the Non-PO Percentage with respect to such Mortgage Loan and (ii) summing the results.

The "Mortgage Group Two Non-PO Allocated Amount" will be calculated as of any date by (i) multiplying the outstanding principal balance of each Mortgage Loan in Mortgage Group Two as of such date (giving effect to any Advances but prior to giving effect to any principal prepayments received with respect to such Mortgage Loan that have not been passed through to the Certificateholders) by the Non-PO Percentage with respect to such Mortgage Loan and (ii) summing the results.

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Distributions in respect of principal will be made on each Remittance Date to the Class IA-P Certificates in an amount (the "Class IA-P Amount") equal to the sum of (A) the difference between (i) the Mortgage Group One PO Allocated Amount as of the first day of the related Due Period and (ii) the Mortgage Group One PO Allocated Amount as of the last day of the related Due Period (after application of payments received during such Due Period) and (B) the amount, if any, by which the Class IA-P Amount with respect to the previous Remittance Date exceeded the amount distributed to the Class IA-P Certificates on such previous Remittance Date.

Except during such time as the aggregate principal balance of the Subordinated Certificates equals zero, distributions in respect of principal will be made on each Remittance Date to the Non-PO Class IA Certificates as described below. On each Remittance Date, the portion of the Non-PO Class IA Distribution Amount (defined herein) remaining after the payment of interest as described below to the Non-PO Class IA Certificateholders will be distributed to the Non-PO Class IA Certificateholders as follows:

first, to the Class IA-4 Certificates, up to the Class IA-4 Priority Amount (defined below);

second, to the Class IA-1 and Class IA-3 Certificates, pro rata based upon their outstanding principal balances, until their principal balances have been reduced to zero; and

third, to the Class IA-4 Certificates until their principal balance has been reduced to zero.

If the aggregate outstanding principal balance of the Subordinated Certificates is reduced to zero, any distributions in respect of principal among the remaining Classes of Non-PO Class IA Certificates will be made pro rata in accordance with their respective outstanding principal balances and not in accordance with the priorities set forth above.

The "Class IA-4 Priority Amount" for any Remittance Date means the lesser of (i) the outstanding principal balance of the Class IA-4 Certificates and (ii) the sum of (A) the product of (1) the Class IA-4 Percentage and (2) the Mortgage Group One Scheduled Principal Amount and (B) the product of (1) the Class IA-4 Percentage, (2) the Class IA-4 Prepayment Shift Percentage and (3) the Mortgage



Group One Unscheduled Principal Amount.

The "Class IA-4 Percentage" means, as of any Remittance Date, the outstanding principal balance of the Class IA-4 Certificates (before giving effect to any distributions of principal to the Class IA-4 Certificates on such Remittance Date) divided by the Mortgage Group One Non-PO Allocated Amount as of the beginning of the related Due Period.

On any Remittance Date, the "Mortgage Group One Scheduled Principal Amount" means an amount equal to the applicable Non-PO Percentage of the principal portion of all Monthly Payments, whether or not received, which were due on the related Due Date on outstanding Mortgage Loans in Mortgage Group One as of such Due Date.

On any Remittance Date, the "Mortgage Group One Unscheduled Principal Amount" means the amounts with respect to principal described in the definition of "Non-PO Class IA Distribution Amount" (exclusive of the amounts described in clause (a) thereof) with respect to such Remittance Date, but without such amounts being multiplied by the Non-PO Class IA Percentage or the Non-PO Class IA Prepayment Percentage, as applicable.

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The "Class IA-4 Prepayment Shift Percentage" for any Remittance Date will be the percentage indicated below:

<TABLE>  
<CAPTION>

REMITTANCE DATE OCCURRING IN	CLASS IA-4 PREPAYMENT SHIFT PERCENTAGE
September 1996 through August 2001.....	0%
September 2001 through August 2002.....	30%
September 2002 through August 2003.....	40%
September 2003 through August 2004.....	60%
September 2004 through August 2005.....	80%
September 2005 and thereafter.....	100%

</TABLE>

Distributions in respect of principal will be made on each Remittance Date to the Class IIA-P Certificates in an amount (the "Class IIA-P Amount") equal to the sum of (A) the difference between (i) the Mortgage Group Two PO Allocated Amount as of the first day of the related Due Period and (ii) the Mortgage Group Two PO Allocated Amount as of the last day of the related Due Period (after application of payments received during such Due Period) and (B) the amount, if any, by which the Class IIA-P Amount with respect to the previous Remittance Date exceeded the amount distributed to the Class IIA-P Certificates on such previous Remittance Date.

Except during such time as the aggregate principal balance of the Subordinated Certificates equals zero, on each Remittance Date, the portion of the Non-PO Class IIA Distribution Amount (defined herein) remaining after payment of interest as described below to the Class IIA-1 Certificateholders will be distributed to the Class IIA-1 Certificates until their principal balance has been reduced to zero.

Principal distributions made on each Class of Certificates will be paid pro rata among the Certificates of such Class in accordance with their respective outstanding principal balances.

Interest will be payable to each Class of Offered Certificates (other than the Class IA-3, Class IA-P and Class IIA-P Certificates) at a rate equal to the applicable rate of interest (the "Certificate Rate") specified or described on the front cover hereof, less any Non-Supported Interest Shortfalls allocated thereto, on the respective outstanding principal balances of such Certificates (or, in the case of the Class IA-2 Certificates, on the Class IA-2 Notional Amount) as of the relevant Determination Date.

Interest will be payable on the Class IA-1 and Class IA-2 Certificates on each Remittance Date and will accrue at their respective Certificate Rates on their outstanding principal balances (or, in the case of the Class IA-2 Certificates, on the Class IA-2 Notional Amount) during the one-month period beginning on the 25th day of the month preceding the month in which the related Remittance Date occurs and ending on the 24th day of the month of such Remittance Date (such period, the "Floating Rate Interest Accrual Period"). Such Certificate Rates will be calculated as follows:

- (i) the Certificate Rate on the Class IA-1 Certificates with respect to the Remittance Date in September 1996 will be 6.2875%, and as to any Remittance Date thereafter, the Certificate Rate on the Class IA-1 Certificates will equal LIBOR as determined on the second London Business Day (defined herein) preceding the related Floating Rate Interest Accrual Period (each such day, a "Rate Adjustment Date") ("LIBOR") plus 0.85%, subject to a maximum rate of 9.00% per annum and a minimum rate of 0.85% per

annum; and

(ii) the Certificate Rate on the Class IA-2 Certificates with respect to the Remittance Date in September 1996 will be 2.7125%, and as to any Remittance Date thereafter, the Certificate Rate on the Class IA-2 Certificates will equal 8.15% minus LIBOR, subject to a maximum rate of 8.15% per annum and a minimum rate of 0.00% per annum;

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The portion, if any, of each Monthly Payment that represents interest on the related Mortgage Loan (other than the Discount Mortgage Loans) at a rate equal to the Mortgage Rate less the sum of (i) the Remittance Rate and (ii) the Servicing Fee will constitute "Excess Interest." Excess Interest is expected to be retained by Chase and is not offered hereby. Excess Interest will not be available for distribution to Certificateholders.

On each Remittance Date, there will be distributed to the holders of the Non-PO Class IA Certificates and the Non-PO Class IIA Certificates from the applicable Available Distribution Amount and Advances made by the Master Servicer an amount, to the extent available, equal to the applicable Non-PO Class A Distribution Amount.

The "Available Distribution Amount" means, generally, with respect to each Mortgage Group, or, as the context requires, both Mortgage Groups, as of any Remittance Date, an amount equal to the amount on deposit in the Certificate Account as of the close of business on the related Determination Date, except: (a) amounts received on Mortgage Loans in the related Mortgage Group as late payments or other recoveries of principal or interest (including net liquidation proceeds and insurance proceeds) and respecting which the Master Servicer previously made an unreimbursed Advance; (b) amounts representing reimbursement for Advances with respect to Mortgage Loans in the related Mortgage Group determined to be nonrecoverable and amounts representing reimbursement for certain losses and expenses incurred by the Master Servicer, as described in the Agreement; (c) the Servicing Fee with respect to Mortgage Loans in the related Mortgage Group, as adjusted as provided in the Agreement with respect to principal prepayments; (d) all amounts representing Monthly Payments with respect to Mortgage Loans in the related Mortgage Group due after the related Due Date; (e) all principal prepayments, liquidation proceeds, insurance proceeds, condemnation proceeds and repurchase proceeds received with respect to Mortgage Loans in the related Mortgage Group after the related Principal Prepayment Period; (f) where permitted by the Agreement, that portion of net liquidation proceeds and insurance proceeds representing unpaid Servicing Fees with respect to Mortgage Loans in the related Mortgage Group; and (g) any other amounts not included in accordance with the Agreement.

The "Non-PO Class IA Distribution Amount" and "Non-PO Class IIA Distribution Amount" (each, a "Non-PO Class A Distribution Amount") mean generally as of any Remittance Date, an amount, not in excess of the applicable Non-PO Class A Principal Balance plus interest thereon at the Remittance Rate equal to the sum of: (a) an amount equal to the applicable Non-PO Class A Percentage of the applicable Non-PO Percentage of the principal portion of all Monthly Payments whether or not received, which were due on the related Due Date on outstanding Mortgage Loans in the related Mortgage Group as of such Due Date, plus the applicable Non-PO Class A Percentage of the interest portion thereof, adjusted to the Remittance Rate; (b) an amount equal to the applicable Non-PO Class A Prepayment Percentage of the applicable Non-PO Percentage of all principal prepayments received during the related Principal Prepayment Period on Mortgage Loans in the related Mortgage Group, plus the applicable Non-PO Class A Percentage of interest paid thereon by the Mortgagor and the amount of compensating interest paid by the Master Servicer pursuant to the Agreement, each adjusted to the Remittance Rate; (c) with respect to each Mortgage Loan in the related Mortgage Group not described in (d) below, an amount equal to the applicable Non-PO Class A Percentage of the applicable Non-PO Percentage of the sum of the principal portion of all insurance proceeds, condemnation awards and any other cash proceeds from a source other than the Mortgagor, to the extent required to be deposited in the Certificate Account, which were received during the related Principal Prepayment Period, plus the applicable Non-PO Class A Percentage of one month's interest thereon, adjusted to the Remittance Rate, net of related unreimbursed servicing advances and net of any portion thereof which, as to any Mortgage Loan in the related Mortgage Group, constitutes a late collection with respect to which an Advance has previously been made; (d) with respect to each Mortgage Loan in the related Mortgage Group which has become a liquidated Mortgage Loan during the related Principal Prepayment Period, an amount equal to the least of (i) the applicable Non-PO Class A Percentage of the

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applicable Non-PO Percentage of an amount equal to the principal balance of such Mortgage Loan (net of Advances with respect to principal) as of the Due Date immediately preceding the date on which it became a liquidated Mortgage Loan plus the applicable Non-PO Class A Percentage of one month's interest thereon adjusted to the Remittance Rate, (ii) the applicable Non-PO Class A Prepayment Percentage of the applicable Non-PO Percentage of the net liquidation proceeds, if any, with respect to such liquidated Mortgage Loan (net of any unreimbursed

Advances) plus the applicable Non-PO Class A Percentage of one month's interest thereon adjusted to the Remittance Rate, and (iii) the applicable Non-PO Class A Prepayment Percentage of the net liquidation proceeds (net of any unreimbursed Advances) with respect to such liquidated Mortgage Loan exclusive of amounts distributable to the Class IA-P or Class IIA-P Certificates with respect to such liquidated Mortgage Loan plus the applicable Non-PO Class A Percentage of one month's interest thereon adjusted to the Remittance Rate; (e) with respect to each Mortgage Loan in the related Mortgage Group repurchased during the related Principal Prepayment Period, an amount equal to the applicable Non-PO Class A Prepayment Percentage of the applicable Non-PO Percentage of the principal portion of the purchase price thereof plus the applicable Non-PO Class A Percentage of the interest portion of the purchase price thereof, adjusted to the Remittance Rate (net of amounts with respect to which a distribution has previously been made to the Non-PO Class A Certificateholders); (f) while none of the Subordinated Certificates remains outstanding, the excess of the outstanding principal balance of the applicable Non-PO Class A Certificates over the applicable Non-PO Allocated Amount; (g) if the Cross Support Date (defined herein) has occurred, the applicable Support Percentage (defined herein) of the principal portion of the amounts referred to in (b), (d) and (e) above on Mortgage Loans in the Mortgage Group as to which the Non-PO Class A Percentage has been reduced to zero; and (h) an amount equal to any amounts that were not distributed to the applicable Non-PO Class A Certificateholders on any prior Remittance Date that would have constituted part of the applicable Non-PO Class A Distribution Amount had they been so distributed, together with interest thereon at the Remittance Rate (net of amounts with respect to which a distribution has been previously made to the Non-PO Class A Certificateholders).

As of any Remittance Date, the "Non-PO Class IA Percentage" will equal a fraction, expressed as a percentage, the numerator of which is the Non-PO Class IA Principal Balance and the denominator of which is the Mortgage Group One Non-PO Allocated Amount immediately prior to the Due Date in the month of such Remittance Date.

As of any Remittance Date, the "Non-PO Class IIA Percentage" will equal a fraction, expressed as a percentage, the numerator of which is the Non-PO Class IIA Principal Balance and the denominator of which is the Mortgage Group Two Non-PO Allocated Amount immediately prior to the Due Date in the month of such Remittance Date.

The "Cross Support Date" is the first Remittance Date on which the Non-PO Class IA Principal Balance or Non-PO Class IIA Principal Balance is equal to zero.

As of any Remittance Date, the "Support Percentage" for a Mortgage Group will be the product of (i) the principal balance of the applicable Non-PO Class A Certificates divided by the aggregate principal balance of the Non-PO Class A Certificates and (ii) the Aggregate Non-PO Class A Prepayment Percentage.

As of any Remittance Date, the "Aggregate Non-PO Class A Prepayment Percentage" will be the sum of (i) (A) the sum of the Non-PO Class IA Principal Balance and the Non-PO Class IIA Principal Balance divided by (B) the Non-PO Allocated Amount and (ii) as of any Remittance Date up to and including the Remittance Date in August 2001, 100% of the Aggregate Subordinated Percentage; as of any Remittance Date in the first year thereafter, 70% of the Aggregate Subordinated Percentage; as of any Remittance Date in the second year thereafter, 60% of the Aggregate Subordinated Percentage; as of any Remittance Date in the third year thereafter, 40% of the Aggregate Subordinated Percentage; as of any Remittance Date in the fourth year thereafter, 20% of the Aggregate Subordinated Percentage; and as of any Remittance Date thereafter, 0%.

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As of any Remittance Date, the "Aggregate Subordinated Percentage" will be equal to the percentage obtained by dividing (i) the Non-PO Allocated Amount minus the Non-PO Class A Principal Balance by (ii) the Non-PO Allocated Amount.

The "Non-PO Class IA Principal Balance" and "Non-PO Class IIA Principal Balance" (each, a "Non-PO Class A Principal Balance") mean, generally, as of any Remittance Date, (a) the applicable Non-PO Class A Principal Balance for the preceding Remittance Date less (b) amounts distributed to the applicable Non-PO Class A Certificateholders on such preceding Remittance Date allocable to principal (including Advances) and any losses allocated to the applicable Non-PO Class A Certificates plus (c) the applicable Class Interest Shortfall, if any, for such preceding Remittance Date; provided that (i) the Non-PO Class IA Principal Balance on the first Remittance Date will be the initial Non-PO Class IA Principal Balance, which is expected to be approximately \$157,630,390 and (ii) the Non-PO Class IIA Principal Balance on the first Remittance Date will be the initial Non-PO Class IIA Principal Balance, which is expected to be approximately \$36,521,592. On any Remittance Date, the "Class IA Interest Shortfall" will equal the excess, if any, of the amounts payable to the Class IA Certificateholders allocable to interest over amounts actually distributed with respect to interest to the Class IA Certificateholders and the "Class IIA Interest Shortfall" will equal the excess, if any, of the amounts payable to the Class IIA Certificateholders allocable to interest over amounts actually distributed with respect to interest to the Class IIA Certificateholders.

The "Non-PO Class IA Prepayment Percentage" and "Non-PO Class IIA Prepayment Percentage" (each, a "Non-PO Class A Prepayment Percentage") mean, generally, subject to certain conditions set forth in the Agreement, as of any Remittance Date up to and including the Remittance Date in August 2001, 100%; as of any Remittance Date in the first year thereafter, the applicable Non-PO Class A Percentage plus 70% of the applicable Subordinated Percentage for such Remittance Date; as of any Remittance Date in the second year thereafter, the applicable Non-PO Class A Percentage plus 60% of the applicable Subordinated Percentage for such Remittance Date; as of any Remittance Date in the third year thereafter, the applicable Non-PO Class A Percentage plus 40% of the applicable Subordinated Percentage for such Remittance Date; as of any Remittance Date in the fourth year thereafter, the applicable Non-PO Class A Percentage plus 20% of the applicable Subordinated Percentage for such Remittance Date; and as of any Remittance Date after the fourth year thereafter, the applicable Non-PO Class A Percentage; provided that, if either Non-PO Class A Percentage as of any such Remittance Date is greater than the initial applicable Non-PO Class A Percentage, the Non-PO Class IA Prepayment Percentage and the Non-PO Class IIA Prepayment Percentage shall each be 100%. As of any Remittance Date, the "Mortgage Group One Subordinated Percentage" means the difference between 100% and the Non-PO Class IA Percentage and the "Mortgage Group Two Subordinated Percentage" means the difference between 100% and the Non-PO Class IIA Percentage and each is a "Subordinated Percentage."

On each Remittance Date, the Class M Certificateholders will be entitled to receive, from the portion, if any, of the Available Distribution Amount remaining after making all distributions of interest and principal payable to the Class A Certificateholders on such Remittance Date: (i) one month's interest at the Remittance Rate on the outstanding principal balance of the Class M Certificates (which balance shall be deemed to include all interest due on prior Remittance Dates but not yet paid for so long as the aggregate principal balance of the Class B Certificates is greater than zero), less any Non-Supported Interest Shortfalls allocable to the Class M Certificates, (ii) any amounts distributable with respect to principal to the Class M Certificateholders on any prior Remittance Date which were not previously distributed and (iii) principal distributions up to the amount calculated pursuant to the third succeeding paragraph.

On each Remittance Date, the Class B-1 Certificateholders will be entitled to receive, from the portion, if any, of the Available Distribution Amount remaining after making all distributions of interest and principal payable to the Class A and Class M Certificateholders on such Remittance Date:

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(i) one month's interest at the Remittance Rate on the outstanding principal balance of the Class B-1 Certificates (which balance shall be deemed to include all interest due on prior Remittance Dates but not yet paid for so long as the aggregate principal balance of the Class B-2 Certificates and the Non-Offered Class B Certificates is greater than zero), less any Non-Supported Interest Shortfalls allocable to the Class B-1 Certificates, (ii) any amounts distributable with respect to principal to the Class B-1 Certificateholders on any prior Remittance Date which were not previously distributed and (iii) principal distributions up to the amount calculated pursuant to the second succeeding paragraph.

On each Remittance Date, the Class B-2 Certificateholders will be entitled to receive, from the portion, if any, of the Available Distribution Amount remaining after making all distributions of interest and principal payable to the Class A, Class M and Class B-1 Certificateholders on such Remittance Date: (i) one month's interest at the Remittance Rate on the outstanding principal balance of the Class B-2 Certificates (which balance shall be deemed to include all interest due on prior Remittance Dates but not yet paid for so long as the aggregate principal balance of the Non-Offered Class B Certificates is greater than zero), less any Non-Supported Interest Shortfalls allocable to the Class B-2 Certificates, (ii) any amounts distributable with respect to principal to the Class B-2 Certificateholders on any prior Remittance Date which were not previously distributed and (iii) principal distributions up to the amount calculated pursuant to the following paragraph.

On each Remittance Date, the portion of the Available Distribution Amount relating to payments of principal of the Mortgage Loans remaining after all distributions of principal and interest to the Class A Certificates with respect to such Remittance Date have been made (the "Subordinated Principal Distribution Amount") will be allocated among the Class or Classes of Subordinated Certificates entitled to receive distributions of principal on such Remittance Date, as described in the second succeeding sentence. Each such Class will be allocated its pro rata portion of the Subordinated Principal Distribution Amount based upon the outstanding principal balances of all Classes of Subordinated Certificates entitled to principal distributions on such Remittance Date. On each Remittance Date, the Subordinated Principal Distribution Amount will be allocated among the following Classes of Certificates: (i) any Class of Subordinated Certificates which has current Credit Support (defined herein) (before giving effect to any distribution of principal thereon on such Remittance Date) greater than or equal to the original Credit Support for such

Class; (ii) the Class of Subordinated Certificates having the lowest numerical class designation of any outstanding Class of Subordinated Certificates which does not meet the criteria in (i) above; and (iii) the Class B-5 Certificates if all other outstanding Classes of Subordinated Certificates meet the criteria in (i) above or if no other Class of Subordinated Certificates is outstanding; provided, however, that no Class of Subordinated Certificates will receive any distribution of principal on any Remittance Date if on such Remittance Date any Class of Subordinated Certificates having a lower numerical class designation than such Class fails to meet the criteria in (i) above. For the purposes of (ii) above, the Class M Certificates will be deemed to have a lower numerical class designation than each Class of Class B Certificates.

Each Class of Subordinated Certificates (other than the Class B-5 Certificates) will have the benefit of a level of credit support, expressed as a percentage of the aggregate outstanding principal balance of the Certificates ("Credit Support"). Credit Support for such Classes of Certificates will equal in each case the percentage obtained by dividing the aggregate outstanding principal balance of all Classes of Subordinated Certificates having higher numerical class designations than such Class by the aggregate outstanding principal balance of all outstanding Classes of Certificates (other than the Class IA-P and Class IIA-P Certificates) (for this purpose, the Class M Certificates shall be deemed to have a lower numerical class designation than each Class of Class B Certificates). Generally, the level of Credit Support for any Class will decrease to the extent Realized Losses are allocated to any Class of Subordinated Certificates having a higher numerical class designation and will increase to the extent that any Class or Classes of Certificates not subordinated to such Class receives a disproportionate portion of payments (including prepayments) of principal on the Mortgage Loans.

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#### DETERMINATION OF LIBOR

On each Rate Adjustment Date, the Master Servicer will determine LIBOR on the basis of the offered one-month LIBOR quotations of the Reference Banks (as defined below), as such quotations are provided to the Master Servicer as of 11:00 a.m. (London time) on such Rate Adjustment Date. For this purpose "London Business Day" means any day on which dealings in deposits in United States dollars are transacted in the London interbank market; "Reference Banks" means four leading banks engaged in transactions in Eurodollar deposits in the international Eurocurrency market (i) with an established place of business in London, (ii) whose quotations appear on the Reuters Screen LIBO Page on the Rate Adjustment Date in question and (iii) which have been designated as such by the Master Servicer and are able and willing to provide such quotations to the Master Servicer on each Rate Adjustment Date; and "Reuters Screen LIBO Page" means the display designated as page "LIBO" on the Reuters Monitor Money Rates Service (or such other page as may replace the LIBO page on that service for the purpose of displaying London interbank offered quotations of major banks). If any Reference Bank designated by the Master Servicer should be removed from the Reuters Screen LIBO Page or in any other way fails to meet the qualifications of a Reference Bank, the Master Servicer will use its best efforts to designate an alternative Reference Bank.

On each Rate Adjustment Date, the Master Servicer will determine LIBOR for the next Remittance Date as follows:

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

(ii) If on any Rate Adjustment Date only one or none of the Reference Banks provides such offered quotations, LIBOR for the next Remittance Date will be whichever is the higher of (x) LIBOR as determined on the previous Rate Adjustment Date or (y) the Reserve Interest Rate. The "Reserve Interest Rate" will be the rate per annum which the Master Servicer determines to be either (A) the arithmetic mean (rounding such arithmetic mean upwards, if necessary, to the nearest whole multiple of 1/16%) of the one-month Eurodollar lending rates that the New York City banks selected by the Master Servicer are quoting, on the relevant Rate Adjustment Date, to the principal London offices of leading banks in the London interbank market or (B) in the event that the Master Servicer can determine no such arithmetic mean, the lowest one-month Eurodollar lending rate that the New York City banks selected by the Master Servicer are quoting on such Rate Adjustment Date to leading European banks.

(iii) If on any Rate Adjustment Date the Master Servicer is required but is unable to determine the Reserve Interest Rate in the manner provided in paragraph (ii) above, LIBOR for the next Remittance Date will be LIBOR as determined on the previous Rate Adjustment Date, or, in the case of the first Rate Adjustment Date, the level of LIBOR used to calculate the initial Certificate Rates of the Class IA-1 and Class IA-2 Certificates.

Listed below are the historical values for one-month LIBOR as published in The Wall Street Journal on the first business day of each month since 1991. The

following does not purport to be

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representative of subsequent levels of LIBOR or of LIBOR determined as described above. No assurance can be given as to any subsequent level of LIBOR.

<TABLE>  
<CAPTION>  
MONTH

MONTH	1991	1992	1993	1994	1995	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
January.....	7.6250%	4.3125%	3.3125%	3.2500%	6.00000%	5.71075%
February.....	6.9375	4.1875	3.1250	3.1250	6.12500	5.43750
March.....	7.0000	4.2500	3.1875	3.5625	6.12500	5.34375
April.....	6.3750	4.2500	3.1875	3.6875	6.12500	5.46875
May.....	6.0625	3.9375	3.1250	4.0000	6.06250	5.43750
June.....	6.9375	4.0000	3.2500	4.8750	6.06250	5.43750
July.....	6.0625	3.9375	3.1875	4.5625	6.06250	5.50000
August.....	5.9375	3.3750	3.1875	4.5000	5.87500	5.46875
September.....	5.4375	3.5000	3.1875	4.8750	5.87500	--
October.....	5.1250	3.1875	3.1875	5.0625	5.87500	--
November.....	5.1875	3.2500	3.1875	5.0625	5.84375	--
December.....	4.3125	4.2500	3.5625	6.0625	6.03125	--

</TABLE>

SUBORDINATED CERTIFICATES AND SHIFTING INTERESTS

The rights of the Class M Certificateholders to receive distributions with respect to the Mortgage Loans will be subordinated to the rights of the Class A Certificateholders, the rights of the holders of each Class of Class B Certificates to receive distributions with respect to the Mortgage Loans will be subordinated to the rights of the holders of the Class A Certificates, the Class M Certificates, and each Class of Class B Certificates having a lower numerical class designation than such Class of Class B Certificates, each to the extent described below. The subordination provided by the Class M and Class B Certificates is intended to enhance the likelihood of regular receipt by the Class A Certificateholders of the full amount of monthly distributions due them and to protect the Class A Certificateholders against losses. The subordination provided by each Class of Class B Certificates is intended to enhance the likelihood of regular receipt by the holders of the Class A Certificates, the Class M Certificates, and each Class of Class B Certificates having a lower numerical class designation than such Class of Class B Certificates of the full amount of monthly distributions due them and to protect such Certificateholders against losses.

On each Remittance Date payments to the Class A Certificateholders will be made prior to payments to the Class M and Class B Certificateholders, payments to the Class M Certificateholders will be made prior to payments in the Class B Certificateholders, payments to the Class B-1 Certificateholders will be made prior to payments to the Class B-2 Certificateholders and the Non-Offered Class B Certificateholders and payments to the Class B-2 Certificateholders will be made prior to payments to the Non-Offered Class B Certificateholders. If on any Remittance Date on which the aggregate outstanding principal balance of the Class M and Class B Certificates is greater than zero the Non-PO Class IA or Class IIA Certificateholders are paid less than the applicable Non-PO Class A Distribution Amount for such date, the interest of the Non-PO Class A Certificateholders in the Trust Fund will vary so as to preserve the entitlement of the Non-PO Class A Certificateholders to unpaid principal of the Mortgage Loans and interest thereon. This may have the effect of increasing the proportionate interest of the Non-PO Class A Certificateholders in the Trust Fund.

"Mortgage Pool Principal Balance" means, generally, as of any Remittance Date, the sum of the principal balances of all Mortgage Loans as to which no prepayment in full, cash liquidation or foreclosure and sale of the related Mortgaged Property has taken place and as to which no determination of the Master Servicer has been made that all recoverable amounts have been received.

The Non-PO Class IA Certificateholders and the Non-PO Class IIA Certificateholders will be entitled to receive the applicable Non-PO Class A Prepayment Percentage of the applicable Non-PO

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Percentage of the amount of principal prepayments and certain other unscheduled amounts of principal received on the Mortgage Loans as described above. This will have the effect of initially accelerating principal payments to the Non-PO Class A Certificateholders (other than the Class IA-4 Certificateholders) and reducing their proportionate interest in the Trust Fund and correspondingly increasing (in the absence of offsetting Realized Losses) the Credit Support of each Class of Subordinated Certificates having Credit Support. See "Description of the Certificates--Distributions of Principal and Interest." Increasing the interest of the Class M and Class B Certificates in the Trust Fund relative to that of the Class A Certificates is intended to preserve the availability of the

benefits of the subordination provided by the Class M and Class B Certificates.

Similarly, if, as a result of losses on the Mortgage Loans, the Class B Percentage decreases to less than its initial aggregate level (approximately 3.5%), amounts relating to principal payments (including prepayments) on the Mortgage Loans otherwise distributable to the Class B Certificateholders will be distributed to the Class M Certificateholders, thereby accelerating receipt of principal by the Class M Certificateholders and reducing their relative interest in the Trust Fund while increasing the relative interest in the Trust Fund evidenced by the Class B Certificates.

During such time as the Non-Offered Class B Certificates are outstanding, all Realized Losses (defined below) on the Mortgage Loans will be allocated to the Non-Offered Class B Certificates until the principal balance of the Non-Offered Class B Certificates has been reduced to zero. If the aggregate principal balance of the Non Offered Class B Certificates has been reduced to zero, all future Realized Losses on the Mortgage Loans will be allocated to the Class B-2 Certificates until the principal balance of the Class B-2 Certificates has been reduced to zero. If the aggregate principal balance of the Non-Offered Class B Certificates and the Class B-2 Certificates has been reduced to zero, all future Realized Losses on the Mortgage Loans will be allocated to the Class B-1 Certificates until the principal balance of the Class B-1 Certificates has been reduced to zero. If the aggregate principal balance of the Class B Certificates has been reduced to zero, all future Realized Losses on the Mortgage Loans will be allocated to the Class M Certificates until the principal balance of the Class M Certificates has been reduced to zero. If the aggregate principal balance of the Class M and Class B Certificates has been reduced to zero, all future Realized Losses will be allocated to the Class A Certificate until the principal balance of the Class A Certificates has been reduced to zero.

A "Realized Loss" is generally the amount, if any, with respect to any defaulted Mortgage Loan which has been liquidated in accordance with the Agreement, by which the unpaid principal balance and accrued interest thereon at a rate equal to the Net Mortgage Rate exceeds the amount actually recovered by the Servicer with respect thereto (net of reimbursement of certain expenses) at the time such defaulted Mortgage Loan was liquidated.

Amounts actually paid at any time to the Class M and Class B Certificateholders in accordance with the terms of the Agreement will not be subsequently recoverable from the Class M and Class B Certificateholders.

#### OPTIONAL TERMINATION

The Master Servicer may, on any Remittance Date, repurchase from the Trust Fund all Mortgage Loans remaining outstanding at such time as the aggregate unpaid principal balance of such Mortgage Loans is less than 5% of the aggregate unpaid scheduled principal balance of the Mortgage Pool on the Cut-off Date. The repurchase price will equal the sum of (i) the unpaid principal amount of such Mortgage Loans (other than any such Mortgage Loans as to which the related Mortgaged Properties have been acquired and whose fair market values are included in clause (ii) below), plus accrued interest thereon at the Remittance Rate to the next Due Date and (ii) the fair market value of any such acquired properties, in each case less any unreimbursed Advances made with respect to such Mortgage Loans. Upon any such repurchase, the Offered Certificateholders generally will receive the outstanding principal balance of the Offered Certificates plus accrued interest thereon (other than on the Class IA-3, Class IA-P and Class IIA-P Certificates) at the Remittance Rate. Such amounts will be distributed to Certificateholders on the Remittance Date in the month following the month of repurchase.

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#### FEDERAL INCOME TAX CONSIDERATIONS

An election will be made to treat the Trust Fund as a REMIC for federal income tax purposes (the "Subsidiary REMIC"). Certain amounts, if any, received in respect of the Mortgage Loans in excess of their principal amount and accrued interest thereon will represent the residual interest in the Subsidiary REMIC. All other amounts distributable with respect to the Mortgage Loans will represent in the aggregate the regular interests in the Subsidiary REMIC. An election will be made to treat the pool of assets represented by the regular interests in the Subsidiary REMIC as a REMIC (the "Master REMIC"). See "Certain Federal Income Tax Consequences" in the Prospectus.

The Offered Certificates will represent regular interests in the Master REMIC and will be treated as newly originated debt instruments. All Certificateholders will be required to use the accrual method of accounting with respect to interest income on the Certificates, regardless of their normal method of accounting. Holders of Offered Certificates that have original issue discount will be required to include amounts in income with respect to such Certificates in advance of the receipt of cash attributable to such income. The Class IA-3, Class IA-P and Class IIA-P Certificates will be issued with original issue discount in an amount equal to the excess of their initial principal balance over their issue price. It is anticipated that the Class IA-4, Class M,

Class B-1 and Class B-2 Certificates will be issued with original issue discount in an amount equal to the excess of their initial principal balances over their respective issue prices (including accrued interest). It is also anticipated that the Class IIA-1 Certificates will be issued at a premium, and that the Class IA-1 Certificates will be issued with de minimis original issue discount for federal income tax purposes. Although unclear for federal income tax purposes, it is anticipated that the Class IA-2 Certificates will be considered to be issued with original issue discount in an amount equal to the excess of all distributions of interest expected to be received thereon over their issue price (including accrued interest). Any "negative" amounts of original issue discount on the Class IA-2 Certificates attributable to rapid prepayments with respect to the Mortgage Loans will not be deductible currently, but may be offset against future positive accruals of original issue discount, if any. Finally, a holder of a Class IA-2 Certificate may be entitled to a loss deduction to the extent it becomes certain that such holder will not recover a portion of its basis in such Certificate, assuming no further prepayments. In the alternative, it is possible that rules similar to the "noncontingent bond method" of the contingent interest rules in applicable Treasury regulations regarding OID may be promulgated with respect to the Class IA-2 Certificates. See "Certain Federal Income Tax Consequences--Taxation of REMIC Certificates--Regular Certificates--Original Issue Discount" in the Prospectus. Under the noncontingent bond method, if the interest payable for any period is greater or less than the amount projected, the amount of income included for that period would be either increased or decreased accordingly. Any reduction in the income accrual for a period below zero (a "Negative Adjustment") would be treated by a Certificateholder as ordinary loss to the extent of prior income accruals and may be carried forward to offset future interest accruals. At maturity, any remaining Negative Adjustment would be treated as a reduction in the amount realized on retirement of the Certificate. The legislative history of relevant Code provisions indicates, however, that negative amounts of original issue discount on an instrument such as REMIC regular interest may not give rise to taxable losses in any accrual period prior to the instrument's disposition or retirement. Thus, it is not clear whether any losses resulting from a Negative Adjustment would be recognized currently or be carried forward until disposition or retirement of the debt obligation.

The prepayment assumption that will be used in computing the amount and rate of accrual of original issue discount includible periodically will be 215% of the Prepayment Model set forth herein. See "Prepayment and Yield Considerations." No representation is made that payments on the Offered Certificates will occur at that rate or any other rate.

The Offered Certificates will be treated as (i) "qualifying real property loans" within the meaning of section 593(d)(1) of the Code, (ii) assets described in section 7701(a)(19)(C) of the Code and (iii) "real estate assets" within the meaning of section 856(c)(5)(A) of the Code, in each case to the extent

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described herein and in the Prospectus. Interest on the Offered Certificates 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 to the same extent that the Offered Certificates are treated as "real estate assets" within the meaning of section 856(c)(5)(A) of the Code.

For further information regarding the federal income tax consequences of investing in the Offered Certificates, see "Certain Federal Income Tax Consequences" in the Prospectus.

#### ERISA CONSIDERATIONS

A fiduciary of an employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or section 4975 of the Code, including an individual retirement account (each, a "Plan"), or any other person investing "plan assets" of any Plan, should carefully review with its legal advisors whether the purchase or holding of Class A Certificates could give rise to a transaction prohibited or not otherwise permissible under ERISA or the Code. See "ERISA Considerations" in the Prospectus. A governmental plan as defined in Section 3(32) of ERISA is not subject to ERISA or section 4975 of the Code. However, such a governmental plan may be subject to a federal, state or 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 need for and the availability of any exemptive relief under Similar Law.

The U.S. Department of Labor ("DOL") has issued Prohibited Transaction Class Exemption 83-1 ("PTCE 83-1") exempting certain transactions involving mortgage pool investment entities holding mortgages on certain residential property from the prohibited transaction provisions of ERISA and the Code. See "ERISA Considerations" in the Prospectus for a discussion of PTCE 83-1 and the prohibited transaction provisions of ERISA and the Code.

Prohibited transaction exemptions granted to DLJ ("PTE 90-83") and to CSI ("PTE 90-33", and together with PTE 90-83, the "Exemptions") exempt the purchase



and holding of the Class A Certificates by or with "plan assets" of a Plan from the prohibited transaction provisions of section 406(a) of ERISA (and the excise taxes imposed by section 4975(c)(1)(A) of the Code) provided that certain conditions are met. Among the conditions are the following: (i) DLJ or CSI, as the case may be, is the sole underwriter, or the manager or co-manager of the underwriting syndicate for such Class A Certificates, (ii) the Class A Certificates are rated in one of the three highest generic rating categories by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S & P"), Moody's Investors Service, Inc. ("Moody's"), Duff & Phelps Credit Rating Co. or Fitch Investors Service, L.P. (iii) the Class A Certificates are collateralized by, among other things, obligations that bear interest or are purchased at a discount and which are secured by single-family residential, multifamily residential or commercial real property (including obligations secured by leasehold interests on commercial real property), or fractional undivided interests in such obligations, (iv) the Class A Certificates are not subordinated to other Certificates of the Trust Fund, (v) the Plan is an "accredited investor" (as defined under Rule 501(a)(1) of Regulation D under the Securities Act of 1933, as amended (the "Act")), (vi) the acquisition of the Class A Certificates by a Plan is on terms that are at least as favorable to the Plan as they would be in an arm's length transaction with an unrelated third party, and (vii) the compensation to the DLJ or CSI, as the case may be, represents reasonable compensation, the proceeds to the Company represent no more than the fair market value of the obligations securing such Class A Certificates and the sum of all payments made to and retained by the Master Servicer represents not more than reasonable compensation for the Master Servicer's services under the Agreement and reimbursement of the Master Servicer's reasonable expenses in connection therewith. It is expected that the Class A Certificates will satisfy the conditions of the applicable Exemption set forth above in clauses (i), (iii), (iv) and (vii). Whether the remaining conditions of the applicable Exemption, will be satisfied with respect to the Class A Certificates will depend on the

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circumstances at the time "plan assets" of a Plan are used to acquire such Certificates. In that connection, the Class A Certificates will, on the date of their original issue, satisfy the condition set forth in clause (ii). In addition, if certain additional conditions specified in the applicable Exemption are met, the applicable Exemption would provide an exemption from the prohibited transaction provisions of ERISA section 406(b) (and the excise taxes imposed by section 4975(c)(1)(E) of the Code) relating to possible self-dealing transactions by fiduciaries who have discretionary authority, or render investment advice, with respect to Plan assets used to purchase Class A Certificates where the fiduciary (or its affiliate) is an obligor on the obligations or receivables held in the Trust Fund. Neither Exemption would apply to certain otherwise prohibited transactions with respect to Plans sponsored by the following entities (or any affiliate of any such entity): (a) the Company, (b) the applicable Underwriter, (c) the Trustee, (d) the Master Servicer or (e) any obligor with respect to obligations or receivables included in the Company constituting more than five percent of the aggregate unamortized principal balance of the assets in the Company.

Before purchasing a Class A Certificate, a fiduciary of a Plan or any other person investing "plan assets" of any Plan, should itself confirm that (a) the Class A Certificates constitute "certificates" for the purposes of the Exemptions and (b) that the specific and general conditions set forth in the Exemptions would be satisfied. In addition to making its own determination as to the availability of the exemptive relief provided in the Exemptions, the fiduciary or other Plan investor should consider its general fiduciary obligations under ERISA in determining whether to purchase a Certificate on behalf or with "plan assets" of a Plan.

