

SECURITIES AND EXCHANGE COMMISSION

FORM 424B5

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FILER

**DELTA FUNDING CORP /DE/**

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SIC: **6189** Asset-backed securities

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PROSPECTUS SUPPLEMENT  
 (TO PROSPECTUS DATED MARCH 25, 1999)

\$375,000,000  
 DELTA FUNDING HOME EQUITY LOAN TRUST 1999-1  
 HOME EQUITY LOAN ASSET-BACKED CERTIFICATES, SERIES 1999-1

DELTA FUNDING CORPORATION  
 (SELLER AND SERVICER)

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The seller will form a trust, and the trust will issue Home Equity Loan Asset-Backed Certificates, Series 1999-1. The seller is offering only those classes of certificates listed in the table below.

The trust will include a pool of fixed and adjustable rate mortgage loans that are secured primarily by first and second liens on residential properties. The mortgage loans are not insured or guaranteed by any person.

The certificates are obligations only of the trust. MBIA Insurance Corporation will guarantee certain distributions on the offered certificates, excluding the Class B Certificates. THE CLASS B CERTIFICATES ARE NOT INSURED.

MBIA

An investment in the offered certificates, and particularly the Class IOF and Class B Certificates, involves significant risks. You should review the information under the caption "Risk Factors" beginning on page S-7 of this prospectus supplement and on page 13 of the attached prospectus before making a decision to invest in the offered certificates.

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

<TABLE>  
 <CAPTION>

<S>	INITIAL CLASS PRINCIPAL BALANCE	CERTIFICATE RATE	EXPECTED RATINGS		PRICE TO PUBLIC (1)	UNDERWRITING DISCOUNT	PROCEEDS TO SELLER (1) (2)
			S&P	MOODY'S			
<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Class A-1F.....	\$ 92,400,000	5.81% (3)	AAA	Aaa	99.99842%	0.2000%	99.79842%
Class A-2F.....	\$ 71,700,000	5.98% (3)	AAA	Aaa	99.98355%	0.2750%	99.70855%
Class A-3F.....	\$ 34,800,000	6.13% (3)	AAA	Aaa	99.97513%	0.3000%	99.67513%
Class A-4F.....	\$ 52,100,000	6.39% (3)	AAA	Aaa	99.97810%	0.3500%	99.62810%
Class A-5F.....	\$ 25,750,000	6.81% (3)	AAA	Aaa	99.97069%	0.5000%	99.47069%
Class A-6F.....	\$ 32,000,000	6.34% (3)	AAA	Aaa	99.99315%	0.3500%	99.64315%
Class IOF.....	(4)	6.00%	AAA	Aaa	(5)	(5)	(5)
Class A-1A.....	\$ 44,000,000	(6)	AAA	Aaa	100.00000%	0.2500%	99.75000%
Class A-2A.....	\$ 11,000,000	5.95%	AAA	Aaa	99.98911%	0.2750%	99.71411%
Class B.....	\$ 11,250,000	6.80% (3)	BBB-	Baa3	87.82780%	0.6700%	87.15780%
Total.....	\$ 375,000,000				\$ 373,586,371.05	\$1,125,100.00	\$372,461,271.05

- </TABLE>
- Investors also must pay accrued interest at the applicable rate from March 1, 1999 (or from March 30, 1999 for the Class A-1A Certificates).
  - The proceeds do not reflect expenses to be paid by the seller of approximately \$500,000.
  - This rate may be limited to a maximum rate described under the caption "Description of the Certificates--Certificate Rates" in this prospectus supplement.
  - This class will not receive any principal payments but will accrue interest on its notional amount, initially \$129,700,000.
  - NationsBanc Montgomery Securities LLC will offer this class at varying prices from time to time. See "Underwriting" in this prospectus supplement.
  - The interest rate on this class may change from month to month based on the London inter-bank offered rate for one-month U.S. dollar deposits.

Subject to the satisfaction of certain conditions, the underwriters named below will purchase the offered certificates from the seller. See "Underwriting" in this prospectus supplement. The offered certificates will be issued in book-entry form only on or about March 30, 1999.

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UNDERWRITERS

MARCH 25, 1999

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

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

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

IF THE DESCRIPTION OF YOUR CERTIFICATES IN THIS PROSPECTUS SUPPLEMENT DIFFERS FROM THE RELATED DESCRIPTION IN THE ACCOMPANYING PROSPECTUS, YOU SHOULD RELY ON THE INFORMATION IN THIS PROSPECTUS SUPPLEMENT.

You can find a listing of the pages where capitalized terms used in the prospectus supplement are defined under the caption "Index of Principal Terms" beginning on page S-66 in this prospectus supplement.

TABLE OF CONTENTS

<TABLE>

<CAPTION>

PROSPECTUS SUPPLEMENT

	PAGE
	----
<S>	<C>
Summary.....	S-3
Risk Factors.....	S-7
Description of the Mortgage Loans.....	S-12
Prepayment and Yield Considerations.....	S-26
Description of the Certificates.....	S-37
The Certificate Insurer.....	S-49
The Pooling and Servicing Agreement.....	S-51
Use of Proceeds.....	S-58
Federal Income Tax Considerations.....	S-58
ERISA Considerations.....	S-61
Legal Investment Considerations.....	S-62
Underwriting.....	S-63
Experts.....	S-64
Legal Matters.....	S-64
Ratings.....	S-64
Index of Principal Terms.....	S-66

PROSPECTUS

<CAPTION>

	PAGE
	----
<S>	<C>
Prospectus Supplement.....	2
Reports to Holders.....	2
Available Information.....	2
Incorporation of Certain Documents by Reference.....	3
Summary of Terms.....	4
Risk Factors.....	13
The Seller and the Servicer.....	16
Description of the Securities.....	23
The Trust Funds.....	29
Enhancement.....	34
Servicing of Loans.....	36
The Agreements.....	41
Certain Legal Aspects of the Loans.....	49
Use of Proceeds.....	55
Federal Income Tax Considerations.....	55
State Tax Considerations.....	74
ERISA Considerations.....	74
Legal Investment.....	75
Plan of Distribution.....	75
Legal Matters.....	75
Glossary of Terms.....	76

</TABLE>

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information.

We are not offering the Home Equity Loan Asset-Backed Certificates, Series 1999-1 in any state where the offer is not permitted.

Dealers will deliver a prospectus supplement and prospectus when acting as underwriters of the Home Equity Loan Asset-Backed Certificates, Series 1999-1 and with respect to their unsold allotments or subscriptions. In addition, all dealers selling the Home Equity Loan Asset-Backed Certificates, Series 1999-1 will be required to deliver a prospectus supplement and prospectus until June 23, 1999.

S-2

SUMMARY

This section gives a brief summary of the information contained in this prospectus supplement. The summary does not include all of the important information about the offered certificates. We encourage you to review carefully the more detailed information in this prospectus supplement and in the attached prospectus.

<TABLE>	
<S>	<C>
TITLE OF CERTIFICATES.....	Home Equity Loan Asset-Backed Certificates, Series 1999-1.
ISSUER.....	Delta Funding Home Equity Loan Trust 1999-1.
SELLER AND SERVICER.....	Delta Funding Corporation. See "THE SELLER AND THE SERVICER" in the prospectus.
TRUSTEE.....	Norwest Bank Minnesota, National Association.
CUSTODIAN.....	Norwest Bank Minnesota, National Association.
THE CERTIFICATE INSURER.....	MBIA Insurance Corporation, a New York stock insurance company. See "THE CERTIFICATE INSURER" in this prospectus supplement.
CUT-OFF DATE.....	The close of business on February 28, 1999, except that the Cut-off Date for any Mortgage Loan originated after February 28, 1999 will be the date of origination of that Mortgage Loan.
CLOSING DATE.....	On or about March 30, 1999.
DISTRIBUTION DATES.....	The 15th day of each month or, if such day is not a business day, the next business day, beginning in April 1999.
RECORD DATES.....	The last business day of the month before the month in which the applicable distribution date occurs. The record date for the Class A-1A Certificates, however, is the business day immediately before the applicable distribution date so long as the Class A-1A Certificates remain in book-entry form.
FINAL SCHEDULED DISTRIBUTION DATES.....	The final scheduled distribution date for each class of offered certificates is as follows:
</TABLE>	

<TABLE>				
<CAPTION>				
		FINAL SCHEDULED		FINAL SCHEDULED
	CLASS	DISTRIBUTION DATE	CLASS	DISTRIBUTION DATE
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
	A-1F	November 15, 2015	A-6F	December 15, 2028
	A-2F	February 15, 2023	IOF	March 15, 2002
	A-3F	June 15, 2025	A-1A	February 15, 2029
	A-4F	February 15, 2028	A-2A	October 15, 2012
	A-5F	February 15, 2029	B	March 15, 2028
</TABLE>				

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	See "PREPAYMENT AND YIELD CONSIDERATIONS--Final Scheduled Distribution Dates" in this prospectus supplement.
DESIGNATIONS.....	Each class of certificates will have different characteristics. Certain of those characteristics are reflected in the following general designations. These designations are used in this prospectus supplement and the attached prospectus to provide a better understanding to potential investors.

Book-Entry Certificates.....	All classes of offered certificates.
Fixed Rate Certificates.....	All classes of offered certificates except for the Adjustable Rate Certificates.
Adjustable Rate Certificates.....	Class A-1A Certificates.
Group F Certificates or Certificate Group F.....	Class A-1F, Class A-2F, Class A-3F, Class A-4F, Class A-5F, Class A-6F and Class IOF Certificates.
Group A Certificates or Certificate Group A.....	Class A-1A and Class A-2A Certificates.
Certificate Group.....	Group F Certificates or Group A Certificates, as applicable.

</TABLE>

S-3

<TABLE>	<C>
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Loan Group F.....	All Mortgage Loans bearing interest at fixed rates.
Loan Group A.....	All Mortgage Loans bearing interest at adjustable rates, including Mortgage Loans which bear interest at rates that are fixed for two years or three years before beginning to adjust.
Offered Certificates.....	Group F Certificates, Group A Certificates and Class B Certificates.
Notional Amount Certificates.....	Class IOF Certificates.
Senior Certificates.....	Offered Certificates other than Class B Certificates.

OFFERED CERTIFICATES

Certificate Rates.....	The interest rate for each class of offered certificates is set forth on the cover page of, or described in, this prospectus supplement. Each interest rate, other than for the Class IOF and Class A-2A Certificates, is limited by a maximum rate cap that will be determined based on the weighted average of the interest rates on the applicable mortgage loans (net of certain fees and expenses). See "DESCRIPTION OF THE CERTIFICATES--Certificate Rates" in this prospectus supplement.
Interest Distributions.....	On each distribution date, each class of offered certificates will be entitled to interest in an amount equal to <ul style="list-style-type: none"> <li>o the applicable certificate rate, multiplied by</li> <li>o the applicable class principal balance or notional amount on the day before that distribution date, multiplied by</li> <li>o 1/12 or, in the case of the Class A-1A Certificates, the days in the accrual period divided by 360, minus</li> <li>o the pro rata share of civil relief act interest shortfalls, plus</li> <li>o any unpaid interest amounts from prior distribution dates plus</li> <li>o 30 days' interest on such unpaid interest amounts at the applicable certificate rate.</li> </ul>
Interest Accrual Period.....	The calendar month preceding the month in which a distribution date occurs, except that the interest accrual period for the Class A-1A Certificates will be the period from the prior distribution date (or in the case of the first distribution date from the closing date) to the day before the applicable distribution date.
Interest Calculations.....	Actual/360 for the Class A-1A Certificates; 30/360 for all other offered certificates.
Class Principal Balances.....	The initial class principal balances and notional amount of the offered certificates are set forth on the cover page of this prospectus supplement. The notional amount of the Class IOF Certificates on any distribution date will equal the lesser of <ul style="list-style-type: none"> <li>o the amount for that distribution date set forth under "DESCRIPTION OF THE CERTIFICATES--General" in this prospectus supplement</li> </ul>

or

- o the aggregate principal balances of the fixed rate mortgage loans at the close of business on the first day of the second month prior

to the month of the applicable distribution date.

Principal Distributions.....	The trustee will distribute principal of the classes of offered certificates in the priority discussed under the caption "DESCRIPTION OF THE CERTIFICATES--Principal Priorities" in this prospectus supplement.
Minimum Denominations.....	\$25,000.
Form.....	Book-Entry. See "DESCRIPTION OF THE CERTIFICATES--Book-Entry Certificates" in this prospectus supplement.

</TABLE>

S-4

<TABLE>	<C>
<S>	<C>
SMMEA Eligibility.....	The offered certificates will not be mortgage related securities.
ERISA Eligibility.....	Subject to satisfaction of certain conditions, ERISA plans may purchase the offered certificates except for the Class B Certificates. See "ERISA Considerations" in this prospectus supplement.
OTHER CERTIFICATES.....	The trust will issue subordinated Class BIO Certificates and Residual Certificates. The seller is not offering these classes to the public pursuant to this prospectus supplement and the attached prospectus. The seller is including information about these classes because they provide credit enhancement to the offered certificates.

#### THE MORTGAGE LOANS

General.....	Set forth below is selected information about the mortgage loans that existed at the close of business on the statistic calculation date of February 28, 1999. On the closing date, additional mortgage loans will be delivered to the trust.
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<TABLE>	<C>	<C>
<S>	<C>	<C>
Loan Group F.....	Number of loans	2,557
	Aggregate principal balance	\$212,288,029.28
	Range of loan sizes	\$4,976.05 to \$384,862.42
	Average principal balance	\$83,022.30
	Range of interest rates	7.45% to 15.55%
	Weighted average interest rate	10.30%
	Range of CLTV	8.00% to 90.00%
	Weighted average CLTV	73.53%
	Range of original terms to maturity (months)	60 to 360
	Weighted average original term to maturity (months)	323.33
	Range of remaining terms to maturity (months)	58 to 360
	Weighted average remaining term to maturity (months)	322.30
	Range of loan ages (months)	0 to 12
	Weighted average loan age (months)	1.03
Loan Group A.....	Number of loans	404
	Aggregate principal balance	\$34,929,024.88
	Range of loan sizes	\$22,750.00 to \$296,735.55
	Average principal balance	\$86,457.98
	Range of interest rates	7.20% to 15.60%
	Weighted average interest rate	10.42%
	Range of LTV	31.19% to 90.00%
	Weighted average LTV	78.48%
	Range of original terms to maturity(months)	180 to 360
	Weighted average original term to maturity (months)	359.79
	Range of remaining terms to maturity (months)	179 to 360
	Weighted average remaining term to maturity (months)	358.74
	Range of loan ages (months)	0 to 8
	Weighted average loan age (months)	1.04

</TABLE>

S-5

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<S>	<C>	<C>

Range of gross margins	3.55% to 11.20%
Weighted average gross margin	6.60%
Range of lifetime caps	14.20% to 22.60%
Weighted average lifetime cap	17.28%
2/28 loans (by principal balance)	32.52%
3/27 loans (by principal balance)	66.54%
Weighted average periodic cap (first adjustment date)	2.98%
Weighted average periodic cap (subsequent adjustment dates)	1.00%

</TABLE>

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CREDIT ENHANCEMENT.....

<C>

Credit enhancement refers to a mechanism that is intended to protect the holders of certain classes of certificates against losses due to defaults by the borrowers under the mortgage loans.

The offered certificates, other than the Class B Certificates, have the benefit of four types of credit enhancement:

- o the use of excess interest to cover losses and to create overcollateralization
- o crosscollateralization of the two loan groups
- o subordination of distributions on the Class B Certificates

o the financial guaranty insurance policies  
The Class B Certificates have the benefit of only the first two forms of credit enhancement. THE CLASS B CERTIFICATES ARE NOT COVERED BY THE FINANCIAL GUARANTY INSURANCE POLICIES.