Neither of the Exemptions nor PTCE 83-1 will apply to the Class M Certificates, the Class B-1 Certificates or the Class B-2 Certificates; therefore, the purchase or holding of a Class M Certificate, a Class B-1 Certificate or a Class B-2 Certificate by or with "plan assets" of a Plan may result in prohibited transactions or the imposition of excise taxes or civil penalties. Accordingly, transfer of the Class M, Class B-1 or Class B-2 Certificates will not be made unless the transferee (i) executes a representation letter in form and substance satisfactory to the Trustee and the Company stating that (a) it is not, and is not acting on behalf of, any such Plan or using the "plan assets" of any such Plan to effect such purchase or (b) if it is an insurance company, that the source of funds used to purchase the Class M, Class B-1 or Class B-2 Certificates is an "insurance company general account" (as such term is defined in Section V(e) of Prohibited Transaction Class Exemption 95-60 ("PTE 95-60"), 60 Fed. Reg. 35925 (July 12, 1995)) and there is no Plan with respect to which the amount of such general account's reserves and liabilities for the contract(s) held by or on behalf of such Plan and all other Plans maintained by the same employer (or affiliate thereof as defined in Section V(a)(1) of PTE 95-60 or by the same employee organization exceeds 10% of the total of all reserves and liabilities of such general account (as such amounts are determined under Section 1(a) of PTE 95-60) at the date of acquisition or (ii) provides an opinion of counsel in form and substance satisfactory to the Trustee and the Company that the purchase or holding of the Class M, Class B-1 or Class B-2 Certificates by or on behalf of such Plan will

not result in the assets of the Trust Fund being deemed to be "plan assets" and subject to the prohibited transaction provisions of ERISA and the Code and will not subject the Company, the Master Servicer or the Trustee to any obligation in addition to those undertaken in the Agreement. The Class M, Class B-1 and Class B-2 Certificates will contain a legend describing such restrictions on transfer and the Agreement will provide that any attempted or purported transfer in violation of these transfer restrictions will be null and void and will vest no rights in any purported transferee.

Prospective Plan investors should consult with their legal advisors concerning the impact of ERISA and the Code, the applicability of PTCE 83-1, the Exemptions or other exemptions, and the potential consequences to their specific circumstances prior to making an investment in the Class A Certificates. Moreover, each Plan fiduciary should determine whether under the general fiduciary standards of investment procedure and diversification an investment in the Class A Certificates is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio.

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The sale of Certificates to a Plan is in no respect a representation by the Company, DLJ or CSI that this investment meets all relevant legal requirements with respect to investments by Plans generally or by any particular Plan, or that this investment is appropriate for Plans generally or for any particular Plan.

#### LEGAL INVESTMENT MATTERS

The Class A and Class M Certificates offered hereby will constitute "mortgage related securities" for purposes of the Secondary Mortgage Market Enhancement Act of 1984 ("SMMEA"), and, as such, are legal investments for certain entities to the extent provided in SMMEA. However, institutions subject to the jurisdiction of the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration or federal or state banking, insurance or other regulatory authorities should review applicable rules, supervisory policies and guidelines, since certain restrictions may apply to investments in such classes. It should also be noted that certain states have enacted legislation limiting to varying extents the ability of certain entities (in particular insurance companies) to invest in mortgage related securities. Investors should consult with their own legal advisors in determining whether, and to what extent the Class A and Class M Certificates constitute legal investments for such investors. See "Legal Investment" in the Prospectus.

The Class B-1 and Class B-2 Certificates will not constitute "mortgage related securities" under SMMEA. The appropriate characterization of the Class B-1 and Class B-2 Certificates under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase Class B-1 and Class B-2 Certificates, may be subject to significant interpretive uncertainties. All investors whose investment authority is subject to legal restrictions should consult their own legal advisors to determine whether, and to what extent, the Class B-1 and Class B-2 Certificates will constitute legal investments for them.

Except as to the status of the Class A and Class M Certificates as "mortgage related securities", the Company makes no representations as to the proper characterization of the Offered Certificates for legal investment or financial institution regulatory purposes, or as to the ability of particular investors to purchase the Offered Certificates under applicable legal investment restrictions. The uncertainties described above (and any unfavorable future determinations concerning legal investment or financial institution regulatory characteristic of the Offered Certificates) may adversely affect the liquidity of the Offered Certificates.

#### USE OF PROCEEDS

Substantially all of the net proceeds to be received from the sale of the Offered Certificates will be applied by the Company to the purchase price of the Mortgage Loans and expenses connected with pooling the Mortgage Loans and issuing the Certificates.

#### UNDERWRITING

Subject to the terms and conditions set forth in (i) the underwriting agreement, dated August 14, 1996, among the Company, DLJ and CSI, (ii) the terms agreement dated August 23, 1996 between the Company and DLJ and (iii) the terms agreement dated August 23, 1996 between the Company and CSI (collectively, the "Underwriting Agreement") (A) the Company has agreed to sell to DLJ and DLJ has agreed to purchase from the Company, all of the Offered Certificates (other than the Class IIA-1 Certificates) and (B) the Company has agreed to sell to CSI and CSI has agreed to purchase from the Company, all of the Class IIA-1 Certificates.

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The Underwriting Agreement provides that the Underwriters' respective obligations thereunder are subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of their respective Offered Certificates if any are purchased.

The distribution of the Offered Certificates by the Underwriters will be effected from time to time in one or more negotiated transactions, or otherwise, at varying prices to be determined, in each case, at the time of sale. The Underwriters may effect such transactions by selling the Offered Certificates to or through dealers, and such dealers may receive from the Underwriters, for whom they act as agents, compensation in the form of underwriting discounts, concessions or commissions. The Underwriters and any dealers that participate with the Underwriters in the distribution of the Offered Certificates may be deemed to be underwriters, and any discounts, concessions or commissions received by them, and any profit on the resale of the Offered Certificates purchased by them for their own account, may be deemed to be underwriting discounts and commissions under the Act.

The Underwriting Agreement provides that the Company will indemnify each of the Underwriters against certain civil liabilities, including liabilities under the Act.

#### LEGAL MATTERS

Certain legal matters will be passed upon for the Company by Morgan, Lewis & Bockius LLP, New York, New York and for the Underwriters by Cadwalader, Wickersham & Taft, New York, New York. The material federal income tax consequences of the Certificates will be passed upon for the Company by Morgan, Lewis & Bockius LLP.

#### RATING

It is a condition to the issuance of the Offered Certificates that the Class A Certificates (other than the Class IA-2, Class IA-3, Class IA-P and Class IIA-P Certificates) be rated "Aaa" by Moody's and "AAA" by S&P, that the Class IA-2, Class IA-3, Class IA-P and Class IIA-P Certificates be rated "Aaa" by Moody's and "AAAr" by S&P, and that the Class M, Class B-1 and Class B-2 Certificates be rated at least "AA", "A" and "BBB", respectively, by S&P.

The ratings assigned by Moody's to mortgage pass-through certificates address the likelihood of the receipt by Certificateholders of all distributions to which such Certificateholders are entitled. Moody's ratings address the structural and legal aspects associated with the Certificates, including the nature of the underlying mortgage loans. Moody's ratings on mortgage pass-through certificates do not represent any assessment of the likelihood or rate of principal prepayments. The ratings do not address the possibility that Certificateholders might suffer a lower than anticipated yield.

S&P's ratings on mortgage pass-through certificates address the likelihood of receipt by Certificateholders of payments required under the operative agreements. S&P assigns the additional rating of "r" to highlight classes of securities that S&P believes may experience high volatility or high variability in expected returns due to non-credit risks. S&P's ratings take into consideration the credit quality of the mortgage pool including any credit support providers, structural and legal aspects associated with the certificates, and the extent to which the payment stream of the mortgage pool is adequate to make payment required under the certificates. S&P's ratings on mortgage pass-through certificates do not, however, constitute a statement regarding the frequency of prepayments on the mortgage loans. S&P's ratings do not address the possibility that investors may suffer a lower than anticipated yield.

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

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The Company has not requested a rating of the Offered Certificates by any rating agency other than Moody's and S&P and the Company has not provided information relating to the Certificates offered hereby or the Mortgage Loans to any rating agency other than Moody's and S&P. However, there can be no assurance as to whether any other rating agency will rate the Offered Certificates or, if another rating agency rates such Certificates, what rating would be assigned to such Certificates by such rating agency. Any such unsolicited rating assigned by another rating agency to the Offered Certificates may be lower than the rating assigned to such Certificates by either, or both, of Moody's and S&P.

#### OTHER CONSIDERATIONS

The Company believes that the transfer by Chase of the Mortgage Loans to the Company, the simultaneous transfer of the Mortgage Loans by the Company to the Trust Fund and the sale of the Offered Certificates should be treated as absolute and unconditional sales. However, in the event of an insolvency of

Chase or the bankruptcy of the Company, or if a conservator or receiver is appointed for Chase, a court, a creditor or other party in interest, a conservator, receiver or a trustee in bankruptcy, among other remedies, could attempt to recharacterize the sale of the Mortgage Loans by Chase to the Company and by the Company to the Trust Fund as a borrowing by Chase or the Company, as the case may be, from the holders of the Offered Certificates, secured by a pledge of the Mortgage Loans. Such an attempt, even if unsuccessful, could result in delays in payments on the Offered Certificates and could result, if ultimately successful, in payment of reduced amounts on the Offered Certificates. If such an attempt were successful, a court, among other remedies, could elect to accelerate payment of such Certificates and liquidate the Mortgage Loans, with the holders of such Certificates entitled to the then outstanding principal balance thereof and interest thereon at the Remittance Rate to the date of payment (or, under certain circumstances to the date of the appointment of a conservator, receiver or trustee in bankruptcy, as the case may be). Thus, the holders of Offered Certificates could lose the right to future payments of interest and might incur reinvestment losses in a lower interest rate environment. Certain tax and governmental liens and certain administrative expenses of the receiver or trustee in bankruptcy might have priority over the interest of the Trust Fund in the Mortgage Loans, or the proceeds from the liquidation of the Mortgage Loans may not be sufficient to pay the outstanding principal balance of, and interest on, the Offered Certificates.

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GLOSSARY OF DEFINED TERMS IN PROSPECTUS SUPPLEMENT

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PROSPECTUS

MORSERV, INC.  
DEPOSITOR  
PASS-THROUGH CERTIFICATES  
(ISSUABLE IN SERIES)

This Prospectus relates to Pass-Through Certificates (the "Certificates") issuable in Series which may be sold from time to time on terms determined at the time of sale, evidencing specified interests in a trust fund (the "Trust Fund"). As specified in the related Prospectus Supplement, the Trust Fund for a Series of Certificates will include certain mortgage related assets (the "Mortgage Assets") consisting of (i) mortgage loans (the "Mortgage Loans") or (ii) mortgage pass-through securities issued or guaranteed by FHLMC, FNMA or GNMA (the "Agency Securities"), as more particularly described herein, having aggregate outstanding principal balances of up to \$1,000,000,000 and in certain other property conveyed by MorServ, Inc. (the "Company"). The Mortgage Loans included in any Mortgage Pool and the Agency Securities included in any pool of Agency Securities will be described in the related Prospectus Supplement. The Mortgage Loans and Agency Securities will have been acquired by the Company from time to time in the open market or in privately negotiated transactions, including transactions with affiliates. Certain of the Mortgage Loans and mortgage loans underlying the Agency Securities may have been originated by affiliates of the Company. Specific information, to the extent available, regarding the size and composition of the pool of Mortgage Loans or Agency Securities relating to each Series of Certificates will be set forth in the related Prospectus Supplement. If specified in the related Prospectus Supplement, a pool insurance policy, letter of credit, surety bond, guarantee, or any combination thereof, or other forms of credit enhancement may be provided with respect to a Series or Classes of Certificates evidencing interests in Mortgage Loans. The Prospectus Supplement for a Series will name the entity, which may be an affiliate of the Company, which will act directly or through one or more Sub-servicers, as Master Servicer (the "Master Servicer") of the Mortgage Loans for such Series.

Each Series of Certificates will consist of one or more Classes or Sub-classes of Certificates, which may include one or more senior Classes of Certificates (the "Senior Certificates") and one or more subordinate Classes of Certificates (the "Subordinated Certificates"). Unless otherwise specified in the related Prospectus Supplement, the Subordinated Certificates will not be offered hereby. Certificates of a Series may be divided into two or more Classes or Sub-classes representing interests in specified percentages of principal or interest, or both, in distributions on the pool of Mortgage Loans or Agency Securities relating to such Series, as specified in the related Prospectus Supplement. Each Prospectus Supplement will describe the Series and Class or Classes of Certificates offered thereby including the percentage interest in principal of and in interest represented thereby and the distributions of principal or interest or both to any one or more of such Classes or Sub-classes which may be on a sequential or pro rata basis, or such other manner specified therein.

The Prospectus Supplement will set forth the Remittance Rate or other applicable rate that will be passed through with respect to the Mortgage Assets, together with the rate of interest that will be paid to Certificateholders of each Class or Sub-class of such Series. Such Remittance Rate or other applicable rate and any such rate of interest may be fixed, variable or adjustable, as specified in the related Prospectus Supplement.

The Company's only obligations with respect to a Series of Certificates will be pursuant to certain limited representations and warranties. Except for certain representations and warranties relating to the Mortgage Loans and certain other exceptions, the Master Servicer's obligations with respect to the Certificates evidencing interests in a pool of Mortgage Loans are limited to its contractual servicing obligations. Unless otherwise specified in the related Prospectus Supplement, if the amount eligible for distribution to holders of Certificates (or to Senior Certificateholders only in the case of a Series of Certificates having a Class of Subordinated Certificates) evidencing interests in a pool of Mortgage Loans on any Remittance Date is less than the amount due them, the Master Servicer may be obligated, under certain terms and conditions,

to advance cash to such Certificateholders, to the extent such deficiency is attributable to delinquent payments of principal and interest during the immediately preceding Due Period (as defined herein) and only to the extent the Master Servicer determines such advances are recoverable from future payments and collections on the Mortgage Loans or otherwise (the "Advances"). See "Description of the Certificates--Advances" and "-- Distributions on Certificates."

The intention of any underwriter to make a secondary market in the Certificates will be set forth in the related Prospectus Supplement. There can be no assurance that a secondary market for the Certificates will develop, or if it does develop, that it will continue.

An election may be made to cause the Trust Fund relating to a Series of Certificates to be treated as a "real estate mortgage investment conduit" ("REMIC") for federal income tax purposes. See "Certain Federal Income Tax Consequences."

THE CERTIFICATES WILL NOT REPRESENT INTERESTS IN OR OBLIGATIONS OF THE COMPANY, THE CHASE MANHATTAN CORPORATION, THE CHASE MANHATTAN BANK OR ANY OF THEIR AFFILIATES. THE CERTIFICATES WILL NOT BE SAVINGS ACCOUNTS OR DEPOSITS AND NEITHER THE CERTIFICATES, EXCEPT AS DESCRIBED HEREIN, NOR THE UNDERLYING MORTGAGE LOANS OR AGENCY SECURITIES WILL BE INSURED OR GUARANTEED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY NOR HAS THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY PASSED UPON THE ACCURACY OF THE INFORMATION CONTAINED IN THIS PROSPECTUS.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS OR THE RELATED PROSPECTUS SUPPLEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Prospectus may not be used to consummate sales of a Series of Certificates unless accompanied by a Prospectus Supplement.

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The date of this Prospectus is August 23, 1996.

The Prospectus Supplement relating to a Series of Certificates to be offered hereunder, among other things, will set forth with respect to such Series of Certificates: (i) the aggregate principal amount, Remittance Rate or Rates or other applicable rate or rates (or the manner of determining such rate or rates) and authorized denominations of each Class of such Certificates; (ii) certain information concerning the Mortgage Assets and insurance policies or alternate credit facilities, if any, relating to the Mortgage Loans or all or part of the related Certificates; (iii) the specified interest of each Class of Certificates in, and manner and priority of, the distributions on the Mortgage Assets; (iv) the identity of each Class of Subordinated Certificates included in such Series of Certificates, if any, and the Reserve Fund, if any; (v) the Remittance Dates; (vi) whether the Company intends to elect to cause the Trust Fund to be treated as a REMIC; and (vii) additional information with respect to the plan of sale of such Certificates.

The Company will be subject to the information requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, will file reports and other information with the Securities and Exchange Commission (the "Commission"). Such reports and other information filed by the Company can be inspected and copied at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at certain of its Regional Offices located as follows: Chicago Regional Office, Kluczynski Federal Building, 230 South Dearborn Street, Room 3190, Chicago, Illinois 60604, and New York Regional Office, Seven World Trade Center, New York, New York 10048. Copies of such material can also be obtained from the Public Reference Section of the Commission, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The Company does not intend to send any reports to Certificateholders.

#### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

All documents filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the securities of the Company offered hereby shall be deemed to be incorporated by reference into this Prospectus. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

## SUMMARY OF TERMS

This summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Prospectus and in the related Prospectus Supplement. Capitalized terms used herein shall have the respective meanings assigned them herein and in the "Glossary."

<TABLE>	
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Securities Offered.....	Pass-Through Certificates (the "Certificates") evidencing interests in pools of Mortgage Loans or Agency Securities (each as defined below) may be issued from time to time in Series pursuant to separate Pooling and Servicing Agreements (each, an "Agreement") among MorServ, Inc. "Company"), the Master Servicer/the "Master Servicer") specified in the related Prospectus Supplement for a Series of Certificates evidencing interests in Mortgage Loans, the REMIC Servicer (the "REMIC Servicer"), if any, specified in the related Prospectus Supplement for a Series of Certificates evidencing interests in Agency Securities and the Trustee (the "Trustee") specified in the related Prospectus Supplement for such Series of Certificates.
Depositor.....	The Company is a wholly-owned, limited purpose indirect subsidiary of The Chase Manhattan Bank ("Chase"). Unless otherwise expressly provided in the related Prospectus Supplement, neither The Chase Manhattan Corporation, Chase nor any of their affiliates, including the Company, has guaranteed, or is or will be otherwise obligated with respect to the Certificates of any Series. See "Special Considerations."
Master Servicer.....	The entity, which may be an affiliate of the Company, named as master servicer (the "Master Servicer") in the related Prospectus Supplement for a Series of Certificates evidencing interests in Mortgage Loans.
Seller.....	The entity or entities named as seller (the "Seller") in the related Prospectus Supplement, which may be an affiliate of the Company.
Trust Fund.....	The Trust Fund for a Series of Certificates (each, a "Trust Fund") will include certain mortgage related assets (the "Mortgage Assets") and certain other property held in trust for the benefit of the Certificateholders consisting of (a) first lien mortgage loans (or participation interests therein) secured by one- to four-family residential properties (the "Mortgage Loans") or (b) mortgage pass-through securities issued or guaranteed by the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC") (the "Agency Securities"), together with payments in respect of such Mortgage Assets and certain other accounts, obligations or agreements, in each case as specified in the related Prospectus Supplement.

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A. The Mortgage Loans.....	The Mortgage Loans evidenced by a Series of Certificates (the "Mortgage Pool"), as specified in the related Prospectus Supplement, may be fixed, adjustable or variable rate Mortgage Loans. The Mortgage Loans may be conventional Mortgage Loans (the "Conventional Mortgage Loans") or Mortgage Loans insured by the Federal Housing Administration (the "FHA Mortgage Loans") or partially guaranteed by the Veterans Administration (the "VA Mortgage Loans"). The Mortgage Loans will be secured by one- to four-family residential properties. The adjustable rate and variable rate Mortgage Loans (together, the "Adjustable Rate Loans") may, as



described in the related Prospectus Supplement, permit or require periodic changes in the interest rates borne by the Mortgage Loans (the "Adjustable Mortgage Rates"), and in the monthly payments made on the Mortgage Loans. The Mortgage Loans may include graduated payment mortgage loans (the "GPM Loans"), which provide for payments during the initial years of their term that are less than the actual amount of principal and interest that would be payable on a level debt service basis. The interest not paid in the early years of such GPM Loans will be added to the principal balance and paid, together with interest, in later years. The related Prospectus Supplement will specify any limit on the amount of GPM Loans which will be included in a Mortgage Pool.

Unless otherwise specified in a related Prospectus Supplement, each Mortgage Loan will have a 15- to 30-year term at origination and a Loan-to-Value Ratio at origination (as defined herein, the "Mortgage Loan-to-Value Ratio") not to exceed 95%. Unless otherwise specified in a related Prospectus Supplement, no Conventional Mortgage Loan will have a Mortgage Loan-to-Value Ratio exceeding 80%, unless covered by a primary mortgage insurance policy (a "Primary Mortgage Insurance Policy") as described herein or in the related Prospectus Supplement.

The Prospectus Supplement for each Series will provide information with respect to (i) the aggregate principal balance of the Mortgage Loans comprising, with respect to each Series of Certificates, the pool of Mortgage Loans transferred by the Company to the Trustee (the "Mortgage Pool"), as of the date specified in the Prospectus Supplement (the "Cut-off Date"); (ii) the weighted average of the interest rates specified for each Mortgage Loan (the "Mortgage Rate"), and, in the case of Adjustable Rate Loans, the weighted average of the Adjustable Mortgage Rates as of the Cut-off Date and maximum permitted Adjustable Mortgage Rates, if any; (iii) the average outstanding principal balance of the

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Mortgage Loans as of the Cut-off Date; (iv) the weighted average term to maturity of the Mortgage Loans as of the Cut-off Date and the range of the terms to maturity; (v) the range of Mortgage Loan-to-Value Ratios of the Mortgage Loans; (vi) the aggregate outstanding principal balance, if any, of Buy-Down Loans (hereinafter described) and GPM Loans as of the Cut-off Date; (vii) the amount of any Mortgage Pool Insurance Policy, Special Hazard Insurance Policy and Mortgagor Bankruptcy Insurance (each as hereinafter described) to be maintained with respect to the Mortgage Pool; (viii) the amount of any Primary Mortgage Insurance and Standard Hazard Insurance (hereinafter described) required to be maintained with respect to each Mortgage Loan; (ix) the aggregate outstanding principal balance of Conventional Mortgage Loans, FHA Mortgage Loans and VA Mortgage Loans; (x) the amount, if any, and terms of any other form of Alternate Credit Enhancement to be provided with respect to all or any Mortgage Loans or the Mortgage Pool; and (xi) the geographic location and types of one- to four-family residential properties securing the Mortgage Loans (the "Mortgaged Properties").

The Mortgage Loans will be purchased by the Company in the open market or in privately negotiated transactions, either directly or through an affiliate, from one or more Sellers.

Only to the extent described below and in the related Prospectus Supplement, will the Mortgage Loans

comprising the Mortgage Pool relating to a Series of Certificates evidencing interests in Mortgage Loans be guaranteed or insured by any government agency or other insurer.

B. The Agency Securities..... The Agency Securities evidenced by a Series of Certificates will consist of (i) Mortgage Participation Certificates issued and guaranteed as to timely payment of interest and unless otherwise specified in the related Prospectus Supplement, ultimate payment of principal by FHLMC ("FHLMC Certificates"), (ii) Guaranteed Mortgage Pass-Through Certificates issued and guaranteed as to timely payment of principal and interest by FNMA ("FNMA Certificates"), (iii) "fully modified pass-through" mortgage-backed certificates guaranteed as to timely payment of principal and interest by the GNMA ("GNMA Certificates"), (iv) stripped mortgage-backed securities representing an undivided interest in all or a 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 FHLMC, FNMA or

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GNMA Certificates and, unless otherwise specified in the related Prospectus Supplement. guaranteed to the same extent as the underlying securities, (v) another type of pass-through certificate issued or guaranteed by GNMA, FNMA or FHLMC and described in the related Prospectus Supplement or (vi) a combination of such Agency Securities. All GNMA Certificates will be backed by the full faith and credit of the United States. Neither FHLMC nor FNMA Certificates will be backed, directly or indirectly, by the full faith and credit of the United States.

The types, aggregate principal amounts and characteristics of the Agency Securities evidenced by a Series of Certificates will be described in the related Prospectus Supplement. Each Agency Security will evidence an interest in a pool of mortgage loans of the type described herein and in the related Prospectus Supplement. Substantially all of the mortgage loans will be secured by one- to four-family residences. The Agency Securities included in a Trust Fund (hereinafter defined) will be registered in the name of the Trustee for such Trust Fund (or its nominee). See "The Trust Fund--Agency Securities" herein.

The Agency Securities may consist of pass-through securities issued under FHLMC's or FNMA's Cash or Guarantor Program, the GNMA I Program, the GNMA II Program or another program specified in the Prospectus Supplement. Agency Securities may be backed by fixed, variable or adjustable rate or graduated payment mortgage loans.

Description of Certificates..... Each Class of Certificates within a Series will evidence the interest specified in the related Prospectus Supplement in the Trust Fund.

Each Series of Certificates may consist of one or more Classes, one or more of which may be Senior Certificates ("Senior Certificates") and one or more of which may be Subordinated Certificates ("Subordinated Certificates"). A Class of Certificates of a Series may be divided into two or more Sub-classes, as and on the terms specified in the related Prospectus Supplement. Each Class or Sub-class of a Series may evidence the right to receive a specified portion (which may be 0%) of each distribution of principal or interest or both, on the Mortgage Loans or Agency Securities. Each Class or Sub-class of a Series may be assigned a

principal balance (the "Stated Balance") based on the cash flow from the assets in the Trust Fund, and a fixed, variable or adjustable stated annual interest rate, and may be entitled to receive distributions in reduction of Stated Balance to the extent available therefor in the manner, priority and amounts specified in the related Prospectus Supplement. A Class

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or Sub-class of Certificates may be Certificates on which interest will accrue, but not be paid, for the period set forth in the related Prospectus Supplement (the "Compound Interest Certificates") . The Certificates will be issuable in fully registered form in the authorized denominations specified in the related Prospectus Supplement. See "Description of the Certificates." Certain Series or Classes of Certificates may be enhanced by mortgage pool insurance, letters of credit, surety bonds, guarantees, or any combination thereof, or other forms of credit enhancement, in each case as described herein and in the related Prospectus Supplement. The Subordinated Certificates of a Series will be subordinated in certain respects to the Senior Certificates of the same Series. If a Series of Certificates contains more than one Class of Subordinated Certificates, distributions and losses will be allocated among such Classes in the manner specified in the related Prospectus Supplement. The Certificates will not be guaranteed or insured by any government agency.

Subordinated Certificates and Reserve Fund.....

One or more Classes of any Series evidencing interests in Mortgage Loans may be Subordinated Certificates, as specified in the related Prospectus Supplement. The rights of the Subordinated Certificateholders to receive any or a specified portion of distributions with respect to the Mortgage Loans will be subordinated to the rights of Senior Certificateholders to the extent of the amount specified in the related Prospectus Supplement (the "Available Subordination Amount"). If a Series of Certificates contains more than one Class of Subordinated Certificates, distributions and losses will be allocated among such Classes in the manner specified in the related Prospectus Supplement. The rights of the Subordinated Certificateholders, to the extent not subordinated, may be on a parity with those of Senior Certificateholders. The Available Subordination Amount for each Class of Subordinated Certificates of a Series will be dependent upon certain Mortgage Pool characteristics and other factors and will be set forth in the related Prospectus Supplement. Alternatively, if so specified in the related Prospectus Supplement, Senior Certificateholders may be entitled to receive all or some portion of the amounts otherwise allocable to Subordinated Certificateholders under circumstances and for the period of time specified in the Prospectus Supplement, which will have the effect of accelerating the amortization of the Senior Certificates and thereby increasing over time the interest evidenced by the Subordinated Certificates in the related Trust Fund. This Subordination is intended to enhance the likelihood of

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regular receipt by Senior Certificateholders of the full amount of scheduled monthly payments of principal and interest due to them and to protect the Senior Certificateholders against losses. The Available Subordination Amount for each Class of

Subordinated Certificates of a Series will be dependent upon certain Mortgage Pool characteristics and other factors and will be set forth in the related Prospectus Supplement. See "Description of the Certificates Distributions on Certificates."

The protection afforded to the Senior Certificateholders by the preferential right of the Senior Certificateholders to receive current distributions from the Mortgage Pool up to the Available Subordination Amount may be enhanced, to the extent specified in the related Prospectus Supplement, by the establishment of a fund to make payments on the Certificates to the extent funds are not otherwise available (the "Reserve Fund"), which is funded by retention of a portion of such amounts otherwise payable to the Subordinated Certificateholders. The Reserve Fund may also be funded, to the extent specified in the related Prospectus Supplement, by one or more of an initial cash deposit, the retention of specified periodic distributions of principal, interest or both otherwise payable to Subordinated Certificateholders, or the provision of a letter of credit, guarantee, insurance policy or other form of credit enhancement or any combination thereof and of the foregoing retained amounts. Unless otherwise specified in the related Prospectus Supplement, the Reserve Fund will be part of the Trust Fund.

The subordination features and the Reserve Fund described above are intended to enhance the likelihood of timely payment of principal and interest and to protect the Senior Certificateholders against loss; however, in certain circumstances the Reserve Fund could be depleted and shortfalls could result. If, on a particular date when a distribution is due the Senior Certificateholders, the aggregate amount of payments received from the obligors on the Mortgage Loans and Advances by the Master Servicer (as described below), if any, and from the Reserve Fund of a Series, if any, do not provide sufficient funds to make full distributions to the Senior Certificateholders of a Series, the amount of the shortfall, plus interest at the Remittance Rates (hereinafter defined) of the Mortgage Loans to which such shortfall is attributable or at the weighted average Remittance Rate, as specified in the related Prospectus Supplement, will be added to the amount the Senior Certificateholders are entitled to receive on the next date specified in the related Prospectus Supplement for payments on the Certificates

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(the "Remittance Date"). Unless otherwise described in the applicable Prospectus Supplement, in the event the Reserve Fund, if any, is depleted before the Available Subordination Amount is reduced to zero, such Senior Certificateholders nevertheless will have a preferential right to receive current distributions from the Mortgage Pool to the extent of the then Available Subordination Amount. Senior Certificateholders will bear their proportionate share of losses realized on the Mortgage Loans in excess of the Available Subordination Amount.

Insurance and Credit Enhancement.... As an alternative, or in addition, to the credit enhancement afforded by subordination of the Subordinated Certificates, credit enhancement with respect to a Series of Certificates evidencing interests in Mortgage Loans may be provided by mortgage pool insurance or other forms of credit enhancement acceptable to each nationally recognized rating agency rating a Series of Certificates. Credit enhancement through mortgage insurance or hazard insurance which may be

provided, as more fully described herein under the caption "Description of Insurance" and in the applicable Prospectus Supplement is summarized below.

- (i) Mortgage Pool Insurance Policy. A Mortgage Pool Insurance Policy or Policies may be obtained for a Series of Certificates evidencing interests in Mortgage Loans and will be maintained by the Master Servicer. The Mortgage Pool Insurance Policy will be limited in scope, covering defaults on the related Mortgage Loans in an initial amount of not less than a specified percentage of the aggregate principal balance as of the related Cut-off Date as set forth in the related Prospectus Supplement.
- (ii) Standard Hazard Insurance and Special Hazard Insurance Policy. All of the Mortgage Loans will be covered by Standard Hazard Insurance Policies insuring against losses due to various causes, including fire, lightning, and windstorm. With respect to the Mortgage Loans, certain other physical risks that are not otherwise insured against may be covered by a Special Hazard Insurance Policy or Policies, as specified in the related Prospectus Supplement. Each Special Hazard Insurance Policy will be limited in scope and will cover losses in an initial amount equal to a set percentage of the aggregate principal balance as of the related Cut-off Date of the Mortgage Loans or other maximum coverage, as set forth in the related Prospectus Supplement. Any hazard losses not covered by either Standard Hazard Insurance Policies on the Mortgage Loans, or a Special Hazard Insurance Policy on the Mortgage Loans will not be insured against and therefore will be borne by the related Certificateholders.

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- (iii) Mortgagor Bankruptcy Insurance. As specified in the related Prospectus Supplement, Mortgagor Bankruptcy Insurance may be obtained for a Series of Certificates evidencing interests in Mortgage Loans covering certain losses resulting from action which may be taken by a bankruptcy court in connection with a Mortgage Loan. The level of coverage of such insurance will be specified in the applicable Prospectus Supplement.
- (iv) FHA Insurance and VA Guarantee. To the extent specified in the related Prospectus Supplement, all or a portion of the Mortgage Loans may be subject to FHA insurance or may be partially guaranteed by the VA.
- (v) Alternate Credit Enhancement. To the extent specified in the related Prospectus Supplement, the Company may provide for alternative credit enhancement for all or part of the related Trust Fund, Mortgage Pool, or all or any Mortgage Loans included in the related Mortgage Pool, in the form of a letter of credit, guarantee, surety bond or insurance policy, or any combination thereof in each case satisfactory to each rating agency rating the Series of Certificates. See "Description of Insurance--Alternate Credit Enhancement."

To the extent described in an applicable Prospectus Supplement and to the extent that it will not result in the downgrading of any rating on the related Certificates by any nationally recognized rating agency rating such Certificates, certain insurance policies (or deposits in lieu thereof) may secure more than one Series of Certificates. With respect to any Series of Certificates, the Company also will have the right to substitute comparable coverage from another insurer or provide equivalent protection for any of certain insurance policies (or deposits in lieu thereof) securing such Series of Certificates so long as such

substitution will not result in the downgrading of any rating on the related Certificates by any nationally recognized rating agency rating such Certificates.

Advances..... Unless otherwise specified in the related Prospectus Supplement if the amount eligible for distribution to the Certificateholders of a Series of Certificates evidencing interests in Mortgage Loans on any Remittance Date is less than the amount which is due such Certificateholders on such Remittance Date, the related Agreement will provide that the Master Servicer is obligated to make advances of cash (the "Advances") to the Certificateholders, subject to the limitations described in the applicable Prospectus Supplement, to the extent that such deficiency is due to delinquent payments of principal and interest during the immediately preceding Due Period (as defined herein) and only to the extent the Master Servicer determines such Advances are

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recoverable from future payments and collections on the Mortgage Loans or otherwise. See "Description of the Certificates."

Interest..... Except as otherwise set forth in the related Prospectus Supplement, interest on each Mortgage Loan and Agency Security will be passed through on the dates specified in the related Prospectus Supplement (each, a "Remittance Date"), commencing on the date and at the Remittance Rate or other applicable rate for that Mortgage Loan or Agency Security specified in the related Prospectus Supplement. To the extent specified in the related Prospectus Supplement, the Remittance Rate for each Mortgage Loan and Agency Security will equal the Mortgage Rate then borne by such Mortgage Loan or the pass-through rate of the Agency Security, less a fee for the servicing of the Mortgage Loan or pool of Agency Securities and related expenses specified in the related Prospectus Supplement (the "Servicing Fee") and, to the extent specified in the related Prospectus Supplement, less a fee for providing credit enhancement (the "Guarantee Fee") and an amount retained by the seller of the Mortgage Loan or Agency Security or to be retained by the Company or the Master Servicer or otherwise sold as set forth in the Prospectus Supplement, if any (the "Excess Interest") or, such Servicing Fee and such Guarantee Fee, if any, and such Excess Interest, if any, as may be deducted from the distributions made on the Remittance Dates. To the extent specified in the related Prospectus Supplement, the Company may retain for its own account or, under certain circumstances, dispose of the Excess Interest, if any, in unrelated transactions. See "Description of the Certificates -- Compensation and Payment of Expenses." The Servicing Fee may be fixed or may change as specified in the related Prospectus Supplement. The weighted average Remittance Rate or other applicable rate with respect to Certificates which evidence the right to receive distributions of income at a variable Remittance Rate or other applicable rate (the "Variable Rate Certificates") relating to adjustable rate Agency Securities or a Mortgage Pool containing Adjustable Rate Loans may be expected to change as the pass-through rates on the Mortgage Securities or Adjustable Mortgage Rates and Remittance Rates or other applicable rates on the Adjustable Rate Loans change, and, with respect to Variable Rate Certificates relating to a pool of fixed or adjustable rate Mortgage Loans or Agency Securities, as payments of principal, including prepayments, are made on Mortgage Loans or Agency Securities, as the case may be, bearing different Mortgage Rates or pass-through rates, respectively. The related

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will set forth for each Class or Sub-class of Certificates that has a Stated Balance the interest rate, if any, for each such Class or Sub-class or the method of determining such interest rate. See "Yield Considerations" and "Description of the Certificates." As specified in the related Prospectus Supplement, Classes of a Series of Certificates or Sub-classes within a Class may be entitled to receive no interest or interest which is not proportionate to the principal allocable to such Certificates.

Principal (Including Prepayments)...

As described in the related Prospectus Supplement, principal on each Mortgage Loan and Agency Security, including any principal prepayments, will be passed through on each Remittance Date. See "Maturity and Prepayment Considerations" and "Description of the Certificates." If so specified in the Prospectus Supplement with respect to a Class or Sub-class of a Series having a Stated Balance, such distributions may be made in reduction of the Stated Balance, in an amount equal to the Certificate Remittance Amount (hereinafter defined) and such other amounts as are specified in the related Prospectus Supplement. Unless otherwise specified in the related Prospectus Supplement, the Certificate Remittance Amount for any Remittance Date will equal the amount by which the Stated Balance of such Class or Sub-class (before taking into account the amount of interest accrued and added on such Remittance Date to the Stated Balance of any Class or Sub-class of Compound Interest Certificates) exceeds the Asset Value (as defined herein) of the Mortgage Loans in the related Mortgage Pool or of the Agency Securities as of the Business Day prior to the related Remittance Date. See "Maturity and Prepayment Considerations" and "Description of the Certificates--Payments on Mortgage Loans," and "--Distributions on Certificates."

If so specified in the Prospectus Supplement relating to a Class or Sub-class of Certificates of such Series having a Stated Balance and less frequent than monthly Remittance Dates, such Certificates may receive special distributions in reduction of Stated Balance ("Special Distributions") in any month, other than a month in which a Remittance Date occurs, if, as a result of principal prepayments on the Mortgage Loans or the mortgage loans underlying the Agency Securities in the related Trust Fund or low reinvestment yields, the Trustee determines, based on assumptions specified in the related Agreement, that the amount of cash anticipated to be on deposit in the Certificate Account for such Series on the next Remittance Date may be less than the sum of the interest distributions and the amount of distributions in reduction of Stated Balance otherwise required to be

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made on such Remittance Date. Unless otherwise specified in the related Prospectus Supplement, Special Distributions will be made on such Certificates in the same priority and manner as distributions in reduction of Stated Balance would be made on the next Remittance Date for such Certificates. See "Description of the Certificates--Payments on the Mortgage Loans" and "-- Special Distributions."

Optional Termination..... If so specified in the related Prospectus Supplement, the Company or the Master Servicer at its option with respect to any Series of Certificates may repurchase all Mortgage Loans or Agency Securities remaining outstanding at such time and under the circumstances specified in such Prospectus Supplement. Unless otherwise provided in the related Prospectus Supplement, the repurchase price will equal the principal amount of such Mortgage Loans or Agency Securities plus accrued interest from the first day of the month of repurchase to the first day of the next succeeding month at the Remittance Rates borne by such Mortgage Loans or Agency Securities. See "Description of the Certificates-- Termination."

Federal Income Tax Consequences.... If no election is made to treat the Trust Fund relating to a Series of Certificates as a real estate mortgage investment conduit ("REMIC") and the Trust Fund does not constitute a "taxable mortgage pool" (a "TMP"), the Trust Fund will be classified as a grantor trust and not as an association taxable as a corporation for federal income tax purposes, and holders of Certificates therefore will be treated as the owners of undivided pro rata interests in the Mortgage Pool or pool of Agency Securities and any other assets held by the Trust Fund. If an election is made to treat the Trust Fund relating to a Series of Certificates as a REMIC, each Class of Certificates will constitute "regular interests" in a REMIC or "residual interests" in a REMIC, as specified in the related Prospectus Supplement. Regardless of whether a REMIC election is made, Certificates will be considered to represent assets described in section 7701 (a) (19) (C) (v) of the Internal Revenue Code of 1986, as amended (the "Code"), "qualifying real property loans" within the meaning of section 593(d)(1) of the Code and "real estate assets" within the meaning of section 856(c) (5) (A) of the Code, in each case, to the extent described herein and in the Prospectus Supplement. If specified in the related Prospectus Supplement, a separate REMIC Servicer may be provided for, and be a party to, the Agreement. If no REMIC election is made with respect to a Series of Certificates, and the Trust Fund (or a portion of the Trust Fund or such Series) is a TMP, such Trust Fund (or Series) will be treated as a corporation for federal income

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tax purposes and the Certificates will not have the tax characteristics that they would have had if the Trust Fund were treated as a grantor trust. See "Certain Federal Income Tax Consequences."

ERISA Considerations..... A fiduciary of any employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or the Code, should review carefully with its legal advisors whether the purchase or holding of Certificates could give rise to a transaction prohibited or not otherwise permissible under ERISA or the Code. See "ERISA Considerations."

Legal Investment..... The Prospectus Supplement for each Series of Certificates will specify which, if any, of the classes of Certificates offered thereby will constitute "mortgage related securities" for purposes of the Secondary Mortgage Market Enhancement Act of 1984 ("SMMEA"). Classes of Certificates that qualify as "mortgage related securities" will be legal investments for certain types of institutional investors to the extent provided in SMMEA, subject, in any case, to any other regulations that may govern investments by such institutional investors. Institutions whose investment authority is subject to legal restrictions should consult with their own legal advisors or the applicable authorities to determine



whether and to what extent an investment in a particular class of Certificates (whether or not such class constitutes a "mortgage related security") constitutes legal investments for them. See "Legal Investment" herein.

Use of Proceeds..... Substantially all of the net proceeds from the sale of a Series of Certificates offered hereby and by the related Prospectus Supplement will be applied to the simultaneous purchase of the Mortgage Loans or Agency Securities evidenced by such Series of Certificates and to reimburse the amounts previously used to effect the purchase of the Mortgage Loans or Agency Securities evidenced by the Certificates, the costs of carrying the Mortgage Loans or Agency Securities until sale of the Certificates and to pay other expenses connected with pooling the Mortgage Loans or Agency Securities and issuing the Certificates. See "Use of Proceeds."

Rating..... It is a condition to the issuance Certificates that they be rated in one of the four highest rating categories of at least one of Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc., Fitch Investors Service, L.P. or Duff & Phelps Credit Rating Co.

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#### RISK FACTORS

Prospective Certificateholders should consider, among other things, the following factors in connection with the purchase of the Certificates:

1. General. An investment in Certificates evidencing interests in Mortgage Loans may be affected, among other things, by a decline in real estate values or changes in mortgage market rates. If the residential real estate market in the locale of properties securing the Mortgage Loans should experience an overall decline in property values such that the outstanding balances of the Mortgage Loans, and any secondary financing on the Mortgaged Properties in a particular Mortgage Pool, become equal to or greater than the value of Mortgaged Properties, the actual rates of delinquencies, foreclosures and losses could be higher than those now generally experienced in the mortgage lending industry. To the extent that such losses are not covered by any Available Subordination Amount, applicable insurance policies or Alternate Credit Enhancement, holders of the Certificates of a Series evidencing interests in such Mortgage Pool will bear all risk of loss resulting from default by mortgagors and will have to look primarily to the value of the Mortgaged Properties for recovery of the outstanding principal and unpaid interest of the defaulted Mortgage Loans. See "The Trust Fund--The Mortgage Pools."

2. Limited Obligations. The Certificates will not represent an interest in or obligation of the Company. The Certificates will not be insured or guaranteed by any government agency or instrumentality, nor, unless expressly provided in the related Prospectus Supplement, by The Chase Manhattan Corporation or any of its affiliates, including the Company, any Sub-servicer or the Master Servicer.

3. Limited Liquidity. There can be no assurance that a secondary market will develop for the Certificates of any Series or, if it does develop, that it will provide the holders of Certificates of such Series with liquidity of investment or that it will remain for the term of such Series of Certificates. Although the Certificateholders of each Series receive monthly statements containing certain statistical information with respect to the related Mortgage Pool, the Company publishes no information relating to the Certificates of any Series or any Mortgage Pool. The limited availability of any such published information may influence the liquidity of the Certificates.

4. Insurance and Alternate Credit Enhancement. If insurance policies or Alternate Credit Enhancement are provided with respect to a Series of Certificates, the insurance policies (including FHA insurance and the VA guarantee) or Alternate Credit Enhancement on the Mortgage Loans, the Mortgage Pools or all or any part of a Trust Fund will not cover all contingencies and will cover certain contingencies only to a limited extent. See "Description of Insurance--Mortgage Insurance on the Mortgage Loans," "Description of Insurance--Hazard Insurance on the Mortgage Loans" and "Description of Insurance--Alternate Credit Enhancement."

5. Prepayment Considerations. The prepayment experience on the Mortgage Loans and the mortgage loans underlying the Agency Securities will affect the average life of the Certificates or each Class of Certificates. Prepayments on the Mortgage Loans and the mortgage loans underlying the Agency Securities may be influenced by a variety of economic, geographic, social and other factors,

including the difference between the interest rates on the Mortgage Loans or the mortgage loans underlying the Agency Securities and prevailing mortgage rates (giving consideration to the cost of refinancing). In general, if mortgage interest rates fall below the interest rates on the Mortgage Loans and the mortgage loans underlying the Agency Securities, the rate of prepayment would be expected to increase. Conversely, if mortgage interest rates rise above the interest rates on the Mortgage Loans and the mortgage loans underlying the Agency Securities, the rate of prepayment would be expected to decrease. Other factors affecting prepayment of mortgage loans include changes in housing needs, job transfers, unemployment and servicing decisions. See "Maturity and Prepayment Considerations."

6. Subordination. With respect to Certificates of a Series having a Class of Subordinated Certificates, while the subordination feature is intended to enhance the likelihood of timely payment of

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principal and interest to Senior Certificateholders, the Available Subordination Amount may be limited, as specified in the Prospectus Supplement, the Reserve Fund, if any, could be depleted in certain circumstances, and payments applied to the Senior Certificates which are otherwise due to the Subordinated Certificates may be less than losses.

7. FHLMC Guaranty. Payment of principal and interest on the FHLMC Certificates relating to a Series will be guaranteed by the Federal Home Loan Mortgage Corporation ("FHLMC") as specified herein. This guarantee will be backed by the credit of FHLMC, a federally chartered corporation. The full faith and credit of the United States will not, however, guarantee any payments on any such FHLMC Certificates. Neither the United States nor any agency thereof is obligated to finance FHLMC's operations or to assist FHLMC in any other manner.

8. FNMA Guaranty. Full and timely payment of interest and principal on the FNMA Certificates relating to a Series will be guaranteed by the Federal National Mortgage Association ("FNMA"). This guarantee will be backed by the credit of FNMA, a federally chartered, privately owned corporation. The full faith and credit of the United States will not, however, guarantee any payments on any such FNMA Certificates. Neither the United States nor any agency thereof will be obligated to finance FNMA's operations or to assist FNMA in any other manner.

#### THE TRUST FUND

#### GENERAL

The Trust Fund for any Series of Certificates may include Mortgage Loans, Agency Securities and participation or pass-through interests in Mortgage Loans. Each Trust Fund also may include (i) the amounts held from time to time in an account (the "Certificate Account") maintained by the Master Servicer, the REMIC Servicer or the Trustee pursuant to the Agreement, (ii) any property which initially secured a Mortgage Loan and which is acquired by foreclosure or deed in lieu of foreclosure, (iii) if so specified in the related Prospectus Supplement, a Reserve Fund, (iv) any insurance policies and any Alternate Credit Enhancement with respect to the Certificates, the Mortgage Loans or all or any part of the Trust Fund, required to be maintained pursuant to the related Agreement and (v) such other property as specified in the related Prospectus Supplement.

Each Certificate will evidence the interest specified in the related Prospectus Supplement in one Trust Fund, containing one pool of Agency Securities or one Mortgage Pool, respectively, having the aggregate principal balance as of the specified day of the month of the creation of the pool (the "Cut-off Date") as set forth in the related Prospectus Supplement. Holders of Certificates of a Series will have interests only in such Mortgage Pool or pool of Agency Securities, and will have no interest in the Mortgage Pools or pools of Agency Securities created with respect to any other Series of Certificates.

Mortgage Assets will be purchased by the Company or an affiliate in the open market or in privately negotiated transactions, including transactions with affiliates. The following is a brief description of the Mortgage Assets expected to be included in the Trust Funds. If specific information respecting the Mortgage Assets is not known to the Company at the time Certificates initially are offered, more general information of the nature described below will be provided in the Prospectus Supplement, and specific information will be set forth in a report on Form 8-K to be filed with the Securities and Exchange Commission within fifteen days after the initial issuance of such Certificates. A copy of the Pooling and Servicing Agreement with respect to each Series of Certificates will be attached to the Form 8-K. A schedule of the Agency Securities or Mortgage Loans, as appropriate, relating to such Series, will be attached to the Pooling and Servicing Agreement delivered to the Trustee upon delivery of the Certificates.

Whenever in this Prospectus terms such as "Mortgage Pool," "Trust Fund," "Agreement" or "Remittance Rate" are used, those terms respectively apply, unless the context otherwise indicates, to one specific Mortgage Pool, Trust

#### THE MORTGAGE POOLS

Each Mortgage Pool will consist of conventional mortgage loans, FHA-insured mortgage loans or VA-guaranteed mortgage loans (the "Mortgage Loans") evidenced by promissory notes (the "Mortgage Notes") secured by mortgages or deeds of trust or other similar security instruments creating a first lien on one- to four-family residential properties, including stock allocated to a dwelling unit in a residential cooperative housing corporation (the "Mortgaged Properties"). The Mortgaged Properties will consist of detached individual dwelling units, individual condominiums, individual cooperative apartment units, townhouses, duplexes, row houses, individual units in planned-unit developments and other attached dwelling units. To the extent specified in the related Prospectus Supplement, the Mortgaged Properties may include investment properties and vacation and second homes. The Company expects that the Mortgage Loans will have been originated by FHA-approved mortgagees or FNMA/FHLMC-approved seller/servicers in the ordinary course of their real estate lending activities.

For each such Series of Certificates, the Company will cause the Mortgage Loans constituting the Mortgage Pool to be assigned to the trustee named in the related Prospectus Supplement (the "Trustee"). The Master Servicer specified in the related Prospectus Supplement (the "Master Servicer") will service the Mortgage Loans, either by itself or through other mortgage servicing institutions ("Sub-servicers"), pursuant to the Agreement. The Master Servicer may be an affiliate of the Company. See "Description of Certificates--Servicing." With respect to those Mortgage Loans serviced by the Master Servicer through a Sub-servicer, the Master Servicer will remain liable for its servicing obligations under the Agreement as if the Master Servicer alone were servicing such Mortgage Loans. The Mortgage Loan documents may, as specified in the related Prospectus Supplement, be held for the benefit of the Trustee by a Custodian (the "Custodian") appointed pursuant to a Custodial Agreement (the "Custodial Agreement") among the Company, the Trustee and the Custodian.

Each Mortgage Pool will be composed of Mortgage Loans bearing interest at the annual fixed, variable or adjustable rates of interest specified in the Prospectus Supplement. The difference between a Mortgage Rate and the related Remittance Rate (less sub-servicing compensation, certain expenses of servicing, costs of any credit enhancement and the amount, if any, of Excess Interest ), will be retained by the Master Servicer as servicing compensation to it. See "Description of the Certificates--Servicing Compensation and Payment of Expenses."

The related Prospectus Supplement will specify for the Mortgage Loans expected to be contained in the related Mortgage Pool, to the extent known, among other things, the dates of origination of the Mortgage Loans; the Mortgage Rates, and in the case of Adjustable Rate Loans, the initial Adjustable Mortgage Rates, the index or formula, if any, used to determine the Adjustable Mortgage Rate, the maximum permitted Adjustable Mortgage Rate, if any, and then-current Adjustable Mortgage Rate; the 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 Conventional Mortgage Loans, FHA Mortgage Loans and VA Mortgage Loans included in the Mortgage Pool; and the original maturities of the Mortgage Loans and the last maturity date of any Mortgage Loan.

With respect to the Mortgage Loans in a Mortgage Pool, the Company, the Master Servicer or another party, as specified in the related Prospectus Supplement, will make representations and warranties as to the types and geographical distribution of such Mortgage Loans and as to the accuracy in all material respects of certain information furnished to the Trustee in respect of each such Mortgage Loan. In addition, the Company, the Master Servicer or such other party, as specified in the related Prospectus Supplement, will represent and warrant that, as of the Cut-off Date, no Mortgage Loan was more than 30 days delinquent as to payment of principal and interest. Upon a breach of any representation that materially and adversely affects the interests of the Certificateholders in a Mortgage Loan, the Company, the Master Servicer or such other party, as specified in the related Prospectus Supplement, will be obligated either to cure the breach in all material respects or to purchase the Mortgage Loan or, if so specified in the related Prospectus Supplement, to substitute another Mortgage Loan as described below. This repurchase or substitution obligation constitutes the sole remedy

available to the Certificateholders or the Trustee for a breach of representation by the Company, the Master Servicer or such other party, respectively.

In addition to making certain representations and warranties regarding its authority to enter into, and its ability to perform its obligations under, the

Agreement, the Master Servicer, to the extent specified in the related Prospectus Supplement, will make certain representations and warranties to the Trustee with respect to the enforceability of coverage under any applicable Primary Mortgage Insurance Policy, Mortgage Pool Insurance Policy, Special Hazard Insurance Policy or Mortgagor Bankruptcy Insurance. See "Description of Insurance" for information regarding the extent of coverage under certain of such insurance policies. If so specified in the related Prospectus Supplement, upon a breach of the insurability representation that materially and adversely affects the interests of the Certificateholders in a Mortgage Loan, the Master Servicer or such other party will be obligated either to cure the breach in all material respects or to purchase such Mortgage Loan at a price equal to the principal balance thereof as of the date of purchase plus accrued interest at the Remittance Rate to the first day of the month following the month of purchase. The purchase obligation, if any, constitutes the sole remedy available to the Certificateholders or the Trustee for a breach of any insurability representation.

If so provided in the related Prospectus Supplement, if the Company discovers or receives notice of any breach of its representations and warranties within two years or such other period as may be specified in the related Prospectus Supplement of the date of the initial issuance of the Certificates, the Company may, rather than repurchase the Mortgage Loan as provided above, remove such Mortgage Loan from the Trust Fund ("Deleted Mortgage Loan") and substitute in its place another Mortgage Loan ("Substitute Mortgage Loan"). Any Substitute Mortgage Loan will, on the date of substitution, (i) have an outstanding principal balance, after deduction of all scheduled payments due in the month of substitution, not in excess of the outstanding principal balance of the Deleted Mortgage Loan (the amount of any shortfall to be distributed to Certificateholders in the month of substitution), (ii) have a Mortgage Rate not less than (and not more than 1% greater than) the Mortgage Rate of the Deleted Mortgage Loan, (iii) have a Remittance Rate equal to the Remittance Rate of the Deleted Mortgage Loan, (iv) have a remaining term to maturity not greater than (and not more than two years less than) that of the Deleted Mortgage Loan, and (v) comply with all of the representations and warranties set forth in the Agreement as of the date of substitution. The foregoing cure, repurchase or substitution obligation constitutes the sole remedy available to the Certificateholders or the Trustee for any such breach.

#### THE AGENCY SECURITIES

Government National Mortgage Association. GNMA is a wholly-owned corporate instrumentality of the United States within the United States Department of Housing and Urban Development ("HUD"). Section 306(g) of Title Ill 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 which are based on and backed by, and 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 ("FHA Loans"), or partially guaranteed by the VA under the Servicemen's Readjustment Act of 1944, as amended, of Chapter 37 of Title 38, United States Code ("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, under Section 306 (d) of the Housing Act, is authorized to 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.

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GNMA Certificates. Each GNMA Certificate relating to a Series (which may be issued under either the GNMA I program or the GNMA II program) will be a "fully modified pass-through" mortgage-backed certificate issued and serviced by a mortgage banking company or other financial concern ("GNMA Issuer") approved by GNMA, FNMA as a seller-servicer of FHA Loans or VA Loans or both. Each GNMA Certificate will be based on and backed by a pool of FHA Loans and/or VA Loans. Each such mortgage loan will be secured by a one- to four-family residential property.

The full and timely payment of principal of and interest on each GNMA Certificate relating to a Series will be guaranteed by GNMA, which obligation 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 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 Certificateholder's proportionate interest in the aggregate amount of the monthly principal and interest payment on each FHA Loan or VA Loan backing such GNMA Certificate, less the applicable servicing and guarantee fee which together equal the difference between the interest on the FHA or VA Loans and the rate on the GNMA Certificates. In addition, each payment to a GNMA Certificateholder will include proportionate pass-through payments to such holder of any prepayments of principal on the FHA Loans or VA Loans backing such GNMA Certificate and liquidation proceeds in the event of a

foreclosure or other disposition of any such FHA Loan or VA Loan.

GNMA will approve the issuance of each such GNMA Certificate in accordance with a guarantee agreement (a "Guaranty Agreement") between GNMA and the GNMA Issuer. Pursuant to its Guaranty Agreement, a GNMA Issuer will be required to advance its own funds in order 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 backing each such GNMA Certificate are less than the amounts due on each such GNMA Certificate.

No GNMA Issuer will insure or guarantee any Series or the GNMA Certificate relating to any Series. Each GNMA Issuer will be obligated under Guaranty Agreements with GNMA to service the pooled FHA Loans and VA Loans in accordance with FHA and VA requirements and with generally accepted practices in the mortgage lending industry. Each GNMA Issuer's responsibilities with respect to the pooled FHA Loans and VA Loans will include collection of all principal and interest payments and payments made by borrowers toward escrows established for taxes and insurance premiums; maintenance of necessary hazard insurance policies; institution of all actions necessary to foreclose on, or take other appropriate action with respect to, loans in default; and collection of FHA insurance and VA guarantee benefits.

If a GNMA Issuer is unable to make the payments on a GNMA Certificate relating to a Series 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 to the registered holder of such GNMA Certificate. In the event no payment is made by a GNMA Issuer 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 relating to a Series, 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.

Regular monthly installment payments on each GNMA Certificate relating to a Series 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 installment 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

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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 relating to a Series 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 non-"buydown" 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 the Servicer of a GNMA Certificate will be the same irrespective of whether the GNMA Certificates securing a Series of Certificates are backed by graduated payment mortgage loans or "buydown" mortgage loans. No statistics comparable to the FHA's prepayment experience on level payment, non-"buydown" mortgage 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.

Federal Home Loan Mortgage Corporation. FHLMC is a corporate instrumentality of the United States created pursuant to Title III of the Emergency Home Finance Act of 1970, as amended (the "FHLMC Act"). FHLMC's common stock is owned by the Federal Home Loan Banks and its preferred stock is owned by the stockholders of such Federal Home Loan Banks. FHLMC was established primarily for the purpose of increasing the availability of mortgage credit for the financing of urgently needed housing. It seeks to provide an enhanced degree of liquidity for residential mortgage investments primarily by assisting in the development of secondary markets for conventional mortgages. The principal activity of FHLMC currently consists of the purchase of first lien conventional residential mortgage loans or participation interests in such mortgage loans and the resale of the mortgage loans so purchased in the form of mortgage securities, primarily FHLMC Certificates. FHLMC is confined to purchasing, so far as practicable, conventional mortgage loans and participation interests therein which it deems

to be of such quality, type and class as to meet generally the purchase standards imposed by private institutional mortgage investors.

FHLMC Certificates. Each FHLMC Certificate represents an undivided interest in a pool of mortgage loans that may consist of fixed rate, first lien conventional loans, FHA Loans or VA Loans ("FHLMC Certificate group"). FHLMC Certificates are sold under the terms of a Mortgage Participation Certificate Agreement. A FHLMC Certificate may be issued under either FHLMC's Cash Program or Guarantor Program.

Mortgage loans underlying the FHLMC Certificates relating to a Series will consist of fixed rate mortgage loans with original terms to maturity of between ten and 30 years. Each such mortgage loan must meet the applicable standards set forth in the FHLMC Act. A FHLMC Certificate group may include whole loans, participation interests in whole loans and undivided interests in whole loans and/or participations comprising another FHLMC Certificate group. Under the Guarantor Program, any such FHLMC Certificate group may include only whole loans or participation interests in whole loans.

FHLMC guarantees to each registered holder of a FHLMC Certificate the timely payment of interest on the underlying mortgage loans to the extent of the applicable Certificate rate on the registered holder's pro rata share of the unpaid principal balance outstanding on the underlying

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mortgage loans in the FHLMC Certificate group represented by such FHLMC Certificate, whether or not received. FHLMC also guarantees to each registered holder of a FHLMC 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 thereof, but does not, except if and to the extent specified in the Prospectus Supplement for a Series, guarantee the timely payment of scheduled principal. Pursuant to its guarantees, FHLMC indemnifies holders of FHLMC Certificates against any diminution in principal by reason of charges for property repairs, maintenance and foreclosure. FHLMC 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 (i) 30 days following foreclosure sale, (ii) 30 days following payment of the claim by any mortgage insurer, or (iii) 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 FHLMC Certificates, including the timing of demand for acceleration, FHLMC 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 FHLMC to determine that a mortgage loan should be accelerated varies with the particular circumstances of each mortgagor, and FHLMC has not adopted standards which require that the demand be made within any specified period.

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

Registered holders of FHLMC Certificates are entitled to receive their monthly pro rata share of all principal payments on the underlying mortgage loans received by FHLMC, including any scheduled principal payments, full and partial payments of principal, and principal received by FHLMC by virtue of condemnation, insurance or foreclosure, and repurchases of the mortgage loans by FHLMC or the sellers of the mortgage loans. FHLMC is required to remit to each registered FHLMC Certificateholder its pro rata share of principal payments on the underlying mortgage loans, interest at the FHLMC 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 FHLMC.

Under FHLMC's Cash Program, there is no limitation on the amount by which interest rates on the mortgage loans underlying a FHLMC Certificate may exceed the pass-through rate on the FHLMC Certificate. Under such program, FHLMC 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 FHLMC. The required yield, which includes a minimum servicing fee retained by the servicer, is calculated using the outstanding principal balance of the mortgage loans, an assumed term and a prepayment period as determined by FHLMC. No loan or participation is purchased by FHLMC at greater than 100% of the outstanding principal balance. The range of interest rates on the mortgage loans and participations in a FHLMC Certificate group under the Cash Program will vary since mortgage loans and participations are purchased and assigned to a FHLMC

Certificate group based upon their yield to FHLMC rather than on the interest rate on the underlying mortgage loans. Under FHLMC's Guarantor Program, the pass-through rate on a FHLMC Certificate is established based upon the lowest interest rate on the underlying mortgage loans, minus a minimum servicing fee and the amount of FHLMC's management and guaranty income as agreed upon between the seller and FHLMC.

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FHLMC Certificates duly presented for registration of transfer on or before the last business day of a month are registered effective as of the first day of that month. The first remittance check to a registered holder of a FHLMC Certificate will be mailed 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 FHLMC Certificate. Thereafter checks will be mailed 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 FHLMC Certificates sold by FHLMC on or after January 2, 1985, and makes payments of interest and principal each month to the registered holders thereof in accordance with such holders' instructions.

The FHLMC Certificates relating to a Series may have other characteristics and terms, different from those described above, so long as such FHLMC Certificates and underlying mortgage loans meet the criteria of the rating agency or agencies rating the Certificates of such Series. Such FHLMC Certificates and underlying mortgage loans will be described in the related Prospectus Supplement.

See "Additional Information" for the availability of further information respecting FHLMC and FHLMC Certificates.

Federal National Mortgage Association. FNMA is a federally chartered and privately owned corporation organized and existing under the Federal National Mortgage Association Charter Act, as amended (the "Charter Act"). FNMA 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.

FNMA provides funds to the mortgage market primarily by purchasing home mortgage loans from lenders, thereby replenishing their funds for additional lending. It acquires funds to purchase loans from many capital market investors that may not ordinarily invest in mortgage loans, thereby expanding the total amount of funds available for housing. Operating nationwide, FNMA helps to redistribute mortgage funds from capital-surplus to capital-short areas. In addition, FNMA issues mortgage-backed securities primarily in exchange for pools of mortgage loans from lenders.

FNMA Certificates. FNMA Certificates are either Guaranteed Mortgage Pass-Through Certificates or Stripped Mortgage Backed Securities. FNMA Certificates represent fractional undivided interests in a pool of mortgage loans formed by FNMA. Each mortgage loan must meet the applicable standards of the FNMA purchase program. Mortgage loans comprising a pool are either provided by FNMA from its own portfolio or purchased pursuant to the criteria of the FNMA purchase program.

Mortgage loans underlying FNMA Certificates relating to a Series 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 FNMA Certificate are expected to be between either 8 to 15 years or 20 to 30 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 FNMA 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 FNMA Certificate (and the series pass-through rate payable with respect to a FNMA Stripped Mortgage Backed Security) 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 FNMA's guaranty fee. Under a regular servicing option (pursuant to which the mortgagee or other servicer assumes the entire risk of foreclosure losses) the annual interest rates on the mortgage loans underlying a FNMA Certificate will be between 50 basis points and 250 basis points greater than its annual pass-through rate (or the series pass-through rate payable with respect to a FNMA Stripped Mortgage Backed Security), and under a special servicing option (pursuant to which FNMA assumes the entire risk for foreclosure losses), the annual interest rates on the mortgage loans underlying a FNMA Certificate will generally be between

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55 basis points and 255 basis points greater than the annual FNMA Certificate pass-through rate (or the series pass-through rate, if a FNMA Stripped Mortgage Backed Security).

FNMA guarantees to each registered holder of a FNMA 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 FNMA Certificate on the underlying mortgage loans, whether or not received. and 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 FNMA under its guarantees are obligations solely of FNMA 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 FNMA up to \$2.25 billion outstanding at any time, neither the United States nor any agency thereof is obligated to finance FNMA's operations or to assist FNMA in any other manner. If FNMA were unable to satisfy its obligations, distributions to holders of FNMA Certificates would consist solely of payments and other recoveries on the underlying mortgage loans and, accordingly, monthly distributions to holders of FNMA Certificates would be affected by delinquent payments and defaults on such mortgage loans.

FNMA Certificates evidencing interests in pools of mortgage loans formed on or after May 1, 1985 (other than FNMA 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 FNMA Certificate will be made by FNMA on the 25th day of each month to the persons in whose name the FNMA Certificate is entered in the books of the Federal Reserve Bank of New York (or registered on the FNMA Certificate register in the case of fully registered FNMA Certificates) as of the close of business on the last day of the preceding month. With respect to FNMA Certificates issued in book-entry form, distributions thereon will be made by wire, and with respect to fully registered FNMA Certificates, distributions thereon will be made by check.

The FNMA Certificates relating to a Series may have other characteristics and terms, different from those described above, so long as such FNMA Certificates and underlying mortgage loans meet the criteria of the rating agency or agencies rating the Certificates of such Series. Such FNMA Certificates and underlying mortgage loans will be described in the related Prospectus Supplement.

See "Additional Information" for the availability of further information respecting FNMA and FNMA Certificates.

Other Agency Securities. If specified in the related Prospectus Supplement, a Trust Fund may include other mortgage pass-through certificates issued or guaranteed by GNMA, FNMA or FHLMC. The characteristics of any such mortgage pass-through certificates will be described in such Prospectus Supplement. If so specified, a combination of different types of Agency Securities may be held in a Trust Fund.

#### SUBSTITUTION OF MORTGAGE ASSETS

Substitution of Mortgage Assets will be permitted in the event of breaches of representations and warranties with respect to any original Mortgage Asset or in the event the documentation with respect to any Mortgage Asset is determined by the Trustee to be incomplete. The period during which such substitution will be permitted generally will be indicated in the related Prospectus Supplement. The related Prospectus Supplement will describe any other conditions upon which Mortgage Assets may be substituted for Mortgage Assets initially included in the Trust Fund.

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#### USE OF PROCEEDS

Unless otherwise specified in an applicable Prospectus Supplement, substantially all of the net proceeds to be received from the sale of each Series of Certificates will be used to purchase the Mortgage Assets related to such Series or to reimburse the amounts previously used to effect such a purchase, the costs of carrying the Mortgage Assets until the sale of the Certificates and other expenses connected with pooling the Mortgage Assets and issuing the Certificates.

#### THE DEPOSITOR

MorServ, Inc. (the "Company") was incorporated in the State of Delaware on December 2, 1993 as a wholly-owned, limited-purpose indirect finance subsidiary of The Chase Manhattan Bank ("Chase"). The Company maintains its principal office at 343 Thornall Street, Edison, New Jersey 08837. Its telephone number is 908-205-6000.

As described herein under "The Mortgage Pools," "Underwriting Policies," and "Description of the Certificates--Representations and Warranties," the Company's only obligations, if any, with respect to a Series of Certificates may be pursuant to certain limited representations and warranties and limited undertakings to repurchase or substitute Mortgage Loans or Agency Securities under certain circumstances. The Company will have no ongoing servicing obligations or responsibilities with respect to any Mortgage Pool or pool of



Agency Securities. The Company does not have, nor is it expected in the future to have, any significant assets.

As specified in the related Prospectus Supplement, the Master Servicer with respect to any Series of Certificates evidencing interests in Mortgage Loans may be an affiliate of the Company. As described under "The Trust Fund--The Mortgage Pools" and "--The Agency Securities," the Company anticipates that it will acquire Mortgage Assets in the open market or in privately negotiated transactions, which may be through or from an affiliate.

Unless otherwise specifically provided in the related Prospectus Supplement, neither the Company, Chase nor The Chase Manhattan Corporation, nor any of its affiliates, will insure or guarantee the Certificates of any Series.

#### MORTGAGE LOAN PROGRAM

The Mortgage Loans will have been purchased by the Company, either directly or through affiliates, from Sellers. Unless otherwise specified in the related Prospectus Supplement, the Mortgage Loans so acquired by the Company will have been originated in accordance with the underwriting criteria specified below under "Underwriting Standards".

#### UNDERWRITING STANDARDS

Unless otherwise specified in the related Prospectus Supplement, each Seller will represent and warrant that all Mortgage Loans originated and/or sold by it to the Company or one of its affiliates will have been underwritten in accordance with standards consistent with those utilized by mortgage lenders generally during the period of origination for similar types of loans. As to any Mortgage Loan insured by the FHA or partially guaranteed by the VA, the Seller will represent that it has complied with underwriting policies of the FHA or the VA, as the case may be.

Underwriting standards are applied by or on behalf of a lender to evaluate the borrower's credit standing and repayment ability, and the value and adequacy of the mortgaged property as collateral. In general, a prospective borrower applying for a mortgage loan is required to fill out a detailed application designed to provide to the underwriting officer pertinent credit information. As part of the description of

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the borrower's financial condition, the borrower generally is required 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, an employment verification is obtained from an independent source (typically the borrower's employer), which verification reports the length of employment with that organization, the borrower's 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 borrower may be required to submit copies of signed tax returns. The borrower may also be required to authorize verification of deposits at financial institutions where the borrower has demand or savings accounts.

In determining the adequacy of the mortgaged property as collateral, an appraisal is made of each property considered for financing. The appraiser is required to inspect the property and verify that it is in good repair and that construction, if new, has been completed. 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.

Once all applicable employment, credit and property information is received, a determination generally is made as to whether the prospective borrower has sufficient monthly income available (i) to meet the borrower's monthly obligations on the proposed mortgage loan (generally 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 (ii) to meet monthly housing expenses and other financial obligations and monthly living expenses. The underwriting standards applied by Sellers, particularly with respect to the level of loan documentation and the mortgagor's income and credit history, may be varied in appropriate cases where factors such as low Loan-to-Value Ratios or other favorable credit exist.

In the case of a Mortgage Loan secured by a leasehold interest in real property, the title to which is held by a third party lessor, the Seller 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 on the Mortgage Note.

Certain of the types of Mortgage Loans that may be included in a Trust Fund are recently developed and may involve additional uncertainties not present in traditional types of loans. For example, certain of such Mortgage Loans may provide for escalating or variable payments by the Mortgagor. These types of Mortgage Loans are underwritten on the basis of a judgment that the Mortgagors

have the ability to make the monthly payments required initially. In some instances, however, a Mortgagor's income may not be sufficient to permit continued loan payments as such payments increase. These types of Mortgage Loans may also be underwritten primarily upon the basis of Loan-to-Value Ratios or other favorable credit factors.

#### QUALIFICATIONS OF SELLERS

Unless otherwise specified in the related Prospectus Supplement, each Seller will be required to satisfy the qualifications set forth herein. Each Seller 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, and must maintain satisfactory facilities to Originate and service those mortgage loans. Each Seller must be a seller/servicer approved by either FNMA or FHLMC. Each Seller must be a mortgagee approved by the FHA or an institution the deposit accounts in which are insured by the Federal Deposit Insurance Corporation. The Resolution Trust Corporation, acting in its capacity as conservator or receiver of a depository institution, may be a Seller if so specified in the related Prospectus Supplement.

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#### REPRESENTATIONS BY SELLERS; REPURCHASES

Each Seller will have made representations and warranties in respect of the Mortgage Loans sold by such Seller and evidenced by a Series of Certificates. Such representations and warranties unless otherwise provided in the related Prospectus Supplement generally include, among other things: (i) 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) and any required hazard insurance policy and Primary Mortgage Insurance Policy were effective at the origination of each Mortgage Loan other than Cooperative Loans, and that each policy (or certificate of title as applicable) remained in effect on the date of purchase of the Mortgage Loan from the Seller by or on behalf of the Company; (ii) that the Seller had good title to each such Mortgage Loan and such Mortgage Loan was subject to no offsets, defenses, counterclaims or rights of rescission except to the extent that any buydown agreement described herein may forgive certain indebtedness of a Mortgagor; (iii) that each Mortgage Loan constituted a valid first lien on, or a first 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; (iv) that there were no delinquent tax or assessment liens against the Mortgaged Property; (v) that no more than one required payment on a Mortgage Loan was more than 30 days delinquent at any time during the twelve months prior to the Cut-off Date; and (vi) that each Mortgage Loan was made in compliance with, and is enforceable under, all applicable local, state and federal laws and regulations in all material respects.

Unless otherwise specified in the related Prospectus Supplement, the representations and warranties of a Seller in respect of a Mortgage Loan will be made not as of the Cut-off Date but as of the date on which such Seller sold the Mortgage Loan to the Company or one of its affiliates. Under such circumstances, a substantial period of time may have elapsed between such date and the date of initial issuance of the Series of Certificates evidencing an interest in such Mortgage Loan. Since the representations and warranties of a Seller do not address events that may occur following the sale of a Mortgage Loan by such Seller, its 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 of sale of such Mortgage Loan by such Seller to the Company or its affiliates. However, the Company will not include any Mortgage Loan in the Trust Fund for any Series of Certificates if anything has come to the Company's attention that would cause it to believe that the representations and warranties of a Seller will not be accurate and complete in all material respects in respect of such Mortgage Loan as of the date of initial issuance of the related Series of Certificates. If the Master Servicer is also a Seller of Mortgage Loans with respect to a particular Series, such representations will be in addition to the representations and warranties made by the Master Servicer in its capacity as the Master Servicer.

The Master Servicer or the Trustee, if the Master Servicer is the Seller, will promptly notify the relevant Seller of any breach of any representation or warranty made by it in respect of a Mortgage Loan that materially and adversely affects the interests of the Certificateholders in such Mortgage Loan. Unless otherwise specified in the related Prospectus Supplement, if such Seller cannot cure such breach within 90 days after notice from the Master Servicer or the Trustee, as the case may be, then such Seller will be obligated to repurchase such Mortgage Loan from the Trust Fund at a price (the "Purchase Price") equal to 100% of the outstanding principal balance thereof as of the date of the repurchase plus accrued interest thereon to the first day of the month in which the Purchase Price is to be distributed at the Mortgage Rate (less any unreimbursed Advances or amount payable as related servicing compensation if the Seller is the Master Servicer with respect to such Mortgage Loan). If a REMIC election is to be made with respect to a Trust Fund, unless otherwise provided

in the related Prospectus Supplement, the Master Servicer or a holder of the related residual certificate will be obligated to pay any prohibited transaction tax that may arise in connection with any such repurchase. The Master Servicer, unless otherwise specified in the related Prospectus Supplement, will be entitled to

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reimbursement for any such payment from the assets of the related Trust Fund or from any holder of the related residual certificate. See "Description of the Certificates--General" herein and in the related Prospectus Supplement. Except in those cases in which the Master Servicer is the Seller, the Master Servicer will be required under the applicable Agreement to enforce this obligation for the benefit of the Trustee and the Certificateholders, following the practices it would employ in its good faith business judgment were it the owner of such Mortgage Loan. In those cases where the Master Servicer is also the Seller, the Trustee will be required to enforce this obligation for the benefit of the Certificateholders, following the practices it would employ in its good faith business judgment were it the owner of such Mortgage Loan. This repurchase obligation will constitute the sole remedy available to Certificateholders or the Trustee for a breach of representation by a Seller.

Neither the Company nor the Master Servicer (unless the Master Servicer is the Seller) will be obligated to purchase a Mortgage Loan if a Seller defaults on its obligation to do so, and no assurance can be given that Sellers will carry out their respective repurchase obligations with respect to Mortgage Loans.

The only representations and warranties, if any, to be made for the benefit of Certificateholders in respect of any Mortgage Loan relating to the period commencing on the date of sale of such Mortgage Loan (if such sale is prior to the issuance of the Certificates) to the Company or its affiliate will be certain limited representations of the Company and of the Master Servicer described above under "The Trust Fund--The Mortgage Pools."

Unless otherwise provided in the related Prospectus Supplement, neither the Company nor the Master Servicer will be obligated to purchase a Mortgage Loan if the Seller defaults on its obligation to do so, and no assurance can be given that sellers will carry out their respective repurchase obligations with respect to Mortgage Loans. However, to the extent that a breach of the representations and warranties of a seller may also constitute a breach of a representation made by the Company, the Company may have a purchase obligation as described above under "The Trust Fund--The Mortgage Pools."

#### YIELD CONSIDERATIONS

The Remittance Rates and the weighted average Remittance Rate or other applicable rate of the Mortgage Loans and Agency Securities relating to each Series of Certificates will be set forth in the related Prospectus Supplement. The weighted average Remittance Rate with respect to Mortgage Pools containing Adjustable Rate Loans and with respect to pools of variable and adjustable rate Agency Securities may change with any changes in the Adjustable Mortgage Rates borne by the Adjustable Rate Loans and variable or adjustable pass-through rates borne by the variable and adjustable rate Mortgage Securities or with prepayments of the Mortgage Loans or mortgage loans underlying the Mortgage Securities. The Remittance Rate or other applicable rate with respect to all other Mortgage Loans and Agency Securities may be fixed based upon the lowest Mortgage Rate for any Mortgage Loan and the lowest pass-through rate for any Agency Security, respectively, or may change as Mortgage Loans bearing differing Mortgage Rates and Agency Securities bearing differing pass-through rates, respectively, prepay, as specified in the related Prospectus Supplement, or may be otherwise determined based on the parameters set forth in the related Prospectus Supplement.

Unless otherwise specified in the related Prospectus Supplement, each monthly accrual of interest on a Mortgage Loan and a mortgage loan underlying an Agency Security is calculated as one-twelfth of the product of the applicable Mortgage Rate at the time of such calculation and the principal balance outstanding on the scheduled payment date for such mortgage loan in the preceding month. Unless otherwise specified in the related Prospectus Supplement, the Remittance Rate or other applicable rate with respect to each Mortgage Loan and Agency Security will be calculated similarly on a loan-by-loan or security-by-security basis, after subtracting the Excess Interest, if any, and the Servicing Fee and

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related expenses (including fees with respect to credit enhancement) applicable to each Mortgage Loan or Agency Security from the applicable Mortgage Rate or pass-through rate or such Excess Interest, Servicing Fee, related expenses or other fees may be deducted from the distributions on the Remittance Dates.

Unless otherwise specified in the related Prospectus Supplement, when a Mortgage Loan is prepaid between regular payment dates, the Mortgagor may be required to pay interest on the amount prepaid only to the date of prepayment

and not thereafter. In addition, unless otherwise specified in the related Prospectus Supplement, prepayments are not passed through until the month following receipt. The effect of these provisions is to reduce the aggregate amount of interest which would be otherwise passed through to Certificateholders. To mitigate this reduction in yield, an Agreement, as specified in the related Prospectus Supplement, may provide that with respect to any principal prepayment received in advance of the scheduled payment date of the related Mortgage Loan, the Master Servicer or other party specified will pay to the Certificateholders or the Senior Certificateholders of a Series, such amount, if any, as may be necessary to assure that the distributions made to such Certificateholders on the following Remittance Date include an amount equal to a full month's interest with respect to the prepaid Mortgage Loan at the relevant Remittance Rate. The Master Servicer's obligations, if any, to pay such amounts may be limited in amount, as described in the related Prospectus Supplement, and may be limited to corresponding amounts received from any Sub-servicers. See "Description of the Certificates--Advances in Connection with Prepaid Mortgage Loans."