See "DESCRIPTION OF THE CERTIFICATES" and "THE CERTIFICATE INSURER" in this prospectus supplement.

OPTIONAL TERMINATION BY THE SERVICER.....

The servicer may, at its option, terminate the trust on any distribution date when the aggregate principal balance of the mortgage loans is less than 10% of the aggregate principal balances of the mortgage loans delivered on the closing date. See "THE POOLING AND SERVICING AGREEMENT--Termination; Purchase of Mortgage Loans" in this prospectus supplement.

FEDERAL INCOME TAX CONSIDERATIONS.....

The trust will make separate elections to treat certain of its assets as a "real estate mortgage investment conduit" ("REMIC"), creating a tiered REMIC structure. The offered certificates (excluding any rights to receive LIBOR Carryover or Class B Cap Carryover) will be designated as "regular interests" in a REMIC and, as such, will be treated as debt instruments of a REMIC for federal income tax purposes.

For further information regarding the federal income tax consequences of investing in the offered certificates, see "FEDERAL INCOME TAX CONSIDERATIONS" in this prospectus supplement and in the prospectus.

</TABLE>

S-6

#### RISK FACTORS

An investment in the offered certificates involves significant risks. Before you decide to invest in the offered certificates, you should consider the following risk factors and the risk factors discussed under the heading "Risk Factors" beginning on page 13 of the prospectus.

#### YOU MAY HAVE DIFFICULTY SELLING YOUR CERTIFICATES

The offered certificates will not be listed on any securities exchange. As a result, if you wish to sell your certificates, you will have to find a purchaser that is willing to purchase your certificates. The underwriters intend to make a secondary market for the offered certificates. The underwriters may do so by offering to buy the offered certificates from investors that wish to sell. However, the underwriters will not be obligated to make offers to buy the offered certificates and may stop making offers at any time. In addition, the prices offered, if any, may not reflect prices that other potential purchasers, were they to be given the opportunity, would be willing to pay. There have been times in the past where there have been very few buyers of similar asset backed securities, and there may be such times in the future. As a result, you may not be able to sell your certificates when you wish to do so or you may not be able to obtain the price you wish to receive.

#### THE UNIQUE FEATURES OF THE MORTGAGE LOANS CREATE SPECIAL RISKS

There are a number of unique features of the mortgage loans that create

risks, including the following:

- o The Borrowers Have Less Than Perfect Credit. The seller's underwriting standards are less restrictive than those of Fannie Mae or Freddie Mac with respect to a borrower's credit history and other factors. A derogatory credit history or a lack of credit history will not necessarily prevent the seller from making a loan but may reduce the size and the loan-to-value ratio of the loan the seller will make. As a result of these less restrictive standards, the trust may experience higher rates of delinquencies, defaults and losses than if the mortgage loans were underwritten in a more traditional manner.
- o Newly Originated Mortgage Loans May Default. Defaults on mortgage loans tend to occur at higher rates during the early years of the mortgage loans. Substantially all of the mortgage loans will have been originated within 12 months prior to the sale to the trust. As a result, the trust may experience higher rates of default than if the mortgage loans had been outstanding for a longer period of time.
- o Balloon Loans May Have Higher Rates of Default. Based on the principal balances of the mortgage loans in existence on February 28, 1999, approximately 3.39% of the mortgage loans in Loan Group F and none of the mortgage loans in Loan Group A are balloon loans. A balloon loan has monthly payments that will not fully pay off the loan balance by the maturity date. As a result, the borrower usually will have to refinance the balloon loan in order to pay the amount due. The borrower may not be able to refinance the balloon loan for any number of reasons, including the level of available mortgage rates, the value of the property or the borrower's payment or credit history. The trust will not have any funds to refinance a balloon loan, and the seller is not obligated to do so. If the borrower is unable to refinance the balloon loan, the trust may suffer a loss.
- o Defaults on Second Lien Mortgage Loans May Result in More Severe Losses. Based on the principal balances of the mortgage loans in existence on February 28, 1999, approximately 4.34% of the mortgage loans in Loan Group F and none of the mortgage loans in Loan Group A are secured by second liens on the related property. If a borrower on a mortgage loan secured by a second lien defaults, the trust's rights to proceeds on liquidation of the related property are subordinate to the rights of the holder of the first lien on the related property. There may not be enough proceeds to pay both the first lien and the second lien, and the trust would suffer a loss.

S-7

- o Geographic Concentration Increases Risks. Based on the principal balances of the mortgage loans in existence on February 28, 1999, approximately 47.98% of the mortgage loans in Loan Group F are secured by properties in New York, and approximately 29.37%, 15.34% and 11.21% of the mortgage loans in Loan Group A are secured by properties in Ohio, Illinois and New Jersey, respectively. These states may suffer economic problems or reductions in market values for residential properties that are not experienced in other states. Because of the concentration of mortgage loans in these states, those types of problems may have a greater effect on the offered certificates than if borrowers and properties were more spread out in different geographic areas.

#### THE RETURN ON YOUR INVESTMENT WILL CHANGE OVER TIME

Your pre-tax return on your investment will change from time to time for a number of reasons, including the following:

- o The Rate of Return of Principal is Uncertain. The amount of distributions of principal of the offered certificates and the time when those distributions are received depends on the amount and the times at which borrowers make principal payments on the mortgage loans. Those principal payments may be regularly scheduled payments or unscheduled payments resulting from prepayments or defaults of the mortgage loans. The rate of prepayment may be affected by the credit standings of the borrowers. If a borrower's credit standing improves, that borrower may be able to refinance his existing loan on more favorable terms. If a borrower's credit standing declines, the borrower may not be able to refinance.

The majority of the mortgage loans in Loan Group A have fixed interest rates for two or three years and then adjust. Those mortgage loans may have higher prepayments as they approach their



first adjustment dates because the borrowers may want to avoid periodic changes to their monthly payments.

- o Additional Mortgage Loan Funding May Result in Prepayments. If the seller is unable to deliver sufficient, eligible additional mortgage loans to the trust on the closing date, excess funding amounts will be distributed on the first distribution date as a prepayment to the owners of the Class A-1F or Class A-1A Certificates, as applicable.
- o You Bear Reinvestment Risk. Asset backed securities, like the offered certificates, usually produce more returns of principal to investors when market interest rates fall below the interest rates on the mortgage loans and produce less returns of principal when market interest rates are above the interest rates on the mortgage loans. If borrowers refinance their mortgage loans as a result of lower interest rates, you will receive an unanticipated payment of principal. As a result, you are likely to receive more money to reinvest at a time when other investments generally are producing a lower yield than that on the offered certificates, and are likely to receive less money to reinvest when other investments generally are producing a higher yield than that on the offered certificates. You will bear the risk that the timing and amount of distributions on your offered certificates will prevent you from attaining your desired yield.
- o The Optional Termination May Affect the Yield. Your investment in the offered certificates may be ended before you desire if the optional termination is exercised. See "THE POOLING AND SERVICING AGREEMENT--Termination; Purchase of Mortgage Loans" in this prospectus supplement.
- o Certificate Rates May be Limited. The rate at which interest accrues on each class of offered certificates, other than the Class IOF and Class A-2A Certificates, is subject to a rate cap that differs by loan group. The rate cap for such offered certificates other than the Class A-1A Certificates is the lesser of the maximum rate for either loan group, and the rate cap for the Class A-1A Certificates is the maximum rate for Loan Group A. Each maximum rate is based on the weighted average of the interest rates on the mortgage loans in the related loan group, net of certain fees and expenses. If mortgage loans with relatively higher

S-8

loan rates prepay, the maximum rate on the related classes of offered certificates will be lower than otherwise would be the case.

Your investment in the Class A-1A Certificates also involves the risk that the level of one-month LIBOR may change in a direction and/or at a rate that is different from the level of the index used to determine the interest rates on the adjustable rate mortgage loans.

- o Owners of Class IOF Certificates May Not Recover their Initial Investments. An investment in the Class IOF Certificates is risky because the return of the investment depends solely on the payments of interest by borrowers under the mortgage loans. If the borrowers prepay their mortgage loans, no further interest payments will be made. If borrowers prepay their mortgage loans very fast, investors in the Class IOF Certificates may not recover their initial investments. In addition, the Class IOF Certificates are not entitled to any distributions after the 36th distribution date.

THE CLASS B CERTIFICATES HAVE A GREATER RISK OF LOSS THAN THE OTHER CERTIFICATES

The Class B Certificates will not receive any distributions of interest until the other offered certificates receive their interest distributions and will not receive any distributions of principal until the other offered certificates receive their principal distributions. If the available funds are insufficient to make all of the required distributions on the offered certificates, the Class B Certificates will not receive all of their distributions. In addition, losses due to defaults by borrowers will be allocated first to the Class B Certificates to the extent not covered by the amount of overcollateralization and excess interest at that time, thereby reducing the amount of interest and, to the extent not reimbursed from future excess interest, principal they will receive. See "DESCRIPTION OF THE CERTIFICATES--Distribution Priorities" and "DESCRIPTION OF THE CERTIFICATES--Allocation of Realized Losses" in this prospectus supplement.

THE TRUST ASSETS ARE THE ONLY SOURCE OF PAYMENTS ON THE OFFERED CERTIFICATES

All distributions on the offered certificates will be made from payments by

borrowers under the mortgage loans or, except in the case of the Class B Certificates, payments under the applicable financial guaranty insurance policy. The trust has no other assets to make distributions on the offered certificates. The mortgage loans are not insured or guaranteed by any person. The trust is the only person that is obligated to make distributions on the offered certificates. The offered certificates are not insured by any governmental agency.

#### COMPUTER PROBLEMS IN THE YEAR 2000 MAY RESULT IN LOSSES

Many computers and computer chips were not programmed to recognize more than two digits in the year of a date. As a result, in the year 2000, those computers will not know whether the '00 refers to the year 1900 or the year 2000. The servicer has begun a program to identify and correct this problem in its computer systems, and expects to complete the necessary changes by June 1999. However, since the servicer relies on the performance of computer systems of other companies, there may be problems in the year 2000 due to other companies' computer systems. These problems may cause delays or disruptions in the amount and timing of distributions to you.

#### WITHDRAWAL OR DOWNGRADING OF INITIAL RATINGS WILL AFFECT THE PRICES FOR CERTIFICATES

A security rating is not a recommendation to buy, sell or hold securities. Similar ratings on different types of securities do not necessarily mean the same thing. You are encouraged to analyze the significance of each rating independently from any other rating. Any rating agency may change its rating of the offered certificates after those offered certificates are issued if that rating agency believes that circumstances have changed. Any subsequent change in rating will likely affect the price that a subsequent purchaser will be willing to pay for your certificates.

S-9

#### LAWSUITS ARE PENDING AGAINST DELTA FUNDING CORPORATION

Because the nature of the seller's business involves the collection of numerous accounts, the validity of liens and compliance with state and federal lending laws, the seller is subject to numerous claims and legal actions in the ordinary course of its business. While it is impossible to estimate with certainty the ultimate legal and financial liability with respect to such claims and actions, and an adverse judgment in such a claim or action may have a significant adverse financial effect on the seller, the seller believes that the aggregate amount of such liabilities will not result in monetary damages which in the aggregate would have a material adverse effect on the financial condition or results of the seller.

Several class-action lawsuits have been filed against a number of consumer finance companies alleging violations of various federal and state consumer protection laws. The seller has been named in the following lawsuits styled as class actions:

- o In or about February 1998, the seller received notice that it had been named in a lawsuit filed in the United States District Court for the Northern District of Mississippi, Greenville Division, alleging that the seller's compensation of mortgage brokers by means of yield spread premiums violates the Real Estate Settlement Procedures Act ("RESPA"). The complaint seeks (i) certification of a class of plaintiffs, and (ii) unspecified compensatory damages (including attorneys' fees). On March 31, 1998, the seller filed an answer to the complaint. On December 1, 1998, the district court judge denied plaintiff's motion for class certification. Plaintiff petitioned the Fifth Circuit to accept its interlocutory appeal and, after the seller submitted opposition papers, plaintiff subsequently withdrew such petition. The case is now proceeding on an individual basis. The seller believes that it has meritorious defenses and intends to defend this suit, but cannot estimate with any certainty its ultimate legal or financial liability, if any, with respect to the alleged claims.
- o In or about October 1998, the seller was served with a lawsuit filed in the United States District Court for the Northern District of Georgia, Atlanta Division, alleging that the seller's compensation of mortgage brokers by means of yield spread premiums violates RESPA. The complaint seeks (i) certification of a class of plaintiffs, and (ii) unspecified compensatory and treble damages (including attorneys' fees). In November 1998, the seller filed an answer to the complaint and plaintiff filed a motion seeking class certification. In March 1999, the seller submitted its opposition to the motion for class certification. The seller believes that it has meritorious defenses and intends to defend this suit, but cannot estimate with any certainty its ultimate legal or financial liability, if any, with respect to the alleged claims.
- o In or about September 1998, the seller received notice that it had been

named in a lawsuit filed in the Supreme Court of the State of New York, Nassau County, alleging that the seller did not properly credit payments received from borrowers to principal and interest. The complaint seeks (i) certification of a class of plaintiffs, (ii) an accounting, (iii) unspecified compensatory and punitive damages (including attorneys' fees), and (iv) injunctive relief, based upon alleged (a) breach of contract, (b) unjust enrichment, (c) fraud, and (d) deceptive trade practices. The seller's time to answer has been indefinitely extended pending plaintiff's determination as to whether to proceed with the lawsuit. If plaintiff proceeds with the action, the seller believes that it has meritorious defenses and intends to defend this suit, but has not yet answered and cannot estimate with any certainty its ultimate legal or financial liability, if any, with respect to the alleged claims.

- o In or about November 1998, the seller received notice that it had been named in a lawsuit filed in the United States District Court for the Eastern District of New York. In December 1998, plaintiffs filed an amended complaint alleging that the seller had violated the Home Equity and Ownership Protection Act, the Truth in Lending Act and New York State General Business Law. The complaint seeks (a) certification of a class of plaintiffs, (b) declaratory judgment permitting rescission, (c) unspecified actual, statutory, treble and punitive damages (including attorneys' fees), (d) certain injunctive relief, and (e) declaratory judgment declaring the loan transactions as void and unconscionable.

S-10

On December 7, 1998, plaintiff filed a motion seeking a temporary restraining order and preliminary injunction, enjoining seller from conducting foreclosure sales on 11 properties. The district court judge ruled that in order to consider such a motion, plaintiff must move to intervene on behalf of these 11 borrowers. Thereafter, plaintiff moved to intervene on behalf of 3 of the 11 borrowers and sought the injunctive relief on their behalf. Seller opposed the motions. On December 14, 1998, the district court judge granted the motion to intervene and on December 23, 1998, the district court judge issued a preliminary injunction enjoining the seller from proceeding with the foreclosure sales of the three intervenors' properties. The seller has filed a notice of appeal, and a motion for reconsideration of the December 23, 1998 order. In January 1999, seller filed an answer to plaintiff's amended complaint. The seller believes that it has meritorious defenses and intends to defend this suit, but cannot estimate with any certainty its ultimate legal or financial liability, if any, with respect to the alleged claims.

- o In or about January 1999, the seller received notice that it had been named in a lawsuit filed in the Court of Common Pleas in Cuyahoga County, Ohio, alleging that seller had violated Ohio state law and breached its contract with plaintiff by assessing a prepayment penalty and certain other miscellaneous fees when plaintiff paid off his loan. The complaint seeks certification of two classes of plaintiffs. The seller believes that it has meritorious defenses and intends to defend this suit, but has not yet answered and cannot estimate with any certainty its ultimate legal or financial liability, if any, with respect to the alleged claims.
- o In or about March 1999, the seller received notice that it had been named in a lawsuit filed in the Supreme Court of the State of New York, New York County, alleging that seller had improperly charged certain borrowers processing fees. The complaint seeks (i) certification of a class of plaintiffs, (ii) an accounting, and (iii) unspecified compensatory and punitive damages (including attorneys' fees), based upon alleged (a) unjust enrichment, (b) fraud, and (c) deceptive trade practices. The seller believes that it has meritorious defenses and intends to defend this suit, but has not yet answered and cannot estimate with any certainty its ultimate legal or financial liability, if any, with respect to the alleged claims.