If a Class of Certificates of a Series is divided into two or more Sub-classes, the Prospectus Supplement for such Series will indicate that a lower rate of principal prepayments than anticipated would negatively affect the total return to investors of any Class or such Sub-class of Certificates that is offered at a discount to its principal amount, and a higher rate of principal prepayments than anticipated would negatively affect the total return to investors of any such Class or Sub-class of Certificates that is offered at a premium to its principal amount or without any principal amount.

If a Series of Certificates contains Classes or Sub-classes of Certificates assigned a Stated Balance and specified interest rate, and entitled to receive distributions of principal or interest or both, in a specified order other than as a specified percentage of each distribution of principal or interest or both, the Prospectus Supplement will set forth information, measured relative to a prepayment standard or model specified in such Prospectus Supplement, with respect to the projected weighted average life of each such Class or Sub-class and the percentage of the original Stated Balance of each such Class or Sub-class that would be outstanding on specified Remittance Dates for such Series based on the assumptions stated in such Prospectus Supplement, including assumptions that prepayments on the Mortgage Loans or on the mortgage loans underlying the Agency Securities in the related Trust Fund are made at rates corresponding to the various percentages of such prepayment standard or model.

#### MATURITY AND PREPAYMENT CONSIDERATIONS

##### MATURITY

Unless otherwise described in an applicable Prospectus Supplement, all of the Mortgage Loans and mortgage loans underlying the Agency Securities will have maturities at origination of not more than 30 years.

##### PREPAYMENT CONSIDERATIONS

Mortgage Loans and mortgage loans underlying the Agency Securities generally may be prepaid in full or in part without penalty. FHA Mortgage Loans and VA Mortgage Loans may be prepaid at any time without penalty. The Company anticipates that a significant number of the Mortgage Loans and mortgage loans underlying the Agency Securities will be paid in full prior to maturity. A number of factors, including homeowner mobility, national and local economic conditions, age of the mortgages, interest and annual percentage rates and the availability of mortgage funds may affect the prepayment experience of a particular pool of Mortgage Loans and mortgage loans underlying the Agency Securities.

The Master Servicer with respect to a Mortgage Pool, to the extent it has knowledge of any conveyance or prospective conveyance by any Mortgagor of any property securing a Mortgage Loan, will exercise the right to accelerate the maturity of such Mortgage Loan under any "due-on-sale" clause applicable to such loan to the extent, under the circumstances, and in the manner the Master Servicer enforces such clauses with respect to other loans held in its own portfolio or in the manner specified in the Prospectus Supplement. The Master Servicer, however, will not exercise any such right if prohibited by law from doing so or if the exercise of such rights would impair or threaten to impair any recovery under any applicable insurance policy; If the Master Servicer determines not to enforce such "due-on-sale" clause, the Master Servicer will enter into an assumption and modification agreement from or with the person to whom such property has been conveyed or is proposed to be conveyed, pursuant to which such person becomes liable under the Mortgage Loan and, to the extent permitted by applicable state law and deemed appropriate in the Master Servicer's reasonable judgment, the Mortgagor remains liable thereon. FHA Mortgage Loans and VA Mortgage Loans are not permitted to contain "due-on-sale" clauses, and so are freely assumable. The rate of prepayments of FHA Mortgage Loans and VA Mortgage Loans therefore may be lower than Conventional Mortgage Loans bearing interest at comparable rates. See "Description of the Certificates--Enforcement of Due-on-Sale Clause; Realization Upon Defaulted

The FHA has compiled statistics relating to one- to four-family, level payment mortgage loans insured by the FHA under the National Housing Act of 1934, as amended, at various interest rates, all of which permit assumption by the new buyer if the home is sold. Such statistics indicate that while some of such mortgage loans remain outstanding until their scheduled maturities, a substantial number are paid prior to their respective stated maturities. The Actuarial Division of HUD has prepared tables which, assuming full mortgage prepayments at the rates experienced by FHA, set forth the percentages of the original number of FHA Loans in pools of level payment mortgage loans of varying maturities that will remain outstanding on each anniversary of the original date of such mortgage loans (assuming they all have the same origination date) ("FHA Experience").

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 interest rates at the time of origination, the Mortgage Loans and mortgage loans underlying the Agency Securities are likely to be subject to higher prepayment rates than if prevailing interest rates remain at or above the interest rates at the time the Mortgage Loans and mortgage loans underlying the Agency Securities were originated. However, there can be no assurance that any Mortgage Pool or pool of mortgage loans underlying the Agency Securities will conform to past prepayment experience or any published prepayment forecast.

It is customary in the mortgage industry in quoting yields (a) on a pool of 30-year fixed-rate, level payment mortgages, to compute the yield as if the pool were a single loan that is amortized according to a 30-year schedule and is then prepaid in full at the end of the 12th year and (b) on a pool of 15-year fixed-rate, level payment mortgages, to compute the yield as if the pool were a single loan that is amortized according to a 15-year schedule and then is prepaid in full at the end of the seventh year.

Prepayments on mortgage loans are also commonly measured relative to a prepayment standard or model. If so specified in the Prospectus Supplement relating to a Series of Certificates, the model used in a Prospectus Supplement will be the Prepayment Model (the "Prepayment Model"). The Prepayment Model represents an assumed rate of prepayment relative to the then outstanding principal balance of a pool of mortgages. A prepayment assumption of 100% of Prepayment Model assumes prepayment rates of 0.2% per annum of the then outstanding principal balance of such mortgages in the first month of the life of the mortgages and an additional 0.2% per annum in each month thereafter until the thirtieth month, and in each month thereafter during the life of the mortgages, 100% of Prepayment Model assumes a constant prepayment rate of 6% per annum each month.

Information regarding FHA Experience, other published information, the Prepayment Model or any other rate of assumed prepayment, as applicable, will be set forth in the Prospectus Supplement with respect to a Series of Certificates.

See "Description of the Certificates--Optional Termination" for a description of the Company's or the Master Servicer's option to repurchase the Mortgage Assets comprising part of a Trust Fund when the aggregate outstanding principal balance of such Mortgage Assets is less than a specified percentage of the initial aggregate outstanding principal balance of such Mortgage Assets as of the related Cut-off Date. See also "The Trust Fund- The Mortgage Pools" for a description of the obligations of the Company, the Master Servicer or another party, as specified in the related Prospectus Supplement, to repurchase a Mortgage Loan in case of a breach of a representation or warranty relative to such Mortgage Loan.

#### DESCRIPTION OF THE CERTIFICATES

Each Series of Certificates will be issued pursuant to a Pooling and Servicing Agreement (the "Agreement") among the Company, as Seller, the Master Servicer named in the related Prospectus Supplement with respect to a Series of Certificates evidencing interests in Mortgage Loans, the REMIC Servicer, if any, named in the related Prospectus Supplement with respect to a Series of Certificates evidencing interests in Agency Securities and the Trustee named in the related Prospectus Supplement, a copy of the form of which is filed as an exhibit to the Registration Statement of which this Prospectus is a part. The Prospectus Supplement for each Series will describe any provisions of the particular Agreement relating to such Series which differ materially from the form of the Agreement filed as an exhibit to the Registration Statement.

Each Series of Certificates will have been rated in the rating category by the rating agency or agencies specified in the related Prospectus Supplement.

The following summaries describe certain provisions common to each Series of Certificates. The summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the provisions of the Agreement relating to the Series of Certificates. When particular provisions or

terms used in the Agreement are referred to, the actual provisions (including definitions of terms) are incorporated by reference.

#### GENERAL

The Certificates of each Series will be issued in fully registered form only and will represent the interests specified in the related Prospectus Supplement in a separate Trust Fund created pursuant to the related Agreement. The Trust Fund will be held by the Trustee for the benefit of the Certificateholders. Each Trust Fund, to the extent specified in the related Prospectus Supplement, will consist of (i) the Mortgage Loans, Agency Securities or participation or pass-through interests in Mortgage Loans which are subject to the Agreement from time to time, (ii) the amounts held in the Certificate Account from time to time, (iii) with respect to a Series of Certificates evidencing interests in Mortgage Loans, (a) property which secures a Mortgage Loan and which is acquired by foreclosure or deed in lieu of foreclosure, (b) the Mortgage Pool Insurance Policy, if any, (c) the Special Hazard Insurance Policy, if any, (d) the Mortgagor Bankruptcy Insurance, if any, (e) any Primary Mortgage Insurance Policies, FHA insurance and VA guarantees, (f) the Buy-Down Fund and GPM Fund, if any, and (g) if specified in the related Prospectus Supplement, the Reserve Fund, if any, (iv) any letter of credit, guarantee surety bond, insurance policy or other credit enhancement securing payment of all or part of a Series of Certificates ("Alternate Credit Enhancement") and (v) such other property as may be specified in the related Prospectus Supplement. The Certificates will be freely transferable and exchangeable at the corporate trust office of the Trustee at the address set forth in the related Prospectus Supplement. No

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service charge will be made for any registration of exchange or transfer of Certificates, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge.

Ownership of each Mortgage Pool or pool of Agency Securities may be evidenced by one or more Classes of Certificates, each representing the interest in the Mortgage Pool or pool of Agency Securities specified in the related Prospectus Supplement. One or more Classes of Certificates evidencing interests in Mortgage Loans may be Subordinated Certificates, evidencing the right of the holders thereof to receive any or a portion of distributions of principal or interest, or both, on the Mortgage Loans subordinate to the rights of the holders of other Classes of Certificates ("Senior Certificates") as provided in the related Prospectus Supplement. Unless otherwise specified in the related Prospectus Supplement, the Subordinated Certificates will not be offered hereby. If a Series of Certificates contains more than one Class of Subordinated Certificates, losses will be allocated among such Classes in the manner described in the Prospectus Supplement.

A Series of Certificates may consist of Variable Rate Certificates, which may evidence interests in Mortgage Loans bearing interest at differing Mortgage Rates or rates which change periodically or in Agency Securities having differing pass-through rates or having pass-through rates which change periodically, all as set forth in the related Prospectus Supplement. A Series of Certificates may consist of Classes of Certificates evidencing the right to receive distributions of principal or interest or both in the order specified in the related Prospectus Supplement. A Class of Certificates of a Series may be divided into two or more Sub-classes. The related Prospectus Supplement will specify whether a Class has been so divided and the terms of each Sub-class. The holders of each Sub-class of a Class of Certificates will be entitled to the percentages of principal or interest payments or both on the related Mortgage Loans or Agency Securities as are specified in the related Prospectus Supplement. The related Prospectus Supplement will specify the minimum denomination or initial principal amount of Mortgage Loans evidenced by a single Certificate of each Class of Certificates of a Series (a "Single Certificate").

Distributions of principal and interest on the Certificates will be made on the payment dates set forth in the related Prospectus Supplement (each, a "Remittance Date") to the persons in whose names the Certificates are registered at the close of business on the related record date specified in the related Prospectus Supplement (the "Record Date"). Distributions will be made by check mailed to the address of the person entitled thereto as it appears on the Certificate Register, or, to the extent described in the related Agreement, by wire transfer, except that the final distribution in retirement of Certificates will be made only upon presentation and surrender of the Certificates at the office or agency of the Trustee specified in the final distribution notice to Certificateholders.

#### CERTIFICATES EVIDENCING INTERESTS IN MORTGAGE LOANS

Assignment of Mortgage Loans. With respect to any Series of Certificates, the Company will cause the Mortgage Loans constituting the Mortgage Pool to be assigned to the Trustee, together with principal and interest due on or with respect to the Mortgage Loans after the Cut-off Date specified in the related Prospectus Supplement. The Trustee will, concurrently with such assignment, authenticate and deliver the Certificates. Each Mortgage Loan will be identified in a schedule appearing as an exhibit to the Agreement (the "Mortgage Loan

Schedule"). The Mortgage Loan Schedule will specify, with respect to each Mortgage Loan: the original principal amount and the adjusted principal balance as of the close of business on the Cut-off Date; the Mortgage Rate; the current scheduled monthly level payment of principal and interest; the maturity of the Mortgage Note; if the Mortgage Loan is an Adjustable Rate Loan, the initial Adjustable Mortgage Rate, the maximum permitted Adjustable Mortgage Rate, if any, the then-current Adjustable Mortgage Rate, and the original and current index, if any; and if the Mortgage Loan is a Buy-Down Loan or a GPM Loan, the terms thereof.

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In addition, the Company will, as to each Mortgage Loan, deliver or cause to be delivered to the Trustee, or, as specified in the related Prospectus Supplement, the Custodian, the Mortgage Note endorsed without recourse in blank or to the order of the Trustee or Custodian, the original Mortgage with evidence of recording indicated thereon (except for any Mortgage not returned from the public recording office, in which case a copy of such Mortgage will be delivered, together with a certificate of the seller of the Mortgage Loan that the original of such Mortgage was delivered to such recording office) and an assignment of the Mortgage in recordable form (but not recorded).

The Trustee, or, if so specified in the related Prospectus Supplement, the Custodian, will review and hold such documents in trust for the benefit of the Certificateholders. Unless otherwise provided in the related Prospectus Supplement, if any such document is found to be defective in any material respect and the seller, as the case may be, does not cure such defect within 60 days, or within such other period specified in the related Prospectus Supplement, the seller or other specified party will, not later than 90 days or within such other period specified in the related Prospectus Supplement, after notice from the Company or the Master Servicer of the defect, repurchase the related Mortgage Loan or any property acquired in respect thereof from the Trustee at a price equal to the remaining unpaid principal balance of such Mortgage Loan (or, in the case of a foreclosed Mortgage Loan, the unpaid principal of such Mortgage Loan immediately prior to foreclosure), plus accrued but unpaid interest to the date of the next scheduled payment on such Mortgage Loan at the related Remittance Rate, less any unreimbursed Advances made by the seller or other specified party respecting such Mortgage Loan. Unless otherwise provided in the related Prospectus Supplement, the repurchase obligation constitutes the sole remedy available to the Certificateholders or the Trustee for a material defect in a Mortgage Loan document.

If so specified in the related Prospectus Supplement, the Company will, at the time of delivery of the Certificates, cause assignments to the Trustee of the Mortgage Loans constituting a Mortgage Pool to be recorded in the appropriate public office for real property records, except in states where, in the opinion of counsel acceptable to the Trustee, such recording is not required to protect the Trustee's interest in the Mortgage Loan against the claim of any subsequent transferee or any successor to or creditor of the Company, the seller or the originator of such Mortgage Loan. Unless otherwise specified in the related Prospectus Supplement, the Company will cause such assignments to be so recorded within the time after delivery of the Certificates as is specified in the related Prospectus Supplement, in which event, the Agreement may, as specified in the related Prospectus Supplement, require the Master Servicer to repurchase from the Trustee any Mortgage Loan required to be recorded but not recorded within such time, at the price described above with respect to repurchase by reason of defective documentation. Unless otherwise provided in the related Prospectus Supplement, the repurchase obligation would constitute the sole remedy available to the Certificateholders or the Trustee for the failure of a Mortgage Loan to be recorded.

Servicing. Pursuant to the Agreement, the Master Servicer will service and administer the Mortgage Loans assigned to the Trustee as more fully set forth below. The Master Servicer may be an affiliate of the Company.

The Master Servicer and each Sub-servicer, if any, subject to general supervision by the Master Servicer, will be required to perform diligently all services and duties specified in each Agreement, in the same manner as prudent mortgage lending institutions of mortgages of the same type as the Mortgage Loans in those jurisdictions where the related Mortgaged Properties are located. The Master Servicer will be responsible for monitoring the performance of each Sub-servicer, if any, and will have the right to remove a Sub-servicer at any time if it considers such removal to be in the best interest of the related Certificateholders. The duties to be performed by the Master Servicer, directly or through a Sub-servicer, will include collection and remittance of principal and interest payments, administration of mortgage escrow accounts, collection of insurance claims and, if necessary, foreclosure. If a Sub-servicer is terminated by the Master Servicer, the servicing function of the Sub-servicer will be either

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transferred to a substitute Sub-servicer or performed by the Master Servicer. The Master Servicer will be entitled to retain the portion of the Servicing Fee paid to the Sub-servicer under a terminated Servicing Agreement if the Master

Servicer elects to perform such servicing functions itself.

The Master Servicer will be paid a Servicing Fee for the performance of its services and duties under each Agreement as specified in the related Prospectus Supplement. Each Sub-servicer, if any, will be entitled to receive a portion of the Servicing Fee. In addition, the Master Servicer or Sub-servicer may be entitled to retain late charges, assumption fees and similar charges to the extent collected from Mortgagors. The Company expects that such fees and charges will not be significant in amount.

Payments on Mortgage Loans. A Certificate Account will be an account, which, unless otherwise specified in the related Prospectus Supplement, will be non-interest bearing, established by the Master Servicer as to each Series of Certificates in the name of the Trustee (i) with a depository institution, the long-term unsecured debt obligations of which at the time of any deposit therein are rated within the two highest rating categories or such other rating category as will not adversely affect the ratings assigned to the Certificates by each rating agency rating the Certificates of such Series, (ii) in an account or accounts the deposits in which are fully insured by the Federal Deposit Insurance Corporation (the "FDIC"), (iii) in an account or accounts the deposits in which are insured by the FDIC (to the limits established by the FDIC), the uninsured deposits in which are otherwise secured such that, as evidenced by an opinion of counsel, the Certificateholders have a claim with respect to the funds in the Certificate Account or a perfected first priority security interest against any collateral securing such funds that is superior to the claims of any other depositors or general creditors of the depository institution with which the Certificate Account is maintained or (iv) otherwise acceptable to each rating agency rating the Certificates without reduction or withdrawal of the rating assigned to the Certificates. The collateral eligible to secure amounts in the Certificate Account is limited to United States government securities and other high-quality investments ("Eligible Investments"). If so specified in the related Prospectus Supplement, a Certificate Account may be maintained as an interest bearing account, or the funds held therein may be invested pending each succeeding Remittance Date in Eligible Investments. If so provided in the related Prospectus Supplement, the Master Servicer or its designee will be entitled to receive any such interest or other income earned on funds in the Certificate Account as additional compensation. Unless otherwise specified in the related Prospectus Supplement, the Master Servicer will deposit in the Certificate Account on a daily basis the following payments and collections received or made by it subsequent to the Cut-off Date (including scheduled payments of principal and interest due after the Cut-off Date but received by the Master Servicer on or before the Cut-off Date):

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

(ii) all Mortgagor payments on account of interest on the Mortgage Loans, adjusted to the Remittance Rate, together with moneys transferred from the Buy-Down Account or GPM Account, if any;

(iii) all amounts received and retained in connection with the liquidation of defaulted Mortgage Loans or property acquired in respect thereof by foreclosure or otherwise ("Liquidation Proceeds") (to the extent specified in the related Prospectus Supplement, exclusive of the portion thereof attributable to the Excess Interest, if any, in respect of the related Mortgage Loans);

(iv) all proceeds received under any title, hazard or other insurance policy covering any Mortgage Loan, other than proceeds to be applied to the restoration or repair of the Mortgaged Property or released to the Mortgagor;

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(v) all condemnation awards or settlements which are not released to the Mortgagor in accordance with normal servicing procedures;

(vi) any Advances made as described under "Advances" and certain other amounts required under the Agreement to be deposited in the Certificate Account;

(vii) all proceeds of any Mortgage Loan or property acquired in respect thereof repurchased by the Master Servicer, the Company or otherwise as described above or under "Termination" below; and

(viii) all amounts, if any, required to be transferred to the Certificate Account from a Reserve Fund pursuant to the Agreement.

In those cases where a Sub-servicer is servicing a Mortgage Loan, the Sub-servicer will establish and maintain an account ("Sub-servicing Account") that will comply with the standards set forth above, and which is otherwise acceptable to the Master Servicer. The Sub-servicer is required to deposit into the Sub-servicing Account on a daily basis all amounts enumerated in the preceding paragraph in respect of the Mortgage Loans received by the Sub-servicer, less its servicing compensation. On the date specified in the



related Prospectus Supplement, the Sub-servicer shall remit to the Master Servicer all funds held in the Sub-servicing Account with respect to each Mortgage Loan. The Sub-servicer may, to the extent described in the related Prospectus Supplement, be required to advance any monthly installment of principal and interest that was not received, less its servicing fee, by the date specified in the related Prospectus Supplement.

Except as otherwise provided in the related Prospectus Supplement with respect to each Buy-Down Loan, the Master Servicer will deposit the amounts in a custodial account (which may be interest-bearing) complying with the requirements set forth above for the Certificate Account (the "Buy-Down Account"). The amount of such deposit, together with investment earnings thereon at the rate specified in the related Prospectus Supplement, will provide funds sufficient to support the payments on such Buy-Down Loan on a level debt service basis. The Master Servicer will not be obligated to add to the Buy-Down Account should investment earnings prove insufficient to maintain the scheduled level of payments on the Buy-Down Loans, in which event, distributions to the Certificateholders may be affected.

With respect to each GPM Loan, the Master Servicer will, if and to the extent provided in the related Prospectus Supplement, deposit in a custodial account (which may be interest-bearing) complying with the requirements set forth above for the Certificate Account an amount which, together with investment earnings thereon at the rate set forth in the related Prospectus Supplement, will provide funds sufficient to support the payments thereon on a level debt service basis (the "GPM Account"). The Master Servicer will not be obligated to supplement the GPM Account should investment earnings thereon prove insufficient to maintain the scheduled level of payments, in which event, distributions to the Certificateholders may be affected.

Distributions on Certificates. Except as otherwise provided in the related Prospectus Supplement, on each Remittance Date, the Master Servicer will withdraw from the applicable Certificate Account and distribute to the Certificateholders of each Class (other than a Series having a Class of Subordinated Certificates, as described below), either the specified interest of such Class in the Mortgage Pool times the aggregate of all amounts on deposit in the Certificate Account as of the 16th day of the month of the Remittance Date or such other date as may be specified in the related Prospectus Supplement (the "Determination Date"), or, in the case of a Series of Certificates comprised of Classes which have been assigned a Stated Balance and Interest Rate, payments of interest and payments in reduction of the Stated Balance from all amounts on deposit in the Certificate Account on the Determination Date, in the priority and calculated in the manner set forth in the related Prospectus Supplement, except, in each case: (i) all payments on the Mortgage Loans that were due on or before the Cut-off Date; (ii) all

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Principal Prepayments, Liquidation Proceeds and Insurance Proceeds received after the period specified in the related Prospectus Supplement (the "Principal Prepayment Period"); (iii) all scheduled payments of principal and interest due on a date or dates subsequent to the Determination Date; (iv) amounts representing reimbursement for Advances, such reimbursement being limited, if so specified in the related Prospectus Supplement, to amounts received on particular Mortgage Loans as Late Collections of principal or interest as to which the Master Servicer has made an unreimbursed Advance; (v) amounts representing reimbursement for any unpaid Servicing Fee and expenses from Liquidation Proceeds, condemnation proceeds and proceeds of insurance policies with respect to the related Mortgage Loans; (vi) all income from Eligible Investments held in the Certificate Account for the benefit of the Master Servicer; and (vii) any Advances deposited in the Certificate Account prior to the applicable Remittance Date.

The amounts on deposit in the Certificate Account on a Determination Date, less the amounts specified in (i) through (vii) above, with respect to a Series of Certificates having a Class of Subordinated Certificates, are referred to herein as the "Available Distribution Amount."

Unless otherwise specified in the related Prospectus Supplement, with respect to a Series of Certificates having a Class of Subordinated Certificates, on each Remittance Date, the Master Servicer will withdraw from the applicable Certificate Account and distribute to the holders of Senior Certificates, in the aggregate, the lesser of (i) the applicable Senior Distribution Amount plus the applicable Outstanding Senior Shortfall (each defined below), or (ii) the percentage interest of the Classes of Senior Certificates times the Available Distribution Amount plus (a) the percentage interest of the Classes of Subordinated Certificates times the Available Distribution Amount, not to exceed the Available Subordination Amount, as defined in the related Prospectus Supplement, (b) Advances, if any, made by the Master Servicer, and (c) transfers from the Reserve Fund, if any. If so specified in the related Prospectus Supplement, Senior Certificateholders may alternatively be entitled to receive all or some portion of the amounts otherwise distributable to Subordinated Certificateholders under circumstances and for the period of time specified in such Prospectus Supplement, which will have the effect of accelerating the amortization of the Senior Certificates and thereby increasing over time the

interest evidenced by the Subordinated Certificates in the related Trust Fund. The distribution made to the Certificateholders of each Class or Sub-class of Senior Certificates shall be calculated as described in the related Prospectus Supplement and may vary as to the allocation of principal or interest or both. Unless otherwise specified in the related Prospectus Supplement, the Senior Distribution Amount is an amount equal to the percentage interest of the Classes of Senior Certificates of:

(i) all regularly scheduled payments of principal of and interest on the Mortgage Loans due during the related Due Period, whether or not received, with the interest portions thereof adjusted to the Remittance Rate;

(ii) all Principal Prepayments made by the Mortgagor during the related Principal Prepayment Period (together with interest thereon at the Remittance Rate to the date of prepayment, unless, as specified in the related Prospectus Supplement, the Master Servicer is obligated to adjust its Servicing Fee to the extent necessary to distribute a full month's interest, as described below);

(iii) with respect to each Mortgage Loan not described in (iv) below, all insurance proceeds, all condemnation awards and any other cash proceeds from a source other than the Mortgagor, to the extent required to be deposited in the Certificate Account, which were received during the related Principal Prepayment Period, net of related unreimbursed Advances and net of any portion thereof which, as to any Mortgage Loan, constitutes Late Collections;

(iv) with respect to each Mortgage Loan as to which a receipt of such Liquidation Proceeds or Insurance Proceeds has been received during the related Principal Prepayment Period or other event of termination of the Mortgage Loan as a result of payments of insurance or condemnation proceeds has occurred during the related Principal Prepayment Period, an amount equal to the

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principal amount of the Mortgage Loan outstanding immediately prior to the date of receipt of such Liquidation Proceeds or Insurance Proceeds or such other event of termination, reduced by the principal portion of any unpaid payments due on or before such date to the extent previously advanced against or otherwise received by the Certificateholder, plus interest thereon from the most recent Due Date to the date of receipt at the Remittance Rate;

(v) all amounts required to be distributed on the Remittance Date from any account maintained with respect to a Mortgaged Property acquired by foreclosure or deed in lieu of foreclosure;

(vi) with respect to each Mortgaged Property acquired by foreclosure or deed in lieu of foreclosure, as to which a disposition occurred during the related Principal Prepayment Period, an amount generally equal to the excess, if any, of (a) the principal amount of the Mortgage Loan outstanding on the date of acquisition of the Mortgaged Property reduced by the principal portion of any unpaid payments due on or before such date, plus (b) interest thereon at the Remittance Rate from the last Due Date prior to the date of such acquisition through the date of the disposition, over (c) all amounts previously distributed to the Certificateholders in connection with such Mortgaged Property; and

(vii) with respect to each Mortgage Loan repurchased by the Master Servicer, Company or a seller for which the repurchase price was not distributed previously, an amount equal to the principal amount of the Mortgage Loan outstanding on the date of such repurchase reduced by the principal portion of any unpaid payments due on or before such date (but only to the extent advanced against or otherwise received by the Certificateholders), plus interest thereon from the most recent Due Date to the date of repurchase at the Remittance Rate.

The Outstanding Senior Shortfall for any Sub-class of Senior Certificates means as of any date, to the extent not previously paid, the aggregate of the amounts by which the Senior Distribution Amount for such Sub-class for any Remittance Date exceeded the amount actually paid on such Remittance Date plus interest at the Remittance Rate.

Unless otherwise specified in the related Prospectus Supplement, on each Remittance Date, the Master Servicer shall distribute to the Classes of Subordinated Certificateholders, in the order set forth in the related Prospectus Supplement, the balance of the Available Distribution Amount, if any, after the payment to the Senior Certificateholders and the making of the required deposit to the Reserve Fund, if any, as described above.

Unless otherwise specified in the Prospectus Supplement relating to a Series of Certificates, one or more Classes or Sub-classes of which have been assigned a Stated Balance, distributions in reduction of the Stated Balance of such Certificates will be made on each Remittance Date to the Certificateholders of

the Class or Sub-class then entitled to receive such distributions until the aggregate amount of such distributions have reduced the Stated Balance of the Certificates of such Class or Sub-class to zero. Allocation of distributions in reduction of Stated Balance will be made to each Class or Sub-class of such Certificates in the order specified in the related Prospectus Supplement, which, if so specified in such Prospectus Supplement, may be concurrently. Unless otherwise specified in the related Prospectus Supplement, distributions in reduction of the Stated Balance of each Certificate of a Class or Sub-class then entitled to receive such distributions will be made pro rata among the Certificates of such Class or Sub-class.

Unless otherwise specified in the related Prospectus Supplement, the maximum amount which will be distributed in reduction of the Stated Balance to holders of Certificates of a Class or sub-class then entitled thereto on any Remittance Date will equal, to the extent funds are available, the sum of (i) the amount of interest, if any, that has accrued but is not yet payable on the Compound Interest Certificates of such Series, if any, from the prior Remittance Date (or since the date specified in the related

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Prospectus Supplement in the case of first Remittance Date) (the "Accrual Remittance Amount"); (ii) the Certificate Remittance Amount; and (iii) the applicable percentage of the Excess Cash Flow, if any, specified in such Prospectus Supplement.

Unless otherwise specified in the related Prospectus Supplement, the Certificate Remittance Amount with respect to a Remittance Date will equal the amount, if any, by which the then outstanding Stated Balance of the Certificates of the related Classes or Sub-classes of such Series (before taking into account the amount of interest accrued on any Class or Sub-class of Compound Interest Certificates of such Series to be added to the Stated Balance thereof on such Remittance Date) exceeds the Asset Value, as defined in the related Prospectus Supplement, of the Mortgage Loans as of the end of the applicable Due Period specified in the related Prospectus Supplement. For purposes of determining the Certificate Remittance Amount with respect to a Remittance Date, the Asset Value of the Mortgage Loans will be reduced to take into account the interest evidenced by such Classes or Sub-classes of Certificates in the principal distributions on or with respect to such Mortgage Loans received by the Trustee during the preceding Due Period.

Unless otherwise specified in the Prospectus Supplement relating to a Series of Certificates, one or more Classes or Sub-classes of which have been assigned a Stated Balance, Excess Cash Flow represents the excess of (i) the interest evidenced by such Classes or Sub-classes of Certificates in the distributions received on the Mortgage Loans underlying such Series in the Due Period preceding a Remittance Date for such Series (and, in the case of the first Due Period, the amount deposited in the Certificate Account on the closing date for the sale of such Certificates), together with any available income from the reinvestment thereof, and, to the extent specified in such Prospectus Supplement, the amount of cash withdrawn from any Reserve, GPM or Buy-Down Fund for such Series in the Due Period preceding such Remittance Date, over (ii) the sum of all interest accrued, whether or not then payable, on the Certificates of such Classes or Sub-classes since the preceding Remittance Date (or since the date specified in the related Prospectus Supplement in the case of the first Remittance Date), the Certificate Remittance Amount for the then current Remittance Date and, if applicable, any payments made on any Certificates of such Class or Sub-class pursuant to any special distributions in reduction of Stated Balance during such Due Period.

Unless otherwise provided in the related Prospectus Supplement, within the time specified in the Agreement and described in the related Prospectus Supplement, the Master Servicer will furnish a statement to the Trustee setting forth the amount to be distributed on the related Remittance Date on account of principal and interest, stated separately, and a statement setting forth certain information with respect to the Mortgage Loans.

Unless otherwise provided in the related Prospectus Supplement, if there are not sufficient funds in the Certificate Account to make the full distribution to Certificateholders described above on any Remittance Date, the Master Servicer will distribute the funds available for distribution to the Certificateholders of each Class in accordance with the respective interests therein, except that Subordinated Certificateholders, if any, will not, subject to the limitations described in the related Prospectus Supplement, receive any distributions (other than their share of distributions in respect of any Mortgage Loan or any property acquired in respect thereof repurchased by the Master Servicer by reason of defective documentation or the Master Servicer's breach of warranty) until Senior Certificateholders receive the Senior Distribution Amount plus the Outstanding Senior Shortfall. The difference between the amount which the Certificateholders would have received if there had been sufficient eligible funds in the Certificate Account and the amount actually distributed will be added to the amount which the Certificateholders are entitled to receive on the next Remittance Date.

Special Distributions. To the extent specified in the Prospectus Supplement

relating to a Series of Certificates, one or more Classes or Sub-classes of which have been assigned a Stated Balance and having less frequent than monthly Remittance Dates, such Classes or Sub-classes may receive Special

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Distributions in reduction of Stated Balance ("Special Distributions") in any month, other than a month in which a Remittance Date occurs, if, as a result of principal prepayments on the Mortgage Loans in the related Mortgage Pool or low reinvestment yields, the Trustee determines, based on assumptions specified in the related Agreement, that the amount of cash anticipated to be on deposit in the Certificate Account on the next Remittance Date for such Series and available to be distributed to the holders of the Certificates of such Classes or Sub-classes may be less than the sum of (i) the interest scheduled to be distributed to holders of the Certificates of such Classes or Sub-classes and (ii) the amount to be distributed in reduction of Stated Balance of such Certificates on such Remittance Date. Any such Special Distributions will be made in the same priority and manner as distributions in reduction of Stated Balance would be made on the next Remittance Date.

Subordinated Certificates; Reserve Fund. The rights of the Subordinated Certificateholders to receive any or a specified portion of distributions with respect to the Mortgage Loans will be subordinated to the rights of Senior Certificateholders to the extent of the amount specified in the related Prospectus Supplement. If a Series of Certificates contains more than one Class of Subordinated Certificates, distributions and losses will be allocated among such Classes in the manner specified in the related Prospectus Supplement. The rights of the Subordinated Certificateholders, to the extent not subordinated, may be on a parity with those of Senior Certificateholders. The Available Subordination Amount for each Class of Subordinated Certificates of a Series will be dependent upon certain Mortgage Pool characteristics and other factors and will be set forth in the related Prospectus Supplement. Alternatively, if so specified in the related Prospectus Supplement, Senior Certificateholders may be entitled to receive all or some portion of the amounts otherwise allocable to Subordinated Certificateholders under circumstances and for the period of time specified in the Prospectus Supplement, which will have the effect of accelerating the amortization of the Senior Certificates and thereby increasing over time the interest evidenced by the Subordinated Certificates in the related Trust Fund. This Subordination is intended to enhance the likelihood of regular receipt by Senior Certificateholders of the full amount of scheduled monthly payments of principal and interest due to them and to protect the Senior Certificateholders against losses. See "Description of the Certificates--Distributions on Certificates."

The protection afforded to the Senior Certificateholders by the preferential right of the Senior Certificateholders to receive current distributions from the Mortgage Pool up to the Available Subordination Amount may be enhanced to the extent specified in the related Prospectus Supplement by the establishment of a fund to make payments on the Certificates to the extent funds are not otherwise available (the "Reserve Fund"), which is funded by retention of a portion of such amounts otherwise payable to the Subordinated Certificateholders. The Reserve Fund may also be funded, to the extent specified in the related Prospectus Supplement, by one or more of an initial cash deposit or the provision of a letter of credit, guarantee, insurance policy or other form of credit enhancement or any combination thereof and of the foregoing retained amounts. Unless otherwise specified in the related Prospectus Supplement, the Reserve Fund will be part of the Trust Fund. The Reserve Fund may be invested in Eligible Investments for the benefit of the Subordinated Certificateholders.

Advances. To the extent provided in the related Prospectus Supplement, the Master Servicer may be obligated to make periodic Advances of cash from its own funds, funds advanced by Sub-servicers or from excess funds in the Certificate Account not then required to be distributed to Certificateholders, for distribution to the Certificateholders in an amount equal to the difference between the amount due to them and the amount in the Certificate Account eligible for distribution to them pursuant to the Agreement, but only to the extent such difference is due to delinquent payments of principal and interest for the preceding Due Period and only to the extent the Master Servicer determines such advances are recoverable from future payments and collections on the Mortgage Loans or otherwise. The Master Servicer's obligation to make Advances, if any, may, as specified in the related Prospectus Supplement, be limited in amount or may be limited to advances received from Sub-servicers. If so specified in the related Prospectus Supplement, the Master Servicer will not be obligated to make

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Advances until all or a specified portion of the Reserve Fund is depleted. Advances are intended to maintain a regular flow of scheduled interest and principal payments to the Certificateholders, not to guarantee or insure against losses. Accordingly, any funds so advanced are recoverable by the Master Servicer out of amounts received on particular Mortgage Loans which represent late recoveries of principal or interest respecting which any such Advance was made and may be recoverable, if so specified in the related Prospectus Supplement, from the Mortgage Pool generally.

Advances in Connection with Prepaid Mortgage Loans. With respect to each Mortgage Pool, when a Mortgagor makes a Principal Prepayment between scheduled payment dates, the Mortgagor may be required to pay interest on the principal balance only to the date of prepayment. If and to the extent provided in the related Prospectus Supplement, in order that one or more Classes of the Certificateholders of a Series will not be affected adversely by any resulting shortfall in interest, the amount of the Servicing Fee may be reduced, or the Master Servicer may be obligated otherwise to advance moneys from its own funds or any reserve maintained for such purpose, to the extent necessary to include an amount equal to a full month's interest payment at the Remittance Rate with respect to such prepaid Mortgage Loan. Any such Principal Prepayment, together with a full month's interest thereon at the Remittance Rate, will be paid to such Certificateholders on the applicable Remittance Date. Partial Principal Prepayments may be treated as having been received on the next Due Date and, if so, no reduction in interest payable to such Certificateholders will occur unless such partial Principal Prepayment on the Remittance Date was received by the Master Servicer after the 20th day of a month and the Master Servicer elects to distribute such partial Principal Prepayment in the second month following receipt. In such event, each Agreement may, to the extent described in the related Prospectus Supplement, provide that an advance will be made as described above to the extent necessary to assure that distribution to such Certificateholders on the Remittance Date includes interest through the end of the month preceding the month of distribution. See "Yield Considerations."

Example of Distributions. The following is an example of the flow of funds as it would relate to a hypothetical series of Certificates with a Cut-off Date occurring in January 1996 (all days are assumed to be Business Days):

<S>	<C>	<C>
January 1.....	(1)	Cut-off Date.
January 2-31.....	(2)	Sub-servicers, if any, or Master Servicer receive(s) any Principal Prepayments and interest thereon.
January 30.....	(3)	Record Date.
February 15.....	(4)	Sub-servicers, if any, remit to the Master Servicer scheduled payments of principal and interest due on February 1 and received by them.
February 16.....	(5)	Determination Date. Distribution amount determined.
February 25.....	(6)	Remittance Date.

Succeeding months follow the pattern of (2) through (6). The flow of funds with respect to any Series of Certificates may differ from the above example, as specified in the related Prospectus Supplement.

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- (1) The initial principal balance of the Mortgage Pool will be the aggregate principal balance of the Mortgage Loans at the close of business on January 1, 1996, after deducting principal payments due on or before such date, which, together with corresponding interest payments, are not part of the Mortgage Pool and will not be passed through to Certificateholders.

(Footnotes continued on following page)

(Footnotes continued from preceding page)

- (2) Principal Prepayments may be received at any time during this period and will be deposited in the Certificate Account as described in (4) below for distribution to Certificateholders. When a Mortgage Loan is prepaid in full, interest on the amount prepaid is collected from the Mortgagor only to the date of payment; provided that, if so specified in the related Prospectus Supplement, the Master Servicer may be required to advance an amount necessary to provide for a full month's interest. See "Advances in Connection with Prepaid Mortgage Loans," above.
- (3) Distributions on February 25 will be made to Certificateholders of record at the close of business on the last Business Day of the month immediately preceding the month of distribution.
- (4) Payments due on February 1 from Mortgagors will be deposited by the Sub-servicers in Sub-servicing Accounts, or, if no Sub-servicers, by the Master Servicer in the Certificate Account, as received and will include the scheduled principal payments plus interest on the January balances (with the exception of interest from the date of prepayment of any Mortgage Loan prepaid in full during January). Funds required to be remitted from the Sub-servicing Accounts to the Certificate Account will be so remitted prior to February 16 (except that Principal Prepayments in full received by Sub-servicers during the month of January will have been remitted to the

Certificate Account within five business days of receipt).

- (5) On February 16, the Master Servicer will determine the amounts of principal and interest which will be passed through on February 25, which will include those payments due February 1 which have been received from Sub-servicers prior to February 16, as well as all Principal Prepayments received on Mortgage Loans in January (with interest adjusted to the applicable Remittance Rate). In addition, the Master Servicer may advance funds to cover any delinquencies, in which event the distribution to Certificateholders on February 25 will include the full amounts of principal and interest (adjusted to the applicable Remittance Rate and decreased by the effect of Principal Prepayments in full during January) due on February 1. The Master Servicer will also calculate any changes in the relative interests evidenced by the Senior Certificates and the Subordinated Certificates in the Trust Fund.
- (6) On February 25, the amounts determined on February 16 will be distributed to Certificateholders. If a payment due February 1 is received from a Sub-servicer or, if none, by the Master Servicer, after February 15 and an advance of the Master Servicer's funds has been made, the Master Servicer will reimburse itself, to the extent permitted by the Agreement, by withdrawing the amount of such payment from the Certificate Account. If no advance has been made, such late payment will be passed through to Certificateholders at the time of the next distribution following receipt of such late payment.

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Collection Procedures. The Master Servicer, directly or through Sub-servicers, will make reasonable efforts to collect all payments called for under the Mortgage Loans and, consistent with the Agreement and any Mortgage Pool Insurance Policy, any Primary Insurance Policy, FHA insurance, VA guaranty and Mortgagor Bankruptcy Bond, will follow such collection procedures as it follows with respect to mortgage loans serviced by it that are comparable to the Mortgage Loans.

Unless otherwise specified in the related Prospectus Supplement, under the Agreement the Master Servicer, either directly or through Sub-servicers, to the extent permitted by law, will establish and maintain an escrow account (the "Escrow Account") in which mortgagors will be required to deposit amounts sufficient to pay taxes, assessments, mortgage and hazard insurance premiums and other comparable items. Withdrawals from the Escrow Account maintained for mortgagors may be made to effect timely payment of taxes, assessments, mortgage and hazard insurance, to refund to mortgagors amounts determined to be overages, to pay interest to mortgagors on balances in the Escrow Account to the extent required by law, to repair or otherwise protect the mortgaged property and to clear and terminate such account. The Master Servicer will be responsible for the administration of the Escrow Account and will be obligated to make advances to such account when a deficiency exists therein.

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Maintenance of Insurance Policies and Other Servicing Procedures. Standard Hazard Insurance. Except as otherwise specified in the related Prospectus Supplement, the Master Servicer and each Sub-servicer, as applicable, will cause to be maintained for the Mortgage Loans comprising the Mortgage Pool for each Series of Certificates, and on property acquired upon foreclosure, or deed in lieu of foreclosure, or use its best reasonable efforts to cause each Sub-servicer of a Mortgage Loan to maintain, a Standard Hazard Insurance Policy as described under "Description of Insurance--Hazard Insurance on the Mortgage Loans--Standard Hazard Insurance Policies."

Other Insurance. The Master Servicer will, if and to the extent required by the related Agreement and as described in the related Prospectus Supplement, be required to maintain and keep a Special Hazard Insurance Policy, a Mortgage Pool Insurance Policy, a Primary Mortgage Loan Insurance Policy or Mortgagor Bankruptcy Insurance or a combination thereof. See "Description of Insurance." In addition, to the extent specified in the related Prospectus Supplement, all or a portion of the Mortgage Loans comprising a Mortgage Pool may be insured by the FHA or guaranteed by the VA. The Master Servicer and any Sub-servicers will take such steps as are reasonably necessary to keep such insurance and guarantees in full force and effect. See "Description of Insurance--FHA Insurance and VA Guarantees."

Alternate Credit Enhancement. To the extent provided in the related Prospectus Supplement, the Company, the Master Servicer or other party, from time to time, may be required to obtain or cause to be obtained an insurance policy, guarantee, letter of credit or surety bond (or make deposits in lieu thereof) to enhance the credit rating of the related Series of Certificates. The type and amount, which may be limited, of such alternate credit enhancement will be described in the related Prospectus Supplement.

Enforcement of Due-On-Sale Clauses; Realization Upon Defaulted Mortgage Loans. The Agreement will provide that, when any Mortgaged Property securing a Conventional Mortgage Loan is about to be conveyed by the Mortgagor, unless

otherwise specified in the related Prospectus Supplement, the Master Servicer will, to the extent it has knowledge of such prospective conveyance and prior to the time of the consummation of such conveyance, exercise its rights to accelerate the maturity of such Mortgage Loan under the applicable "due-on-sale" clause, if any, unless it is not exercisable under applicable law or if such exercise would result in loss of coverage under any Primary Insurance Policy. In such case, and in the case of FHA Mortgage Loans and VA Mortgage Loans, the Master Servicer is authorized to take or enter into an assumption agreement from or with the person to whom such Mortgaged Property has been or is about to be conveyed, pursuant to which such person becomes liable under the Mortgage Note and, unless determined to be materially adverse to the interests of Certificateholders and the Mortgagor with the prior approval of the Pool Insurer, to enter into a substitution of liability agreement with such person, pursuant to which the original Mortgagor is released from liability and such person is substituted as Mortgagor and becomes liable under the Mortgage Note. Where authorized by the Mortgage, the Mortgage Rate may, upon assumption, be increased to the then-prevailing market rate, but shall not be decreased.

Under the Agreement, the Master Servicer will foreclose upon or otherwise comparably convert the ownership of properties securing such of the related Mortgage Loans as come into and continue in default and as to which no satisfactory arrangements can be made for collection of delinquent payments. In connection with such foreclosure or other conversion, the Master Servicer will follow such practices and procedures as it shall deem necessary or advisable and as shall be normal and usual in its general mortgage servicing activities. However, the Master Servicer will not be required to expend its own funds in connection with any foreclosure or towards the restoration of any property unless it determines (i) that such restoration or foreclosure will increase the proceeds of liquidation of the related Mortgage Loan to the Certificateholders after reimbursement to itself for such expenses and (ii) that such expenses will be recoverable to it either through Liquidation Proceeds or through Insurance Proceeds. If a REMIC election is made with respect to a Series of Certificates, the Master Servicer shall be required to dispose of any Mortgaged Property acquired in foreclosure within one year of acquisition, or such longer period as indicated in an opinion of counsel would not cause the Trust Fund to fail to be treated as a REMIC.

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Servicing Compensation and Payment of Expenses. Except as otherwise provided in the related Prospectus Supplement, the Master Servicer will be entitled to a servicing fee in an amount equal to the difference between the Mortgage Rate and the related Remittance Rate (less any sub-servicing compensation, Excess Interest or fee for credit enhancement, if any). As compensation for its servicing duties, a Sub-servicer will be entitled to the servicing fee (which will be a part of the "Servicing Fee," as that term is used herein) described in the related Prospectus Supplement. The Servicing Fee may be fixed or variable, as specified in the related Prospectus Supplement. In addition, as described in the related Prospectus Supplement, the Master Servicer or a Sub-servicer may be entitled to servicing compensation in the form of assumption fees, late payment charges or otherwise, which shall be retained by the Master Servicer or a Sub-servicer to the extent not required to be deposited in the Certificate Account.

Unless otherwise provided in the related Prospectus Supplement, the Master Servicer will pay from its servicing compensation certain expenses incurred in connection with the servicing of the Mortgage Loans, including, without limitation, payment of the fees and expenses of the Trustee, payment of insurance policy premiums and payment of expenses incurred in enforcing the obligations of Sub-servicers. Certain of these expenses may be reimbursable pursuant to the terms of the Agreement from Liquidation Proceeds and Insurance Proceeds, and, in the case of enforcement of the obligations of Sub-servicers, from any recoveries in excess of amounts due with respect to the related Mortgage Loans or from specific recoveries of costs.

Unless otherwise provided in the related Prospectus Supplement, the Master Servicer will be entitled to reimbursement for certain expenses incurred by it in connection with the liquidation of defaulted Mortgage Loans. The related Trust Fund will suffer no loss by reason of such expenses to the extent claims are paid under the related Insurance Policies. If claims are either not made or paid under such Insurance Policies or if coverage thereunder has ceased, the related Trust Fund will suffer a loss to the extent that the proceeds of the liquidation proceedings, after reimbursement of the Master Servicer's expenses, are less than the principal balance of the related Mortgage Loan. In addition, the Master Servicer will be entitled to reimbursement of expenditures incurred by it in connection with the restoration of Mortgaged Property, such right of reimbursement being prior to the rights of the Certificateholders to receive any related Insurance Proceeds or Liquidation Proceeds.

Evidence as to Compliance. Unless otherwise provided in the related Prospectus Supplement, the Master Servicer will, with respect to each Series of Certificates relating to Mortgage Loans, deliver to the Trustee each year an Officer's Certificate stating that (i) a review of the activities of the Master Servicer and the Sub-servicers during the preceding calendar year and of performance under the Agreement has been made under the supervision of such

officer, and (ii) the Master Servicer has fulfilled all its obligations under the Agreement throughout such year, and, to the best of such officer's knowledge, based on such review, each Sub-servicer has fulfilled its obligations throughout such year, or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to such officer and the nature and status thereof. Such Officer's Certificate shall be accompanied by a statement of a firm of independent public accountants to the effect that, on the basis of an examination of certain documents and records relating to servicing of the Mortgage Loans, conducted in accordance with generally accepted accounting principles in the mortgage banking industry, the Master Servicer's duties and duties of the Sub-servicers have been conducted in compliance with the provisions of the Agreement, except for (i) such exceptions as such firm believes to be immaterial and (ii) such other exceptions as are set forth in such statement. Copies of the annual Officer's Certificate and accountants' statement may be obtained without charge upon written request to the Master Servicer.

Certain Matters Regarding the Master Servicer. The Master Servicer under each Agreement will be specified in the related Prospectus Supplement. The Master Servicer may be an affiliate of the Company, and may have other business relationships with the Company and its affiliates.

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The Master Servicer may not resign from its obligations and duties under an Agreement except with the consent of all Certificateholders or upon a determination that its duties thereunder are no longer permissible under applicable law. No such resignation will become effective until the Trustee or a successor servicer has assumed the Master Servicer's obligations and duties under such Agreement.

Each Agreement will also provide that neither the Master Servicer, nor any director, officer, employee or agent of the Master Servicer, will be under any liability to the Trust Fund or the Certificateholders for any action taken or for refraining from the taking of any action in good faith pursuant to the Agreement, or for errors in judgment; provided, however, that neither the Master Servicer nor any such person will be protected against any liability which would otherwise be imposed by reason of the failure to perform its obligations in strict compliance with the standards of care set forth in the Agreement. The Master Servicer may, in its discretion, undertake any such action which it may deem necessary or desirable with respect to the Agreement and the rights and duties of the parties thereto and the interests of the Certificateholders thereunder. In such event, the legal expenses and costs of such action and any liability resulting therefrom will be expenses, costs and liabilities of the Trust Fund and the Master Servicer will be entitled to be reimbursed therefor out of the Certificate Account.

#### CERTIFICATES EVIDENCING INTERESTS IN AGENCY SECURITIES

General. The Company will cause the Agency Securities to be registered in the name of the Trustee or its nominee, and the Trustee concurrently will authenticate and deliver the Certificates. Each Mortgage Security will be identified in a schedule appearing as an exhibit to the Agreement (the "Agency Securities Schedule"), 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 and the maturity date.

Unless otherwise specified in the related Prospectus Supplement or in the Agreement, the Company will represent and warrant to the Trustee, among other things, the information contained in the Agency Securities Schedule and that immediately prior to the transfer of the Agency Securities to the Trustee, the Company had good title to, and was the sole owner of, each Agency Security and there had been no other sale or assignment thereof.

Payments on the Agency Securities. A Certificate Account meeting the requirements set forth under "Description of the Certificates--Certificates Evidencing Interests in Mortgage Loans--Payments on Mortgage Loans" will be established in the name of the Trustee. The Trustee will deposit in the Certificate Account as received all payments on the Agency Securities received in respect of periods after the Cut-off Date.

Distributions on Certificates. Except as otherwise provided in the related Prospectus Supplement, on each Remittance Date, the Trustee will withdraw from the applicable Certificate Account and distribute to the Certificateholders of each Class either the specified interest of such Class in the distributions on the pool of Agency Securities times the aggregate of all amounts representing principal or interest or both, on deposit in the Certificate Account as of the Remittance Date or any other date set forth in the related Prospectus Supplement (the "Determination Date"), less the Servicing Fee and certain other amounts specified in the related agreement, or, in the case of a Series of Certificates comprised of Classes which have been assigned a Stated Balance and Interest Rate, payments of interest and payments in reduction of the Stated Balance in the priority and amounts and calculated in the manner set forth in the related Prospectus Supplement.



Unless otherwise specified in the Prospectus Supplement relating to a Series of Certificates, one or more Classes or Sub-classes of which have been assigned a Stated Balance, distributions in reduction of the Stated Balance of such Certificates will be made on each Remittance Date for such Series to the Certificates of the holders of the Class or Sub-class then entitled to receive such Certificate distributions

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until the aggregate amount of such distributions have reduced the Stated Balance of such Certificate to zero. Allocation of distributions in reduction of Stated Balance will be made to each Class or Sub-class of such Certificates in the order specified in the related Prospectus Supplement, which, if so specified in such Prospectus Supplement, may be concurrently. Unless otherwise specified in the related Prospectus Supplement, distributions in reduction of the Stated Balance of each Certificate of a Class or Sub-class then entitled to receive such distributions will be made pro rata among the Certificates of such Class or Sub-class.

Unless otherwise specified in the related Prospectus Supplement, the maximum amount which will be distributed in reduction of Stated Balance to holders of Certificates of a Class or Sub-class then entitled thereto on any Remittance Date will equal, to the extent funds are available, the sum of (i) the amount of the interest, if any, that has accrued but is not yet payable on the Compound Interest Certificates of such Series from the prior Remittance Date (or since the date specified in the related Prospectus Supplement in the case of the first Remittance Date) (the "Accrual Remittance Amount"); (ii) the Certificate Remittance Amount; and (iii) to the extent specified in the related Prospectus Supplement, the applicable percentage of the Excess Cash Flow specified in such Prospectus Supplement.

Unless otherwise specified in the related Prospectus Supplement, the Certificate Remittance Amount with respect to a Remittance Date will equal the amount, if any, by which the then outstanding Stated Balance of the Certificates of the related Classes or Sub-classes of such Series (before taking into account the amount of interest accrued on any Class or Sub-class of Compound Interest Certificates of such Series to be added to the Stated Balance thereof on such Remittance Date) exceeds the Asset Value, as defined in the related Prospectus Supplement of the Agency Securities relating to such Securities as of the end of the related Due Period specified in the related Prospectus Supplement.

Unless otherwise specified in the Prospectus Supplement relating to a Series of Certificates, one or more Classes or Sub-classes of which have been assigned a Stated Balance, Excess Cash Flow represents the excess of (i) the interest evidenced by such Classes or Sub-classes of Certificates in the distributions received on the Agency Securities relating to such Series in the Due Period preceding a Remittance Date for such Series (and, in the case of the first Due Period, the amount deposited in the Certificate Account on the closing date for the sale of such Certificates), together with income from the reinvestment thereof, over (ii) the sum of all interest accrued, whether or not then payable, on the Certificates of such Classes or Sub-classes since the preceding Remittance Date (or since the date specified in the related Prospectus Supplement in the case of the first Remittance Date), the Certificate Remittance Amount for the then current Remittance Date and, if applicable, any payments made on any Certificates of such Class or Sub-class pursuant to any special distributions in reduction of Stated Balance during such Due Period.

The Stated Balance of a Certificate of a Series at any time represents the maximum specified dollar amount (exclusive of interest at the related Interest Rate) to which the holder thereof is entitled from the cash flow on the Agency Securities for such Series, and will decline to the extent distributions in reduction of Stated Balance are received by such holder. The Original Stated Balance of each Class or Sub-class within a Series that has been assigned a Stated Balance will be specified in the related Prospectus Supplement.

Special Distributions. To the extent specified in the Prospectus Supplement relating to a Series of Certificates, one or more Classes or Sub-classes of which have been assigned a Stated Balance and having other than monthly Remittance Dates, such Classes or Sub-classes may receive Special Distributions in reduction of Stated Balance ("Special Distributions") in any month, other than a month in which a Remittance Date occurs, if, as a result of principal prepayments on the mortgage loans underlying the Agency Securities or low reinvestment yields, the Trustee determines, based on assumptions specified in the related Agreement, that the amount of cash anticipated to be on deposit in

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the Certificate Account on the next Remittance Date for such Series and available to be distributed to the holders of the Certificates of such Classes or Sub-classes may be less than the sum of (i) the interest scheduled to be distributed to the holders of the Certificates of such Classes or Sub-classes and (ii) the amount to be distributed in reduction of Principal Balance of such Certificates on such Remittance Date. Any such Special Distributions will be made in the same priority and manner as distributions in reduction of Principal Balance would be made on the next Remittance Date.

Substitution of Mortgage Loans and Agency Securities. Unless otherwise specified in the related Prospectus Supplement, if the Company is required to repurchase a Mortgage Loan or Agency Security, the Company, rather than repurchase the Mortgage Loan or Agency Security as described above, may remove such Mortgage Loan or Agency Security from the Trust Fund and substitute in its place another Mortgage Loan or Agency Security, subject to the limitations described in such Prospectus Supplement. The repurchase or substitution obligation constitutes the sole remedy available to the Certificateholders or the Trustee for any such breach.

Reports to Certificateholders. The Master Servicer or the Trustee, as applicable, will forward to each Certificateholder on each Remittance Date, or as soon thereafter as is practicable, as specified in the related Prospectus Supplement, a statement setting forth, among other things:

(i) the amount of such distribution allocable to principal on the Mortgage Loans or Agency Securities;

(ii) the amount of such distribution allocable to interest on the Mortgage Loans or Agency Securities;

(iii) if the distribution to the Certificateholders is less than the full amount that would be distributable to such Certificateholders if there were sufficient eligible funds in the Certificate Account, the percentage difference between the aggregate amounts of principal and interest which Certificateholders would have received if there were sufficient eligible funds in the Certificate Account and the amounts actually distributed;

(iv) the aggregate amount of Advances, if any, by the Master Servicer included in the amounts actually distributed to the Certificateholders;

(v) if the Certificateholder is a Senior Certificateholder, the amount of such distribution otherwise distributable to the Subordinated Certificateholders included in amounts actually distributed to the Senior Certificateholders and the amount of withdrawal from any Reserve Fund, if any, included in amounts actually distributed to such Class or Sub-class of Certificateholders;

(vi) in the case of Certificates evidencing interests in Mortgage Loans, the approximate weighted average Remittance Rate of the Mortgage Loans during the Due Period immediately preceding such Remittance Date.

In addition, to the extent applicable, such report shall include:

(i) in the case of Certificates evidencing interests in Mortgage Loans, the amount of servicing advances, if any, paid by the Master Servicer and any Sub-servicer during such period;

(ii) in the case of Certificates evidencing interests in Mortgage Loans, the number and aggregate principal balances of Mortgage Loans delinquent (a) one month and (b) two or more months, as of the close of business on the last business day of the calendar month next preceding the Remittance Date;

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(iii) in the case of Certificates evidencing interests in Mortgage Loans, the book value of any real estate acquired through foreclosure or grant of a deed in lieu of foreclosure as of the close of business on the last business day of the calendar month next preceding the Remittance Date;

(iv) in the case of Certificates evidencing interests in Mortgage Loans, the amount of coverage under any Mortgage Pool Insurance Policy, Special Hazard Insurance Policy and Mortgagor Bankruptcy Insurance as of the close of business on the applicable Remittance Date;

(v) in the case of Certificates subject to Alternate Credit Enhancement described in a Prospectus Supplement, the amount of coverage of such credit enhancement as of the close of business on the applicable Remittance Date;

(vi) the Available Subordination Amount, if any, determined as of the related Determination Date;

(vii) the balance of the Reserve Fund, if any, on such Remittance Date, after giving effect to distributions made on such date;

(viii) in the case of Certificates which are assigned a Stated Balance, the Stated Balance of each such Class of Certificates and a Single Certificate of the holder's Class after giving effect to the distribution in reduction of Stated Balance made on such Remittance Date and, unless otherwise specified in the related Prospectus Supplement, after giving effect to all Special Distributions since the preceding Remittance Date or since the Closing Date in the case of the first

Remittance Date;

(ix) in the case of Certificates which are assigned a Stated Balance, the amount of the interest distribution being made with respect to a Single Certificate; and

(x) with respect to a Compound Interest Certificate (but only if the holder thereof shall not have received on such Remittance Date a distribution of interest equal to the entire amount of interest accrued on such Certificate during the related Due Period with respect to such Remittance Date),

(a) the interest accrued on such Class of Compound Interest Certificates and on a Single Certificate of such Class during the Due Period (or specified interest accrual period) with respect to such Remittance Date and added to the Stated Balance of such Compound Interest Certificates; and

(b) the Stated Balance of such Class of Compound Interest Certificates and of a Single Certificate of such Class after giving effect to the addition thereto of all interest accrued thereon during the Due Period (or specified interest accrual period) with respect to such Remittance Date.

Except as otherwise provided in the related Prospectus Supplement, in addition, not more than 45 days after the end of each calendar year, the Master Servicer or the Trustee will furnish a report to each Certificateholder of record at any time during such calendar year (a) such information as is required by the Code and (b) with respect to Mortgage Loans, a listing of the principal balances of the Mortgage Loans outstanding at the end of such calendar year. Information in the monthly and annual reports provided to the Certificateholders will not have been examined and reported upon by an independent public accountant except as otherwise provided in the related Prospectus Supplement. However, with respect to Mortgage Loans, the Master Servicer will provide to the Trustee annually a report by independent public accountants with respect to the servicing of the Mortgage Loans. See "Evidence as to Compliance" below.

Events of Default with Respect to Mortgage Loans. Unless otherwise specified in the related Prospectus Supplement, Events of Default under each Agreement relating to Mortgage Loans will

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consist of (i) any failure by the Master Servicer to distribute to the Certificateholders any required payment which continues unremedied for 5 days (or such other period specified in the related Prospectus Supplement) after the giving of written notice; (ii) any failure by the Master Servicer or the REMIC Servicer, duly to observe or perform in any material respect any other of its covenants or agreements in the Agreement or any breach of any representation and warranty made by the Master Servicer (other than a breach of its insurability representation) that materially and adversely affects the interests of Certificateholders, which, in either case, continues unremedied for 60 days (or such other period specified in the related Prospectus Supplement) after the giving of written notice of such failure or breach; and (iii) certain events of insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings regarding the Master Servicer. Notice as used herein shall mean notice to the Master Servicer by the Trustee or the Company, or to the Company, the Master Servicer, if any, and the Trustee by the holders of Certificates representing interests aggregating not less than 25% of the Trust Fund.

Rights Upon Event of Default with Respect to Mortgage Loans. So long as an Event of Default remains unremedied, the Trustee may, and at the written direction of the Certificateholders of each Series evidencing interests aggregating not less than a stated percentage of the Trust Fund, shall, terminate all of the rights and obligations of the Master Servicer or REMIC Servicer, as the case may be, under the related Agreement, whereupon (subject to applicable law regarding the Trustee's ability to make advances) the Trustee or a successor Master Servicer or REMIC Servicer under the Agreement will succeed to all the responsibilities, duties and liabilities of the Master Servicer under the Agreement and will be entitled to similar compensation arrangements. Unless otherwise provided in the related Prospectus Supplement, in the event that the Trustee would be obligated to succeed the Master Servicer or REMIC Servicer but is unwilling or unable so to act, it may appoint, or petition to a court of competent jurisdiction for the appointment of a master servicer or a REMIC servicer. Pending such appointment, the Trustee is obligated to act in such capacity. Unless otherwise provided in the related Prospectus Supplement, the Trustee and such successor may agree upon the servicing compensation to be paid, which in no event may be greater than the compensation to the Master Servicer or REMIC Servicer under the Agreement.

Amendment. Unless otherwise specified in the related Prospectus Supplement, the Agreement may be amended by the Company, the Master Servicer, if any, the REMIC Servicer, if any, and the Trustee without the consent of the Certificateholders, (i) to cure any ambiguity, (ii) to correct or supplement any

provision therein that may be inconsistent with any other provision therein, (iii) to make any other provision with respect to matters or questions arising under such Agreement that are not inconsistent with the provisions thereof or to comply with any requirements imposed by the Code, or (iv) if a REMIC election has been made with respect to a Series of Certificates, to maintain the REMIC status of the Trust Fund and to avoid the imposition of certain taxes on the REMIC, provided that such action will not adversely affect in any material respect the interests of the Certificateholders of the related Series. Unless otherwise specified in the related Prospectus Supplement, the Agreement may also be amended by the Company, the Master Servicer, if any, the REMIC Servicer, if any, and the Trustee with the consent of the Certificateholders evidencing interests aggregating not less than 66% of each Class of Certificates affected thereby 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 Certificateholders; provided, however, that no such amendment that reduces in any manner the amount of, or delays the timing of, any payment received on or with respect to Mortgage Loans or Agency Securities which are required to be distributed on any Certificate may be effective without the consent of the holders of each such Certificate.

Termination. The obligations created by each Agreement will terminate upon the date calculated as specified in the Agreement, generally (i) the later of the final payment or other liquidation of the last Mortgage Loan or Agency Security subject thereto and the disposition of all property acquired upon foreclosure of any Mortgage Loan and (ii) the payment to the Certificateholders of all amounts held by

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the Master Servicer or the Trustee and required to be paid to it pursuant to the Agreement. In addition, unless otherwise specified in the related Prospectus Supplement, the Company may at its option with respect to any Series of Certificates, repurchase all Certificates, Agency Securities or Mortgage Loans remaining outstanding at such time as the aggregate unpaid principal balance of such Mortgage Loans or Agency Securities is less than the percentage of the aggregate unpaid principal balance of the Mortgage Loans or Mortgage Securities on the Cut-off Date specified with respect to such Series in the related Prospectus Supplement. In the case of a Trust Fund for which an election to be treated as a REMIC is made, a termination may be effected by the making of such optional repurchases only if the Trustee has received an opinion of counsel that the termination of the Trust Fund will constitute a "qualified liquidation" within the meaning of section 860F (a) (4) of the Code and the repurchases of the Agency Securities will not constitute "prohibited transactions" within the meaning of section 860F(a) (2) of the Code. In no event shall the trust created by an Agreement for a Series of Certificates continue beyond the expiration of 21 years from the death of the survivor of the persons named in the Agreement. Unless otherwise provided in the related Prospectus Supplement, the repurchase price will equal the principal amount of such Mortgage Loans or Agency Securities plus accrued interest from the first day of the month of repurchase to the first day of the next succeeding month at the Remittance Rates borne by such Mortgage Loans or Agency Securities or at the weighted average of such Remittance Rates.

The Trustee. The Prospectus Supplement for a Series of Certificates will specify the Trustee under the related Agreement. The Trustee may have normal banking relationships with the Company or its affiliates, the Master Servicer or its affiliates and an originator or seller or its affiliates.

The Trustee may resign at any time, in which event the Company will be obligated to appoint a successor Trustee. The Company may also remove the Trustee if the Trustee ceases to be eligible to continue as such under the Agreement or if the Trustee becomes insolvent. The Trustee may also be removed at any time, with respect to any Class of Certificates, by the holders of Certificates evidencing interests aggregating over 50% of the interests of such Class in the related Trust Fund as specified in the Agreement. 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.

#### DESCRIPTION OF INSURANCE

As specified in the related Prospectus Supplement, the Certificates, the Mortgage Loans comprising the Mortgage Pool, or all or any part of the Trust Fund with respect to a Series of Certificates may be subject to the insurance policies or Alternate Credit Enhancement described below. Any material changes from such description in the insurance policies or Alternate Credit Enhancement with respect to a Series will be described in the related Prospectus Supplement.

#### MORTGAGE INSURANCE ON THE MORTGAGE LOANS

Mortgage Loans relating to a Series of Certificates will, to the extent described in the related Prospectus Supplement, be covered by primary mortgage insurance policies ("Primary Mortgage Insurance Policies"), FHA insurance, VA guarantees or one or more mortgage pool insurance policies (the "Mortgage Pool Insurance Policy") or any combination thereof (together, the "Mortgage Insurance Policies").

Unless otherwise provided in the related Prospectus Supplement, all Conventional Mortgage Loans with initial Mortgage Loan-to-Value Ratios of greater than 80% will be covered by Primary Mortgage Insurance Policies providing coverage on at least the amount of each such Mortgage Loan in excess of 75% of the original Appraised Value (defined below) of the Mortgaged Property and remaining in force until the principal balance of such Mortgage Loan is reduced to 80% of such original Appraised Value (defined below). Certain other Mortgage Loans may also be covered by Primary

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Mortgage Insurance Policies. Certain Primary Mortgage Insurance Policies may, to the extent required by the related Prospectus Supplement, and subject to their provisions and certain conditions and exclusions described below, provide full coverage against any loss sustained by reason of nonpayments by the mortgagors (a "Full Coverage Insurance Policy").

The initial Mortgage Loan-to-Value Ratio of any Mortgage Loan represents the ratio of the principal amount of the Mortgage Loan outstanding at the origination of such loan divided by the lesser of the sales price (in the case of a purchase money mortgage) or the value of the Mortgaged Property, as shown in the appraisal prepared in connection with origination of the Mortgage Loan (the "Appraised Value").

The FHA Mortgage Loans will be insured by the FHA as authorized under the Housing Act and the United States Housing Act of 1937, as amended. Such Mortgage Loans will be insured under 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. FHA Mortgage Loans generally require a minimum down payment of approximately 5% of the original principal amount of the Mortgage Loan. No FHA 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 Mortgage Loan.

The VA Mortgage Loans will be partially guaranteed by the VA under the Serviceman's Readjustment Act of 1944, as amended. The Servicemen'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 permitted by the VA. 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 such VA Mortgage Loan will have an original principal amount greater than five times the partial VA guarantee for such Mortgage Loan.

The Mortgage Pool Insurance Policy or Policies for a Series will be designed to provide coverage for all Conventional Mortgage Loans which are not covered by Full Coverage Insurance Policies. However, neither the Primary Mortgage Insurance Policies nor the Mortgage Pool Insurance Policies will insure against certain losses sustained in the event of a personal bankruptcy of the mortgagor under a Mortgage Loan. See "Certain Legal Aspects of Mortgage Loans--Anti-Deficiency Legislation and Other Limitations on Lenders." Such losses may be covered to the extent provided by the Mortgagor Bankruptcy Insurance, if any, described below for such Series.

The Mortgage Insurance Policies will not provide coverage against hazard losses. Each Mortgage Loan will be covered by a Standard Hazard Insurance Policy, as described below, and, to the extent required by the related Prospectus Supplement, the Mortgage Loans evidenced by Certificates of a Series may be subject to a Special Hazard Insurance Policy, which will not cover all risks and which will be limited in amount. See "Description of Insurance--Hazard Insurance on the Mortgage Loans" below. Certain hazard risks will, as a result, not be insured and thus may affect payments to holders of Certificates of such Series.

To the extent that the Primary Mortgage Insurance Policies, the FHA insurance or the VA guarantees do not cover all losses on a defaulted or foreclosed Mortgage Loan, and to the extent such losses are not covered by the Mortgage Pool Insurance Policy for the related Series of Certificates, if any, such losses would affect payments to holders of Certificates of such Series.

The Primary Mortgage Insurance Policies with respect to the Mortgage Pool will be issued by the insurance company or companies specified in the related Prospectus Supplement (the "Mortgage Insurer") and any Mortgage Pool Insurance Policy with respect to a Series will be issued by the insurance company or companies specified in the related Prospectus Supplement (the "Pool Insurer"). The following descriptions of such policies and the coverage thereunder are provided for general informational purposes only. They are general descriptions of typical types of such policies only and do not purport to be complete. There can be no assurance that the actual policies and coverage with respect to a specific Series will comply with these descriptions.

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Primary Mortgage Insurance. Each Primary Mortgage Insurance Policy covering Mortgage Loans evidenced by a Series of Certificates will be issued by the related Mortgage Insurer pursuant to the Mortgage Insurer's applicable master policy. The Company and the Trustee as assignee of the lender under such Mortgage Loans will be the insureds or assignees of record (the "Insured"), as their interests may appear, under each such Primary Mortgage Insurance Policy. Each Agreement with respect to such Series will require the Master Servicer and any Sub-servicer to cause a Primary Mortgage Insurance Policy to be maintained in full force and effect with respect to each Mortgage Loan covered by an Agreement requiring such insurance and to act on behalf of the Insured with respect to all actions required to be taken by the Insured under each such Primary Mortgage Insurance Policy.

Unless otherwise specified in the related Prospectus Supplement, the amount of a claim for benefits under a Primary Mortgage Insurance Policy covering a Mortgage Loan evidenced by a Series of Certificates (herein referred to as the "Loss") will consist of the insured portion of the unpaid principal amount of the covered Mortgage Loan (as described herein), accrued and unpaid interest thereon and certain advances made by the Insured as described below, less (i) all rents or other payments collected or received by the Insured (other than the proceeds of hazard insurance) that are derived from or in any way related to the Mortgaged Property, (ii) 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, (iii) amounts expended but not approved by the Mortgage Insurer, (iv) claim payments previously made by the Mortgage Insurer, and (v) unpaid premiums.

Unless otherwise specified in the related Prospectus Supplement, as conditions precedent to the filing of or payment of a claim under a Primary Mortgage Insurance Policy covering a Mortgage Loan evidenced by a Series of Certificates, the Insured will be required to (i) advance or discharge (a) all hazard insurance premiums and (b) as necessary and approved in advance by the Mortgage Insurer, (1) real estate property taxes, (2) all expenses required to maintain such Mortgaged Property in at least as good a condition as existed at the effective date of such Primary Mortgage Insurance Policy, ordinary wear and tear excepted, (3) foreclosure costs, including court costs and reasonable attorneys' fees and (4) any other amounts expended approved by the Mortgage Insurer; (ii) 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 Mortgage Insurance Policy, ordinary wear and tear excepted; and (iii) tender to the Mortgage Insurer good and merchantable title to and possession of the Mortgaged Property.

Unless otherwise specified in the related Prospectus Supplement, other provisions and conditions of each Primary Mortgage Insurance Policy covering a Mortgage Loan evidenced by a Series of Certificates generally will provide that: (a) no change may be made in the terms of such Mortgage Loan without the consent of the Mortgage Insurer; (b) written notice must be given to the Mortgage Insurer within 10 days after the Insured becomes aware that a mortgagor is delinquent in the payment of a sum equal to the aggregate of three monthly payments due under such Mortgage Loan or that any proceedings affecting the mortgagor's interest in the Mortgaged Property securing such Mortgage Loan have been commenced, and thereafter the Insured must report monthly to the Mortgage Insurer the status of any such Mortgage Loan until such Mortgage Loan is brought current, such proceedings are terminated or a claim is filed; (c) the Mortgage Insurer will have the right to purchase such Mortgage Loan, at any time after the 10 days' notice described in (b) above and prior to the commencement of foreclosure proceedings, at a price equal to the unpaid principal amount of the Mortgage Loan plus accrued and unpaid interest thereon and amounts expended by the Insured (and not reimbursed) for the real estate taxes and fire and extended coverage insurance on the Mortgaged Property for a period not exceeding 12 months; (d) the Insured must commence proceedings at certain times specified in the policy and diligently proceed to obtain good and merchantable title to and possession of the Mortgaged Property; (e) the Insured must notify the Mortgage Insurer of the institution of such proceedings, provide it with copies of documents relating thereto, notify the Mortgage Insurer of the price amounts specified in (c) above at least 15 days prior to the sale of the Mortgaged Property by foreclosure, and bid

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such amount unless the Mortgage Insurer specifies a lower or higher amount; and (f) the Insured may accept a conveyance of the Mortgaged Property in lieu of foreclosure with written approval of the Mortgage Insurer.

Unless otherwise specified in the related Prospectus Supplement, the Mortgage Insurer will be required to pay to the Insured the insured percentage of the loss. Any rents or other payments collected or received by the Insured which are derived from or are in any way related to the Mortgaged Property will be deducted from any claim payment.

The Master Servicer will not cancel or refuse to renew any such Primary Mortgage Insurance Policy in effect at the date of the initial issuance of the Certificates that is required to be kept in force under the Agreement unless the replacement Primary Mortgage Insurance Policy for such cancelled or nonrenewed

policy is maintained with a qualified insurer.

FHA Insurance and VA Guarantees. The FHA is responsible for administering various federal programs, including mortgage insurance, authorized under the Housing Act, as amended, and the United States Housing Act of 1937, as amended.

The insurance premiums for FHA Mortgage Loans are collected by HUD approved lenders or by the Master Servicer or any Sub-servicers and are 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 Mortgage Loan, the Master Servicer or any Sub-servicer is limited in its ability to initiate foreclosure proceedings. When it is determined, either by the Master Servicer or any Sub-servicer or HUD, that default was caused by circumstances beyond the mortgagor's control, the Master Servicer or any Sub-servicer is expected to make an effort 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, 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 before the Master Servicer or any Sub-servicer may initiate foreclosure proceedings.

HUD has the option, in most cases, to pay insurance claims in cash or in debentures issued by HUD. Presently, claims are being paid in cash, and 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 Mortgage Loan will be obligated to purchase any such debenture issued in satisfaction of a defaulted FHA Mortgage Loan serviced by it for an amount equal to the principal amount of any such debenture.

The amount of insurance benefits generally paid by the FHA 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 entitlement to insurance benefits results from foreclosure (or other acquisition of possession) and conveyance to HUD, the Master Servicer or Sub-servicer is compensated for no more than two-thirds of its foreclosure costs, and is compensated for interest accrued and unpaid prior to such date but in general only to the extent it was allowed pursuant to a forbearance plan approved by HUD. 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

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assignment date. The insurance payment itself, upon foreclosure of an FHA Mortgage Loan, bears interest from a date 30 days after the mortgagor's first uncorrected failure to perform any obligation or make any payment due under the Mortgage Loan 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.

The maximum guaranty that may be issued by the VA 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 1803(a), as amended. As of January 1, 1990, the maximum guaranty that may be issued by the VA 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 \$46,000. The liability on the guaranty 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 guaranty exceed the amount of the original guaranty. The VA may, at its option and without regard to the guaranty, make full payment to a mortgage holder of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

With respect to a defaulted VA Mortgage 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 guaranty is submitted after liquidation of the Mortgaged Property.

The amount payable under the guaranty will be the percentage of the VA Mortgage Loan originally guaranteed applied to indebtedness outstanding as of the applicable date of computation specified in the VA regulations. Payments under the guaranty 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.

Mortgage Pool Insurance Policy. If required by the related Prospectus Supplement, if any Mortgage Loan comprising a part of the Mortgage Pool for a Series is not covered by a Full Coverage Insurance Policy, the Company will obtain a Mortgage Pool Insurance Policy to cover any loss (subject to the limitations described below) by reason of default by the mortgagors of the Mortgage Loans to the extent not covered by any Primary Mortgage Insurance Policy. The amount of the Mortgage Pool Insurance Policy (or Policies) for a Series, if any, will be specified in the related Prospectus Supplement. The Master Servicer will agree to pay the premiums for such Mortgage Pool Insurance Policy on a timely basis. If the Mortgage Pool insurer ceases to be a qualified insurer because it is not approved as an insurer by FHLMC or FNMA or because its claims-paying ability is no longer rated in the category required by the related Prospectus Supplement, the Master Servicer will agree to review, not less often than monthly, the financial condition of the Mortgage Pool insurer to determine whether recoveries under the Mortgage Pool Insurance Policy are jeopardized. If the Master Servicer so determines, it will exercise its best reasonable efforts to obtain from another qualified insurer a replacement insurance policy under the above-stated limitations.

A Mortgage Pool Insurance Policy for a Series, however, will not be a blanket policy against loss, because claims thereunder may only be made for particular defaulted Mortgage Loans and only upon satisfaction of certain conditions precedent described below.