#### THE OFFERED CERTIFICATES ARE NOT SUITABLE INVESTMENTS FOR ALL INVESTORS

The offered certificates are not suitable investments for any investor that requires a regular or predictable schedule of payments or payment on any specific date. The offered certificates are complex investments that should be considered only by investors who, either alone or with their financial, tax and legal advisors, have the expertise to analyze the prepayment, reinvestment, default and market risk, the tax consequences of an investment, and the interaction of these factors.

## INTRODUCTION

The Home Equity Loan Asset-Backed Certificates, Series 1999-1 (the "Certificates") will represent the entire beneficial interest in Delta Funding Home Equity Loan Trust 1999-1 (the "Trust"). The Trust will be formed, and the Certificates will be issued, pursuant to the Pooling and Servicing Agreement, dated as of February 28, 1999 (the "Agreement"), among Delta Funding Corporation, as seller (in such capacity, the "Seller") and as servicer (in such capacity, the "Servicer") and Norwest Bank Minnesota, National Association, as trustee (the "Trustee"). MBIA Insurance Corporation (the "Certificate Insurer") will issue two irrevocable and unconditional certificate insurance policies (the "Policies"), one with respect to the Group F Certificates and one with respect to the Group A Certificates.

S-11

## DESCRIPTION OF THE MORTGAGE LOANS

### GENERAL

The Mortgage Loans will include (i) the mortgage loans identified as of February 28, 1999 and described herein (the "Statistic Calculation Mortgage Loans") and (ii) additional closed-end fixed and adjustable rate home equity loans to be delivered on the Closing Date (the "Additional Mortgage Loans," and together with the Statistic Calculation Mortgage Loans, the "Mortgage Loans").

The Mortgage Loans will be divided into two groups (each, a "Loan Group" and each constituting a separate sub-trust): "Loan Group F" and "Loan Group A". Each Mortgage Loan in Loan Group F will bear interest at a fixed rate that is calculated on the "simple interest" method. Certain of the Mortgage Loans in Loan Group F will have original terms to stated maturity of up to 15 years and amortization schedules of up to 30 years ("Balloon Loans"), leaving a substantial payment due at the stated maturity (each, a "Balloon Payment"). The Mortgage Loans in Loan Group F are secured by first or second liens primarily on one- to four-family residential properties (the "Mortgaged Properties").

Each Mortgage Loan in Loan Group A will bear interest at an adjustable rate (each an "ARM") that is calculated on the "simple interest" method. The interest rate (the "Loan Rate") borne by each ARM is subject to adjustment on the date set forth in the related promissory note (each, a "Mortgage Note") and at regular intervals thereafter (each, a "Change Date") to equal the sum of (i) the applicable index (the "Loan Index") and (ii) the number of basis points set forth in such Mortgage Note (the "Gross Margin"), subject to rounding and to the effects of the applicable Periodic Cap, the applicable Lifetime Cap and the applicable Lifetime Floor. The "Periodic Cap" limits changes in the Loan Rate for each ARM on each Change Date. The "Lifetime Cap" is the maximum Loan Rate that may be borne by an ARM at any point. The "Lifetime Floor" is the minimum Loan Rate that may be borne by an ARM at any point. The ARMs do not provide for negative amortization. The Mortgage Loans in Loan Group A are secured by first liens on the related Mortgaged Properties.

For all of the Statistic Calculation Mortgage Loans in Loan Group A, the Loan Index is the London inter-bank offered rate for six-month United States dollar deposits ("Six-month LIBOR"), and the Change Dates occur every six months after the initial Change Date. The reference for each applicable Loan Index and the date prior to a Change Date as of which such Loan Index is determined is set forth in the related Mortgage Note. Approximately 32.52% and 66.54% (by principal balance) of the Statistic Calculation Mortgage Loans in Loan Group A have initial Change Dates that are 24 months and 36 months, respectively, after origination (the "2/28 Loans" and "3/27 Loans," respectively). The Periodic Cap for substantially all of the ARMs, subsequent to the first Change Date, is 1.00%. However, the Periodic Cap for the initial Change Date for the 2/28 Loans and 3/27 Loans generally is 3.00%.

As of the Cut-off Date, substantially all of the Statistic Calculation Mortgage Loans in Loan Group A were accruing interest at Loan Rates that are below the sum of the related Gross Margin and the Loan Index that would otherwise have been applicable. On the first Change Date for each such Mortgage Loan, the related Loan Rate will adjust to the sum of the applicable Loan Index and the related Gross Margin subject to the application of the related Periodic Cap, Lifetime Cap and Lifetime Floor.

### STATISTICAL INFORMATION

Set forth below is certain approximate statistical information as of the Cut-off Date regarding the Statistic Calculation Mortgage Loans in each Loan Group. On the Closing Date, the Additional Mortgage Loans will be delivered to the Trust for inclusion in Loan Group F and Loan Group A, respectively. In addition, prior to the Closing Date, Statistic Calculation Mortgage Loans may be removed from either Loan Group and other Mortgage Loans may be substituted therefor. The Seller believes that the information set forth herein with respect to each Loan Group as presently constituted is representative of the characteristics of the Statistic Calculation Mortgage Loans in each Loan Group

as it will be constituted at the Closing Date, although certain characteristics of the Statistic Calculation Mortgage Loans in either Loan Group may vary. The sum of the percentage columns in the following tables may not equal 100% due to rounding.

S-12

LOAN GROUP F. As of the Cut-off Date: approximately 3.39% (by principal balance) are Balloon Loans; and approximately 1.38% (by principal balance) have payments which, as of the Cut-off Date, are 30 to 59 days delinquent.

CUT-OFF DATE PRINCIPAL BALANCES  
LOAN GROUP F

<TABLE>  
<CAPTION>

RANGE OF CUT-OFF DATE PRINCIPAL BALANCES	NUMBER OF STATISTIC CALCULATION MORTGAGE LOANS	CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE	% OF CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE
<S>	<C>	<C>	<C>
\$ 0.01-\$ 25,000.00.....	205	\$ 3,864,206.64	1.82%
\$ 25,000.01-\$ 50,000.00.....	681	26,056,248.16	12.27
\$ 50,000.01-\$ 75,000.00.....	532	33,025,016.28	15.56
\$ 75,000.01-\$100,000.00.....	373	32,714,464.70	15.41
\$100,000.01-\$125,000.00.....	250	28,278,290.67	13.32
\$125,000.01-\$150,000.00.....	198	27,058,387.85	12.75
\$150,000.01-\$175,000.00.....	133	21,425,895.08	10.09
\$175,000.01-\$200,000.00.....	93	17,292,754.19	8.15
\$200,000.01-\$225,000.00.....	40	8,503,222.74	4.01
\$225,000.01-\$250,000.00.....	23	5,545,266.43	2.61
\$250,000.01-\$275,000.00.....	12	3,153,746.84	1.49
\$275,000.01-\$300,000.00.....	6	1,733,738.65	0.82
\$300,000.01-\$325,000.00.....	7	2,196,531.57	1.03
\$325,000.01-\$350,000.00.....	1	344,250.00	0.16
\$350,000.01-\$375,000.00.....	2	711,147.06	0.33
\$375,000.01-\$400,000.00.....	1	384,862.42	0.18
Total.....	2,557	\$ 212,288,029.28	100.00%

</TABLE>

S-13

GEOGRAPHIC DISTRIBUTION BY STATE(1)  
LOAN GROUP F

<TABLE>  
<CAPTION>

STATE	NUMBER OF STATISTIC CALCULATION MORTGAGE LOANS	CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE	% CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE
<S>	<C>	<C>	<C>
Arizona.....	4	\$ 179,084.62	0.08%
Arkansas.....	8	353,729.09	0.17
California.....	1	25,600.00	0.01
Colorado.....	8	755,333.74	0.36
Connecticut.....	31	2,618,709.12	1.23
Delaware.....	14	955,577.58	0.45
District of Columbia.....	4	380,273.78	0.18
Florida.....	124	7,656,748.97	3.61
Georgia.....	119	7,582,665.07	3.57
Illinois.....	156	12,486,661.56	5.88
Indiana.....	61	3,853,902.08	1.82
Kansas.....	1	32,145.38	0.02
Kentucky.....	18	792,337.74	0.37
Louisiana.....	10	545,797.41	0.26
Maine.....	11	683,161.39	0.32
Maryland.....	32	2,160,010.48	1.02
Massachusetts.....	69	6,677,360.06	3.15
Michigan.....	107	5,499,171.00	2.59
Minnesota.....	2	170,665.78	0.08
Mississippi.....	15	552,266.32	0.26
Missouri.....	32	1,883,097.04	0.89
Montana.....	1	29,907.71	0.01
Nebraska.....	2	105,357.87	0.05
New Hampshire.....	13	986,560.32	0.46
New Jersey.....	161	14,998,429.76	7.07
New Mexico.....	1	89,507.01	0.04

New York.....	900	101,863,754.39	47.98
North Carolina.....	74	4,546,338.10	2.14
Ohio.....	181	11,195,081.13	5.27
Oklahoma.....	4	91,661.67	0.04
Pennsylvania.....	219	11,534,872.84	5.43
Rhode Island.....	11	685,158.04	0.32
South Carolina.....	23	1,036,815.79	0.49
Tennessee.....	77	5,393,572.19	2.54
Texas.....	21	977,464.87	0.46
Utah.....	2	173,099.02	0.08
Vermont.....	1	63,733.41	0.03
Virginia.....	14	1,082,391.03	0.51
Washington.....	2	181,285.29	0.09
West Virginia.....	3	151,651.73	0.07
Wisconsin.....	20	1,257,088.90	0.59
Total.....	2,557	\$ 212,288,029.28	100.00%

</TABLE>

(1) Determined by property address designated as such in the related Mortgage.

S-14

ORIGINAL COMBINED LOAN-TO-VALUE RATIOS(1)  
LOAN GROUP F

<TABLE>  
<CAPTION>

RANGE OF ORIGINAL COMBINED LOAN-TO-VALUE RATIOS	NUMBER OF STATISTIC CALCULATION MORTGAGE LOANS	CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE	% OF CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE
<S>	<C>	<C>	<C>
5.01% to 10.00%.....	2	\$ 115,869.26	0.05%
10.01% to 15.00%.....	7	230,510.75	0.11
15.01% to 20.00%.....	14	409,643.93	0.19
20.01% to 25.00%.....	26	901,802.50	0.42
25.01% to 30.00%.....	29	1,325,469.22	0.62
30.01% to 35.00%.....	35	1,473,587.83	0.69
35.01% to 40.00%.....	43	2,002,058.68	0.94
40.01% to 45.00%.....	51	2,739,567.00	1.29
45.01% to 50.00%.....	105	5,952,915.31	2.80
50.01% to 55.00%.....	91	5,770,283.27	2.72
55.01% to 60.00%.....	154	11,305,735.94	5.33
60.01% to 65.00%.....	216	16,073,120.49	7.57
65.01% to 70.00%.....	355	28,540,277.95	13.44
70.01% to 75.00%.....	318	26,176,993.74	12.33
75.01% to 80.00%.....	620	55,078,158.38	25.95
80.01% to 85.00%.....	278	28,209,514.48	13.29
85.01% to 90.00%.....	213	25,982,520.55	12.24
Total.....	2,557	\$ 212,288,029.28	100.00%

</TABLE>

(1) The original Combined Loan-to-Value Ratios ("CLTV") shown above are equal, with respect to each Statistic Calculation Mortgage Loan, to (i) the sum of (a) the original principal balance of such Mortgage Loan at the date of origination plus (b) the remaining balance of the senior lien(s), if any, at the date of origination of such Mortgage Loan (ii) divided by the value of the related Mortgaged Property, based upon the lesser of the appraisal made at the time of origination of such Mortgage Loan or the purchase price of such Mortgaged Property (where the proceeds are used to purchase the Mortgaged Property). No assurance can be given that the values of such Mortgaged Properties have remained or will remain at their levels as of the dates of origination of the related Statistic Calculation Mortgage Loans. If the residential real estate market should experience an overall decline in property values such that the outstanding balances of such Mortgage Loans together with the outstanding balances of the related first liens become equal to or greater than the value of the related Mortgaged Properties, actual losses could be higher than those now generally experienced in the mortgage lending industry.

S-15

CUT-OFF DATE LOAN RATES  
LOAN GROUP F

<TABLE>  
<CAPTION>

RANGE OF CUT-OFF DATE LOAN RATES	NUMBER OF STATISTIC CALCULATION MORTGAGE LOANS	CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE	% OF CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE
<S>	<C>	<C>	<C>
7.001%- 7.500%.....	10	\$ 990,387.26	0.47%
7.501%- 8.000%.....	123	12,190,349.27	5.74
8.001%- 8.500%.....	115	12,018,266.33	5.66
8.501%- 9.000%.....	226	22,726,589.98	10.71
9.001%- 9.500%.....	185	17,357,648.27	8.18
9.501%-10.000%.....	405	37,284,288.24	17.56
10.001%-10.500%.....	263	22,496,616.25	10.60
10.501%-11.000%.....	382	31,377,444.16	14.78
11.001%-11.500%.....	242	17,219,907.72	8.11
11.501%-12.000%.....	230	16,658,815.57	7.85
12.001%-12.500%.....	129	8,383,222.89	3.95
12.501%-13.000%.....	115	7,030,549.73	3.31
13.001%-13.500%.....	41	2,140,976.82	1.01
13.501%-14.000%.....	59	2,953,894.66	1.39
14.001%-14.500%.....	17	756,361.02	0.36
14.501%-15.000%.....	9	433,556.60	0.20
15.001%-15.500%.....	5	231,426.50	0.11
15.501%-16.000%.....	1	37,728.01	0.02
Total.....	2,557	\$ 212,288,029.28	100.00%

</TABLE>

ORIGINAL TERM TO STATED MATURITY  
LOAN GROUP F

<TABLE>  
<CAPTION>

RANGE OF ORIGINAL TERMS TO STATED MATURITY (IN MONTHS)	NUMBER OF STATISTIC CALCULATION MORTGAGE LOANS	CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE	% OF CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE
<S>	<C>	<C>	<C>
1- 60.....	11	\$ 359,193.45	0.17%
61-120.....	67	3,099,802.93	1.46
121-180.....	473	27,194,867.89	12.81
181-240.....	211	15,124,145.87	7.12
241-300.....	34	2,986,721.96	1.41
301-360.....	1,761	163,523,297.18	77.03
Total.....	2,557	\$ 212,288,029.28	100.00%

</TABLE>

S-16

REMAINING MONTHS TO STATED MATURITY  
LOAN GROUP F

<TABLE>  
<CAPTION>

RANGE OF REMAINING MONTHS TO STATED MATURITY	NUMBER OF STATISTIC CALCULATION MORTGAGE LOANS	CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE	% OF CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE
<S>	<C>	<C>	<C>
1- 60.....	11	\$ 359,193.45	0.17%
61-120.....	67	3,099,802.93	1.46
121-180.....	473	27,194,867.89	12.81
181-240.....	211	15,124,145.87	7.12
241-300.....	34	2,986,721.96	1.41
301-360.....	1,761	163,523,297.18	77.03
Total.....	2,557	\$ 212,288,029.28	100.00%

</TABLE>

MONTHS SINCE ORIGINATION  
LOAN GROUP F

<TABLE>  
<CAPTION>

RANGE OF MONTHS SINCE ORIGINATION	NUMBER OF STATISTIC CALCULATION MORTGAGE LOANS	CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE	% OF CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE
<S>	<C>	<C>	<C>
0.....	929	\$ 82,061,113.41	38.66%
1- 3.....	1,524	121,791,742.44	57.37
4- 6.....	95	7,233,333.15	3.41
7-12.....	9	1,201,840.28	0.57
Total.....	2,557	\$ 212,288,029.28	100.00%

</TABLE>

PROPERTY TYPE  
LOAN GROUP F

<TABLE>  
<CAPTION>

PROPERTY TYPE	NUMBER OF STATISTIC CALCULATION MORTGAGE LOANS	CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE	% OF CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE
<S>	<C>	<C>	<C>
Single Family.....	1,903	\$ 144,401,353.98	68.02%
Condominium.....	93	7,888,253.63	3.72
Two-to-Four Family.....	399	43,604,642.68	20.54
Five-to-Eight Family.....	69	7,744,964.46	3.65
Mixed Use.....	73	7,646,471.77	3.60
Mobile Home.....	20	1,002,342.76	0.47
Total.....	2,557	\$ 212,288,029.28	100.00%

</TABLE>

OCCUPANCY TYPE (1)  
LOAN GROUP F

<TABLE>  
<CAPTION>

OCCUPANCY TYPE	NUMBER OF STATISTIC CALCULATION MORTGAGE LOANS	CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE	% OF CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE
<S>	<C>	<C>	<C>
Owner Occupied.....	2,198	\$ 185,193,900.25	87.24%
Non-Owner Occupied.....	359	27,094,129.03	12.76
Total.....	2,557	\$ 212,288,029.28	100.00%

</TABLE>

(1) Based upon representations made by borrowers at the time of origination of such Mortgage Loans.

S-17

LOAN GROUP A. As of the Cut-off Date: the weighted average current Loan Rate of the 2/28 Loans and 3/27 Loans was approximately 10.74% and 10.27% per annum, respectively; the weighted average number of months to the next Change Date for the 2/28 Loans and 3/27 Loans was approximately 22 months and 35 months, respectively; the weighted average number of months to the next Change Date for the remaining ARMs was approximately 3 months; and approximately 0.98% (by principal balance) have payments which, as of the Cut-off Date, are 30 to 59 days delinquent.

CUT-OFF DATE PRINCIPAL BALANCES  
LOAN GROUP A

<TABLE>  
<CAPTION>

RANGE OF CUT-OFF DATE	NUMBER OF STATISTIC CALCULATION	CUT-OFF DATE STATISTIC CALCULATION	% OF CUT-OFF DATE STATISTIC CALCULATION
-----------------------	---------------------------------	------------------------------------	---



PRINCIPAL BALANCES	MORTGAGE LOANS	PRINCIPAL BALANCE	PRINCIPAL BALANCE
<S>	<C>	<C>	<C>
\$ 0.01 to \$ 25,000.00.....	7	\$ 169,496.83	0.49%
\$ 25,000.01 to \$ 50,000.00.....	77	3,021,283.39	8.65
\$ 50,000.01 to \$ 75,000.00.....	112	7,004,922.77	20.05
\$ 75,000.01 to \$100,000.00.....	88	7,559,762.80	21.64
\$100,000.01 to \$125,000.00.....	57	6,434,526.00	18.42
\$125,000.01 to \$150,000.00.....	26	3,546,517.51	10.15
\$150,000.01 to \$175,000.00.....	16	2,567,575.93	7.35
\$175,000.01 to \$200,000.00.....	9	1,719,745.33	4.92
\$200,000.01 to \$225,000.00.....	6	1,272,555.49	3.64
\$225,000.01 to \$250,000.00.....	1	234,500.00	0.67
\$250,000.01 to \$275,000.00.....	2	541,903.28	1.55
\$275,000.01 to \$300,000.00.....	3	856,235.55	2.45
Total.....	404	\$ 34,929,024.88	100.00%

</TABLE>

S-18

GEOGRAPHIC DISTRIBUTION BY STATE(1)  
LOAN GROUP A

<TABLE>  
<CAPTION>

STATE	NUMBER OF STATISTIC CALCULATION MORTGAGE LOANS	CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE	% OF CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE
<S>	<C>	<C>	<C>
Arkansas.....	1	\$ 131,250.00	0.38%
California.....	2	227,691.27	0.65
Colorado.....	10	1,167,749.73	3.34
Connecticut.....	5	352,411.95	1.01
Delaware.....	3	269,050.00	0.77
Florida.....	19	1,500,913.65	4.30
Georgia.....	16	1,299,971.37	3.72
Illinois.....	46	5,359,352.52	15.34
Indiana.....	5	581,033.22	1.66
Kentucky.....	1	79,177.52	0.23
Maine.....	2	92,766.11	0.27
Maryland.....	4	306,488.71	0.88
Massachusetts.....	3	350,174.32	1.00
Michigan.....	43	2,834,869.36	8.12
Mississippi.....	1	30,375.15	0.09
Missouri.....	6	508,566.74	1.46
Montana.....	2	168,100.00	0.48
Nevada.....	1	123,399.24	0.35
New Hampshire.....	6	563,884.78	1.61
New Jersey.....	34	3,916,552.45	11.21
New Mexico.....	2	114,167.25	0.33
New York.....	3	352,805.93	1.01
North Carolina.....	18	1,350,685.65	3.87
Ohio.....	132	10,259,373.39	29.37
Oklahoma.....	4	128,896.31	0.37
Pennsylvania.....	21	1,661,054.66	4.76
Rhode Island.....	1	70,035.70	0.20
South Carolina.....	1	99,500.00	0.28
Tennessee.....	7	475,355.40	1.36
Texas.....	1	108,689.57	0.31
Utah.....	2	303,000.00	0.87
Virginia.....	1	35,700.00	0.10
Washington.....	1	105,982.93	0.30
Total.....	404	\$ 34,929,024.88	100.00%

</TABLE>

(1) Determined by property address designated as such in the related Mortgage.

S-19

ORIGINAL LOAN-TO-VALUE RATIOS(1)  
LOAN GROUP A

<TABLE>  
<CAPTION>

RANGE OF ORIGINAL LOAN-TO-VALUE RATIOS	NUMBER OF STATISTIC CALCULATION MORTGAGE LOANS		CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE		% OF CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE	
	<S>	<C>	<C>	<C>	<C>	<C>
30.01%-35.00%.....		3	\$	97,016.60		0.28%
35.01%-40.00%.....		5		319,616.03		0.92
40.01%-45.00%.....		2		80,576.63		0.23
45.01%-50.00%.....		8		350,693.37		1.00
50.01%-55.00%.....		9		607,867.57		1.74
55.01%-60.00%.....		21		1,208,244.01		3.46
60.01%-65.00%.....		16		879,775.26		2.52
65.01%-70.00%.....		42		3,030,781.45		8.68
70.01%-75.00%.....		65		5,432,550.55		15.55
75.01%-80.00%.....		110		10,333,213.27		29.58
80.01%-85.00%.....		54		5,151,841.46		14.75
85.01%-90.00%.....		69		7,436,848.68		21.29
Total.....		404	\$	34,929,024.88		100.00%

</TABLE>

(1) The original Loan-to-Value Ratios ("LTV") shown above are equal, with respect to each Statistic Calculation Mortgage Loan, to the original principal balance of such Mortgage Loan at the date of origination divided by the value of the related Mortgaged Property, based upon the lesser of the appraisal made at the time of origination of such Mortgage Loan or the purchase price for such Mortgaged Property (where the proceeds are used to purchase the Mortgaged Property). No assurance can be given that the values of such Mortgaged Properties have remained or will remain at their levels as of the dates of origination of the related Statistic Calculation Mortgage Loans. If the residential real estate market should experience an overall decline in property values such that the outstanding balances of such Mortgage Loans become equal to or greater than the value of the related Mortgaged Properties, the actual losses could be higher than those now generally experienced in the mortgage lending industry.

S-20

CUT-OFF DATE LOAN RATES  
LOAN GROUP A

<TABLE>  
<CAPTION>

RANGE OF CUT-OFF DATE LOAN RATES	NUMBER OF STATISTIC CALCULATION MORTGAGE LOANS		CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE		% OF CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE	
	<S>	<C>	<C>	<C>	<C>	<C>
7.001%- 7.500%.....		3	\$	326,274.34		0.93%
7.501%- 8.000%.....		6		426,729.14		1.22
8.001%- 8.500%.....		8		627,745.87		1.80
8.501%- 9.000%.....		20		1,994,349.47		5.71
9.001%- 9.500%.....		54		5,470,492.88		15.66
9.501%-10.000%.....		68		6,104,078.02		17.48
10.001%-10.500%.....		60		5,329,537.20		15.26
10.501%-11.000%.....		69		6,176,296.25		17.68
11.001%-11.500%.....		36		3,033,457.78		8.68
11.501%-12.000%.....		31		2,495,444.19		7.14
12.001%-12.500%.....		15		1,185,844.70		3.40
12.501%-13.000%.....		9		534,004.83		1.53
13.001%-13.500%.....		10		458,417.04		1.31
13.501%-14.000%.....		6		241,510.20		0.69
14.001%-14.500%.....		1		40,792.97		0.12
14.501%-15.000%.....		5		273,700.00		0.78
15.001%-15.500%.....		2		157,850.00		0.45
15.501%-16.000%.....		1		52,500.00		0.15
Total.....		404	\$	34,929,024.88		100.00%

</TABLE>

ORIGINAL TERM TO STATED MATURITY  
LOAN GROUP A

<TABLE>  
<CAPTION>

NUMBER OF	CUT-OFF DATE STATISTIC	% OF CUT-OFF DATE STATISTIC
-----------	---------------------------	--------------------------------

RANGE OF ORIGINAL TERMS TO STATED MATURITY (IN MONTHS)	STATISTIC CALCULATION MORTGAGE LOANS	CALCULATION PRINCIPAL BALANCE	CALCULATION PRINCIPAL BALANCE
<S>	<C>	<C>	<C>
180.....	1	\$ 41,403.77	0.12%
360.....	403	34,887,621.11	99.88
Total.....	404	\$ 34,929,024.88	100.00%

</TABLE>

S-21

REMAINING MONTHS TO STATED MATURITY  
LOAN GROUP A

<TABLE>  
<CAPTION>

RANGE OF REMAINING MONTHS TO STATED MATURITY	NUMBER OF STATISTIC CALCULATION MORTGAGE LOANS	CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE	% OF CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE
<S>	<C>	<C>	<C>
121-180.....	1	\$ 41,403.77	0.12%
301-360.....	403	34,887,621.11	99.88
Total.....	404	\$ 34,929,024.88	100.00%

</TABLE>

MONTHS SINCE ORIGINATION  
LOAN GROUP A

<TABLE>  
<CAPTION>

RANGE OF MONTHS SINCE ORIGINATION	NUMBER OF STATISTIC CALCULATION MORTGAGE LOANS	CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE	% OF CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE
<S>	<C>	<C>	<C>
0.....	174	\$ 14,978,437.86	42.88%
1- 3.....	212	18,144,589.23	51.95
4- 6.....	15	1,368,109.15	3.92
7-12.....	3	437,888.64	1.25
Total.....	404	\$ 34,929,024.88	100.0%

</TABLE>

PROPERTY TYPE  
LOAN GROUP A

<TABLE>  
<CAPTION>

PROPERTY TYPE	NUMBER OF STATISTIC CALCULATION MORTGAGE LOANS	CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE	% OF CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE
<S>	<C>	<C>	<C>
Single Family.....	336	\$ 28,469,852.04	81.51%
Condominium.....	19	1,304,606.70	3.74
Two-to-Four Family.....	49	5,154,566.14	14.76
Total.....	404	\$ 34,929,024.88	100.00%

</TABLE>

OCCUPANCY TYPE (1)  
LOAN GROUP A

<TABLE>  
<CAPTION>

OCCUPANCY TYPE	NUMBER OF STATISTIC CALCULATION MORTGAGE LOANS	CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE	% OF CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE
<S>	<C>	<C>	<C>

<S>	<C>	<C>	<C>
Owner Occupied.....	357	\$ 31,435,215.09	90.00%
Non-Owner Occupied.....	47	3,493,809.79	10.00
	-----	-----	-----
Total.....	404	\$ 34,929,024.88	100.00%
	-----	-----	-----

</TABLE>

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(1) Based upon representations made by the borrowers at the time of origination of such Mortgage Loans.

S-22

GROSS MARGIN  
LOAN GROUP A

<TABLE>  
<CAPTION>

RANGE OF GROSS MARGINS	NUMBER OF STATISTIC CALCULATION MORTGAGE LOANS	CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE	% OF CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE
-----	-----	-----	-----
<S>	<C>	<C>	<C>
3.501%- 4.000%.....	4	\$ 388,714.34	1.11%
4.001%- 4.500%.....	7	642,090.85	1.84
4.501%- 5.000%.....	6	405,283.55	1.16
5.001%- 5.500%.....	41	3,977,462.40	11.39
5.501%- 6.000%.....	56	5,423,987.79	15.53
6.001%- 6.500%.....	76	6,605,879.97	18.91
6.501%- 7.000%.....	73	6,496,646.02	18.60
7.001%- 7.500%.....	57	4,671,741.35	13.37
7.501%- 8.000%.....	37	3,240,192.61	9.28
8.001%- 8.500%.....	13	1,252,288.83	3.59
8.501%- 9.000%.....	15	734,992.23	2.10
9.001%- 9.500%.....	9	525,944.10	1.51
9.501%- 10.000%.....	3	154,750.84	0.44
10.001%-10.500%.....	4	198,700.00	0.57
10.501%-11.000%.....	2	157,850.00	0.45
11.001%-11.500%.....	1	52,500.00	0.15
	-----	-----	-----
Total.....	404	\$ 34,929,024.88	100.00%
	-----	-----	-----

</TABLE>

LIFETIME CAP  
LOAN GROUP A

<TABLE>  
<CAPTION>

RANGE OF LIFETIME CAPS	NUMBER OF STATISTIC CALCULATION MORTGAGE LOANS	CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE	% OF CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE
-----	-----	-----	-----
<S>	<C>	<C>	<C>
14.001%-14.500%.....	4	\$ 445,965.61	1.28%
14.501%-15.000%.....	7	548,102.04	1.57
15.001%-15.500%.....	14	1,006,840.78	2.88
15.501%-16.000%.....	33	3,216,018.74	9.21
16.001%-16.500%.....	60	6,053,311.91	17.33
16.501%-17.000%.....	65	6,034,335.74	17.28
17.001%-17.500%.....	48	4,151,719.46	11.89
17.501%-18.000%.....	60	5,097,816.36	14.59
18.001%-18.500%.....	37	3,362,409.41	9.63
18.501%-19.000%.....	29	2,300,624.19	6.59
19.001%-19.500%.....	13	953,105.60	2.73
19.501%-20.000%.....	9	534,004.83	1.53
20.001%-20.500%.....	11	499,210.01	1.43
20.501%-21.000%.....	6	241,510.20	0.69
21.501%-22.000%.....	5	273,700.00	0.78
22.001%-22.500%.....	2	157,850.00	0.45
22.501%-23.000%.....	1	52,500.00	0.15
	-----	-----	-----
Total.....	404	\$ 34,929,024.88	100.00%
	-----	-----	-----