The Master Servicer will be required to maintain the Mortgage Pool Insurance Policies for such Series and to present or cause the Sub-servicers, if any, to present claims to the Pool Insurer on behalf of the Trustee and the Certificateholders. Unless otherwise specified in the related Prospectus Supplement, the responsibilities of the Master Servicer, the amount of claim for benefits, the conditions precedent to the filing or payment of a claim, the policy provisions and the payment of claims under a Mortgage Pool Insurance Policy generally will be similar to those described above for Primary Mortgage Insurance

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Policies, subject to the aggregate limit on the amount of coverage. Except as otherwise described in the related Prospectus Supplement, it also will be a condition precedent to the payment of any claim under the Mortgage Pool Insurance Policy that the Insured maintain a Primary Mortgage Insurance Policy that is acceptable to the Pool Insurer on all Mortgage Loans in the related Mortgage Pool that have Loan-to-Value Ratios at the time of origination in excess of 80%. Assuming satisfaction of these conditions, the Pool insurer will pay to the Insured the amount of the "loss" which will generally be (a) the amount of the unpaid principal balance of the Mortgage Loan immediately prior to the sale of the Mortgaged Property, (b) the amount of the accumulated unpaid interest on such Mortgage Loan to the date of claim settlement at the contractual rate of interest and (c) certain advances made by the Insured, less certain payments. An "approved sale" is (1) a sale of the Mortgaged Property acquired by the Insured because of a default by the borrower to which the Pool Insurer has given prior approval, (2) a foreclosure or trustee's sale of the Mortgaged Property at a price exceeding the maximum amount specified by the Pool Insurer, (3) the acquisition of the Mortgaged Property under the Primary Mortgage Insurance Policy by the Mortgage Insurer or (4) the acquisition of the Mortgaged Property by the Pool insurer. The Insured must as a condition precedent to the payment of any "loss," provide the Pool Insurer with good and merchantable title to the Mortgaged Property. If any property securing a defaulted Mortgage Loan is damaged and the proceeds, if any, from the related Standard Hazard Insurance Policy or the applicable Special Hazard Insurance Policy are insufficient to restore the damaged property to a condition sufficient to permit recovery under the Mortgage Pool Insurance Policy, the Master Servicer will not be required to expend its own funds to restore the damaged Mortgaged Property unless it determines (A) that such restoration will increase the proceeds on liquidation of the Mortgage Loan after reimbursement of the Master Servicer for its expenses and (B) that such expenses will be recoverable by it through Liquidation Proceeds or Insurance Proceeds.

The original amount of coverage under the Mortgage Pool Insurance Policy securing a Series will be reduced over the life of the Certificates of such Series by the aggregate dollar amount of claims paid, less the aggregate of net amounts realized by the Pool Insurer upon disposition of all foreclosed Mortgaged Properties covered thereby. The amount of claims paid includes certain expenses incurred by the Master Servicer as well as accrued interest on delinquent Mortgage Loans to the date of payment of the claim. See "Certain Legal Aspects of Mortgage Loans--Foreclosure." Accordingly, if aggregate net claims paid under a Mortgage Pool Insurance Policy reach the original policy limit, coverage under the Mortgage Pool Insurance Policy will lapse and any further losses will be borne by the Trust Fund, and thus may affect adversely payments to holders of Certificates of such Series. In addition, unless the



Master Servicer can determine that an Advance in respect of a delinquent Mortgage Loan would be recoverable to it from the proceeds of the liquidation of such Mortgage Loan or otherwise, neither the Sub-servicer nor the Master Servicer may be obligated to make an Advance respecting any such delinquency since the Advance would not be ultimately recoverable to it from either the Mortgage Pool Insurance Policy or from any other related source. See "Description of the Certificates--Advances."

#### HAZARD INSURANCE ON THE MORTGAGE LOANS

The following descriptions are provided for informational purposes only. They are general and do not purport to be complete. There can be no assurance that the actual policies and coverage with respect to a specific Series will comply with these descriptions.

Standard Hazard Insurance Policies. Except as otherwise specified in the related Prospectus Supplement, the Master Servicer and each Sub-servicer, as applicable, will cause to be maintained for the Mortgage Loans comprising the Mortgage Pool for each Series of Certificates, and on property acquired upon foreclosure, or deed in lieu of foreclosure, or use its best reasonable efforts to cause each Sub-servicer of a Mortgage Loan to maintain, a Standard Hazard Insurance Policy in an amount at least equal to 80% of the maximum insurable value of the Mortgaged Property or the principal balance of such Mortgage Loan, whichever is greater. The Master Servicer also shall maintain on property acquired upon foreclosure, or deed in lieu of foreclosure, of any Mortgage Loan, a Standard Hazard

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Insurance Policy in an amount that is at least equal to the maximum insurable value of the Mortgaged Property. Any amounts collected by the Master Servicer, or the Sub-servicer, as the case may be, under any such policies (other than amounts to be applied to the restoration or repair of the Mortgaged Property or released to the Mortgagor in accordance with normal servicing procedures) shall be deposited in the Certificate Account. Any cost incurred in maintaining any such insurance shall not, for the purpose of calculating monthly distributions to Certificateholders, be added to the amount owing under the Mortgage Loan, notwithstanding that the terms of the Mortgage Loan so permit. Such cost shall be recoverable by the Master Servicer only by withdrawal of funds from the Certificate Account as described in the Agreement. No earthquake or other additional insurance is to be required of any Mortgagor or maintained on property acquired in respect of a Mortgage Loan, other than pursuant to such applicable laws and regulations as shall at any time be in force and as shall require such additional insurance. When the Mortgaged Property is located at the time of origination of the Mortgage Loan in a federally designated special flood hazard area, the Master Servicer will cause to be maintained, or to use its best reasonable efforts to cause the related Sub-servicer to obtain, flood insurance, limited, under certain circumstances, to availability under the National Flood Insurance Act of 1968, as amended. In the event that the Master Servicer obtains and maintains a blanket policy insuring against hazard losses on all of the related Mortgage Loans, it will be deemed conclusively to have satisfied its obligations to cause to be maintained a Standard Hazard Insurance Policy for each Mortgage Loan. This blanket policy may contain a deductible clause, in which case the Master Servicer will, in the event that there has been a loss that would have been covered by such policy absent such deductible, deposit in the Certificate Account the amount not otherwise payable under the blanket policy because of the application of such deductible clause.

The coverage of each Standard Hazard Insurance Policy will be in an amount not less than the amount required in order for a Mortgagor not to be deemed a co-insurer with respect to a hazard loss on the Mortgaged Property. All amounts collected by the Master Servicer (or any Sub-servicer) under any Standard Hazard Insurance Policy (less amounts to be applied to the restoration or repair of the Mortgaged Property and other amounts necessary to reimburse the Master Servicer for previously incurred advances or approved expenses, which may be retained by the Master Servicer) will be deposited to the applicable Escrow Account maintained with respect to such Mortgage Loan.

The Standard Hazard Insurance Policies will provide for coverage at least equal to the applicable state standard form of fire insurance policy with extended coverage. In general, the standard form of fire and extended coverage policy will cover physical damage to, or destruction of, the improvements on the Mortgaged Property caused by fire, lightning, explosion, smoke, windstorm, hail, riot, strike and civil commotion, subject to the conditions and exclusions particularized in each policy. Because the Standard Hazard Insurance Policies relating to the Mortgage Loans relating to any Series of Certificates will be underwritten by different insurers and will cover Mortgaged Properties located in various states, such policies will not contain identical terms and conditions. The basic terms, however, generally will be determined by state law and generally will be similar. Most such policies typically will not cover any physical damage resulting from war, revolution, governmental actions, floods and other water-related causes, earth movement (including earthquakes, landslides, and mudflows), nuclear reaction, wet or dry rot, vermin, rodents, insects or domestic animals, theft and, in certain cases, vandalism. The foregoing list is merely indicative of certain kinds of uninsured risks and is not intended to be

all-inclusive. When a Mortgaged Property is located in a flood area identified by the Federal Emergency Management Agency pursuant to the National Flood Insurance Act of 1968, as amended, the Agreement will require that the Master Servicer cause to be maintained flood insurance with respect to such Mortgaged Property.

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The Standard Hazard Insurance Policies covering Mortgaged Properties securing Mortgage Loans typically will contain a "co-insurance" clause which, in effect, will require the insured at all times to carry insurance of a specified percentage (generally 80% to 90%) of the full replacement value of the dwellings, structures and other improvements on the Mortgaged Property in order to recover the full amount of any partial loss. If the insured's coverage falls below this specified percentage, such clause will provide that the insurer's liability in the event of partial loss will not exceed the greater of (i) the actual cash value (the replacement cost less physical depreciation) of the dwellings, structures and other improvements damaged or destroyed or (ii) 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 dwellings, structures and other improvements.

Any losses incurred with respect to Mortgage Loans due to uninsured risks (including earthquakes, mudflows and floods) or insufficient hazard insurance proceeds may, to the extent such losses are not covered by the Special Hazard Insurance Policy for a Series, affect payments to holders of Certificates of such Series.

Special Hazard Insurance Policy. The Master Servicer will, if and to the extent required by the related Agreement and as described in the related Prospectus Supplement, be required to maintain and keep a Special Hazard Insurance Policy, in the amount set forth in the related Prospectus Supplement, in full force and effect. The Master Servicer will agree to pay the premium for any Special Hazard Insurance Policy on a timely basis. If the Special Hazard Insurance Policy is cancelled or terminated for any reason (other than the exhaustion of total policy coverage), the Master Servicer will exercise its best reasonable efforts to obtain from another insurer a replacement policy comparable to the Special Hazard Insurance Policy with a total coverage which is equal to the then existing coverage of the Special Hazard Insurance Policy; provided that if the cost of any such replacement policy is greater than the cost of the terminated Special Hazard Insurance Policy, the amount of coverage under the replacement Policy may be reduced to a level such that the applicable premium will not exceed the cost of the Special Hazard Insurance Policy that was replaced. The Master Servicer will agree to present, on behalf of itself, the Trustee and the Certificateholders, claims to the Special Hazard Insurer under the Special Hazard Insurance Policy and, in this regard, to take such reasonable action as will be necessary to permit recovery under the Special Hazard Insurance Policy respecting the Mortgage Loans. Any amounts collected by the Master Servicer under the Special Hazard Insurance Policy that are in the nature of Insurance Proceeds will be deposited in the Collection Account. Any other amounts collected by the Master Servicer under the Special Hazard Insurance Policy shall be applied by it towards the restoration of the related Mortgaged Property to a condition requisite to the presentation of claims on the related Mortgage Loan to the Mortgage Pool Insurer under the Mortgage Pool Insurance Policy.

To the extent provided in the related Prospectus Supplement, a "Special Hazard Insurance Policy" will be obtained from the insurer or insurers specified in the related Prospectus Supplement (the "Special Hazard Insurer"). The Special Hazard Insurer will, subject to the limitations described below, insure against (i) loss by reason of damage to Mortgaged Properties underlying defaulted Mortgage Loans caused by certain hazards (including vandalism and earthquakes and, except where the mortgagor is required to obtain flood insurance, floods and mudflows) not insured against under the Standard Hazard Insurance Policies covering such Mortgage Loans and (ii) loss from partial damage to the Mortgaged Properties securing such defaulted Mortgage Loans caused by reason of the application of the coinsurance clause contained in the applicable Standard Hazard Insurance Policies. The Special Hazard Insurance Policy for a Series, however, will not cover losses occasioned by war, certain governmental actions, nuclear reaction and certain other perils. The amount of coverage, if any, under the Special Hazard Insurance Policy with respect to a Series will be specified in the related Prospectus Supplement.

Subject to the foregoing limitations, the Special Hazard Insurance Policy with respect to a Series will provide that, when there has been damage to Mortgaged Property securing a defaulted Mortgage

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Loan and such damage is not covered by the Standard Hazard Insurance Policy maintained by the mortgagor or the Master Servicer, the Special Hazard Insurer will pay the lesser of (a) the cost of repair of such property or (b) upon transfer of such property to it, the unpaid principal amount of such Mortgage Loan at the time of the acquisition of such property, plus accrued interest to the date of claim settlement (excluding late charges and penalty interest) and

certain expenses incurred in respect of such property. No claim may be validly presented under a Special Hazard Insurance Policy unless the Standard Hazard Insurance Policy on the Mortgaged Property securing the Mortgage Loan has been kept in force and other reimbursable protection, preservation and foreclosure expenses have been paid (all of which must be approved in advance as necessary by the Special Hazard Insurer). If the sum of the unpaid principal amount plus accrued interest and certain expenses is paid by the Special Hazard Insurer, the amount of further coverage under the Special Hazard Insurance Policy will be reduced by such amount less any net proceeds from the sale of the Mortgaged Property. Any amount paid as the cost of repair of the Mortgaged Property may reduce coverage by such amount.

The Agreement with respect to a Series will, to the extent described in the related Prospectus Supplement, require the Master Servicer to maintain the Special Hazard Insurance Policy for such Series in full force and effect, subject to certain conditions. See "Servicing of the Mortgage Loans--Maintenance of Insurance Policies." The Master Servicer also must present claims, on behalf of the Certificateholders and the Trustee, for all losses not otherwise covered by the applicable Standard Hazard Insurance Policies and take all reasonable steps necessary to permit recoveries on such claims. See "Servicing of the Mortgage Loans."

To the extent provided in the Prospectus Supplement, in lieu of Special Hazard Insurance, partially or entirely, a deposit of cash, a certificate of deposit, a letter of credit or any other instrument acceptable to each rating agency rating the Series may be provided in an amount and for a term acceptable to each such rating agency. Such a deposit will be credited to a Special Hazard or similar fund and the Trustee or Master Servicer will be permitted to draw on the fund to recover losses that would otherwise be covered by a Special Hazard Insurance Policy.

Unless otherwise specified in the related Prospectus Supplement, a Special Hazard Insurance Policy may insure against losses on Mortgage Loans evidenced by multiple Series of Certificates, provided, however, that the extension of coverage to any other Series does not result in the downgrading of the credit rating of any outstanding Series.

#### MORTGAGOR BANKRUPTCY INSURANCE

The Master Servicer will, if and to the extent provided in the related Prospectus Supplement, exercise its best reasonable efforts to maintain and keep Mortgagor Bankruptcy Insurance in full force and effect throughout the term of the related Agreement, unless coverage thereunder has been exhausted through payment of claims. The related Agreement may, to the extent described in the Prospectus Supplement, require the Master Servicer to pay from its servicing compensation the premiums for the Mortgagor Bankruptcy Insurance on a timely basis. At the request of the Company, coverage under the Mortgagor Bankruptcy Insurance will be cancelled or reduced by the Master Servicer to the extent permitted by the rating agency rating the related Series, provided that such cancellation or reduction does not adversely affect the then current rating of the related series of Certificates.

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. The amount of the secured debt could be reduced to such value, and the holder of such Mortgage Loan thus would become an unsecured creditor to the extent the outstanding principal balance of such Mortgage Loan exceeds the value so assigned to the Mortgaged Property by the bankruptcy court. In addition, certain other modifications of the terms of a

Mortgage Loan can result from a bankruptcy proceeding. See "Certain Legal Aspects of Mortgage Loans--Anti-Deficiency Legislation and Other Limitations on Lenders." Losses resulting from a bankruptcy proceeding affecting Mortgage Loans of a Series will, to the extent specified in the related Prospectus Supplement, be covered by mortgagor bankruptcy insurance for such Series (or any other instrument that will not result in a down-grading of the rating of the Series by any rating agency rating the Series) (the "Mortgagor Bankruptcy Insurance"). The amount and term of any Mortgagor Bankruptcy Insurance for a Series must be acceptable to each rating agency rating the Series. Subject to the terms of the Mortgagor Bankruptcy Insurance, the insurer may have the right to purchase any Mortgage Loan with respect to which a payment or drawing has been made or may be made for an amount equal to the outstanding principal amount of such Mortgage Loan plus accrued and unpaid interest thereon. The Company may, partially or entirely in lieu of Mortgagor Bankruptcy Insurance, as specified in the related Prospectus Supplement, deposit or cause to be deposited cash, a certificate of deposit, a letter of credit or any other instrument acceptable to each rating agency rating the Series. Such a deposit will be credited to a Mortgagor Bankruptcy or similar fund and the Trustee or Master Servicer will be able to draw on the fund to recover losses that would be insured against by Mortgage Bankruptcy Insurance. The amount of the Mortgagor Bankruptcy Insurance for a Series or deposit in lieu thereof may be reduced as long as any such reduction will not result in a reduction of the then applicable rating of the Series by

any rating agency rating the Series.

A form of the Mortgagor Bankruptcy Insurance has been filed as an exhibit to, or incorporated by reference into, the Registration Statement of which this Prospectus forms a part. The foregoing description does not purport to be complete and is qualified in its entirety by reference to such forms and to the description of any material variances therefrom contained in the related Prospectus Supplement.

#### PRESENTATION OF CLAIMS

The Master Servicer, on behalf of itself, the Trustee and the Certificateholders, will present claims to each Pool Insurer, to each Special Hazard Insurance Insurer, to the issuer of the Mortgagor Bankruptcy Insurance, to each Primary Insurer, to the FHA and to the VA, and take such reasonable steps as are necessary to permit recovery under such Insurance Policies respecting defaulted Mortgage Loans or Mortgage Loans that are the subject of a bankruptcy proceeding. As set forth above, all collections by the Master Servicer under any Mortgage Pool Insurance Policy, any Primary Insurance Policy, any FHA insurance or any VA guarantee or any Mortgagor Bankruptcy Insurance and, where the related property has not been restored, any Special Hazard Insurance Policy, are to be deposited in the Certificate Account for the related Series and are subject to withdrawal as described above. In those cases in which a Mortgage Loan is serviced by a Sub-servicer, the Sub-servicer, on behalf of itself, the Trustee and the Certificateholders will present claims to the applicable insurer, and all collections shall be deposited in the Sub-servicing Account for deposit into the Certificate Account.

If any property securing a defaulted Mortgage Loan is damaged and proceeds, if any, from the related Standard Hazard Insurance Policy or the applicable Special Hazard Insurance Policy are insufficient to restore the damaged property to a condition sufficient to permit recovery under the Mortgage Pool Insurance Policy or any Primary Insurance Policy, any FHA insurance or any VA guarantee, as the case may be, the Master Servicer is not required to expend its own funds to restore the damaged property unless it determines (i) that such restoration will increase the proceeds to the Certificateholders on liquidation of the Mortgage Loan after reimbursement of the expenses incurred by the Master Servicer and (ii) that such expenses will be recoverable by it through proceeds of the sale of the property or proceeds of the related Mortgage Pool Insurance Policy or any related Primary Insurance Policy, any FHA insurance, or any VA guarantee, as the case may be.

If recovery under the Mortgage Pool Insurance Policy or any related Primary Insurance Policy, any FHA insurance, or any VA guarantee, as the case may be, is not available because the Master

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Servicer has been unable to make the above determinations or otherwise, the Master Servicer nevertheless is obligated to follow 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 are less than the principal balance of the defaulted Mortgage Loan plus interest accrued thereon at the Remittance Rate, the related Trust Fund will realize a loss in the amount of such difference plus the aggregate of expenses incurred by the Master Servicer in connection with such proceedings and which are reimbursable under the Agreement. In the event that any such proceedings result in a total recovery which is, after reimbursement to the Master Servicer of its expenses, in excess of the principal balance of the related Mortgage Loan, together with accrued and unpaid interest thereon at the Remittance Rate, the Master Servicer will be entitled to withdraw amounts representing its normal servicing compensation on such Mortgage Loan from the Certificate Account. Any amounts remaining in the Certificate Account after such foreclosure, repossession or liquidation, as the case may be, and attributable to such Mortgage Loan will be retained by the Master Servicer or distributed in such manner as may be specified in the related Prospectus Supplement.

#### ALTERNATIVE CREDIT ENHANCEMENT

The Company or the Master Servicer, from time to time, may obtain or cause to be obtained further insurance policies, guarantees, letters of credit, or surety bonds (or make deposits in lieu thereof) to enhance the credit rating of the Certificates. To the extent any such other enhancements are obtained for a Series of Certificates, or deposits are made in lieu thereof, a description thereof will be set forth in the related Prospectus Supplement.

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#### CERTAIN LEGAL ASPECTS OF MORTGAGE LOANS

The following discussion contains summaries of certain legal aspects of mortgage loans which are general in nature. Because such legal aspects are governed by applicable state law (which laws may differ substantially), the summaries do not purport to be complete nor to reflect the laws of any particular state, nor to encompass the laws of all states in which the security

for the Mortgage Loans is situated. The summaries are qualified in their entirety by reference to the applicable federal and state laws governing the Mortgage Loans. Certain aspects of Co-op Loans (defined below) may differ from this general description.

General. The Mortgage Loans will be secured by either first mortgages or deeds of trust, depending upon the prevailing practice in the state in which the underlying property is located. A mortgage creates a lien upon the real property described in the mortgage. There are two parties to a mortgage, the mortgagor, who is the borrower and homeowner, and the mortgagee, who is the lender. In a mortgage state, the mortgagor delivers to the mortgagee a note or bond evidencing the loan and the mortgage. Although a deed of trust is similar to a mortgage, a deed of trust has three parties; the borrower, a lender as 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 loan. The trustee's authority under a deed of trust and the mortgagee's authority under a mortgage are governed by the express provisions of the deed of trust or mortgage, applicable law, and, in some cases, with respect to the deed of trust, the directions of the beneficiary.

Foreclosure. Foreclosure of a mortgage is generally accomplished by judicial action. Generally, the action is initiated by the service of legal pleadings upon all parties having an interest of record in the real property. Delays in completion of the foreclosure occasionally may result from difficulties in locating necessary parties defendant. When the mortgagee's right to foreclosure is contested, the legal proceedings necessary to resolve the issue can be time consuming. After the completion of a judicial foreclosure proceeding, the court may issue a judgment of foreclosure and appoint a receiver or other officer to conduct the sale of the property. In some states, mortgages may also be foreclosed by advertisement, pursuant to a power of sale provided in the mortgage. Foreclosure of a mortgage by advertisement is essentially similar to foreclosure of a deed of trust by nonjudicial power of sale.

Foreclosure of a deed of trust is generally accomplished by a nonjudicial trustee's sale under a specific provision in the deed of trust that authorizes the trustee to sell the property to a third party upon any default by the borrower under the terms of the note or deed of trust. In certain states, such foreclosure also may be accomplished by judicial action in the manner provided for foreclosure of mortgages. In some states 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 a notice of default and notice of sale. In addition, the trustee must provide notice in some states to any other individual having an interest of record in the real property, including any junior lienholders. If the deed of trust is not reinstated within any applicable cure period, a notice of sale must be posted in a public place and, in most states, published for a specified 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 of record in the property.

In some states, 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 attorneys' fees, which may be recovered by a lender.

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In the case of foreclosure under either a mortgage or a deed of trust, the sale by the receiver or other designated officer, or by the trustee, is a public sale. However, because of the difficulty a potential buyer at the sale would have in determining the exact status of title and because the physical condition of the property may have deteriorated during the foreclosure proceedings, it is not common for a third party to purchase the property at the foreclosure sale. Rather, the lender generally purchases the property from the trustee or receiver for an amount equal to the unpaid principal amount of the note, accrued and unpaid interest and the expenses of foreclosure. Thereafter, subject to the right of the borrower in some states to remain in possession during the redemption period, the lender will assume the burdens 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 commonly will obtain the services of a real estate broker and pay the broker a 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. Any loss may be reduced by the receipt of mortgage insurance proceeds. See "Description of Insurance--Mortgage Insurance on the Mortgage Loans" and "Description of Insurance--Hazard Insurance on the Mortgage Loans."

Rights of Redemption. In some states, after sale pursuant to a deed of trust or foreclosure of a mortgage, the borrower and certain foreclosed junior lienors are given a statutory period in which to redeem the property from the foreclosure sale. In certain other states, this right of redemption applies only

to sale following judicial foreclosure, and not to sale pursuant to a nonjudicial power of sale. In most states where the right of redemption is available, statutory redemption may occur upon payment of the foreclosure purchase price, accrued interest and taxes. In some states, the right to redeem is an equitable right. The effect of a right of redemption is to diminish the ability of the lender to sell the foreclosed property. The exercise of a right of redemption would defeat the title of any purchaser at a foreclosure sale, or of any purchaser from the lender subsequent to judicial foreclosure or sale under a deed of trust. Consequently, the practical effect of the redemption right is to force the lender to maintain the property and pay the expenses of ownership until the redemption period has run.

**Anti-Deficiency Legislation and Other Limitations on Lenders.** Certain states have imposed statutory restrictions that limit the remedies of a beneficiary under a deed of trust or a mortgagee under a mortgage. In some states, statutes limit the right of the beneficiary or mortgagee to obtain a deficiency judgment against the borrower following foreclosure or sale under a deed of trust. 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 net amount realized upon the foreclosure sale.

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. Consequently, 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.

Other statutory provisions may limit any deficiency judgment against the former borrower following a foreclosure sale to the excess of the outstanding debt over the fair market value of the property at the time of such sale. The purpose of these statutes is to prevent a beneficiary or a mortgagee from obtaining a large deficiency judgment against the former borrower as a result of low or no bids at the foreclosure sale.

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, for example, in the event of waste of the property.

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In addition to anti-deficiency and related legislation, numerous other federal and state statutory provisions, including the federal bankruptcy laws, the federal Soldiers' and Sailors' Civil Relief Act of 1940 and state laws affording relief to debtors, may interfere with or affect the ability of a secured mortgage lender to realize upon its security. For example, in a Chapter 13 proceeding under the federal Bankruptcy Code, when a court determines that the value of a home is less than the principal balance of the loan, the court may prevent a lender from foreclosing on the home, and, as part of the rehabilitation plan, reduce the amount of the secured indebtedness to the value of the home as it exists at the time of the proceeding, leaving the lender as a general unsecured creditor for the difference between that value and the amount of outstanding indebtedness. A bankruptcy court may grant the debtor a reasonable time to cure a payment default, and in the case of a mortgage loan not secured by the debtor's principal residence, also may reduce the monthly payments due under such mortgage loan, change the rate of interest and alter the mortgage loan repayment schedule. Certain court decisions have applied such relief to claims secured by the debtor's principal residence.

The Code provides priority to certain tax liens over the lien of the mortgage or deed of trust. The laws of some states provide priority to certain tax liens over the lien of the mortgage or deed of trust. Numerous federal and some state consumer protection laws impose substantive requirements upon mortgage lenders in connection with the origination, servicing and the enforcement of mortgage loans. 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 laws and state laws impose specific statutory liabilities upon lenders who originate or service mortgage loans and who fail to comply with the provisions of the law. In some cases, this liability may affect assignees of the mortgage loans.

**"Due-on-Sale" Clauses.** The forms of note, mortgage and deed of trust relating to conventional Mortgage Loans may contain a "due-on-sale" clause permitting acceleration of the maturity of a loan if the borrower transfers its interest in the property. In recent years, court decisions and legislative actions placed substantial restrictions on the right of lenders to enforce such clauses in many states. However, effective October 15, 1982, Congress enacted the Garn-St. Germain Depository Institutions Act of 1982 (the "Act") which

purports to pre-empt state laws which prohibit the enforcement of "due-on-sale" clauses by providing among other matters, that "due-on-sale" clauses in certain loans (which loans include the conventional Mortgage Loans) made after the effective date of the Act are enforceable, within certain limitations as set forth in the Act and the regulations promulgated thereunder.

By virtue of the Act, the Master Servicer or a Sub-servicer may generally be permitted to accelerate any conventional Mortgage Loan which contains a "due-on-sale" clause upon transfer of an interest in the property subject to the mortgage or deed of trust. With respect to any Mortgage Loan secured by a residence occupied or to be occupied by the Mortgagor, this ability to accelerate will not apply to certain types of transfers, including (i) the granting of a leasehold interest which has a term of three years or less and which does not contain an option to purchase, (ii) a transfer to a relative resulting from the death of a borrower, or a transfer where the spouse or child(ren) becomes an owner of the property in each case where the transferee(s) will occupy the property, (iii) a transfer resulting from a decree of dissolution of marriage, legal separation agreement or from an incidental property settlement agreement by which a spouse becomes an owner of the property, (iv) the creation of a lien or other encumbrance subordinate to the lender's security instrument which does not relate to a transfer of rights of occupancy in the property (provided that such lien or encumbrance is not created pursuant to a contract for deed), (v) a transfer by devise, descent or operation of law on the death of a joint tenant or tenant by the entirety, and (vi) other transfers as set forth in the Act and the regulations thereunder. As a result, a lesser number of Mortgage Loans which contain "due-on-sale" clauses may extend to full maturity than recent experience would indicate with respect to single-family mortgage loans. The extent of the effect of the Act on the average lives and delinquency rates of the Mortgage Loans, however, cannot be predicted. See "Description of the Certificates--Maturity and Prepayment Considerations."

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**Environmental Legislation.** Certain states impose a statutory lien for associated costs on property that is the subject of a cleanup action by the state on account of hazardous substances released or disposed of on the property. Such a lien will generally have priority over all subsequent liens on the property and, in certain of these states, will have priority over prior recorded liens including the lien of a mortgage. In addition, under federal environmental legislation and under state law in a number of states, a secured party which takes a deed in lieu of foreclosure or acquires a mortgaged property at a foreclosure sale or becomes involved in the operations of management of a property so as to be deemed an "owner" or "operator" of the property may be liable for the costs of cleaning up a contaminated site. Although such costs could be substantial, it is unclear whether they would be imposed on a lender (such as a Trust Fund ) secured by residential real property. In the event that title to a Mortgaged Property securing a Mortgage Loan in a Trust Fund was acquired by the Trust Fund and cleanup costs were incurred in respect of the Mortgaged Property, the holders of the related series of Certificates might realize a loss if such costs were required to be paid by the Trust Fund.

**Adjustable Rate Loans.** The laws of certain states may provide that mortgage notes relating to adjustable rate loans are not negotiable instruments under the Uniform Commercial Code. In such event the Trustee will not be deemed to be a "holder in due course" within the meaning of the Uniform Commercial Code and may take such a mortgage note subject to certain restrictions on its ability to foreclose and to certain contractual defenses available to a mortgagor.

**Enforceability of Certain Provisions.** The standard forms of note, mortgage and deed of trust used by the Master Servicer generally contain provisions obligating the borrower to pay a late charge if payments are not timely made, and in some circumstances may provide for prepayment fees or penalties if the obligation is paid prior to maturity. In certain states, there are or may be specific limitations upon late charges which a lender may collect from a borrower for delinquent payments. Certain states also limit the amounts that a lender may collect from a borrower as an additional charge if the loan is prepaid. Under the Agreement, late charges (to the extent permitted by law and not waived by the Master Servicer) will be retained by the Master Servicer as additional servicing compensation.

Courts have imposed general equitable principles upon foreclosure. These equitable principles are generally designed to relieve the borrower from the legal effect of defaults under the loan documents. Examples of judicial remedies that may be fashioned include judicial requirements that the lender undertake affirmative actions to determine the causes for the borrower's default and the likelihood that the borrower will be able to reinstate the loan. In some cases, courts have required lenders to reinstate loans or recast payment schedules to accommodate borrowers who are suffering from temporary financial disability. In some cases, courts have limited the right of lenders to foreclose if the default under the mortgage instrument is not monetary, such as the borrower failing to adequately maintain the property or the borrower executing a second mortgage or deed of trust affecting the property. In other cases, some courts have been faced with the issue whether federal or state constitutional provisions reflecting due process concerns for adequate notice require that borrowers under the deeds of trust receive notices in addition to statutorily-prescribed minimum

requirements. For the most part, these cases have upheld the notice provisions as being reasonable or have found that the sale by a trustee under a deed of trust or under a mortgage having a power of sale does not involve sufficient state action to afford constitutional protections to the borrower.

Under the terms of the Soldiers' and Sailors' Civil Relief Act of 1940, as amended (the "Relief Act"), a borrower who enters into 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. 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 Mortgager's period of active duty status.

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Co-op Loans. To the extent set forth in the Prospectus Supplement, certain of the Mortgage Loans may have been made in connection with a purchase or refinance of cooperative apartments. Such loans ("Co-op Loans") are not secured by liens on real estate. The "owner" of a cooperative apartment does not own the real estate constituting the apartment but owns shares of stock in a corporation which holds title to the building in which the apartment is located, and by virtue of owning such stock is entitled to a proprietary lease to occupy the specific apartment (the "Lease"). Thus, a co-op loan is a personal loan secured by a lien on the shares and an assignment of the Lease. If the borrower defaults on a Co-op Loan, the lender's remedies are similar to the remedies which apply to a foreclosure of a mortgage or deed of trust, in that the lender can foreclose the loan and assume "ownership" of the apartment.

There are certain risks which arise as a result of the cooperative form of ownership which differentiate Co-op Loans from other types of Mortgage Loans. For example, the power of the board of directors of most cooperative corporations to reject a proposed purchaser of a unit owner's shares (and prevent the sale of an apartment) for any reason (other than reasons based upon unlawful discrimination) or for no reason, significantly reduces the universe of potential purchasers in the event of a foreclosure. Moreover, cooperative apartment owners run a special risk in buildings where the "sponsor" (i.e., the owner of the unsold shares in the corporation) holds a significant number of unsold apartments if the sponsor were to go into default on a loan which is secured by a mortgage on the building. In such event the unit owners would be forced by special assessment to make the payments on the delinquent loan or risk losing their apartments in a foreclosure proceeding brought by the holder of the mortgage on the building. Not only would the value attributable to the right to occupy a particular apartment be adversely affected by the special assessment, but the foreclosure of a mortgage on the building in which the apartment is located could result in a total loss of the shareholder's equity in the building (and a corresponding loss of the lender's security for its Co-op Loan).

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#### ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA") imposes certain requirements on employee benefit plans subject to ERISA ("Plans") and on persons who are fiduciaries with respect to such Plans. Certain employee benefit plans, such as governmental plans (as defined in ERISA Section 3(32) ) and certain church plans (as defined in ERISA Section 3(33) ), are not subject to ERISA but such plans may be subject to other applicable federal and state law.

In addition to the imposition of general fiduciary standards of investment prudence and diversification, ERISA, and the corresponding provisions of the Internal Revenue Code of 1986, as amended ("Code"), prohibit a broad range of transactions involving Plan assets (including assets of individual retirement accounts) 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 and 407 of ERISA and excise taxes are imposed upon such persons by Section 4975 of the Code. An investment in Certificates by a Plan might constitute a prohibited transaction under the foregoing provisions unless an administrative exemption applies. In addition, if an investing Plan's assets were deemed to include an interest in the assets of the Mortgage Pool and not merely an interest in the Certificates, transactions occurring in the operation of the Mortgage Pool might constitute prohibited transactions unless an administrative exemption applies. Certain such exemptions which may be applicable to the acquisition and holding of the Certificates or to the servicing and operation of the Mortgage Pool are noted below.

The Department of Labor ("DOL") has issued a regulation (29 C.F.R. Section 2510.3-101) concerning the definition of what constitutes the assets of a Plan. This regulation provides that, as a general rule, the underlying assets and properties of corporations, partnerships, trusts and certain other entities in which a Plan makes an "equity" investment will be deemed for purposes of ERISA to be assets of the investing plan unless certain exceptions apply.



There can be no assurance that any of the exceptions set forth in the regulation will apply to the purchase of Certificates offered hereby, and, as a result, an investing plan's assets could be considered to include an undivided interest in the Mortgage Loans, the Agency Securities, and any other assets held in the Mortgage Pool. However, pursuant to the regulation, the investing plan's assets would not, merely by reason of the purchase of a Certificate, include the mortgage loans underlying the Agency Securities. In the event that assets of a Mortgage Pool are considered assets of an investing Plan, the Company, the Master Servicer, the Trustee and other persons, in providing services with respect to the Mortgage Loans and the Agency Securities, may be considered fiduciaries to such plan and to be subject to the fiduciary responsibility provisions of Title I of ERISA and the prohibited transaction provisions of Section 4975 of the Code with respect to transactions involving such assets unless a statutory or administrative exemption applies. In addition, a prohibited transaction could arise if a Mortgagor is a party in interest or disqualified person with respect to an investing Plan.

Furthermore, certain affiliates of the Company, including The Chase Manhattan Bank, the Company's parent, may be considered to be parties in interest or disqualified persons with respect to many Plans. An investment by such a Plan in Certificates may be a prohibited transaction under ERISA and the Code unless such investment is subject to a statutory or administrative exemption.

The DOL has issued Prohibited Transaction Class Exemption ("PTCE") 83-1, exempting certain transactions involving mortgage pool investment trusts holding mortgages on certain residential property from the prohibited transaction provisions of ERISA and the Code. PTCE 83-1 exempts, subject to certain conditions, transactions related to the origination, maintenance and termination of mortgage pool investment trusts and the acquisition and holding of certain mortgage pass-through certificates by Plans.

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Three general conditions must be satisfied for any transaction to be eligible for exemption under PTCE 83-1: (1) the maintenance of a system of insurance or other protection for the pooled mortgage loans and the property securing such loans, and for indemnifying certificate holders against reductions in pass-through payments due to property damage or defaults in loan payments; (2) the existence of a pool trustee who is not an affiliate of the pool sponsor; and (3) a limitation on the amount of the payment retained by the pool sponsor together with other benefits inuring to it to not more than adequate consideration for selling the mortgage loans and reasonable compensation for services provided by the pool sponsor to the mortgage pool. PTCE 83-1 also imposes additional specific conditions for certain types of transactions and where certain Parties in Interest are fiduciaries.

While the Trustee is not affiliated with the pool sponsor, there can be no assurance that the first and third general conditions will be satisfied with respect to the Certificates. In addition, the cited class exemption applies to "certificates" which entitle the holder to pass-through payments of both principal and interest from pooled mortgage loans (less any fees retained by the pool sponsor). Because certain of the Certificates may, if specified in the related Prospectus Supplement, evidence an interest in distributions of principal only or interest only from the related Mortgage Loans or an interest in a pool of assets that itself is treated for federal income tax purposes as consisting of interests in a real estate mortgage investment conduit, PTCE 83-1 may not be applicable to such Certificates. In addition, PTCE 83-1 may not be applicable in respect of Certificates which, if specified in the related Prospectus Supplement, represent interests in Co-op Loans; by its terms, PTCE 83-1 exempts only investment pools the corpus of which consists solely of interest bearing obligations secured by either first or second mortgages or deeds of trust on "single-family residential property" (defined as non-farm property comprising one to four dwelling units and condominiums), property which had secured such obligation and which had been acquired by foreclosure, and undistributed cash.

One or more exemptions may be available, however, with respect to certain prohibited transactions to which PTCE 83-1 is not applicable, depending in part upon the type of Plan fiduciary making the decision to acquire a Certificate and the circumstances under which such decision is made, including but not limited to: PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 91-38, regarding investments by bank collective investment funds; or PTCE 84-14, regarding transactions effected by a "qualified professional asset manager" or PTCE 96-23, regarding transactions effected by an "in-house asset manager". However, even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions.

Any Plan fiduciary considering the purchase of a Certificate should consult with its counsel with respect to the potential applicability of ERISA and the Code to such investment and should independently determine if its purchase and holding of a Certificate will require an exemption, and if so whether an

exemption is available. Moreover, each Plan fiduciary should determine whether, under the general fiduciary standards of investment prudence and diversification, an investment in the Certificates is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio.

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

#### CERTAIN FEDERAL INCOME TAX CONSEQUENCES

##### GENERAL

The following is a general discussion of certain federal income tax consequences relating to the purchase, ownership and disposition of the Certificates. This discussion is based on current law and on certain temporary and proposed Treasury regulations, both of which are subject to changes that

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prospectively or retroactively could modify or affect adversely the tax consequences summarized below. The discussion does not address all of the tax consequences relevant to a particular Certificateholder in light of that Certificateholder's circumstances, and some Certificateholders may be subject to special tax rules and limitations not discussed below. Prospective purchasers of the Certificates should consult their own tax advisors in determining the federal, state, local and foreign tax consequences to them of the purchase, ownership and disposition of the Certificates.

##### REMIC ELECTIONS

An election may be made with respect to a particular Series of Certificates, to treat the Trust Fund as a real estate mortgage investment conduit ("REMIC") within the meaning of section 860D(a) of the Code. With respect to each Series of Certificates for which a REMIC election is made, Morgan, Lewis & Bockius LLP, counsel to the Company ("Counsel"), will have advised the Company that in its opinion, under the law as in effect at the time assuming (i) the making of that election and (ii) ongoing compliance with the Agreement, the Trust Fund will qualify as a REMIC, and the Certificates in such a Series ("REMIC Certificates") will be treated either as regular interests in a REMIC within the meaning of section 860G(a)(1) of the Code ("Regular Certificates") or as residual interests in a REMIC within the meaning of section 860G(a)(2) of the Code ("Residual Certificates"). Regular Certificates generally will be treated as debt instruments issued by the REMIC. The holder of a Residual Certificate will be subject to the special rules described below under which the holder generally will take into account for federal income tax purposes its pro rata share of the net income or loss of the REMIC.