</TABLE>

S-23

LIFETIME FLOOR  
LOAN GROUP A

<TABLE>  
<CAPTION>

RANGE OF LIFETIME FLOORS	NUMBER OF STATISTIC CALCULATION MORTGAGE LOANS	CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE	% OF CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE
<S>	<C>	<C>	<C>
7.001%- 7.500%.....	3	\$ 326,274.34	0.93%
7.501%- 8.000%.....	6	426,729.14	1.22
8.001%- 8.500%.....	8	627,745.87	1.80
8.501%- 9.000%.....	20	1,994,349.47	5.71
9.001%- 9.500%.....	54	5,470,492.88	15.66
9.501%-10.000%.....	69	6,133,954.20	17.56
10.001%-10.500%.....	60	5,329,537.20	15.26
10.501%-11.000%.....	68	6,146,420.07	17.60
11.001%-11.500%.....	36	3,033,457.78	8.68
11.501%-12.000%.....	31	2,495,444.19	7.14
12.001%-12.500%.....	15	1,185,844.70	3.40
12.501%-13.000%.....	9	534,004.83	1.53
13.001%-13.500%.....	10	458,417.04	1.31
13.501%-14.000%.....	6	241,510.20	0.69
14.001%-14.500%.....	1	40,792.97	0.12
14.501%-15.000%.....	5	273,700.00	0.78
15.001%-15.500%.....	2	157,850.00	0.45
15.501%-16.000%.....	1	52,500.00	0.15
Total.....	404	\$ 34,929,024.88	100.00%

</TABLE>

MONTH OF NEXT CHANGE DATE  
LOAN GROUP A

<TABLE>  
<CAPTION>

MONTH OF NEXT CHANGE DATE	NUMBER OF STATISTIC CALCULATION MORTGAGE LOANS	CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE	% CUT-OFF DATE STATISTIC CALCULATION PRINCIPAL BALANCE
<S>	<C>	<C>	<C>
April 1999.....	1	\$ 121,372.90	0.35%
May 1999.....	2	207,216.31	0.59
July 2000.....	1	209,644.48	0.60
August 2000.....	1	29,876.18	0.09
September 2000.....	4	397,407.83	1.14
October 2000.....	12	1,477,777.56	4.23
November 2000.....	19	1,717,387.26	4.92
December 2000.....	24	2,370,068.45	6.79
January 2001.....	32	2,640,253.18	7.56
February 2001.....	31	2,516,595.43	7.20
July 2001.....	1	198,367.98	0.57
November 2001.....	3	188,040.08	0.54
December 2001.....	47	3,597,922.49	10.30
January 2002.....	98	8,319,307.89	23.82
February 2002.....	128	10,937,786.86	31.31
Total.....	404	\$ 34,929,024.88	100.00%

</TABLE>

CONVEYANCE OF ADDITIONAL MORTGAGE LOANS

The Agreement permits the Trust to acquire on the Closing Date Additional Mortgage Loans for Loan Group F and Loan Group A, respectively. Accordingly, the statistical characteristics of the Mortgage Loans in the Trust will vary as of the Closing Date upon the acquisition of Additional Mortgage Loans.

The obligation of the Trust to purchase Additional Mortgage Loans on the Closing Date is subject to the following requirements: (i) such Additional Mortgage Loan may not be 30 or more days contractually delinquent as of the applicable Cut-off Date; (ii) the remaining term to stated maturity of such Additional Mortgage Loan will not exceed 30 years for fully amortizing loans or 15 years for "Balloon Loans" in Loan Group F; (iii) such Additional Mortgage Loan will be secured by a Mortgage in a first lien position for Loan Group A or

a first or second lien position for Loan Group F; (iv) such Additional Mortgage Loan will not have a Loan Rate less than 7.20% for Loan Group F and 7.00% for Loan Group A; and (v) such Additional Mortgage Loan will otherwise be acceptable to the Certificate Insurer.

Following the addition of the Additional Mortgage Loans to each Loan Group, the Mortgage Loans (including the applicable Additional Mortgage Loans, if any) in each Loan Group will have the following characteristics:

<TABLE> <S>	<C>
LOAN GROUP F	
Weighted Average Loan Rate.....	At least 10.22%
Weighted Average Remaining Term to Stated Maturity.....	At least 320 months
Weighted Average Original Combined Loan-to-Value Ratio.....	Not more than 74.00%
Balloon Loans.....	Not more than 4.00%
Principal Balance.....	Not more than \$500,000
State concentration.....	Not more than 50.00%
Zip code concentration.....	Not more than 2.00%
Non-owner occupied.....	Not more than 13.00%
Second liens.....	Not more than 5.00%
LOAN GROUP A	
Weighted Average Loan Rate.....	At least 10.34%
Weighted Average Remaining Term to Stated Maturity.....	At least 358 months
Weighted Average Original Loan-to-Value Ratio.....	Not more than 79.00%
Principal Balance.....	Not more than \$350,000
State concentration.....	Not more than 31.00%
Zip code concentration.....	Not more than 2.00%
Non-owner occupied.....	Not more than 11.00%
First liens.....	100.00%

</TABLE>

S-25

PREPAYMENT AND YIELD CONSIDERATIONS

GENERAL

The rate of principal payments on the Offered Certificates, the aggregate amount of distributions on the Offered Certificates and the yield to maturity of the Offered Certificates will be related primarily to the rate and timing of payments of principal on the Mortgage Loans in the related Loan Group, in the case of the Senior Certificates, and both Loan Groups, in the case of the Class B Certificates. The rate of principal payments on the Mortgage Loans will in turn be affected by their amortization schedules and by the rate of principal prepayments (including for this purpose prepayments resulting from refinancing, liquidations of the Mortgage Loans due to defaults, casualties, condemnations and repurchases by the Seller or the Servicer). The Mortgage Loans may be prepaid by the Mortgagors at any time. However, a majority of the Mortgage Loans are subject to prepayment penalties.

THE CERTIFICATE RATES

The Certificate Rate for each Class of Offered Certificates, other than the Class IOF and Class A-2A Certificates, is subject to the applicable Available Funds Cap (as defined herein). Each Available Funds Cap on any Distribution Date is determined, in part, by reference to the weighted average Loan Rate of the Mortgage Loans minus the Expense Fee Rate (the "Net Loan Rate") in the related Loan Group in effect at the beginning of the related Due Period. The "Expense Fee Rate" is 0.6200% per annum. All of the Loan Rates on the Mortgage Loans in Loan Group F are fixed for the lives of such Mortgage Loans. If Mortgage Loans bearing higher Loan Rates were to prepay at rates faster than Mortgage Loans with lower Loan Rates, the Available Funds Cap for Loan Group F would be lower than otherwise would be the case. The Certificate Rate on the Group F Certificates on any Distribution Date is limited by the lesser of the Available Funds Cap for Loan Group F or Loan Group A. Thus, the effective Certificate Rate on the Group F Certificates will be dependent on the prepayment experience in each Loan Group. There is no mechanism to compensate the holders of the Group F Certificates if the related Certificate Rates are limited by the applicable Available Funds Cap.

The yield to investors in the Class A-1A Certificates will be sensitive to, among other things, the level of 1-Month LIBOR and the levels of the Loan Index. A majority (by principal balance) of the Statistic Calculation Mortgage Loans in Loan Group A are 2/28 and 3/27 Loans which will bear interest at fixed Loan Rates for 24 months and 36 months, respectively, after origination of such Mortgage Loans. Although each of the ARMs bears interest at an adjustable rate, such rate is subject to a Periodic Rate Cap, a Lifetime Floor and a Lifetime Cap. If the Loan Index increases substantially between Change Dates, the

adjusted Loan Rate on the related Mortgage Loan may not equal the Loan Index plus the related Gross Margin due to the constraint of such caps. In such event, the related Loan Rate will be less than would have been the case in the absence of such caps. In addition, the Loan Rate applicable to any Change Date will be based on the Loan Index related to the Change Date. Thus, if the value of the Loan Index with respect to a Mortgage Loan rises, the lag in time before the corresponding Loan Rate increases will, all other things being equal, slow the upward adjustment of the Available Funds Cap for Loan Group A. Furthermore, Mortgage Loans that have not reached their first Change Date are more likely to be subject to the applicable Periodic Rate Cap on their first Change Date. See "DESCRIPTION OF THE MORTGAGE LOANS" herein. Although the Holders of the Class A-1A Certificates will be entitled to receive the related LIBOR Carryover to the extent funds are available therefor as described herein and in the priority set forth herein, there is no assurance that sufficient funds will be available therefor. The ratings on the Class A-1A Certificates do not address the likelihood of, and the Policies do not cover, the payment of any LIBOR Carryover.

Although the Loan Rates on the Mortgage Loans in Loan Group A are subject to adjustment, the Loan Rates adjust less frequently than 1-Month LIBOR and adjust by reference to the Loan Index. Changes in 1-Month LIBOR may not correlate with changes in the Loan Index and either may not correlate with prevailing interest rates. It is possible that an increased level of 1-Month LIBOR could occur simultaneously with a lower level of prevailing interest rates, which would be expected to result in faster prepayments, thereby reducing the weighted average life of the Class A-1A Certificates.

The Certificate Rate on the Class B Certificates on any Distribution Date is limited by the lower of the Available Funds Cap for Loan Group F or Loan Group A. Thus, the effective Certificate Rate on the Class B

S-26

Certificates will be dependent on the prepayment experience in each Loan Group. Although the Class B Certificates will be entitled to receive the Class B Cap Carryover to the extent funds are available therefor as described herein and in the priority set forth herein, there is no assurance that sufficient funds will be available therefor. The ratings of the Class B Certificates do not address the likelihood of the payment of any Class B Cap Carryover.

#### CLASS B CERTIFICATES

The Class B Certificates provide credit enhancement for the Senior Certificates in both Certificate Groups and may absorb losses on the Mortgage Loans in either Loan Group. The weighted average life of, and the yield to maturity on, the Class B Certificates will be sensitive to the rate and timing of mortgagor defaults and the severity of ensuing losses on the Mortgage Loans. If the actual rate and severity of losses on the Mortgage Loans is higher than those assumed by a Holder of the Class B Certificates, the actual yield to maturity on such Holder's Certificate may be lower than the yield expected by such Holder based on such assumption. Realized Losses on the Mortgage Loans will reduce the Class Principal Balance of the Class B Certificates if and to the extent that the aggregate of the Class Principal Balances of all Classes of Certificates, following all distributions on a Distribution Date, exceeds the Pool Balance. As a result of such reductions, less interest will accrue on the Class B Certificates than otherwise would be the case.

The Basic Principal Amount includes the net proceeds in respect of principal received upon liquidation of a Liquidated Mortgage Loan. If such net proceeds are less than the unpaid principal balance of the Liquidated Mortgage Loan, the Pool Balance will decline more than the aggregate Class Principal Balance of the Offered Certificates, thereby reducing the Overcollateralization Amount. If such difference is not covered by the Overcollateralization Amount, the application of Excess Interest, or the cross-collateralization provisions, the Class B Certificates will bear such loss. In addition, the Class B Certificates will not be entitled to any principal distributions prior to the Stepdown Date or during the continuation of a Trigger Event or a Cumulative Loss Event (unless all of the Senior Certificates have been paid in full). Because of the disproportionate distribution of principal of the Senior Certificates, depending on the timing of Realized Losses, the Class B Certificates may bear a disproportionate percentage of the Realized Losses on the Mortgage Loans.

The Class B Certificates are not covered by the Policies.

#### YIELD SENSITIVITY OF THE NOTIONAL AMOUNT CERTIFICATES

As the owner of interest-only strip securities, the Holders of the Notional Amount Certificates will be entitled to receive monthly distributions only of interest, as described herein. Because they will not receive any distributions of principal, the Holders of the Notional Amount Certificates will generally be affected by prepayments, liquidations and other dispositions (including optional purchases described herein) of the Mortgage Loans in Loan Group F to a greater degree than Holders of the other Classes of Offered Certificates. However, except in the case of very rapid prepayment rates, the Notional Amount will

decline in accordance with a pre-determined schedule. Thus, the yield sensitivity of the Notional Amount Certificates is likely to be more stable than if such Notional Amount were calculated based on the amortization of the underlying Mortgage Loans directly. However, there can be no assurance that such will be the case. HOLDERS OF THE NOTIONAL AMOUNT CERTIFICATES WILL NOT BE ENTITLED TO ANY DISTRIBUTIONS AFTER THE 36TH DISTRIBUTION DATE.

#### PREPAYMENT CONSIDERATIONS

Prepayments, liquidations and purchases of the Mortgage Loans (including any optional purchase by the Servicer of a Delinquent Mortgage Loan and any optional purchase of the remaining Mortgage Loans in connection with the termination of the Trust, in each case as described herein) will result in distributions on the related Class or Classes of Offered Certificates then entitled to distributions of principal which would otherwise be distributed over the remaining terms of such Mortgage Loans. Since the rate of payment of principal of the Mortgage Loans will depend on future events and a variety of factors, no assurance can be given as to such rate or the rate of principal prepayments. The extent to which the yield to maturity of a Class of Offered Certificates in either Certificate Group may vary from the anticipated yield will depend upon the degree to which a Certificate of such Class is purchased at a discount or premium, and the degree

S-27

to which the timing of payments thereon is sensitive to prepayments, liquidations and purchases of the related Mortgage Loans.

Holders of the Offered Certificates should consider, in the case of any such Certificates purchased at a discount, and particularly the Class B Certificates, the risk that a slower than anticipated rate of principal payments on the Mortgage Loans could result in an actual yield that is lower than the anticipated yield and, in the case of any Offered Certificates purchased at a premium, the risk that a faster than anticipated rate of principal payments on the Mortgage Loans could result in an actual yield that is lower than the anticipated yield. The timing of losses on the Mortgage Loans also will affect an investor's actual yield to maturity, even if the rate of defaults and severity of losses over the life of the Trust are consistent with an investor's expectations. In general, the earlier a loss occurs, the greater the effect on an investor's yield to maturity.

On each Distribution Date, the Principal Distribution Amount will reflect the total amount in respect of principal received with respect to both Loan Groups in the related Due Period, as adjusted by the overcollateralization provisions described herein. The Principal Distribution Amount will be allocated between the Senior Certificates in each Certificate Group generally on a pro rata basis, regardless of the amount of principal actually received with respect to the Loan Group related to a particular Certificate Group. Depending on the rate of payments of principal and/or the rate of Realized Losses on the Mortgage Loans in a Loan Group relative to such rates on the Mortgage Loans in the other Loan Group, the Senior Certificates in a Certificate Group may receive principal distributions faster or slower than would have been the case were such distributions to be based solely on the principal collections for the related Loan Group. The relative rates of principal payments may change over time and may be affected by different factors. For example, the Mortgage Loans with fixed Loan Rates may prepay at faster rates than the Mortgage Loans with adjustable Loan Rates in response to a given decline in market interest rates because adjustable Loan Rates would readjust based on current rates. As a result of this method of allocating the Principal Distribution Amount, it may be more difficult to analyze the potential weighted average lives of the Senior Certificates and the related yields to maturity.

The rate of prepayment on the Mortgage Loans cannot be predicted. Home equity loans such as the Mortgage Loans have been originated in significant volume only during the past few years. Generally, home equity loans are not viewed by borrowers as permanent financing. Accordingly, the Mortgage Loans may experience a higher rate of prepayment than traditional first mortgage loans. The prepayment experience of the Trust with respect to the Mortgage Loans may be affected by a wide variety of factors, including economic conditions, prevailing interest rate levels, the availability of alternative financing and homeowner mobility and changes affecting the deductibility for Federal income tax purposes of interest payments on home equity loans. The increased availability of credit to borrowers with impaired or limited credit profiles may affect the prepayment experience on the Mortgage Loans. As borrowers re-establish or establish an acceptable credit profile, such borrowers may be able to refinance their loans at lower rates reflecting their improved credit profiles. Substantially all of the Mortgage Loans contain "due-on-sale" provisions and the Servicer is required by the Agreement to enforce such provisions, unless such enforcement is not permitted by applicable law. The enforcement of a "due-on-sale" provision will have the same effect as a prepayment of the related Mortgage Loan. See "CERTAIN LEGAL ASPECTS OF LOANS--Due-on-Sale Clauses in Home Equity Loans" in the Prospectus.

As with fixed rate obligations generally, the rate of prepayment on a pool



of mortgage loans with fixed rates such as the Mortgage Loans in Loan Group F is affected by prevailing market rates for mortgage loans of a comparable term and risk level. When the market interest rate is below the applicable loan rate, mortgagors may have an increased incentive to refinance their mortgage loans. Depending on prevailing market rates, the future outlook for market rates and economic conditions generally, some mortgagors may sell or refinance mortgaged properties in order to realize their equity in the mortgaged properties, to meet cash flow needs or to make other investments.

All of the Mortgage Loans in Loan Group A are ARMs. As is the case with conventional fixed-rate mortgage loans, the ARMs may be subject to a greater rate of principal prepayments in a declining interest rate environment. For example, if prevailing interest rates fall significantly, ARMs could be subject to higher prepayment rates than if prevailing interest rates remain constant because the availability of fixed-rate mortgage loans at competitive interest rates may encourage mortgagors to refinance their ARMs to "lock in"

S-28

a lower fixed interest rate. The 2/28 Loans and 3/27 Loans may become subject to higher prepayment rates as such loans near their respective initial Change Dates, even if prevailing interest rates for mortgage loans of a comparable term and risk level are at or even slightly above the Loan Rates, as the borrowers attempt to avoid increases in their monthly payments. However, no assurance can be given as to the level of prepayments that the Mortgage Loans will experience.

In addition to the foregoing factors affecting the weighted average lives of the Offered Certificates, the use of Excess Interest to pay principal of the Offered Certificates will result in acceleration of the Offered Certificates then entitled to principal distributions, relative to the amortization of the related Mortgage Loans, particularly in the early months of the transaction. This acceleration feature creates overcollateralization which equals the excess of the Pool Principal Balance over the aggregate Class Principal Balance of the Certificates. Once the required level of overcollateralization is reached, the acceleration feature will cease, unless necessary to maintain the required level of overcollateralization.

#### FINAL SCHEDULED DISTRIBUTION DATES

The Final Scheduled Distribution Date for each Class of Offered Certificates is set forth under "SUMMARY--Final Scheduled Distribution Dates" herein. The Final Scheduled Distribution Date for the Notional Amount Certificates is the 36th Distribution Date. The Final Scheduled Distribution Dates for each Class of Offered Certificates have been set to equal the Distribution Date on which the applicable Class Principal Balance would be reduced to zero based on the Structuring Assumptions and a 0% Prepayment Assumption. It is expected that the last actual Distribution Date for each Class of Offered Certificates will occur significantly earlier than such Final Scheduled Distribution Dates but such final Distribution Date could occur later than the applicable Final Scheduled Distribution Date.

#### PAYMENT DELAY FEATURE OF FIXED RATE CERTIFICATES

The effective yield to the Certificateholders of each Class of Fixed Rate Certificates will be lower than the yield otherwise produced by the Certificate Rate for each such Class and the purchase price of such Certificates because distributions will not be payable to the Certificateholders until the 15th day of the month following the month of accrual (without any additional distribution of interest or earnings thereon in respect of such delay).

#### MANDATORY PREPAYMENT

In the event that on the Closing Date there is an Excess Funding Amount, the Holders of the Class A-1F Certificates in the case of Certificate Group F and the Holders of the Class A-1A Certificates in the case of Certificate Group A, will receive an additional distribution allocable to principal in an amount equal to the applicable Excess Funding Amount. Although there can be no assurance, the Seller anticipates that there should be no material principal prepayment to the Certificateholders due to a lack of Additional Mortgage Loans.

#### INITIAL DISTRIBUTION DATE

With respect to a certain number of the Statistic Calculation Mortgage Loans, the Class A-1F and Class A-1A Certificateholders will receive a distribution of principal reflecting two installments of principal during the first Due Period. As a result, such Certificateholders will receive a larger payment in respect of principal on the initial Distribution Date than would have been the case if the first Due Period were a one-month period.

#### WEIGHTED AVERAGE LIVES

Generally, greater than anticipated prepayments of principal will increase the yield on Offered Certificates purchased at a price less than par and will decrease the yield on Offered Certificates purchased at a price greater than

par. The effect on an investor's yield due to principal payments on the Mortgage Loans occurring at a rate that is faster (or slower) than the rate anticipated by the investor in the period immediately following the issuance of the Certificates will not be entirely offset by a subsequent like reduction (or increase) in the rate of principal payments. The weighted average lives of the Offered Certificates also will be affected by the amount and timing of delinquencies and defaults on the Mortgage Loans and the recoveries, if any, on Liquidated Mortgage Loans and foreclosed properties.

The "weighted average life" of a Certificate refers to the average amount of time that will elapse from the date of issuance to the date each dollar in respect of principal of such Certificate is repaid. The weighted

S-29

average life of any Class of Offered Certificates will be influenced by, among other factors, the rate at which principal payments are made on the Mortgage Loans, including final payments made upon the maturity of the Balloon Loans.

Prepayments on Mortgage Loans are commonly measured relative to a prepayment standard or model. The model used in this Prospectus Supplement (the "Prepayment Assumption") represents an assumed rate of prepayment each month relative to the then outstanding principal balance of the pool of mortgage loans for the life of such mortgage loans. With respect to the Group F Certificates, a 100% Prepayment Assumption assumes a constant prepayment rate ("CPR") of 4% per annum of the outstanding principal balance of such mortgage loans in Loan Group F in the first month of the life of the mortgage loans and an additional amount of approximately 1.454545% (precisely 16/11 percent per annum) in each month thereafter until the twelfth month; beginning in the twelfth month and in each month thereafter during the life of the mortgage loans, a constant prepayment rate of 20% per annum each month is assumed. With respect to the Group A Certificates, the Prepayment Assumption assumes a constant prepayment rate of the applicable per annum CPR percentage of the outstanding principal balances of the mortgage loans in Loan Group A. As used in the table below, 0% Prepayment Assumption assumes a constant prepayment rate equal to 0% of the applicable Prepayment Assumption, i.e., no prepayments. Correspondingly, 125% Prepayment Assumption assumes prepayment rates equal to 125% of the applicable Prepayment Assumption, and so forth. The Prepayment Assumption does not purport to be an historical description of prepayment experience or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Mortgage Loans. The Seller believes that no existing statistics of which it is aware provide a reliable basis for Holders of the Offered Certificates to predict the amount or the timing of receipt of prepayments on the Mortgage Loans.

STRUCTURING ASSUMPTIONS

For the purposes of the tables below, it is assumed that: (i) the Mortgage Loans consist of pools of loans with the level-pay and balloon characteristics as set forth below, (ii) the amount of interest accrued on the Mortgage Loans is reduced by amounts sufficient to pay the Servicing Fee, the premiums for the Policies and the trustee fee, (iii) the Closing Date is March 30, 1999, (iv) distributions on the Offered Certificates are made on the 15th day of each month regardless of the date on which the Distribution Date actually occurs, commencing in the month after the Closing Date, and are made in accordance with the priorities described herein, (v) the scheduled monthly payments of principal and interest on each Mortgage Loan will be timely paid on the first day of each Due Period (with no delinquencies or defaults) commencing on April 1, 1999, (vi) all prepayments are prepayments in full received on the last day of each Due Period commencing in the calendar month following their delivery with 30 days of accrued interest, (vii) the Mortgage Loan prepayment rates are a multiple of the Prepayment Assumption in the case of Loan Group F, and various constant percentages of CPR in the case of Loan Group A, (viii) the optional termination is not exercised except in the calculation of weighted average life to call, (ix) each Class of Offered Certificates has the respective Certificate Rate and initial Class Principal Balance or Notional Amount as set forth herein, (x) the overcollateralization levels are set initially as specified herein, and thereafter decrease in accordance with the provisions specified in the Agreement, (xi) the Loan Index is 5.0600% on each Change Date, (xii) 1-Month LIBOR for each Interest Period will be 4.93438%, (xiii) the maximum amount of Additional Mortgage Loans are included in the Trust as of the Cut-off Date and (xiv) all Mortgage Loans in Loan Group A have Change Dates every six months after their initial Change Dates. The foregoing assumptions are referred to herein collectively as the "Structuring Assumptions."

S-30

<TABLE>  
<CAPTION>

		REMAINING	REMAINING	ORIGINAL
		AMORTIZATION	TERM TO	AMORTIZATION
PRINCIPAL	LOAN	TERM	MATURITY	TERM

	BALANCE (\$)	RATE (%)	(MONTHS)	(MONTHS)	(MONTHS)
<S>	<C>	<C>	<C>	<C>	<C>
Group F Statistic					
Calculation Mortgage					
Loans					
Level Pay.....	\$163,523,297.18	10.367	359	359	360
Level Pay.....	\$ 2,931,806.24	9.137	299	299	300
Level Pay.....	\$ 15,179,061.59	9.917	238	238	239
Level Pay.....	\$ 20,005,086.63	10.074	178	178	179
Level Pay.....	\$ 3,458,996.38	9.839	111	111	112
Balloon.....	\$ 7,189,781.26	11.037	358	178	360
	-----				
	\$212,288,029.28				
	-----				
Group F Additional					
Mortgage Loans					
Level Pay.....	\$ 82,969,429.12	10.217	360	360	360
Level Pay.....	\$ 1,487,557.40	8.987	300	300	300
Level Pay.....	\$ 7,701,643.11	9.767	239	239	239
Level Pay.....	\$ 10,150,300.57	9.924	179	179	179
Level Pay.....	\$ 1,755,046.28	9.689	112	112	112
Balloon.....	\$ 3,647,994.24	10.887	360	180	360
	-----				
	\$107,711,970.72				
	-----				
LOAN GROUP F.....	\$320,000,000.00				
	-----				

</TABLE>

S-31

<TABLE>  
<CAPTION>

	PRINCIPAL BALANCE (\$)	LOAN RATE (%)	REMAINING AMORTIZATION TERM (MONTHS)	REMAINING TERM TO MATURITY (MONTHS)	ORIGINAL AMORTIZATION TERM (MONTHS)	GROSS MARGIN (%)	NUMBER OF MONTHS TO NEXT CHANGE DATE	LIFETIME CAP (%)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Group A Statistic								
Calculation								
Mortgage Loans								
Level Pay.....	\$ 1,814,846.12	10.294	355	355	360	6.723	16	16.618
Level Pay.....	\$ 9,872,753.46	10.796	359	359	360	6.943	23	17.421
Level Pay.....	\$ 2,090,000.73	10.547	357	357	360	6.708	33	17.425
Level Pay.....	\$ 8,981,454.57	10.176	358	358	359	6.334	35	17.172
Level Pay.....	\$ 12,169,970.00	10.297	360	360	360	6.487	36	17.330
	-----							
	\$ 34,929,024.88							
	-----							
Group A Additional								
Mortgage Loans								
Level Pay.....	\$ 6,589,119.76	10.470	360	360	360	6.800	24	17.317
Level Pay.....	\$ 13,481,855.36	10.210	360	360	360	6.290	36	17.277
	-----							
	\$ 20,070,975.12							
	-----							
LOAN GROUP A.....	\$ 55,000,000.00							
	-----							
TOTAL POOL.....	\$375,000,000.00							
	-----							

<CAPTION>

	LIFETIME FLOOR (%)	PERIODIC RATE CAP (SUBSEQUENT CHANGE DATES) (%)	PERIODIC RATE CAP (FIRST CHANGE DATE) (%)
<S>	<C>	<C>	<C>
Group A Statistic			
Calculation			
Mortgage Loans			
Level Pay.....	10.262	0.965	2.638
Level Pay.....	10.796	1.000	3.005
Level Pay.....	10.547	1.000	3.000
Level Pay.....	10.176	1.000	3.000
Level Pay.....	10.297	1.000	3.000
Group A Additional			
Mortgage Loans			

Level Pay.....	10.470	1.000	3.000
Level Pay.....	10.210	1.000	3.000
LOAN GROUP A.....			
TOTAL POOL.....			

</TABLE>

S-32

DECREMENT TABLES

Subject to the foregoing discussion and assumptions, the following tables set forth the percentages of the initial Class Principal Balance of each Class of Offered Certificates (other than the Class IOF Certificates) that would be outstanding after each of the dates shown at various percentages of the Prepayment Assumption and the corresponding weighted average lives.

Since the tables were prepared on the basis of the Structuring Assumptions, there are discrepancies between characteristics of the actual Mortgage Loans and the characteristics of the Mortgage Loans assumed in preparing the tables. Any such discrepancy may have an effect upon the percentages of the Class Principal Balances outstanding and weighted average lives of the Certificates set forth in the tables. In addition, since the actual Mortgage Loans in the Trust have characteristics which differ from those assumed in preparing the tables set forth below, the distributions of principal on the Certificates may be made earlier or later than as indicated in the tables.

S-33

PERCENT OF INITIAL CLASS PRINCIPAL BALANCE OUTSTANDING  
AT THE FOLLOWING PERCENTAGES OF THE PREPAYMENT ASSUMPTION(1)

<TABLE>

<CAPTION>

	CLASS A-1F						
	0%	50%	100%	125%	175%	200%	250%
DISTRIBUTION DATE							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Initial Percentage.....	100	100	100	100	100	100	100
March 15, 2000.....	91	68	46	34	12	1	0
March 15, 2001.....	88	34	0	0	0	0	0
March 15, 2002.....	84	2	0	0	0	0	0
March 15, 2003.....	80	0	0	0	0	0	0
March 15, 2004.....	76	0	0	0	0	0	0
March 15, 2005.....	71	0	0	0	0	0	0
March 15, 2006.....	67	0	0	0	0	0	0
March 15, 2007.....	62	0	0	0	0	0	0
March 15, 2008.....	58	0	0	0	0	0	0
March 15, 2009.....	53	0	0	0	0	0	0
March 15, 2010.....	47	0	0	0	0	0	0
March 15, 2011.....	41	0	0	0	0	0	0
March 15, 2012.....	34	0	0	0	0	0	0
March 15, 2013.....	27	0	0	0	0	0	0
March 15, 2014.....	12	0	0	0	0	0	0
March 15, 2015.....	5	0	0	0	0	0	0
March 15, 2016.....	0	0	0	0	0	0	0
March 15, 2017.....	0	0	0	0	0	0	0
March 15, 2018.....	0	0	0	0	0	0	0
March 15, 2019.....	0	0	0	0	0	0	0
March 15, 2020.....	0	0	0	0	0	0	0
March 15, 2021.....	0	0	0	0	0	0	0
March 15, 2022.....	0	0	0	0	0	0	0
March 15, 2023.....	0	0	0	0	0	0	0
March 15, 2024.....	0	0	0	0	0	0	0
March 15, 2025.....	0	0	0	0	0	0	0
March 15, 2026.....	0	0	0	0	0	0	0
March 15, 2027.....	0	0	0	0	0	0	0
March 15, 2028.....	0	0	0	0	0	0	0
March 15, 2029.....	0	0	0	0	0	0	0
Weighted Average Life (years) (2)							
To Maturity.....	9.49	1.55	0.94	0.80	0.64	0.59	0.51
To Call.....	9.49	1.55	0.94	0.80	0.64	0.59	0.51

<CAPTION>

	CLASS A-2F						
	0%	50%	100%	125%	175%	200%	250%
DISTRIBUTION DATE							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