With respect to Certificates that are part of a Series for which no REMIC election is made or a valid REMIC election cannot be made ("Non-REMIC Certificates"), Counsel will have advised the Company that in its opinion, the Trust Fund relating to the Non-REMIC Certificates will be treated either as a grantor trust for federal income tax purposes and not as an association taxable as a corporation or as a "taxable mortgage pool" as defined in section 7701 (i) of the Code (a "TMP"). If the Trust Fund is treated as a grantor trust, holders of Non-REMIC Certificates, other than "Stripped Certificates" (discussed below) generally will be required to include in their gross income for federal income tax purposes their proportionate shares of income derived from the assets held by the Trust Fund and will be permitted (subject to certain limitations for individuals, estates and trusts) to deduct their proportionate shares of expenses incurred by the Trust Fund.

If the Trust Fund is treated as a TMP, Certificates will be treated either as indebtedness of, or equity in, a corporation, with the result that an entity level tax could be imposed on the Trust Fund, thereby reducing the amount available for distribution to Certificateholders.

The Prospectus Supplement for each Series of Certificates will indicate whether a REMIC election will be made for that Series.

##### TAXATION OF REMIC CERTIFICATES

###### Special Tax Attributes of the REMIC Certificates

In general, REMIC Certificates will constitute (i) "qualifying real property loans" within the meaning of section 593(d)(1) of the Code, (ii) assets described in section 7701(a)(19)(C) of the Code and (iii) "real estate assets" within the meaning of section 856(c)(5)(A) of the Code in each case as long as the portion of the Trust Fund qualifying for the corresponding status is at least 95 percent of the assets of the REMIC (determined for each calendar quarter by reference to the average adjusted basis of the REMIC's assets for that quarter). However, in the event that the portion of the assets held in the Trust Fund qualifying for the status described in (i), (ii) or (iii) above

falls below 95 percent of the assets of the REMIC at any time during a taxable year, then the REMIC Certificates may be treated as

so qualifying on a proportionate basis. Interest on the REMIC Certificates will be considered "interest on obligations secured by mortgages on real property or on interests in real property" within the meaning of section 856(c) (3) (B) of the Code to the same extent that the REMIC Certificates are treated as real estate assets. If a real estate investment trust (a "REIT") holds a Residual Interest issued with respect to a Mortgage Pool that contains shared appreciation mortgages for a principal purpose of avoiding the limitations that apply to a REIT's holding of such mortgages, that REIT will be treated as though it directly held the shared appreciation mortgages. REMIC Certificates held by a regulated investment company will not constitute "Government securities" within the meaning of section 851(b) (4) (A) (i) of the Code, and REMIC Certificates held by certain financial institutions subject to section 582(c) (1) of the Code will constitute an "evidence of indebtedness" within the meaning of that section.

#### Regular Certificates

General. In general, stated interest, original issue discount and market discount received or accrued on a Regular Certificate will be ordinary income, and principal payments on a Regular Certificate will be a return of capital to the extent of the Certificateholder's basis in the Regular Certificate allocable to those payments. A holder of a Regular Certificate must use the accrual method of accounting with respect to that Certificate regardless of its regular method of accounting.

Original Issue Discount. All Compound Interest Certificates (other than a Residual Certificate that is a Compound Interest Certificate) will, and the Regular Certificates of certain other Classes of a Series may, be issued with "original issue discount." A holder of a Regular Certificate having original issue discount generally must include original issue discount in ordinary income as it accrues in advance of receipt of the cash attributable to the discount, regardless of its regular method of accounting.

The amount of original issue discount on a Regular Certificate is the excess of its "stated redemption price at maturity" over its "issue price." The issue price of a Regular Certificate in a particular Class is the price at which a substantial amount of the Regular Certificates of that Class are first sold to the public. The stated redemption price at maturity of a Regular Certificate is the total of all payments on the Regular Certificate other than "qualified stated interest" payments. A qualified stated interest payment generally is stated interest that is unconditionally payable in cash or in property at least annually at a single fixed rate, or a single objective rate or a qualified floating rate (a "Variable Rate"). No payments of interest on a Compound Interest Certificate, and no payment of interest on any other Regular Certificates that may be deferred and added to principal will constitute qualified stated interest payments. Accordingly, the stated redemption price at maturity of those Regular Certificates includes all payments (i.e., principal and interest) to be received thereon.

Regular Certificates may provide that interest that would be otherwise payable in the month in which they are issued will be paid on the interest payment date in the next succeeding month. Since a REMIC will not compound interest on the deferred interest, the yield for the initial period will be slightly less than the yield for all subsequent periods. If, but for such deferral, the interest on the Regular Certificate would otherwise be qualified stated interest, the dollar amount of such shortfall in yield (over any discount reflected in the issue price) will be added to the stated redemption price of such Regular Interest in determining if the Regular Interest has been issued with a de minimis amount of OID. If the Regular Certificate otherwise is issued with OID, such shortfall will prevent all or a portion of the stated interest payments from being considered qualified stated interest payments. Unless otherwise required by applicable regulations, in those cases in which the yield shortfall would cause a Certificate to be considered to have been issued with OID, each REMIC will add a portion of the interest payable with respect to the period prior to the issuance of the Regular Certificate to the interest payable on the first interest payment date to cause the yield for the period from the issuance of the Regular Certificate until the first payment date to be at least equal to the yield for all subsequent monthly periods and thereby cause all interest to be considered "qualified stated interest."

If all or a portion of two or more Classes of Regular Certificates of a Series are not separately traded on an established securities market, it is possible that part or all of those Regular Certificates may be treated together as a single debt instrument with a single issue price, maturity date, yield to maturity and stated redemption price at maturity for purposes of determining original issue discount. If so, it is possible that Regular Certificates of a particular class may be treated as having original issue discount even if they would not be so treated absent such aggregation.

One or more classes of Regular Certificates may entitle the holder to payments of a portion of the interest but not a corresponding portion of the principal of mortgage loans held in the Trust Fund ("Stripped REMIC Certificates") or otherwise provide for interest that is disproportionately high relative to the principal amount of the Stripped REMIC Certificates. Although the matter is not free from doubt, the Company intends to treat all of the payments on such Certificates as part of their stated redemption price at maturity. It appears that a Certificateholder would not be entitled to recognize a loss until the final payment is made with respect to Stripped REMIC Certificates notwithstanding that prior to such time, it can be reasonably determined that the Certificateholder's adjusted basis exceeds all future payments to be received on such Certificate (assuming no future prepayments occur with respect to the Mortgage Loans).

A Certificateholder generally must include in gross income for any taxable year the sum of the "daily portions" of the original issue discount that accrue on the Regular Certificate for each day during the Certificateholder's taxable year on which the Regular Certificate is held. A calculation will be made of the portion of the original issue discount that accrues on each Regular Certificate during each "accrual period," which in general is the period corresponding to the period between Distribution Dates or other interest compounding periods. The original issue discount accruing during any accrual period is divided by the number of days in the period to determine the daily portion of original issue discount for each day in the period.

For a Regular Certificate, original issue discount accruing in an accrual period is the excess, if any, of (i) the sum of (a) the present value of the remaining payments to be made on the Regular Certificate as of the end of that accrual period and (b) the payments made on the Regular Certificate during the accrual period that are included in the stated redemption price at maturity of the Regular Certificate, over (ii) the adjusted issue price of the Regular Certificate at the beginning of the accrual period. For this purpose, the present value of the remaining payments to be made on a Regular Certificate is calculated based on (i) a reasonably determined assumption regarding the rate at which the Regular Certificate will be prepaid (the "Prepayment Assumption"), (ii) the yield to maturity of the Regular Certificate as of the Closing Date (taking into account the Prepayment Assumption) and (iii) events (including actual prepayments) that have occurred prior to the end of the accrual period. In general, unless Treasury Regulations promulgated or proposed in the future otherwise require, the Prepayment Assumption will reflect the assumed level of prepayments on the Mortgage Loans or the mortgage loans underlying the Mortgage Securities and the anticipated reinvestment rate (insofar as it may affect the rate at which payments on a Regular Certificate are made) used in pricing the transaction. If applicable, the Prepayment Assumption with respect to a Series of Certificates will be set forth in the related Prospectus Supplement. The setting forth of a Prepayment Assumption, however, does not constitute a representation that payments will be made with respect to the Certificates at a rate based on the Prepayment Assumption or at any other rate. The adjusted issue price of a Regular Certificate at the beginning of any accrual period equals the issue price of the Regular Certificate increased by the aggregate amount of original issue discount that accrued on that Regular Certificate in all prior such periods and reduced by the amount of payments included in the stated redemption price at maturity of the Regular Certificate in prior accrual periods. In general, the daily portions of original issue discount required to be included in income by the holder of a Regular Certificate generally will increase if prepayments on the Mortgage Loans or the Mortgage Securities exceed the Prepayment Assumption, and generally will decrease (but not below zero for any period) if those prepayments are slower than the Prepayment Assumption.

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Where the issue price of a Regular Certificate bearing a Variable Rate of interest equals the stated principal amount of the Regular Certificate and interest payments on that Regular Certificate are includible in its stated redemption price at maturity (i.e., to the extent those payments are not treated as qualified stated interest payments), the amount of original issue discount that accrues on that Regular Certificate during any accrual period generally will equal the amount of interest that accrues on the Regular Certificate during the accrual period. If a regular Certificate provides for interest at a fixed rate for an initial period of less than one year followed by a variable rate for a subsequent period, and the value of the variable rate on the issue date is intended to approximate the fixed interest rate, the fixed interest rate and the variable rate together constitute a single Variable Rate comprised of qualified stated interest. A fixed interest rate and a variable rate will be conclusively presumed to meet the requirements of the preceding sentence if the value of the Variable Rate on the issue date does not differ from the value of the fixed interest rate by more than 25 basis points. The amount of OLD is determined by assuming that the variable rate is a fixed rate equal to the value, as of the issue date, of the Variable Rate.

A holder of a Regular Certificate that was issued with original issue discount who purchases the Regular Certificate at a price that exceeds the "revised issue price" of that Certificate but is less than the unpaid stated redemption (such excess, an "acquisition premium") price also will be required to include in gross income daily portions of original issue discount on that

Regular Certificate but will be entitled to reduce the daily portions proportionately by the amount of the acquisition premium. The revised issue price of a Regular Certificate is the issue price of the Certificate increased by the amount of original issue discount previously includible in income by an original Certificateholder who purchased the Regular Certificate at its issue price on the issue date. Certain holders of Regular Certificates who acquire their Certificates at an acquisition premium may elect to treat their Certificates as having been issued on the date of their acquisition for an amount equal to the price paid, instead of reducing OID accruals by the acquisition premium.

If original issue discount on a Regular Certificate is less than 0.25% of the stated redemption price at maturity of the Regular Certificate multiplied by the weighted averaged maturity of the Regular Certificate, then under a de minimis rule provided by the Code, the Regular Certificate will not be treated as having any original issue discount. The weighted average maturity of a Regular Certificate is the sum of the amounts determined by multiplying the number of full years from the issue date until each payment included in the stated redemption price at maturity of the Regular Certificate is scheduled to be made by a fraction whose numerator is the amount of the corresponding payment and whose denominator is the stated redemption price at maturity of the Regular Certificate. A holder of a Regular Certificate issued with de minimis OID, who holds the Certificate as a capital asset, will recognize a portion of any de minimis OID as capital gain as principal payments on the Certificate are received.

Market Discount. A purchaser of a Regular Certificate may be subject to the market discount rules of the Code. In general, "market discount" is the amount by which the stated redemption price at maturity (or, in the case of a Regular Certificate issued with original issue discount, the revised issue price) of the Regular Certificate exceeds the purchaser's basis in a Regular Certificate. The holder of a Regular Certificate that has market discount generally will be required to include accrued market discount in ordinary income to the extent payments includible in the stated redemption price at maturity of such Regular Certificate are received. The purchaser of a Regular Certificate that has market discount also will be required to treat a portion of any gain on a sale or exchange of the Regular Certificate as ordinary income to the extent of the market discount that accrued to the date of disposition and was not previously included in ordinary income. Unless otherwise provided in Treasury regulations that have not yet been issued, it is anticipated that market discount on a Regular Certificate will accrue at the holder's option (i) on the basis of a constant interest rate, (ii) ratably based on the ratio of stated interest payable in the current period to all interest remaining to be paid in the case of a Regular Certificate issued without original issue discount, or (iii) ratably based on the ratio of the

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amount of original issue discount accrued in the current period to all remaining original issue discount in the case of a Regular Certificate issued with original issue discount, in each case computed taking into account the Prepayment Assumption.

A purchaser of a Regular Certificate that has market discount may be required to defer recognition of a portion of interest expense attributable to any indebtedness incurred or continued to purchase or carry the Regular Certificate. The amount of this deferred interest expense in any taxable year generally would not exceed the accrued market discount for the year, and the deferred expense is allowed as a deduction not later than the year in which the related market discount income is recognized. Alternatively, a Certificateholder may elect to include market discount in income currently as it accrues on all market discount obligations that the Certificateholder acquires in that taxable year or thereafter, in which case the rules described above relating to the treatment of market discount, as well as the interest deferral rule, will not apply. A Regular Certificate may be treated as having no market discount under a de minimis rule that is similar to the de minimis rule applied for purposes of determining whether a Regular Certificate has original issue discount.

If a holder makes the election to include market discount in income currently as it accrues on a constant interest rate method, such holder will be required to compute market discount as though its Certificate was issued on the date of its acquisition for an amount equal to the price paid. Any election to currently accrue will also require the holder to include accrued market discount in income currently for all other debt instruments with market discount acquired by such holder in the year of the election and thereafter.

Premium. A Regular Certificate, other than a Compound Interest Certificate, purchased at a cost greater than its currently outstanding principal amount is considered to be purchased at a premium. A Certificateholder who holds a Regular Certificate 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 Certificateholder acquires on or after the first day of the taxable year for which the election is made, unless the Internal Revenue Service 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 Regular Certificates, including the alternatives to the constant interest method described above under "Market Discount." The portion of the premium deductible pursuant to an election under section 171 of the Code and allocable to a particular period will be treated as a reduction in interest payments on the Regular Certificate during that period. A Certificateholder who neither has in place nor makes an election to amortize bond premium could be required to allocate that premium among the principal payments to be received on that instrument and recognize the premium as a loss (which would be a capital loss if the Certificate is held as a capital asset) as those principal payments are received.

**Sale or Exchange of Regular Certificates.** If a Certificateholder sells or exchanges a Regular Certificate, the Certificateholder will recognize gain or loss equal to the difference, if any, between the amount received and his adjusted basis in the Regular Certificate. The adjusted basis of a Regular Certificate 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 Regular Certificate and reduced by the payments previously received on the Regular Certificate, 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 section 582 (c) of the Code, any gain or loss on the sale or exchange of a Regular Certificate recognized by an investor who holds the Regular Certificate as a capital asset, will be capital gain or loss and will be long-term or short-term depending on whether the Regular Certificate has been held for more than one year. For individual taxpayers, all capital gains are subject to a

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maximum nominal rate of tax of 28% (although the effective rate may be somewhat higher in certain circumstances). Gain from the disposition of a Regular Certificate that otherwise might be capital gain will be treated as ordinary income to the extent that the gain does not exceed the excess, if any, of (i) the amount that would have been includible in the gross income of the holder if the yield on the Regular Certificate were 110% of the applicable Federal rate under section 1274 (d) of the Code as of the date of purchase, over (ii) the amount of income actually includible in the gross income of such holder with respect to the Regular Certificate.

**Treatment of Subordinated Certificates.** As described above under "Credit Support--Subordination," certain Series of REMIC Certificates may contain one or more Classes of Regular REMIC Certificates that are subordinate to one or more other Classes of Regular REMIC Certificates (the "Subordinated Certificates" and "Senior Certificates," respectively). Holders of Subordinated Certificates will be required to report income with respect to such Certificates on the accrual method of accounting without giving effect to delays or reductions in distributions attributable to defaults and delinquencies on the Mortgage Loans or Agency Securities, except to the extent it can be established that such amounts are uncollectible. As a result, the amount of income reported by a holder of a Subordinated Certificate in any period could significantly exceed the amount of cash distributed to such holder in that period. The holder generally will be allowed a loss (or will be allowed to report less income) where either principal or previously accrued interest are determined to be uncollectible with respect to the Subordinated Certificate, although the timing and character of such losses (or reductions in income) are uncertain.

#### TAXATION OF RESIDUAL CERTIFICATES

**General.** Generally, holders of Residual Certificates ("Residual Certificateholders") will take into account as ordinary income or loss for federal income tax purposes, the "daily portions" of REMIC taxable income or net loss. The daily portions of REMIC taxable income or net loss for a Residual Certificateholder are determined by allocating to each day in any calendar quarter its ratable portion of the REMIC's taxable income or net loss for such calendar quarter, and by allocating such daily portion among the Residual Certificateholders in proportion to their respective holdings of Residual Certificates of a Series on that day. A Residual Certificateholder also must include in income any distributions from the REMIC in excess of the Residual Certificateholder's adjusted basis in the Residual Certificate. Certain adjustments to the income of a subsequent holder of a Residual Certificate may be required when the Residual Certificate was purchased at a price that is greater or less than the adjusted basis (determined in the manner discussed below) that the Residual Certificate would have if held by an initial holder. Nevertheless, in the absence of Treasury Regulations or clarifying legislation, it is uncertain whether any adjustments would be required.

**Method of Computing REMIC Taxable Income.** In general, REMIC taxable income is determined in the same manner as the taxable income of an individual using the accrual method of accounting, with certain exceptions. For these purposes, REMIC taxable income generally means the excess of (i) the REMIC's gross income (including interest, original issue discount and market discount, if any) on the

Mortgage Loans or the mortgage loans underlying the Agency Securities owned by the REMIC, plus income on reinvestment of cash flows and investment of assets in the Reserve Fund and amortization of any premium with respect to the Regular Certificates, over (ii) deductions, including interest and original issue discount on the Regular Certificates, servicing fees on the Mortgage Loans or the mortgage loans underlying the Agency Securities, other administrative expenses, and deduction or amortization of premium, if any, with respect to the Mortgage Loans or the mortgage loans underlying the Agency Securities. Investment interest limitations applicable to individuals do not apply to limit a REMIC's deductions for any interest expense, and for purposes of determining a REMIC's bad debt deduction, debt owed to the REMIC is not treated as nonbusiness debt. Moreover, any expenses incurred in connection with the formation of a REMIC and that relate to the organization of the

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REMIC and the issuance of Regular and Residual Certificates are not treated as expenses of a REMIC for which a deduction is allowed under section 212 of the Code. Instead, organizational expenses are added to the adjusted bases of the Regular and Residual Certificates received by the Company at the time of the REMIC formation and syndication expenses are applied to reduce the amount realized on the sale of the Regular and Residual Certificates. A REMIC is not allowed a deduction for expenses and interest allocable to tax-exempt income, as determined in the manner prescribed in section 265(b) (2) of the Code, without regard to section 265(b) (3) of the Code. In addition, any gain or loss from the disposition of any asset, including a qualified mortgage (as defined in section 860G(a) (3) of the Code) or a permitted investment (as defined in section 860G (a) (5) of the Code) is treated as ordinary gain or loss. For purposes of determining REMIC taxable income or net loss, the REMIC's aggregate basis in the collateral is the fair market value thereof immediately after transfer to the REMIC. That basis is equal to the aggregate of the issue prices of all regular and residual interests in the REMIC.

Generally, the REMIC's deductions for original issue discount will be determined in the same manner as original issue discount income on Regular Certificates as described above under "Regular Certificates--Original Issue Discount." The REMIC will have market discount income in respect of a Mortgage Loan or a mortgage loan underlying an Agency Security if, in general, the basis of the REMIC allocable thereto is exceeded by the unpaid principal balance thereof. In respect of mortgage loans that have market discount, REMIC taxable income will take into account market discount that accrues during the taxable year (and the interest deferral rule will not apply to the REMIC). Market discount income generally should be treated as accruing in the manner described above under "Regular Certificates--Market Discount." Mortgage Loans or mortgage loans underlying Agency Securities held by the REMIC may have original issue discount under the circumstances described below under "Taxation of Non-REMIC Certificates--Tax Status as a Grantor Trust--Original Issue Discount" and "Taxation of Non-REMIC Certificates--Tax Status as a Grantor Trust--Recharacterization of the Servicing Fee." Generally, if the REMIC's basis allocable to a Mortgage Loan or a mortgage loan underlying an Agency Security exceeds the unpaid principal balance thereof, the REMIC will be considered to have acquired the Mortgage Loan or mortgage loan at a premium equal to the amount of the excess. With respect to Mortgage Loans or mortgage loans underlying an Agency Security that in either case were originated after September 27, 1985, premium may be amortized under a constant interest method as described above under "Regular Certificates--Premium," provided the Mortgage Loan or mortgage loan is held as a capital asset. Because substantially all of the mortgagors on the mortgage loans described above are expected to be individuals, it is not anticipated that the REMIC will be permitted to amortize premium on mortgage loans originated on or prior to September 27, 1985. Premium for which current amortization is not permitted may be deductible in accordance with a reasonable method regularly employed by the holder. The allocation of premium pro rata among principal payments should be considered a reasonable method, although it is possible that the Internal Revenue Service could assert that premium should be allocated in a different manner (such as to the final payment of principal).

The taxable income recognized by a Residual Certificateholder in any taxable year will be affected by, among other factors, the relationship between the timing of recognition of interest and original issue discount and market discount income (or amortization of premium) with respect to Mortgage Loans or the mortgage loans underlying the Agency Securities, and the timing of deductions for interest (including original issue discount) on the Regular Certificates. Where the Mortgage Loans or the mortgage loans underlying the Agency Securities bear interest at a fixed rate, mismatching of that timing may result from the fact that interest expense deductions, expressed as a percentage of the outstanding principal amount of the REMIC Regular Certificates, will increase over time as the earlier Classes of REMIC Regular Certificates are paid, whereas interest income with respect to any given Mortgage Loan or mortgage loan underlying an Agency Security generally will remain constant over time as a percentage of the outstanding principal amount of that loan. When there is more than one

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Class of Regular Certificates that pay principal sequentially, this mismatching of income and deductions is likely to occur in the early years following issuance of the REMIC Certificates when principal payments are being made in respect of the earlier Classes of REMIC Regular Certificates particularly if the Mortgage Loans or the mortgage loans underlying the Agency Securities were acquired at a discount. In those circumstances, Residual Certificateholders may require sufficient other sources of cash to pay any federal, state or local income or franchise taxes due as a result of the mismatching. The mismatching of income and deductions described in this paragraph, if present with respect to a Series of REMIC Certificates, may have a significant adverse effect upon a Residual Certificateholder's after-tax rate of return.

Losses. The amount of any net loss of the REMIC that may be taken into account by a Residual Certificateholder is limited to the Residual Certificateholder's adjusted basis of the Residual Certificate as of the close of the quarter (or time of disposition of the Residual Certificate, if earlier), determined without taking into account the net loss for the quarter. Any loss so disallowed may be carried over indefinitely, and may be used only to offset any income generated by the Residual Certificate. The adjusted basis of a Residual Certificate is equal to the amount paid therefor, increased by the amount of any income allocated to the Residual Certificateholder and decreased (but not below zero) by the amount of cash distributed, the fair market value of property distributed and any loss allocated to the Residual Certificateholder. The ability of a Residual Certificateholder that is an individual or a closely held corporation to take into account losses from the REMIC also may be subject to other limitations under the Code.

Limitations on Offset or Exemption of REMIC Income. A portion of the REMIC taxable income includible in determining the federal income tax liability of a Residual Certificateholder will be subject to special treatment. That portion, referred to as the "excess inclusion," is equal to the excess of the Residual Certificateholder's allocable share of REMIC taxable income for a calendar quarter, over the sum of the "daily accruals" with respect to the Residual Certificate for days during the calendar quarter that the Residual Certificateholder held the Residual Certificate. The daily accruals for each day during a calendar quarter generally are determined by allocating to each day in the calendar quarter its ratable portion of the product of (i) 120% of the long-term applicable Federal rate that would have applied to the Residual Certificate (if it were a debt instrument issued on the day the REMIC was formed) under section 1274(d) of the Code, and (ii) the adjusted issue price of the Residual Certificate at the beginning of the quarterly period. The adjusted issue price of the Residual Certificate at the beginning of a quarter is the issue price of the Residual Certificate (generally determined as if the Residual Certificate were a debt instrument), increased by the amount of the daily accruals of REMIC income for all prior quarters and decreased by any distributions made with respect to the REMIC Residual Certificate prior to the beginning of the quarterly period.

To the extent provided in Treasury regulations that have not yet been issued if the aggregate value of the REMIC Residual Certificates is not considered to be "significant," then a Residual Certificateholder's entire share of REMIC taxable income will be treated as excess inclusions. The Conference Report issued in connection with the Tax Reform Act of 1986 indicates that the value of the Residual Certificates would be considered significant in cases where that value is at least two percent of the aggregate value of the REMIC Certificates of the Series. It is unclear whether the test for "significant value" that is contained in the REMIC Regulations discussed below relating generally to certain thrift institutions would be applicable. If applicable, the Prospectus Supplement will set forth whether it is anticipated that the Residual Certificates will have significant value when issued. However, if Treasury regulations do not adopt the "significant value" test discussed below it is possible that those regulations will provide (possibly retroactively) that the significant value test is a continuing or annual test so that a Residual Certificateholder's entire share of REMIC taxable income for any year will be treated as excess inclusion if the relative value of the Residual Certificates at any particular time is not considered significant.

The portion of a Residual Certificateholder's REMIC taxable income consisting of the "excess inclusion" may not be offset by other deductions, including net operating losses or net operating loss carryforwards, on the Residual Certificateholder's federal income tax return. Further, if the Residual Certificateholder is an organization subject to the tax on unrelated business income imposed by section 511 of the Code, the Residual Certificateholder's excess inclusion will be treated as unrelated business taxable income of the Residual Certificateholder. If a Residual Certificateholder is a member of an affiliated group filing a consolidated income tax return, the taxable income of the affiliated group cannot be less than the sum of the excess inclusions attributable to all residual interests held by the members of the affiliated group. In addition, if a real estate investment trust owns a Residual Certificate, a portion of dividends paid by the real estate investment trust could be treated as excess inclusions in the hands of its shareholders with the same consequences as excess inclusions attributed directly to a Residual Certificateholder. Similar rules will apply to Residual Certificates that are



held by regulated investment companies, common trust funds or certain cooperative organizations. If a Residual Certificate has "significant value," an exception from the rule limiting the use of deductions and net operating losses against excess inclusions applies to organizations to which section 593 of the Code applies (generally, certain thrift institutions). Such an organization is treated as having applied its allowable deductions for the year first to offset the portion of its gross income that is not an excess inclusion and then to offset the portion of its income that is an excess inclusion. The Residual Certificates would have significant value if (i) their aggregate issue price of the Residual Certificates is at least two percent of the aggregate issue prices of all residual and regular interests in the REMIC and (ii) their "anticipated weighted average life" is at least twenty percent of the "anticipated weighted average life" of the REMIC. The anticipated weighted average lives of the REMIC Residual Certificates are based on the Prepayment Assumption and generally are determined by (i) multiplying the amount of each anticipated Residual Certificate principal payment by the number of years (including fractions thereof) from the day the REMIC issues all of its Regular and Residual Certificates to the related principal payment date, (ii) adding the results, and (iii) dividing the sum by the total principal paid on the Residual Certificate. The anticipated weighted average life of a REMIC is equal to the anticipated weighted average life of all classes of interests in the REMIC.

Prohibited Transactions and Other Taxes on the REMIC. Income from certain transactions by the REMIC, called prohibited transactions, will not be part of the calculation of income or loss includible in the federal income tax returns of Residual Certificateholders, but rather will be taxed directly to the REMIC at a 100% rate. In addition, no loss or deduction allocable to a prohibited transaction is taken into account in determining the taxable income or net loss of the REMIC. Prohibited transactions generally include (i) subject to certain limited exceptions (which exceptions include the liquidation of the REMIC, a "clean-up call" of one class of interests and the repurchase of a defective Mortgage Loan), the disposition of any Mortgage Loan; (ii) the receipt of income attributable to any asset that is not a qualified mortgage or other permitted investment; (iii) the receipt of compensation for services; or (iv) the receipt of gain from disposition of temporary investments between Payment Dates other than pursuant to a qualified liquidation. Where the REMIC holds Agency Securities, it is uncertain whether, for purposes of determining whether the REMIC has undertaken any prohibited transactions, the REMIC is treated as holding the Agency Securities themselves or the mortgage loans that underlie the Agency Securities. In addition, a 100% tax is imposed on the amount of any contribution of property made to the REMIC more than 90 days after its initial formation (excluding certain specified contributions such as cash payments in the nature of guarantees). An additional tax may be imposed on income from property acquired by the REMIC upon foreclosure of a Mortgage Loan.

Mark-to-Market Regulations. Temporary regulations (the "Temporary Mark-to-Market Regulations") have been issued by the Internal Revenue Service relating to the requirement that a securities dealer mark to market securities held for sale to customers. This mark-to-market requirement applies to all securities of a dealer, except to the extent that the dealer has specifically identified a security as held

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for investment; the Temporary Mark-to-Market Regulations provide that, for purposes of this mark-to-market requirement, a "negative value" REMIC residual interest is not treated as a security and thus may not be marked to market. In addition, a dealer is not required to identify such "negative value" REMIC residual interest as held for investment. In general, a Residual Certificate would have negative value if, as of the date a taxpayer acquires the Residual Certificate, the present value of the tax liabilities associated with holding the Residual Certificate exceeds the sum of (i) the present value of the expected future distributions on the Residual Certificate and (ii) the present value of the anticipated tax savings associated with holding the Residual Certificate as the REMIC is expected to generate losses. The amounts and present values of the anticipated tax liabilities, expected future distributions and anticipated tax savings are all to be determined using (i) the prepayment and reinvestment assumptions adopted under Code section 1272(a)(6), (ii) any required or permitted clean-up calls or required qualified liquidation provided for in the REMIC's organizational documents and (iii) a discount rate equal to the applicable Federal rate (as specified in Code section 1274(d)(1)) that would apply to a debt instrument issued on the date of acquisition of the Residual Certificate. Furthermore, under the Temporary Mark-to-Market Regulations, any REMIC residual interest having substantially the same economic effect as a "negative value" residual interest may be treated by the Internal Revenue Service as a "negative value" residual interest. The Internal Revenue Service could issue subsequent regulations, which could apply retroactively, providing additional or different requirements with respect to such deemed "negative value" residual interests. Unless indicated otherwise in the applicable Prospectus Supplement, no view is expressed as to whether any given Residual Certificate is a "negative value" residual interest or has substantially the same economic effect as a "negative value" residual interest. On January 3, 1995, proposed regulations were released (the "Proposed Mark-to-Market Regulations") which provide that any REMIC residual interest acquired after January 3, 1995 cannot be marked to market regardless of the value of such

residual interest, rendering the Temporary Mark-to-Market Regulations described above inapplicable to purchasers of Residual Certificates if the Proposed Mark-to-Market Regulations are adopted as currently drafted. Prospective purchasers of the Residual Certificates should consult their tax advisors regarding the possible application of the Proposed Mark-to-Market Regulations and Temporary Mark-to-Market Regulations.

**Sale or Exchange of a Residual Certificate.** Upon the sale or exchange of a Residual Certificate, the Residual Certificateholder will recognize gain or loss equal to the excess, if any, of the amount realized over the adjusted basis (as described above under "Losses") of the REMIC Residual Certificate at the time of the sale or exchange. In addition, a cash distribution to a Residual Certificateholder from the REMIC is treated as gain from the sale or exchange of the Residual Certificate to the extent that the amount of the distribution exceeds such adjusted basis. For individual taxpayers, all capital gains are subject to a maximum nominal rate of tax of 28% (although the effective rate may be somewhat higher in certain circumstances).

In addition, in certain circumstances, if a Residual Certificate is transferred to a "Disqualified Organization" (as defined below), a tax will be imposed on the transferor. See "Residual Certificates Transferred to or Held by Disqualified Organizations."

A transfer of a "noneconomic residual interest" to a U.S. Person is disregarded for all Federal tax purposes unless no significant purpose of the transfer was to impede the assessment or collection of tax. A Residual Certificate is treated as constituting a noneconomic residual interest for this purpose unless, at the time of the transfer, (i) the present value of the expected future distributions on the Residual Certificate is no less than the product of the present value of the "anticipated excess inclusions" with respect to the Residual Certificate and the highest rate of tax applicable to domestic corporations for the year in which the transfer occurs and (ii) the transferor reasonably expects that the transferee will receive distributions from the REMIC in an amount sufficient to satisfy the income tax liability on any "excess inclusions" at or after the time the liability accrues. The anticipated excess inclusions are the excess inclusions that are anticipated to be allocated to each calendar quarter, or portion thereof, following the transfer of the Residual Certificate, determined as of the date the Residual Certificate is

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transferred and based on events that have occurred up to the time of the transfer and on the Prepayment Assumption. See "Taxation of REMIC Certificates--Original Issue Discount" and "Limitations on Offset or Exemption of REMIC Income."

A transfer of a Residual Certificate that has "tax avoidance potential" to a person who is not a U.S. Person is disregarded for all Federal tax purposes. For this purpose a Residual Certificate has tax avoidance potential unless at the time of the transfer (i) the expected future distributions on the Residual Certificate equal at least thirty percent of the anticipated excess inclusions with respect to the Residual Certificate and (ii) such distributions from the REMIC will be made in or before the calendar year following the year of accrual. A transfer of a Residual Certificate to a person who is not a U.S. Person, however, is not disregarded if income from the Residual Certificate is subject to tax under section 871 (b) or section 882 of the Code in the hands of the transferee. Moreover, if a person who is not a U.S. Person transfers a Residual Certificate to a U.S. Person or to a person who is not a U.S. Person (if income from the Residual Certificate would be subject to tax under section 871 (b) or section 882 of the Code), and if the transfer has the effect of allowing the transferor to avoid tax on accrued excess inclusions, then the transfer is disregarded and the transferor continues to be treated as the owner of the Residual Certificate for purposes of sections 871 (a), 881, 1441 and 1442 of the Code. As used herein, a U.S. Person is a citizen or resident of the United States, a corporation or partnership organized in or under the laws of the United States or any political subdivision thereof or an estate or trust the income of which is includible in gross income for United States tax purposes regardless of its source. See "Limitations on Offset or Exemption of REMIC Income" and "Other Matters Relating to REMIC Certificates--Taxation of Certain Foreign Investors--Residual Certificates."

Except as provided in Treasury regulations that have not yet been issued, the wash sale rules of section 1091 of the Code will apply to the disposition of a Residual Certificate where, during the period beginning six months before the sale or disposition of the REMIC Residual Certificate and ending six months after such sale or disposition, the seller of the Residual Certificate acquires (or enters into any other transaction that results in the application of section 1091 ) any residual interest in any REMIC or any interest in a "taxable mortgage pool" (such as a non-REMIC owner trust) that is comparable to a Residual Certificate. Application of these wash sale rules would result in the deferral of recognition of any loss on the sale of the Residual Certificate.

Residual Certificates Transferred to or Held by Disqualified Organizations

Regardless of whether any gain or loss is recognized on the transfer of a

Residual Certificate, a tax is imposed on the transferor of a Residual Certificate where the transfer is to certain specified entities generally including governmental entities or any other entities that are exempt from U.S. tax including the tax on unrelated business income (collectively, "Disqualified Organizations"). If a transfer of a Residual Certificate to a Disqualified Organization is made through an agent for the Disqualified Organization (including a nominee, broker or middleman), then the tax is imposed on the agent. The tax is imposed at the highest rate applicable to domestic corporations based on the present value of expected excess inclusions (see "Limitations on Offset or Exemption of REMIC Income" above) but the transferor is relieved of the tax liability if it receives in good faith from the transferee (i) an affidavit stating that the transferee is not a Disqualified Organization or (ii) the transferee's social security number and an affidavit stating that the social security number is that of the transferee. Because a requirement for qualification as a REMIC is that reasonable efforts must be made to ensure that Residual Certificates are not held by Disqualified Organizations, the ability of a Residual Certificate to be transferred is conditioned upon the Trustee's receipt of an affidavit representing that the proposed transferee is not a Disqualified Organization.

If a Residual Certificate is held by a "pass-through entity" (such as a partnership, trust, real estate investment trust, regulated investment company, or common trust fund), a tax is imposed on the pass-through entity if a record holder of interest in the entity is a Disqualified Organization. The tax

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would be imposed on the portion of the excess inclusion income relating to the Residual Certificate allocable to the Disqualified Organization interest holder. If a nominee holds an interest in a pass-through entity for a Disqualified Organization, then the tax is imposed on the nominee. No tax, however, will be imposed during any period if (i) the record holder of an interest in the pass-through entity furnishes to the pass-through entity an affidavit that the record holder is not a Disqualified Organization, and (ii) during such period, the pass-through entity does not have actual knowledge that the affidavit is false.

#### Other Matters Relating to REMIC Certificates

Liquidation of the REMIC. If a REMIC adopts a plan of complete liquidation, and sells all of its assets (other than cash) within the 90-day period beginning on the date of the adoption of the plan of liquidation, then the REMIC will not be subject to an entity-level tax on the sale of its assets, provided that the REMIC credits or distributes in liquidation all of the sale proceeds plus its cash (other than amounts retained to meet claims) to holders of all REMIC Certificates within the 90-day period. It is likely that the termination of the REMIC will be treated as a sale or exchange of a Residual Certificateholder's Residual Certificate, in which case, a Residual Certificateholder would be entitled to recognize a gain (or loss) at that time equal to the amount of the excess (or shortfall) of the cash or fair market value of other property distributed in liquidation over the adjusted basis in the Residual Certificate remaining upon termination of the REMIC. The amount of such gain (or loss) may be treated as a capital gain (or loss) for certain taxpayers, although not for financial institutions subject to the provisions of section 582(c) of the Code.

Reporting and Other Administrative Matters. For federal income tax purposes, the REMIC must adopt a calendar year as its taxable year and must file annual federal information and tax returns and other reports with the Internal Revenue Service and furnish reports to Certificateholders as specified in Treasury regulations. Pursuant to the Treasury regulations, reports will be made annually to the Internal Revenue Service and to holders of record that are not excepted from the reporting requirements regarding information with respect to the interest paid or accrued on the Regular Certificates, original issue discount, if any, accrued on the Regular Certificates, the portion of the Regular Certificates (and income therefrom) that is eligible for each special tax status described above, and certain information necessary to compute the accrual of any market discount or the amortization of any premium on the Regular Certificates. Quarterly reports will be made to the holders of Residual Certificates with regard to REMIC taxable income, excess inclusions and allocable investment expenses of the REMIC required to be taken into account by the holder of the Residual Certificate. These quarterly reports will be filed with the Internal Revenue Service on an annual basis. Quarterly reports must be made of the REMIC's investment expenses to holders of Regular Certificates where such allocations are required. The REMIC also is 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 income, gain, loss, deduction or credit by the Internal Revenue Service in a unified administrative proceeding. In this connection, a holder of a Residual Certificate may be required to act as the "tax matters person" of the REMIC.

Certain Noncorporate Investors. Under section 67 of the Code, an individual, estate or trust may deduct certain itemized deductions only to the extent that the aggregate of these itemized deductions exceeds two percent of the taxpayer's adjusted gross income. These itemized deductions include expenses paid or incurred for the production or collection of income, or the management,

conservation or maintenance of property held for the production of income. In the case of a REMIC, these deductions may include deductions for servicing expenses with respect to the Mortgage Loans or Agency Securities, compensation paid to the Company or other administrator of a Series of Certificates, or other administrative expenses, if any, of the REMIC. In the case of a REMIC that is similar to a traditional single-class mortgage pass-through arrangement (including a pass-through arrangement with senior and subordinated interests), a pro rata portion of the expenses that are deductible under section 212 of

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the Code would be allocated among all of the holders of interests in the REMIC and would be taken into account by holders who are individuals, estates or trusts (where interests are held either directly or indirectly through certain pass-through entities) as a "gross-up" to income, against which deductions for those expenses would be available subject to the limitations of section 67 of the Code. Nevertheless, for other REMICs, these deductions would be allocated only to holders of the Residual Certificates.

Taxation of Certain Foreign Investors--Regular Certificates. For purposes of this discussion, a "Foreign Holder" is a Certificateholder who holds a REMIC Certificate and who is not (i) a citizen or resident of the United States, (ii) a corporation or partnership organized in or under the laws of the United States or any political subdivision thereof or (iii) an estate or trust the income of which is includible in gross income for United States tax purposes regardless of its source. Unless the interest on a Regular Certificate is effectively connected with the conduct by the Foreign Holder of a trade or business within the United States, the Foreign Holder is not subject to federal income tax on interest (or original issue discount, if any) on a Regular Certificate (subject to possible backup withholding of tax, discussed below), provided the Foreign Holder is not a controlled foreign corporation related to the Company and does not own actually or constructively 10% or more of the voting stock of the Company. To qualify for this tax exemption, the Foreign Holder will be required to provide a statement signed under penalties of perjury certifying that the Foreign Holder meets the requirements for treatment as a Foreign Holder and providing the Foreign Holder's name and address. The statement, which may be made on a Form W-8 or substantially similar substitute form, generally must be provided in the year a payment occurs or in either of the two preceding years. The statement must be provided, either directly or through clearing organizations or financial institution intermediaries, to the person that otherwise would withhold tax. If the interest on the Regular Certificate is effectively connected with the conduct by the Foreign Holder of a trade or business within the U.S., then the Foreign Holder will be subject to tax at regular graduated rates. Foreign Holders should consult their own tax advisors regarding the specific tax consequences of their owning a Regular Certificate.

Any gain recognized by a Foreign Holder upon a sale, retirement, or other taxable disposition of a Regular Certificate generally will not be subject to United States federal income tax unless either (i) the Foreign Holder is a nonresident alien individual who holds the Regular Certificate as a capital asset and who is present in the United States for 183 days or more in the taxable year of the disposition and either the gain is attributable to an office or other fixed place of business maintained in the U.S. by the individual or the individual has a "tax home" in the United States, or (ii) the gain is effectively connected with the conduct by the Foreign Holder of a trade or business within the United States,

A Regular Certificate will not be includible in the estate of a Foreign Holder who does not own actually or constructively 10% or more of the voting stock of the Company or the REMIC.

Taxation of Certain Foreign Investors--Residual Certificates. Amounts paid to Residual Certificateholders who are Foreign Holders are treated as interest for purposes of the 30% United States withholding tax. The Treasury Department has promulgated regulations that provide that interest payments to the holder of a Residual Certificate are treated as having been paid with respect to the obligations held by the REMIC for purposes of determining whether the payments are eligible for the portfolio interest exemption. Accordingly, such regulations appear to make the portfolio interest exemption available for interest payments based on the percentage of the income derived from Agency Securities or Mortgage Loans, as the case may be, that represents interest on mortgage loans originated after July 18, 1984, (assuming all other requirements for the exemption are met). Such regulations do not allow any payments representing the "excess inclusion" portion of the REMIC's income to be eligible for the portfolio interest exemption. In addition, a Residual Certificateholder will not be entitled to any exemption from the 30% withholding tax or a reduced treaty rate to the extent of that portion of REMIC taxable income that constitutes an "excess inclusion." See "Taxation of REMIC Certificates-- Taxation of Residual Certificates--Limitations on Offset or Exemption of REMIC Income." If the amounts allocable to Residual Certificateholders who are Foreign Holders are effectively connected

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with the conduct of a trade or business within the United States by such Foreign Holders, 30% (or lower treaty rate) withholding will not apply. Instead, the amounts allocable to such Foreign Holders will be subject to United States federal income tax at regular graduated rates. If 30% (or lower treaty rate) withholding is applicable, such amounts will be taken into account for purposes of withholding only when paid or otherwise distributed (or when the REMIC Residual Certificate is disposed of) under rules similar to those that govern withholding upon disposition of debt instruments that have original issue discount. However, the Code grants the Treasury Department authority to issue regulations requiring that the amounts includible be taken into account earlier than otherwise provided where necessary to prevent avoidance of tax. This latter rule may apply where the Residual Certificates do not have significant value.

**Backup Withholding.** Under certain circumstances interest (and original issue discount, if any), principal or proceeds of sale of a Regular Certificate may be subject to "backup withholding" of United States federal income tax at a 31% rate. Backup withholding does not apply to corporations and certain other exempt recipients, which may be required to establish their exempt status. Backup withholding generally applies if, among other circumstances, a non-exempt Regular Certificateholder who is a U.S. person fails to furnish its taxpayer identification number or, when applicable, a Form 4224. Backup withholding generally does not apply to a Foreign Holder if the Foreign Holder provides the statement necessary to establish the exemption from federal income tax on interest on the Regular Certificate. Special backup withholding rules may apply when a payment is made through one or more financial institutions or by a custodian, nominee, broker or other agent of the beneficial owner of a Regular Certificate.

#### TAXATION OF NON-REMIC CERTIFICATES

##### Tax Status as a Grantor Trust

General. Counsel has advised the Company that in their opinion, assuming that no REMIC election is made with respect to a Series of Certificates and the Trust Fund does not constitute a TMP, the Trust Fund will be classified as a grantor trust under Subchapter J of the Code and not as an association taxable as a corporation. In such case, the holder of a Non-REMIC Certificate will be treated as the owner of a portion of the Mortgage Loans, Agency Securities or other assets of the Trust Fund and as having the same interest in the income derived from such assets, and, except in the case of Non-REMIC Certificates treated as "Stripped Certificates" (discussed below), the holder of a Non-REMIC Certificate will be required to report on its federal income tax return its pro rata share of the gross income of the assets of the Trust Fund represented by the Non-REMIC Certificate in accordance with such Non-REMIC Certificateholder's method of accounting. Gross income of the Trust Fund for this purpose will include all interest, original issue discount, if any, or any other income derived from the Mortgage Loans, Agency Securities or other assets held by the Trust Fund, in each case without reduction by the amount of the Servicing Fee or other expenses of the Trust Fund. A Non-REMIC Certificateholder generally will be able to deduct his share of the Servicing Fee and other expenses of the Trust Fund in accordance with such Non-REMIC Certificateholder's method of accounting, provided that such amounts represent reasonable compensation for services rendered to that Trust Fund. However, as discussed above under "Taxation of REMIC Certificates--Other Matters Relating to REMIC Certificates --Certain Noncorporate Investors," the ability of investors who are individuals, estates, or trusts to deduct certain "miscellaneous itemized deductions," may be limited. As a result, any such investors who own Non-REMIC Certificates directly (or in certain cases indirectly through a pass-through entity) might have aggregate taxable income in excess of the aggregate amount of cash received.

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**Tax Status of Non-REMIC Certificates.** Provided the Trust Fund is not a TMP, the Mortgage Loans and Agency Securities represented by a Non-REMIC Certificate will be considered to represent (i) "qualifying real property loans" within the meaning of section 593(d)(1) of the Code, (ii) assets described in Section 7701(a)(19)(C) of the Code and (iii) "real estate assets" within the meaning of section 856(c)(5)(A) of the Code. Interest income derived from a Mortgage Loan or Agency Security will be considered "interest on obligations secured by mortgages on real property" within the meaning of Section 856(c)(3)(B) of the Code. Mortgage Loans and Agency Securities will not be considered to be "Government Securities" within the meaning of section 851(b)(4)(A)(i) of the Code.

**Treatment of Non-REMIC Certificateholders.** For purposes of the remaining discussion of the treatment of Non-REMIC Certificateholders, the term "Mortgage Loan" will refer both to Mortgage Loans and to mortgage loans underlying Agency Securities. Subject to the application of the "stripped bond rules" discussed below, and provided the Trust Fund is not a TMP, a Non-REMIC Certificateholder will include his proportionate share of income realized on the Mortgage Loans, including original issue discount, market discount and gain on the prepayment or other disposition of a Mortgage Loan, and will deduct (subject to the limitations discussed above) his proportionate share of the Trust Fund's expenses. Gain on the prepayment of a Mortgage Loan on which the obligor is an individual will be treated as ordinary income. The treatment of original issue

discount and market discount and premium are discussed below.

Original Issue Discount. Holders of Non-REMIC Certificates will be required to include original issue discount income on a periodic basis to the extent that the Non-REMIC Certificate represents interests in Mortgage Loans that have original issue discount, which Mortgage Loans were either issued by a corporate mortgagor after May 27, 1969, by a non-corporate mortgagor (other than an individual) after July 1, 1982, or by an individual after March 1, 1984. As discussed above under "Taxation of REMIC Certificates--Regular Certificates--Original Issue Discount," original issue discount is the excess of the "stated redemption price at maturity" of a debt instrument over its "issue price." Original issue discount generally must be included as interest in gross income as it accrues under a constant interest method, in advance of the cash attributable to such income regardless of the method of accounting otherwise used. Therefore, in a given taxable year, a Non-REMIC Certificateholder may have taxable income with respect to its ownership of such Certificate in excess of distributions on such Certificate.

Market Discount. If the revised issue price of any Mortgage Loan exceeds the portion of the basis of the Non-REMIC Certificateholder allocable to the Mortgage Loan, the Non-REMIC Certificateholders also will be subject to the market discount rules of the Code. Market discount will be determined and will be reported as ordinary income generally in the manner described above under "Taxation of REMIC Certificates--Regular Certificates--Market Discount."

Premium. Where the portion of a Non-REMIC Certificateholder's basis allocable to a Mortgage Loan exceeds the stated redemption price of the Mortgage Loan, the Non-REMIC Certificateholder will be treated as having acquired the Mortgage Loan at a premium. The Non-REMIC Certificateholder generally will treat the premium in the manner described above under "Taxation of REMIC Certificates--Taxation of Regular Certificates--Premium."

Sale or Exchange of Non-REMIC Certificates. Upon sale or exchange of a Non-REMIC Certificate, a Non-REMIC Certificateholder will recognize gain or loss equal to the difference between the amount realized in the sale and its aggregate adjusted basis in the Mortgage Loans and other assets represented by the Non-REMIC Certificate. In general, the aggregate adjusted basis will equal the Non-REMIC Certificateholder's cost for the Non-REMIC Certificate, increased by the amount of any income previously reported with respect to the Non-REMIC Certificate and decreased by the amount of any losses previously reported with respect to the Non-REMIC Certificate and the amount of any distributions received thereon. Except as provided above with respect to market discount on any

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Mortgage Loans, and except for certain financial institutions subject to the provisions of section 582(c) of the Code, any such gain or loss would be capital gain or loss if the Non-REMIC Certificate was held as a capital asset.

Recharacterization of the Servicing Fee. The Internal Revenue Service has indicated that if the Servicing Fee paid to the Servicer exceeded reasonable servicing compensation, the amount in excess of reasonable servicing compensation would be considered as an ownership interest of the Company in a portion of the interest payments on the Mortgage Loans resulting in application of the "stripped bond" rules described below. In this regard, the Internal Revenue Service has provided elective safe harbors concerning levels of servicing compensation that would be considered reasonable for specified types of mortgage loans. If the Servicing Fee with respect to the Mortgage Loans exceeds the applicable safe harbors, a recharacterization of any "excess" Servicing Fee as an ownership interest in the Mortgage Loans should not have any significant effect upon the timing or amount of income reported by a Non-REMIC Certificateholder who does not purchase the Non-REMIC Certificate at a significant discount, except that the income reported by a cash method holder may be somewhat accelerated. See "Application of the Stripped Bond Rules" below for a further description of the federal income tax treatment of Certificates subject to the stripped bond rules.

#### Application of the Stripped Bond Rules

General. In general, the provisions of section 1286 of the Code (the "stripped bond rules") apply to all or a portion of those Certificates where there has been a separation of the ownership of the rights to receive some or all of the principal payments on a Mortgage Loan from the right to receive some or all of the related interest payments. Certain Non-REMIC Certificates may be subject to these rules either because they represent specifically the right to receive designated portions of the interest or principal paid on the Mortgage Loans, or as discussed above, because the Servicing Fee is determined to be excessive (each, a "Stripped Certificate").

Tax Status of Stripped Certificates. Although no specific legal authority exists and the matter is not free from doubt, Stripped Certificates should be considered to have the same federal income tax status as the Mortgage Loans or Agency Securities, as discussed above under "Tax Status of Non-REMIC Certificates" to the same extent as comparable Non-REMIC Certificates that are

not Stripped Certificates.

Taxation of Stripped Certificates. Each Stripped Certificate will be considered to have been issued with original issue discount for federal income tax purposes. Original issue discount with respect to a Stripped Certificate must be included in ordinary income as it accrues, which may be prior to the receipt of the cash attributable to such income. For these purposes, under original issue discount regulations, each Stripped Certificate should be treated as a single installment obligation for purposes of calculating original issue discount and gain or loss on disposition. The manner in which the accrual of original issue discount is to be computed with respect to Stripped Certificates is unclear. Nevertheless, it is anticipated that if the Company is required to report original issue discount, computations for Stripped Certificates that represent the right to receive payments of principal on a Mortgage Loan without the corresponding right to receive all interest payable on that principal amount on the Mortgage Loan will be made as described above under "Taxation of REMIC Certificates- Regular Certificates- Original Issue Discount." However, for these purposes, the issue price of a Stripped Certificate will be the purchase price paid by each holder thereof. The Internal Revenue Service has indicated that with respect to certain mortgage loans, original issue discount would be considered zero either if (i) the original issue discount did not exceed an amount that would be eligible for the de minimis rule described above under "Taxation of REMIC Certificates--Regular Certificates--Original Issue Discount", or (ii) the annual stated rate of interest on the mortgage loan was not more than 100 basis points lower than on the loan prior to its being stripped. In either such case the rules described above under

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"Taxation of REMIC Certificates--Regular Certificates- Market Discount" (including the applicable de minimis rule) would apply with respect to the mortgage loan.

Sale or exchange of a Stripped Certificate prior to its maturity will result in gain or loss equal to the difference, if any, between the amount received and the Stripped Certificateholder's adjusted basis in such Stripped Certificate, as described above under "Taxation of REMIC Certificates--Regular Certificates--Sale or Exchange of Regular Certificates."

#### Treatment of Subordinated Certificates

As described above under "Description of the Certificates- General," certain Certificates of a Series may be subordinate to one or more classes of other Certificates of the Series (the "Subordinated Certificates" and "Senior Certificates," respectively). Holders of Subordinated Certificates that are Non-REMIC Certificates generally will be treated in the same manner as holders of Subordinated Certificates that are REMIC Certificates with regard to the treatment of delays in payment on account of delinquencies or defaults on Mortgage Loans held by the Trust Fund. See "Taxation of REMIC Certificates--Regular Certificates--Treatment of Subordinated Certificates."

#### Taxation of Certain Foreign Investors

To the extent that a Non-REMIC Certificate evidences ownership in Mortgage Loans that are issued before July 19, 1984, interest or original issue discount paid by the person required to withhold tax under Section 1441 or 1442 of the Code to Foreign Holders (as defined in "Taxation of REMIC Certificates-- Other Matters Relating to REMIC Certificates--Taxation of Certain Foreign Investors--Regular Certificates") generally will be subject to 30% United States withholding tax, or such lower rate as may be provided for interest by an applicable tax treaty. Accrued original issue discount recognized by the Foreign Holder on the sale or exchange of such a Non-REMIC Certificate also will be subject to United States income tax withholding at the same rate.

Treasury regulations provide that interest or original issue discount paid by the Company or other withholding agent to Foreign Holders evidencing ownership interests in Mortgage Loans issued after July 18, 1984, generally will be considered "portfolio interest" and will be treated in the same manner as described above under "Taxation of REMIC Certificates--Other Matters Relating to REMIC Certificates--Taxation of Certain Foreign Investors--Regular Certificates."

The treatment of a sale or exchange of a Non-REMIC Certificate by a Foreign Holder generally will have the same consequences as the sale of a REMIC Regular Certificate discussed above under "Taxation of REMIC Certificates--Other Matters Relating to REMIC Certificates--Taxation of Certain Foreign Investors--Regular Certificates."

#### Reporting Requirements and Backup Withholding

Reports will be made annually to the Internal Revenue Service and to holders of record that are not excepted from the reporting requirements regarding information as may be required with respect to interest and original issue discount, if any, with respect to the Non-REMIC Certificates. The amount required to be reported by the Company may not be equal to the proper amount of

original issue discount required to be reported as taxable income by a Certificateholder, other than an original Certificateholder. Non-REMIC Certificateholders may be subject to "backup withholding" as described above under "Taxation of REMIC Certificates--Other Matters Relating to REMIC Certificates--Backup Withholding."

#### Tax Status as Taxable Mortgage Pool

General. If no REMIC election is made, or a valid REMIC election cannot be made, with respect to a Series of Certificates and the Trust Fund (or a portion of the Trust Fund or such Series) meets the

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criteria of section 7701 (i) of the Code, the Trust Fund (or such Series) will be classified as a TMP and not as a grantor trust. (Reference hereafter is only to the Trust Fund, but the discussion is equally applicable to a portion of the Trust Fund or to a Series.)

A TMP is any entity (other than a REMIC) or portion of such an entity if (i) substantially all of its assets consists of debt obligations (or interests therein) and more than 50 percent of such debt obligations (or interests) consists of real estate mortgages (or interests therein), (ii) such entity is the obligor under debt obligations with 2 or more maturities, and (iii) under the terms of the debt obligations referred to in clause (ii), payments on such debt obligations bear a relationship to payments on the debt obligations (or interests) referred to in clause (i). If a Series of Non-REMIC Certificates were so treated, the Trust Fund would be treated as a TMP.

Taxation of the Trust Fund as a TMP. A TMP is treated as a corporation for federal income tax (and, possibly, state corporate income tax) purposes and is subject to a corporate-level tax on its taxable income. A TMP may not be included in an affiliated group filing a consolidated return.

If the Trust Fund is classified as a TMP, the Trust Fund will include in gross income interest on the Loans and other temporary investments for each taxable year. The Trust Fund will be entitled to deductions for ordinary and necessary expenses incurred and for interest accrued during the taxable year on indebtedness. For purposes of determining accrued interest, it is unclear whether Non-REMIC Certificates would be classified as indebtedness of the Trust Fund or as equity interests. If such Certificates were treated as indebtedness of the Trust Fund, the Trust Fund's deductions for interest accrued with respect to the Non-REMIC Certificates would offset a like amount of interest income from the Mortgage Loans.

If, however, Non-REMIC Certificates were treated as equity interests of the Trust Fund, rather than indebtedness, payments to the Certificateholders would be characterized as nondeductible distributions. In such case, the Trust Fund would have substantial taxable income from the interest income from the Mortgage Loans without any significant corresponding deductions for interest and the resulting corporate level tax could significantly reduce the amount of funds the Trust Fund would have available for distribution to Certificateholders.

#### Taxation of the Non-REMIC Regular Certificateholders

If Non-REMIC Regular Certificates were treated as indebtedness of a TMP Certificateholders would be taxed in generally the same manner as described above under "Taxation of REMIC Certificates--Taxation of Regular Certificates."

If Non-REMIC Regular Certificates were treated as equity interests of the Trust Fund, rather than indebtedness, payments to Regular Certificateholders would be characterized as dividends, includible in the gross income of such holders to the extent of the Trust Fund's earnings and profits and then as a return of capital. Thereafter any distributions would be treated as arising from a sale or exchange of the Certificates.

#### Taxation of Non-REMIC Residual Certificateholders

Non-REMIC Residual Certificates would be treated as equity interests of the Trust Fund with the result that payments to Residual Certificateholders would be characterized as dividends includible in the gross income of such holders to the extent of the Trust Fund's earnings and profits and then as a return of capital. Thereafter any distributions would be treated as arising from a sale or exchange of the Certificates.

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#### PLAN OF SALE

The Company may sell the Certificates offered hereby to or through one or more underwriters or agents. The Prospectus Supplement with respect to each Series of Certificates will set forth the terms of the offering of such Series of Certificates and each Class within such Series, including the name or names of the underwriters or agents, the proceeds to and their intended use by the Company, and either the initial public offering price, the discounts and



commissions to the underwriters or agents and any discounts or concessions allowed or reallocated to certain dealers, or the method by which the price at which the underwriters or agents will sell the Certificates will be determined. Certificates may be offered to the public either through underwriting syndicates represented by managing underwriters, or directly by one or more firms or others as designated in the related Prospectus Supplement.

The Underwriting Agreement, as specified in the related Prospectus Supplement, may provide that underwriters named therein will be obligated to purchase all of the Series of Certificates described in the Prospectus Supplement with respect to such Series if any such Certificates are purchased. Alternatively, the Prospectus Supplement may specify that the Certificates will be distributed by one or more agents that will receive a selling commission with respect to each Series of Certificates as specified in the related Prospectus Supplement. If specified in the related Prospectus Supplement, a Series of Certificates may be offered in whole or in part in exchange for the Mortgage Loans or Agency Securities that would comprise the Mortgage Pool or pool of Agency Securities with respect to such Certificates. In such event, the Prospectus Supplement will specify the amount of compensation to be paid to the underwriter or underwriters and expenses, if any, in connection with the distribution. The Certificates may be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale.

The obligations of any underwriters will be subject to certain conditions precedent, and such underwriters will be severally obligated to purchase all the Certificates of a Series described in the related Prospectus Supplement, if any are purchased.

#### LEGAL INVESTMENT

The Prospectus Supplement for each Series of Certificates will specify which, if any, of the classes of Certificates offered thereby will constitute "mortgage related securities" for purposes of the Secondary Mortgage Marketing Enhancement Act of 1984 ("SMMEA"). The appropriate characterization of those Certificates not qualifying as "mortgage related securities" ("Non-SMMEA Certificates") under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase such Certificates, may be subject to significant interpretive uncertainties. Accordingly, investors whose investment authority is subject to legal restrictions should consult their own legal advisors to determine whether and to what extent the Non-SMMEA Certificates constitute legal investments for them.

Generally, only Classes of Certificates that (i) are rated in one of the two highest rating categories by one or more nationally recognized statistical rating organizations and (ii) are part of a Series evidencing interests in a Trust Fund consisting of loans secured by, among other things, a single parcel of real estate upon which is located a dwelling or mixed residential and commercial structure, such as certain multifamily loans, originated by certain types of obligations as specified in SMMEA, will be "mortgage related securities" for purposes of SMMEA. As "mortgage related securities", such Classes will constitute legal investments for persons, trusts, corporations, partnerships, associations, business trusts and business entities (including but not limited to, state-chartered savings banks, commercial banks, savings and loan associations and insurance companies, as well as trustees and state government employee retirement systems) created pursuant to or existing under the laws of the United States or of

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any state (including the District of Columbia and Puerto Rico) whose authorized investments are subject to state regulation to the same extent that under applicable law, obligations issued by or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof constitute legal investments for such entities.

Pursuant to SMMEA, a number of states enacted legislation, on or before the October 3, 1991 cutoff for such enactments, limiting to varying extents the ability of certain entities (in particular, insurance companies) to invest in "mortgage related securities" in most cases by requiring the affected investors to rely solely upon existing state law, and not SMMEA. Accordingly, the investors affected by such legislation will be authorized to invest in Certificates qualifying as "mortgage related securities" only to the extent provided in such legislation.

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 mortgage related securities without limitation as to the percentage of their assets represented thereby, federal credit unions may invest in such securities, and national banks may purchase such Securities for their own account without regard to the limitations generally applicable to investment securities set forth in 12 U.S.C. Section 24 (Seventh), subject in each case to such regulations as the applicable federal regulatory authority may prescribe. In this connection, federal credit

unions should review the National Credit Union Administration ("NCUA") 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. The NCUA has adopted rules, codified as 12 C.F.R. Sections 703.5(f)-(k) which prohibit federal credit unions from investing in certain mortgage related securities (including securities such as certain Series or Classes of Certificates), except under limited circumstances.

All depository institutions considering an investment in the Certificates (whether or not the class of certificates 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) (the "Policy Statement"). The Policy Statement, which has been adopted by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Comptroller of the Currency and the Office of Thrift Supervision, and by the NCUA (with certain modifications), prohibits depository institutions from investing in certain "high risk mortgage securities" (including securities such as certain Series or Classes of the Certificates), except under limited circumstances, and sets forth certain investment practices deemed to be unsuitable for regulated institutions. Under the Policy Statement, it is the responsibility of each depository institution to determine, prior to 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.

Institutions whose investment activities are subject to regulation by federal or state authorities should review rules, policies and guidelines adopted from time to time by such authorities before purchasing any Certificates, as certain Series, Classes or subclasses may be deemed to be unsuitable investments, or may otherwise be restricted, under such rules, policies or guidelines (in certain instances irrespective of SMMEA).

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, but not limited to, "prudent investor" provisions, percentage-of-assets limits, provisions which may restrict or prohibit investment in securities which are not "interest bearing" or "income paying", and with regard to any Certificates issued in book-entry form, provisions which may restrict or prohibit investments in securities which are issued in book-entry form.

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Except as to the status of certain Certificates as "mortgage related securities," no representation is made as to the proper characterization of the Certificates for legal investment purposes, financial institutions regulatory purposes, or other purposes, or as to the ability of particular investors to purchase Certificates under applicable legal investment restrictions. The uncertainties described above (and any unfavorable future determinations concerning legal investment or financial regulatory characteristics of the Certificates) may adversely affect the liquidity of the Certificates. Investors should consult their own legal advisors in determining whether and to what extent the Certificates constitute legal investments for such investors.

#### LEGALITY OF THE CERTIFICATES

The legality of the Certificates will be passed upon for the Company by Morgan, Lewis & Bockius LLP, New York, New York. The material federal income tax consequences of the Certificates will be passed upon by Morgan, Lewis & Bockius LLP.

#### ADDITIONAL INFORMATION

The Prospectus does not contain all the information set forth in the Registration Statement (of which this Prospectus is a part) and exhibits relating thereto which the Company has filed with the Commission in Washington, D.C. Copies of the information and the exhibits are on file at the offices of the Commission and may be obtained, upon payment of the fee prescribed by the Commission, or may be examined without charge at the offices of the Commission.

Neither The Chase Manhattan Corporation nor any of its affiliates, including the Company, are obligated with respect to the Certificates. Accordingly, the Company has determined that financial statements of The Chase Manhattan Corporation and its affiliates, including the Company, are not material to the offering made hereby.

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#### GLOSSARY

There follows abbreviated definitions of certain capitalized terms used in this Prospectus. The Agreement may contain a more complete definition of certain of the terms defined herein and reference should be made to the Agreement for a more complete definition of all such terms.

"Accrual Remittance Amount" means, with respect to the Compound Interest Certificates of a Series of Certificates providing for sequential distributions in reduction of the Stated Balance of the Classes of such Series, as of any Remittance Date, the amount of interest, calculated at the Interest Rate, which has accrued on such Compound Interest Certificates from the prior Remittance Date.

"Adjustable Rate Certificates" means Certificates which evidence the right to receive distributions of income at a variable Remittance Rate.

"Adjustable Rate Loans" means adjustable and variable rate Mortgage Loans which permit or require periodic changes in the interest rates borne by such Mortgage Loans.

"Advances" means the advances made by a Master Servicer (including from advances made by a Sub-servicer) on any Remittance Date pursuant to an Agreement.

"Agency Securities" means individual mortgage pass-through securities issued or guaranteed by FHLMC, FNMA or GNMA which are sold and assigned by the Company to the Trustee and which are the subject of an Agreement and are included in a Trust Fund.

"Agreement" means each Pooling and Servicing Agreement by and among the Company, the Trustee and, with respect to a Series of Certificates evidencing interests in Mortgage Loans, the Master Servicer specified in the related Prospectus Supplement.

"Alternate Credit Enhancement" means the insurance policy, guarantee, letter of credit or surety bond used to enhance the credit rating of a Series of Certificates, as set forth in the related Prospectus Supplement.

"Asset Value" means the Asset Value of the Mortgage Loans or Agency Securities included in a Trust Fund, determined in the manner set forth in the related Agreement.

"Available Distribution Amount" means, with respect to each Series of Certificates, certain amounts on deposit in the Certificate Account on a Determination Date.

"Available Subordination Amount" means, with respect to a Series of Certificates having a Class of Subordinated Certificates, unless otherwise provided in the related Prospectus Supplement, as of any Remittance Date, the excess, if any, of the then applicable Maximum Subordination Amount over the Cumulative Subordination Payments as of the preceding Remittance Date.

"Certificates" means the Pass-Through Certificates issued pursuant to an Agreement. "Certificate Account" means the account maintained by the Master Servicer or the Trustee, as specified in the related Prospectus Supplement.

"Certificate Remittance Amount" means, unless otherwise specified in the related Prospectus Supplement, with respect to a Series of Certificates providing for sequential distributions in reduction of the Stated Balance of the Classes of such Series, as of any Remittance Date, the amount, if any, by which the then outstanding Stated Balance of the Classes of Certificates of such Series (before taking into account the amount of interest accrued on any Class of Compound Interest Certificates to be added to the Stated Balance thereof on such Remittance Date) exceeds the Asset Value. (as defined in the related Prospectus Supplement) of the Mortgage Loans or Agency Securities included in the Trust Fund for such Series as of the end of the related Due Period.

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"Code" means the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.

"Company" means MorServ, Inc.

"Compound Interest Certificates" means a Class or Sub-class of Certificates on which interest will accrue, but not be paid, for the period set forth in the related Prospectus Supplement.

"Co-op Loans" means Mortgage Loans secured by stock allocated to dwelling units in residential cooperative housing corporations.

"Cumulative Subordination Payments" means, with respect to a Series of Certificates having a Class of Subordinated Certificates, unless otherwise provided in the related Prospectus Supplement, as of any Remittance Date, the cumulative amount equal to (i) the total of all amounts distributed to the Senior Certificateholders, exclusive of Advances made by the Master Servicer and the Initial Deposit to the Reserve Fund, up to and including such Remittance Date minus (ii) the sum of (a) the Senior Percentage times the Available Distribution Amount for all Remittance Dates up to and including such Remittance Date plus (b) the Subordinated Percentage times certain late payments previously

applied to reimburse the Master Servicer for Advances.

"Cut-off-Date" means the date specified in the related Prospectus Supplement as the date from which principal and interest payments on the Mortgage Loans or Agency Securities are included in the Trust Fund.

"Determination Date" means, unless otherwise specified in the related Prospectus Supplement, the later of (i) the sixteenth day of the month in which the related Remittance Date occurs, or (ii) the seventh Business Day prior to the related Remittance Date.

"Due Period" means, unless otherwise provided in a related Prospectus Supplement, with respect to any Remittance Date, the period beginning on the second day of the month preceding the month of the Remittance Date and ending on the first day of the month of the Remittance Date.

"Eligible Investments" means one or more of the investments specified in the Agreement in which moneys in the Certificate Account and certain other accounts are permitted to be invested.

"Excess Interest" or "Excess Interest Rate" means, with respect to any Mortgage Loan or Agency Security, the per annum percentage of the principal balance from time to time outstanding, which may be retained by a seller, the Company or the Master Servicer or allocated to a designated Class of Certificates, as specified in the related Prospectus Supplement.

"FDIC" means the Federal Deposit Insurance Corporation.

"FHA" means the Federal Housing Administration.

"FHA Mortgage Loans" means Mortgage Loans insured by the FHA.

"FHLMC" means the Federal Home Loan Mortgage Corporation.

"Final Scheduled Remittance Date" means, with respect to a Series of Certificates providing for sequential distributions in reduction of the Stated Balance of the Classes of each Series, the date, based on the assumptions set forth in the related Prospectus Supplement, on which the Stated Balance of all Certificates of each Class shall have been reduced to zero.

"FNMA" means the Federal National Mortgage Association.

"GNMA" means the Government National Mortgage Association.

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"Guarantee Fee" means any fee paid for providing credit enhancement for all or part of the related Trust Fund, Mortgage Pool, or all or any Mortgage Loans included in the related Mortgage Pool.

"HUD" means the United States Department of Housing and Urban Development.

"Initial Deposit" means, with respect to a Series of Certificates, the amount, if any, deposited into the Reserve Fund as an advance of funds on the date of the initial issuance of the Certificates, which amount may be recoverable as provided in the Agreement.

"Interest Rate" means, with respect to a Series of Certificates providing for sequential distributions in reduction of the Stated Balance of the Classes of such Series, the interest payable on the Principal Balance outstanding of each such Class.

"Late Collections" means, with respect to any Mortgage Loan, amounts received during any Due Period, whether as late payments of Monthly Payments, or as Liquidation Proceeds, condemnation awards, proceeds of insurance policies or otherwise, which represent late payments or collections of Monthly Payments due but delinquent for a previous Due Period and not previously recovered.

"Loan-to-Value Ratio" means, except as otherwise specified in the related Prospectus Supplement, the fraction, expressed as a percentage, the numerator of which is the outstanding principal balance of the related Mortgage Loan at the time of origination and the denominator of which is the appraised value of the related Mortgaged Property at origination, or, in the case of a Mortgage Loan financing the acquisition of the Mortgaged Property, the sales price of such Mortgaged Property, if such sales price is less than such appraised value.

"Liquidation Proceeds" means cash (including insurance proceeds) received in connection with the liquidation of defaulted Mortgage Loans.

"Master Servicer" means, with respect to each Series of Certificates evidencing interests in Mortgage Loans, the Master Servicer specified in the related Prospectus Supplement.

"Maximum Subordination Amount" means, with respect to a Series of Certificates having a Class of Subordinated Certificates, the amount specified

in the related Prospectus Supplement, representing the maximum amount of Cumulative Subordination Payments which may be required to be made over the term of the related Agreement.

"Monthly Payment" means the scheduled monthly payment of principal and interest on a Mortgage Loan.

"Mortgage" means the mortgage, deed of trust or other instrument creating a first lien on a first priority ownership interest in or estate in fee simple in real property securing a Mortgage Note.

"Mortgage Insurance Policies" means the Primary Mortgage Insurance Policies, FHA insurance, VA guarantees, and Mortgage Pool Insurance Policies, if any, obtained with respect to the Mortgage Loans.

"Mortgage interest Rate" or "Mortgage Rate" means, with respect to each Mortgage Loan, the interest rate specified in the related Mortgage Note.

"Mortgage Loan-to-Value Ratio" means the loan-to-value Ratio at the time of origination of the Mortgage Loan.

"Mortgage Loans" means the individual mortgage loans which are sold and assigned by the Company to the Trustee and which are the subject of an Agreement and included in a Trust Fund.

"Mortgage Note" means the note or other evidence of indebtedness of a mortgagor secured by a Mortgage.

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"Mortgage Pool" means, with respect to each Series of Certificates, the pool of Mortgage Loans transferred by the Company to the Trustee.

"Mortgaged Properties" means one-to-four family residential properties consisting of detached individual dwelling units, individual condominiums, townhouses, duplexes, row houses, individual units in planned-unit developments and other attached dwelling units.

"Mortgagor" means the obligor on a Mortgage Note.

"Nonrecoverable Advance" means any Advance previously made or proposed to be made in respect of a Mortgage Loan by the Master Servicer pursuant to the Agreement, which, in the good faith judgment of the Master Servicer, will not or, in the case of a proposed Advance, would not be ultimately recoverable by the Master Servicer from Liquidation Proceeds or otherwise.

"Paying Agent" means, unless otherwise specified in the related Prospectus Supplement, The Chase Manhattan Bank.

"Record Date" means the date specified in the related Prospectus Supplement for the list of Certificateholders entitled to distributions on the Certificates.

"REMIC" means a "real estate mortgage investment conduit" as defined in the Code.

"REMIC Servicer" means, with respect to each Series of Certificates evidencing interests in Mortgage Securities, the REMIC Servicer, if any, specified in the related Prospectus Supplement.

"Remittance Date" means the date specified in the related Prospectus Supplement for payments on the Certificates.

"Remittance Rate" means, as to a Mortgage Loan or Mortgage Security, the rate or rates of interest specified thereon less the Servicing Fee and Excess Interest, if any, specified in the related Prospectus Supplement.

"Reserve Fund" means a fund established and funded by the Company or such other party specified in the related Prospectus Supplement to make payments on the Certificates to the extent funds are not otherwise available.

"Senior Certificates" means, with respect to each Series of Certificates, the Class or Classes which have rights senior to another Class or Classes in such Series.

"Senior Distribution Amount" means, with respect to a Series of Certificates having Subordinated Certificates, as of each Remittance Date and for each Class of Senior Certificates, the amount due the holders of such Class of Senior Certificates.

"Senior Percentage" means, with respect to a Series of Certificates having Subordinated Certificates the percentage specified in the related Prospectus Supplement.

"Senior Shortfall" means, with respect to a Series of Certificates having

Subordinated Certificates, as of any date, to the extent not previously paid, the aggregate of the amounts by which the Senior Distribution Amount for any Remittance Date exceeds the amount actually paid on such date.

"Servicing Fee" means the amount of the annual fee paid to the Master Servicer (including amounts paid to any Sub-servicer), or the Trustee as specified in the related Prospectus Supplement.

"Single Certificate" means, unless otherwise specified in the related Prospectus Supplement, for each Class of Certificates of any Series, the initial principal amount of Mortgage Loans or Mortgage Securities evidenced by a single Certificate of such Class.

"Special Distributions" means payments received in reduction of the Stated Balance.

"Specified Reserve Fund Balance" means, with respect to each Series of Certificates having a Reserve Fund, the amount required to be maintained in the Reserve Fund as specified in the related Prospectus Supplement.

"Stated Balance" means, with respect to a Series of Certificates providing for sequential distributions in reduction of Stated Balance of the Classes of such Series, the maximum specified dollar amount (exclusive of interest at the related Interest Rate) to which the holder thereof is entitled from the cash flow of the Trust Fund.

"Subordinated Certificates" means, with respect to each Series of Certificates, the Class or Classes with rights subordinate to another Class or Classes of such Series.

"Subordinated Percentage" means, with respect to a Series of Certificates having Subordinated Certificates, the percentage specified in the related Prospectus Supplement.

"Sub-servicer" means any party with whom the Master Servicer has entered into a Sub-servicing Agreement.

"Sub-servicing Agreement" means the written contract between the Master Servicer and any Sub-servicer relating to servicing and/or administration of certain Mortgage Loans as provided in the Agreement.

"Trust Fund" means, with respect to each Series of Certificates, the corpus of the trust created by the related Agreement, to the extent described in such Agreement, consisting of, among other things, Mortgage Loans or Agency Securities, such assets as shall from time to time be identified as deposited in the Certificate Account, property which secured a Mortgage Loan, insurance, a Reserve Fund and Alternate Credit Enhancement, if any.

"Trustee" means the Trustee for a Series of Certificates specified in the related Prospectus Supplement.

"VA" means the Department of Veterans Affairs.

"VA Mortgage Loans" means Mortgage Loans partially guaranteed by the VA.

"Variable Rate Certificates" means Certificates which evidence the right to receive distributions of income at a variable Remittance Rate.

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NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON. THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS DO NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE OFFERED CERTIFICATES OFFERED HEREBY, NOR AN OFFER OF THE OFFERED CERTIFICATES IN ANY STATE OR JURISDICTION IN WHICH, OR TO ANY PERSON TO WHOM, SUCH OFFER WOULD BE UNLAWFUL. THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT OR ANY PROSPECTUS AT ANY TIME DOES NOT IMPLY THAT INFORMATION HEREIN OR THEREIN IS CORRECT

MORSERV, INC.

\$203,426,604 (APPROXIMATE)

MULTI-CLASS MORTGAGE  
PASS-THROUGH CERTIFICATES  
SERIES 1996-2

CLASS IA-1            CLASS IIA-1  
CLASS IA-2            CLASS IIA-P  
CLASS IA-3            CLASS M  
CLASS IA-4            CLASS B-1  
CLASS IA-P            CLASS B-2

AS OF ANY TIME SUBSEQUENT TO ITS DATE;  
HOWEVER, IF ANY MATERIAL CHANGE OCCURS  
WHILE THIS PROSPECTUS SUPPLEMENT OR THE  
PROSPECTUS IS REQUIRED BY LAW TO BE  
DELIVERED, THIS PROSPECTUS SUPPLEMENT  
OR THE PROSPECTUS WILL BE AMENDED OR  
SUPPLEMENTED ACCORDINGLY.

CHASE MANHATTAN  
MORTGAGE CORPORATION  
MASTER SERVICER

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DONALDSON, LUFKIN & JENRETTE  
SECURITIES CORPORATION

CHASE SECURITIES INC.

AUGUST 23, 1996