Initial Percentage.....	100	100	100	100	100	100	100
March 15, 2000.....	100	100	100	100	100	100	71
March 15, 2001.....	100	100	80	48	0	0	0
March 15, 2002.....	100	100	17	0	0	0	0
March 15, 2003.....	100	69	0	0	0	0	0
March 15, 2004.....	100	39	0	0	0	0	0
March 15, 2005.....	100	14	0	0	0	0	0
March 15, 2006.....	100	0	0	0	0	0	0
March 15, 2007.....	100	0	0	0	0	0	0
March 15, 2008.....	100	0	0	0	0	0	0
March 15, 2009.....	100	0	0	0	0	0	0
March 15, 2010.....	100	0	0	0	0	0	0
March 15, 2011.....	100	0	0	0	0	0	0
March 15, 2012.....	100	0	0	0	0	0	0
March 15, 2013.....	100	0	0	0	0	0	0
March 15, 2014.....	100	0	0	0	0	0	0
March 15, 2015.....	100	0	0	0	0	0	0
March 15, 2016.....	96	0	0	0	0	0	0
March 15, 2017.....	85	0	0	0	0	0	0
March 15, 2018.....	72	0	0	0	0	0	0
March 15, 2019.....	58	0	0	0	0	0	0
March 15, 2020.....	45	0	0	0	0	0	0
March 15, 2021.....	30	0	0	0	0	0	0
March 15, 2022.....	15	0	0	0	0	0	0
March 15, 2023.....	0	0	0	0	0	0	0
March 15, 2024.....	0	0	0	0	0	0	0
March 15, 2025.....	0	0	0	0	0	0	0
March 15, 2026.....	0	0	0	0	0	0	0
March 15, 2027.....	0	0	0	0	0	0	0
March 15, 2028.....	0	0	0	0	0	0	0
March 15, 2029.....	0	0	0	0	0	0	0
Weighted Average Life (years) (2)							
To Maturity.....	20.51	4.71	2.47	2.00	1.50	1.33	1.11
To Call.....	20.51	4.71	2.47	2.00	1.50	1.33	1.11

<CAPTION>

CLASS A-3F

	0%	50%	100%	125%	175%	200%	250%
DISTRIBUTION DATE							
Initial Percentage.....	<C>	<C>	<C>	<C>	<C>	<C>	<C>
March 15, 2000.....	100	100	100	100	100	100	100
March 15, 2001.....	100	100	100	100	89	36	0
March 15, 2002.....	100	100	100	54	0	0	0
March 15, 2003.....	100	100	47	0	0	0	0
March 15, 2004.....	100	100	0	0	0	0	0
March 15, 2005.....	100	100	0	0	0	0	0
March 15, 2006.....	100	87	0	0	0	0	0
March 15, 2007.....	100	64	0	0	0	0	0
March 15, 2008.....	100	38	0	0	0	0	0
March 15, 2009.....	100	13	0	0	0	0	0
March 15, 2010.....	100	0	0	0	0	0	0
March 15, 2011.....	100	0	0	0	0	0	0
March 15, 2012.....	100	0	0	0	0	0	0
March 15, 2013.....	100	0	0	0	0	0	0
March 15, 2014.....	100	0	0	0	0	0	0
March 15, 2015.....	100	0	0	0	0	0	0
March 15, 2016.....	100	0	0	0	0	0	0
March 15, 2017.....	100	0	0	0	0	0	0
March 15, 2018.....	100	0	0	0	0	0	0
March 15, 2019.....	100	0	0	0	0	0	0
March 15, 2020.....	100	0	0	0	0	0	0
March 15, 2021.....	100	0	0	0	0	0	0
March 15, 2022.....	100	0	0	0	0	0	0
March 15, 2023.....	95	0	0	0	0	0	0
March 15, 2024.....	55	0	0	0	0	0	0
March 15, 2025.....	10	0	0	0	0	0	0
March 15, 2026.....	0	0	0	0	0	0	0
March 15, 2027.....	0	0	0	0	0	0	0
March 15, 2028.....	0	0	0	0	0	0	0
March 15, 2029.....	0	0	0	0	0	0	0
Weighted Average Life (years) (2)							
To Maturity.....	25.09	8.53	3.98	3.10	2.21	1.94	1.55
To Call.....	25.09	8.53	3.98	3.10	2.21	1.94	1.55

</TABLE>

(1) The percentages of the Prepayment Assumption for the Loan Group F Mortgage Loans are as set forth in the column headings above and the corresponding

Prepayment Assumptions for the Loan Group A Mortgage Loans are at the following percentages of CPR: 0%, 10%, 20%, 30%, 35%, 40% and 50%.

- (2) The weighted average life of a Class of Certificates is determined by (i) multiplying the amount of each distribution in reduction of the related Class Principal Balance by the number of years from the date of issuance of the Certificate to the related Distribution Date, (ii) adding the results, and (iii) dividing by the highest related Class Principal Balance of the Class of Certificates.

S-34

PERCENT OF INITIAL CLASS PRINCIPAL BALANCE OUTSTANDING  
AT THE FOLLOWING PERCENTAGES OF THE PREPAYMENT ASSUMPTION (CONTINUED) (1)

<TABLE>  
<CAPTION>

		CLASS A-4F						
		0%	50%	100%	125%	175%	200%	250%
DISTRIBUTION DATE								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Initial Percentage.....	100	100	100	100	100	100	100	100
March 15, 2000.....	100	100	100	100	100	100	100	100
March 15, 2001.....	100	100	100	100	100	100	100	59
March 15, 2002.....	100	100	100	100	52	17	0	0
March 15, 2003.....	100	100	100	82	11	0	0	0
March 15, 2004.....	100	100	87	41	0	0	0	0
March 15, 2005.....	100	100	56	15	0	0	0	0
March 15, 2006.....	100	100	34	0	0	0	0	0
March 15, 2007.....	100	100	26	0	0	0	0	0
March 15, 2008.....	100	100	14	0	0	0	0	0
March 15, 2009.....	100	100	2	0	0	0	0	0
March 15, 2010.....	100	92	0	0	0	0	0	0
March 15, 2011.....	100	76	0	0	0	0	0	0
March 15, 2012.....	100	61	0	0	0	0	0	0
March 15, 2013.....	100	47	0	0	0	0	0	0
March 15, 2014.....	100	32	0	0	0	0	0	0
March 15, 2015.....	100	21	0	0	0	0	0	0
March 15, 2016.....	100	12	0	0	0	0	0	0
March 15, 2017.....	100	3	0	0	0	0	0	0
March 15, 2018.....	100	0	0	0	0	0	0	0
March 15, 2019.....	100	0	0	0	0	0	0	0
March 15, 2020.....	100	0	0	0	0	0	0	0
March 15, 2021.....	100	0	0	0	0	0	0	0
March 15, 2022.....	100	0	0	0	0	0	0	0
March 15, 2023.....	100	0	0	0	0	0	0	0
March 15, 2024.....	100	0	0	0	0	0	0	0
March 15, 2025.....	100	0	0	0	0	0	0	0
March 15, 2026.....	74	0	0	0	0	0	0	0
March 15, 2027.....	36	0	0	0	0	0	0	0
March 15, 2028.....	0	0	0	0	0	0	0	0
March 15, 2029.....	0	0	0	0	0	0	0	0
Weighted Average Life (years) (2)								
To Maturity.....	27.61	13.96	6.72	4.90	3.23	2.70	2.08	
To Call.....	27.61	13.94	6.71	4.90	3.23	2.70	2.08	

<CAPTION>

		CLASS A-5F						
		0%	50%	100%	125%	175%	200%	250%
DISTRIBUTION DATE								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Initial Percentage.....	100	100	100	100	100	100	100	100
March 15, 2000.....	100	100	100	100	100	100	100	100
March 15, 2001.....	100	100	100	100	100	100	100	100
March 15, 2002.....	100	100	100	100	100	100	100	16
March 15, 2003.....	100	100	100	100	100	67	0	0
March 15, 2004.....	100	100	100	100	59	19	0	0
March 15, 2005.....	100	100	100	100	32	5	0	0
March 15, 2006.....	100	100	100	96	20	2	0	0
March 15, 2007.....	100	100	100	89	20	2	0	0
March 15, 2008.....	100	100	100	72	15	2	0	0
March 15, 2009.....	100	100	100	53	7	0	0	0
March 15, 2010.....	100	100	83	36	1	0	0	0
March 15, 2011.....	100	100	64	24	0	0	0	0
March 15, 2012.....	100	100	48	15	0	0	0	0
March 15, 2013.....	100	100	35	8	0	0	0	0
March 15, 2014.....	100	100	23	2	0	0	0	0
March 15, 2015.....	100	100	16	0	0	0	0	0

March 15, 2016.....	100	100	10	0	0	0	0
March 15, 2017.....	100	100	6	0	0	0	0
March 15, 2018.....	100	91	2	0	0	0	0
March 15, 2019.....	100	76	0	0	0	0	0
March 15, 2020.....	100	63	0	0	0	0	0
March 15, 2021.....	100	51	0	0	0	0	0
March 15, 2022.....	100	40	0	0	0	0	0
March 15, 2023.....	100	31	0	0	0	0	0
March 15, 2024.....	100	22	0	0	0	0	0
March 15, 2025.....	100	14	0	0	0	0	0
March 15, 2026.....	100	7	0	0	0	0	0
March 15, 2027.....	100	1	0	0	0	0	0
March 15, 2028.....	89	0	0	0	0	0	0
March 15, 2029.....	0	0	0	0	0	0	0
Weighted Average Life (years) (2)							
To Maturity.....	29.38	22.46	13.37	10.46	6.08	4.53	2.86
To Call.....	28.71	17.71	9.96	7.75	5.12	4.26	2.86

<CAPTION>

DISTRIBUTION DATE	CLASS A-6F						
	0%	50%	100%	125%	175%	200%	250%
Initial Percentage.....	100	100	100	100	100	100	100
March 15, 2000.....	100	100	100	100	100	100	100
March 15, 2001.....	100	100	100	100	100	100	100
March 15, 2002.....	100	100	100	100	100	100	100
March 15, 2003.....	99	94	90	88	84	83	71
March 15, 2004.....	99	89	81	77	69	66	31
March 15, 2005.....	97	80	67	60	49	41	11
March 15, 2006.....	96	71	52	44	29	21	2
March 15, 2007.....	90	48	25	17	10	9	0
March 15, 2008.....	84	33	12	6	1	1	0
March 15, 2009.....	78	22	6	2	*	0	0
March 15, 2010.....	72	15	3	1	*	0	0
March 15, 2011.....	65	10	1	*	0	0	0
March 15, 2012.....	59	7	*	*	0	0	0
March 15, 2013.....	52	4	*	*	0	0	0
March 15, 2014.....	41	2	*	*	0	0	0
March 15, 2015.....	36	2	*	0	0	0	0
March 15, 2016.....	32	1	*	0	0	0	0
March 15, 2017.....	27	1	*	0	0	0	0
March 15, 2018.....	23	*	*	0	0	0	0
March 15, 2019.....	18	*	0	0	0	0	0
March 15, 2020.....	15	*	0	0	0	0	0
March 15, 2021.....	12	*	0	0	0	0	0
March 15, 2022.....	9	*	0	0	0	0	0
March 15, 2023.....	6	*	0	0	0	0	0
March 15, 2024.....	4	*	0	0	0	0	0
March 15, 2025.....	2	*	0	0	0	0	0
March 15, 2026.....	1	*	0	0	0	0	0
March 15, 2027.....	*	0	0	0	0	0	0
March 15, 2028.....	*	0	0	0	0	0	0
March 15, 2029.....	0	0	0	0	0	0	0
Weighted Average Life (years) (2)							
To Maturity.....	14.69	8.28	6.82	6.42	5.91	5.70	4.68
To Call.....	14.69	8.27	6.75	6.22	5.04	4.47	3.61

</TABLE>

(1) The percentages of the Prepayment Assumption for the Loan Group F Mortgage Loans are as set forth in the column headings above and the corresponding Prepayment Assumptions for the Loan Group A Mortgage Loans are at the following percentages of CPR: 0%, 10%, 20%, 30%, 35%, 40% and 50%.

(2) The weighted average life of a Class of Certificates is determined by (i) multiplying the amount of each distribution in reduction of the related Class Principal Balance by the number of years from the date of issuance of the Certificate to the related Distribution Date, (ii) adding the results, and (iii) dividing by the highest related Class Principal Balance of the Class of Certificates.

\* Indicates a percentage greater than 0% but less than 0.5%.

<CAPTION>

CLASS A-1A

	0%	50%	100%	125%	175%	200%	250%
DISTRIBUTION DATE							
-----							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Initial Percentage.....	100	100	100	100	100	100	100
March 15, 2000.....	97	86	74	62	55	49	37
March 15, 2001.....	96	78	60	44	35	27	13
March 15, 2002.....	96	77	58	42	30	23	11
March 15, 2003.....	96	76	47	29	21	15	7
March 15, 2004.....	96	67	37	20	13	9	3
March 15, 2005.....	95	59	29	14	8	5	1
March 15, 2006.....	95	52	23	10	5	3	*
March 15, 2007.....	95	46	18	7	3	1	0
March 15, 2008.....	95	40	14	5	2	*	0
March 15, 2009.....	94	36	11	3	1	0	0
March 15, 2010.....	94	31	9	2	*	0	0
March 15, 2011.....	94	27	6	1	0	0	0
March 15, 2012.....	93	24	5	1	0	0	0
March 15, 2013.....	91	21	3	*	0	0	0
March 15, 2014.....	84	17	2	*	0	0	0
March 15, 2015.....	81	15	2	0	0	0	0
March 15, 2016.....	78	13	1	0	0	0	0
March 15, 2017.....	74	11	1	0	0	0	0
March 15, 2018.....	69	9	*	0	0	0	0
March 15, 2019.....	65	8	0	0	0	0	0
March 15, 2020.....	60	6	0	0	0	0	0
March 15, 2021.....	56	5	0	0	0	0	0
March 15, 2022.....	51	4	0	0	0	0	0
March 15, 2023.....	46	3	0	0	0	0	0
March 15, 2024.....	40	2	0	0	0	0	0
March 15, 2025.....	33	1	0	0	0	0	0
March 15, 2026.....	26	1	0	0	0	0	0
March 15, 2027.....	18	*	0	0	0	0	0
March 15, 2028.....	9	0	0	0	0	0	0
March 15, 2029.....	0	0	0	0	0	0	0
Weighted Average Life							
(years) (2)							
To Maturity.....	21.69	8.65	4.46	2.87	2.18	1.76	1.14
To Call.....	21.62	8.16	4.11	2.69	1.99	1.60	1.04

<CAPTION>

CLASS A-2A

CLASS B

	0%	50%	100%	125%	175%	200%	250%	0%	50%	100%
DISTRIBUTION DATE										
-----										
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Initial Percentage.....	100	100	100	100	100	100	100	100	100	100
March 15, 2000.....	100	100	100	100	100	100	100	100	100	100
March 15, 2001.....	98	81	70	64	60	59	60	100	100	100
March 15, 2002.....	93	40	7	0	0	0	*	100	100	100
March 15, 2003.....	87	3	0	0	0	0	0	100	100	84
March 15, 2004.....	81	0	0	0	0	0	0	100	100	67
March 15, 2005.....	75	0	0	0	0	0	0	100	100	52
March 15, 2006.....	67	0	0	0	0	0	0	100	90	38
March 15, 2007.....	59	0	0	0	0	0	0	100	80	25
March 15, 2008.....	50	0	0	0	0	0	0	100	70	14
March 15, 2009.....	40	0	0	0	0	0	0	100	62	5
March 15, 2010.....	30	0	0	0	0	0	0	100	54	0
March 15, 2011.....	19	0	0	0	0	0	0	100	47	0
March 15, 2012.....	7	0	0	0	0	0	0	100	38	0
March 15, 2013.....	0	0	0	0	0	0	0	100	30	0
March 15, 2014.....	0	0	0	0	0	0	0	100	21	0
March 15, 2015.....	0	0	0	0	0	0	0	100	15	0
March 15, 2016.....	0	0	0	0	0	0	0	100	9	0
March 15, 2017.....	0	0	0	0	0	0	0	100	4	0
March 15, 2018.....	0	0	0	0	0	0	0	100	0	0
March 15, 2019.....	0	0	0	0	0	0	0	100	0	0
March 15, 2020.....	0	0	0	0	0	0	0	100	0	0
March 15, 2021.....	0	0	0	0	0	0	0	96	0	0
March 15, 2022.....	0	0	0	0	0	0	0	87	0	0
March 15, 2023.....	0	0	0	0	0	0	0	78	0	0
March 15, 2024.....	0	0	0	0	0	0	0	68	0	0
March 15, 2025.....	0	0	0	0	0	0	0	57	0	0
March 15, 2026.....	0	0	0	0	0	0	0	43	0	0
March 15, 2027.....	0	0	0	0	0	0	0	23	0	0
March 15, 2028.....	0	0	0	0	0	0	0	0	0	0
March 15, 2029.....	0	0	0	0	0	0	0	0	0	0
Weighted Average Life										



(years) (2)										
To Maturity.....	8.56	2.78	2.31	2.22	2.15	2.14	2.18	26.04	11.71	6.35
To Call.....	8.56	2.78	2.31	2.22	2.15	2.14	2.18	26.03	11.67	6.33

<CAPTION>

	0%	50%	100%	125%	175%	200%	250%
DISTRIBUTION DATE							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Initial Percentage.....	100	100	100	100	100	100	100
March 15, 2000.....	100	100	100	100	100	100	100
March 15, 2001.....	100	100	100	100	100	100	100
March 15, 2002.....	100	100	100	100	100	100	100
March 15, 2003.....	100	100	84	64	36	20	0
March 15, 2004.....	100	100	67	47	14	2	0
March 15, 2005.....	100	100	52	28	0	0	0
March 15, 2006.....	100	90	38	14	0	0	0
March 15, 2007.....	100	80	25	3	0	0	0
March 15, 2008.....	100	70	14	0	0	0	0
March 15, 2009.....	100	62	5	0	0	0	0
March 15, 2010.....	100	54	0	0	0	0	0
March 15, 2011.....	100	47	0	0	0	0	0
March 15, 2012.....	100	38	0	0	0	0	0
March 15, 2013.....	100	30	0	0	0	0	0
March 15, 2014.....	100	21	0	0	0	0	0
March 15, 2015.....	100	15	0	0	0	0	0
March 15, 2016.....	100	9	0	0	0	0	0
March 15, 2017.....	100	4	0	0	0	0	0
March 15, 2018.....	100	0	0	0	0	0	0
March 15, 2019.....	100	0	0	0	0	0	0
March 15, 2020.....	100	0	0	0	0	0	0
March 15, 2021.....	96	0	0	0	0	0	0
March 15, 2022.....	87	0	0	0	0	0	0
March 15, 2023.....	78	0	0	0	0	0	0
March 15, 2024.....	68	0	0	0	0	0	0
March 15, 2025.....	57	0	0	0	0	0	0
March 15, 2026.....	43	0	0	0	0	0	0
March 15, 2027.....	23	0	0	0	0	0	0
March 15, 2028.....	0	0	0	0	0	0	0
March 15, 2029.....	0	0	0	0	0	0	0
Weighted Average Life (years) (2)							
To Maturity.....	26.04	11.71	6.35	4.98	3.83	3.52	3.27
To Call.....	26.03	11.67	6.33	4.97	3.82	3.51	3.26

</TABLE>

- (1) The percentage of the Prepayment Assumption for the Loan Group F Mortgage Loans are as set forth in the column headings above and the corresponding Prepayment Assumptions for the Loan Group A Mortgage Loans are at the following percentages of CPR: 0%, 10%, 20%, 30%, 35%, 40% and 50%.
- (2) The weighted average life of a Class of Certificates is determined by (i) multiplying the amount of each distribution in reduction of the related Class Principal Balance by the number of years from the date of issuance of the Certificate to the related Distribution Date, (ii) adding the results, and (iii) dividing by the highest related Class Principal Balance of the Class of Certificates.

\* Indicates a percentage greater than 0% but less than 0.5%.

S-36

DESCRIPTION OF THE CERTIFICATES

GENERAL

The property of the Trust will consist of, to the extent provided in the Agreement: (i) the Mortgage Loans; (ii) payments received after the Cut-off Date, other than payments of interest on the Statistic Calculation Mortgage Loans due before March 1, 1999; (iii) Mortgaged Properties relating to the Mortgage Loans that are acquired by foreclosure or deed in lieu of foreclosure together with all collections thereon and proceeds thereof; (iv) the Collection Account, the account into which Insured Payments are paid under the Policies and the Distribution Account and such assets deposited therein from time to time (including the Excess Funding Amount, if any) and any investment proceeds thereof; (v) the Initial Interest Coverage Account and funds on deposit therein, if any, and (vi) the Policies for the benefit of the Senior Certificates.

Definitive Certificates (as defined under "DESCRIPTION OF THE SECURITIES--Book-Entry Securities" in the Prospectus), if issued, will be transferable and exchangeable at the corporate trust office of the Trustee,

which will initially act as Certificate Registrar. See "--Book-Entry Certificates" below. No service charge will be made for any registration or exchange or transfer of Certificates, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge.

The principal balance of a Class of Certificates, other than the Notional Amount Certificates (each, a "Class Principal Balance") on any Distribution Date is equal to the applicable Class Principal Balance on the Closing Date reduced by the (i) aggregate of amounts actually distributed as principal to the Holders of such Class of Certificates prior to such date and (ii) in the case of a Class B Certificate, any reductions in the Class Principal Balance thereof due to Realized Losses as described herein. The Notional Amount Certificates do not have a Class Principal Balance but will have a Notional Amount which for any Distribution Date prior to the 37th Distribution Date will equal the lesser of (i) the Loan Group Balance of Loan Group F as of the end of the second preceding Due Period and (ii) the applicable amount set forth below:

DISTRIBUTION DATES	NOTIONAL AMOUNT
1-3.....	\$ 129,700,000
4-6.....	\$ 124,200,000
7-9.....	\$ 112,900,000
10-12.....	\$ 98,000,000
13-15.....	\$ 82,100,000
16-18.....	\$ 68,900,000
19-21.....	\$ 57,800,000
22-24.....	\$ 48,600,000
25-27.....	\$ 40,000,000
28-30.....	\$ 34,300,000
31-33.....	\$ 24,300,000
34-36.....	\$ 22,500,000

On and after the 37th Distribution Date, the Notional Amount of the Notional Amount Certificates will be zero. On any date, the "Certificate Group Balance" of a Certificate Group is the aggregate of the Class Principal Balances of the Certificates in such Certificate Group on such date. The "Percentage Interest" of a Certificate of any Class as of any date of determination will equal the percentage obtained by dividing the denomination of such Certificate by the original Class Principal Balance or Notional Amount for the related Class of Certificates.

SEPARATE REMIC STRUCTURE

For federal income tax purposes, the Trust, other than the Initial Interest Coverage Account, the Class B Cap Fund and the LIBOR Carryover Fund, created by the Agreement will include multiple segregated asset pools, each of which will be treated as a separate REMIC and creating a tiered REMIC structure. The Offered Certificates (excluding any rights to receive LIBOR Carryover or Class B Cap Carryover) will be designated as regular interests in a REMIC.

BOOK-ENTRY CERTIFICATES

The Book-Entry Certificates will be issued in one or more certificates which equal the aggregate principal balance of the Offered Certificates and will initially be registered in the name of Cede & Co. ("Cede"), the nominee of the Depository Trust Company ("DTC"). Persons acquiring beneficial ownership interests in the Offered Certificates ("Certificate Owners") will hold their Certificates through DTC in the United States, or Cedelbank ("Cedelbank") or the Euroclear System ("Euroclear") in Europe, if they are participants of such systems, or indirectly through organizations which are participants in such systems. Cedelbank and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Cedelbank's and Euroclear's names on the books of their respective depositories which in turn will hold such positions in customers' securities accounts in the depositories' names on the books of DTC. Citibank, N.A. ("Citibank") will act as depository for Cedelbank and The Chase Manhattan Bank ("Chase") will act as depository for Euroclear (in such capacities, individually the "Relevant Depository" and collectively the "European Depositories"). Investors may hold such beneficial interests in the Book-Entry Certificates in minimum denominations representing Class Principal Balances or Notional Amount of \$25,000 and in integral multiples of \$1,000 in excess thereof. One Certificate of each Class of Offered Certificates may be issued in a different principal amount to accommodate the remainder of the initial principal amount of the Certificates of such Class. Unless and until Definitive Certificates are issued, it is anticipated that the only "Certificateholder" of the Offered Certificates will be Cede & Co., as nominee of DTC. Certificate Owners will not be Certificateholders as that term is used in the Agreement. Certificate Owners are only permitted to exercise their rights indirectly through Participants and DTC. For a description of the

features of the book-entry registration system, see "DESCRIPTION OF THE SECURITIES--Book-Entry Securities" in the Prospectus. For information with respect to tax documentation procedures relating to the Certificates, see "FEDERAL INCOME TAX CONSIDERATIONS--Federal Income Tax Consequences to Foreign Investors" and "--Backup Withholding" herein and "GLOBAL CLEARANCE, SETTLEMENT AND TAX DOCUMENTATION PROCEDURES--Certain U.S. Federal Income Tax Documentation Requirements" in Annex I hereto.

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

#### DISTRIBUTION DATES

Distributions on the Certificates will be made by the Trustee on the 15th day of each month or, if such day is not a business day, on the first business day thereafter, commencing in April 1999 (each, a "Distribution Date"), to the persons in whose names such Certificates are registered (a "Certificateholder" or "Holder") as of the related Record Date. The "Record Date" for any Distribution Date and (a) the Fixed Rate Certificates, is the last business day of the calendar month preceding the month of such Distribution Date and (b) the Adjustable Rate Certificates, the business day immediately preceding such Distribution Date so long as the Adjustable Rate Certificates remain in book-entry form and, otherwise, the last business day of the calendar month immediately preceding such Distribution Date. Distributions will be made (1) in immediately available funds to Holders of Certificates the aggregate principal balance or notional amount of which is at least \$1,000,000, by wire transfer or otherwise, to the account of such Certificateholder at a domestic bank or other entity having appropriate facilities therefor, if such Certificateholder has so notified the Trustee, or (2) by check mailed to the address of the person entitled thereto as it appears on the register (the "Certificate Register") maintained by the Trustee as registrar (the "Certificate Registrar"). Notwithstanding the foregoing, the final distribution on any Certificate will be made in like manner but only upon presentment and surrender of such Certificate at the office or agency appointed for such purpose.

S-38

#### DISTRIBUTION PRIORITIES

On each Distribution Date the Trustee will withdraw from the Distribution Account the Available Funds for each Loan Group plus the amount, if any, payable to the Senior Certificates under the respective Policy for each Loan Group and apply such amount in the following order of priority, in each case, to the extent of the funds remaining:

##### A. Loan Group F

1. Concurrently, to the Trustee and the Certificate Insurer, the Trustee Fee and the premium for Loan Group F for such Distribution Date.

2. Concurrently, to each Class of Senior Certificates in Certificate Group F, the related Class Interest Distribution Amount for such Distribution Date.

3. The remaining amount pursuant to clause C. below.

##### B. Loan Group A

1. Concurrently, to the Trustee and the Certificate Insurer, the Trustee Fee and the premium for Loan Group A for such Distribution Date.

2. Concurrently, to each Class of Senior Certificates in Certificate Group A, the related Class Interest Distribution Amount for such Distribution Date.

3. The remaining amount pursuant to clause C. below.

##### C. Remaining Amounts

1. Concurrently, to the Senior Certificates in both Certificate Groups, the related Class Interest Distribution Amount to the extent not paid pursuant to clauses A. and B. above on such Distribution Date.

2. To the Class B Certificates, the Class Monthly Interest Amount for such Distribution Date.

3. To the Senior Certificates, the Senior Principal Distribution Amount for such Distribution Date, excluding any Subordination Increase Amount included therein, allocated as described under "--Principal Priorities" below.

4. To the Certificate Insurer, the amount owing under the Insurance Agreement as reimbursement for prior draws on the Policies with respect to both Certificate Groups.

5. To the Class B Certificates, the Class B Principal Distribution Amount for such Distribution Date, excluding any Subordination Increase Amount included therein.

6. To the Offered Certificates, the Subordination Increase Amount for such Distribution Date, allocated as described under "--Principal Priorities" below.

7. To the Class B Certificates, any related Class Interest Carryover Shortfall.

8. To the Class B Certificates, any related Class Principal Carryover Shortfall.

9. To the Class BIO Certificates for concurrent deposit in the LIBOR Carryover Fund and the Class B Cap Fund.

10. To the Class A-1A Certificates, the lesser of the LIBOR Carryover and the Available LIBOR Carryover Amount from the LIBOR Carryover Fund.

11. To the Class B Certificates, the Class B Cap Carryover, from the Class B Cap Fund.

12. To the Class BIO Certificates, the amount required by the Agreement.

13. To the Residual Certificates, any remaining amounts.

On each Distribution Date, the Class Interest Distribution for each Class of Senior Certificates in a Certificate Group will be distributed on an equal priority within such Certificate Group and any shortfall in the amount required to be distributed as interest thereon to each such Class will be allocated between such Classes pro rata based on the amount that would have been distributed on each such Class in the absence of such shortfall.

S-39

#### PRINCIPAL PRIORITIES

On each Distribution Date, the Trustee will withdraw the Aggregate Principal Amount from the Distribution Account and apply such amount together with the amount, if any, included in the Principal Distribution Amount from clause C.6 above under "--Distribution Priorities," in the following order of priority, in each case, to the extent of the funds remaining therefor:

(A) up to the Senior Principal Distribution Amount, concurrently, as follows:

(i) to the Senior Certificates in Certificate Group F, the Adjusted Senior Principal Distribution Amount plus on the initial Distribution Date the Excess Funding Amount for Certificate Group F allocated in the following order of priority:

(a) to the Class A-6F Certificates, the Class A-6F Principal Distribution, until the Class Principal Balance thereof has been reduced to zero; and

(b) sequentially, to the Class A-1F, Class A-2F, Class A-3F, Class A-4F, Class A-5F and Class A-6F Certificates, in that order, until the respective Class Principal Balances thereof have been reduced to zero; and

(ii) to the Senior Certificates in Certificate Group A, the Group A Principal Distribution Amount plus on the initial Distribution Date the Excess Funding Amount for Certificate Group A allocated in the following order of priority:

(a) 100% to the Class A-1A Certificates until the earlier to occur of (i) the 20th Distribution Date and (ii) the Distribution Date on which the Class Principal Balance thereof is reduced to zero;

(b) if the Class A-1A Certificates are outstanding, concurrently, 90% to the Class A-2A Certificates and 10% to the Class A-1A Certificates until the Class Principal Balance of the Class A-2A Certificates is reduced to zero;

(c) sequentially, to the Class A-1A and Class A-2A Certificates, in that order, until the respective Class Principal Balances thereof have been reduced to zero;

(B) to the Class B Certificates, the Class B Principal Distribution Amount until the Class Principal Balance thereof has been reduced to zero; and

(C) to the Residual Certificates, any remaining principal.

Notwithstanding the priority set forth in clause A(i) and (ii) above, if a Certificate Insurer Default has occurred and is continuing, the Senior Principal Distribution Amount will be distributed concurrently to each Class of Senior Certificates on a pro rata basis in accordance with their respective Class Principal Balances.

A "Certificate Insurer Default" will occur in the event the Certificate Insurer fails to make a payment required under a Policy or certain events of bankruptcy or insolvency occur with respect to the Certificate Insurer.

DEFINITIONS

For purposes of the foregoing, the following terms have the respective meanings set forth below:

Adjusted Senior Principal Distribution Amount: As to any Distribution Date, the excess of (i) the Senior Principal Distribution Amount for such Distribution Date over (ii) the Group A Principal Distribution Amount for such Distribution Date.

Aggregate Principal Amount: As to any Distribution Date, the sum of the Basic Principal Amount for each Loan Group.

Available Funds: As to either Loan Group and any Distribution Date, the sum, without duplication of the following amounts with respect to the Mortgage Loans in such Loan Group: (i) scheduled and unscheduled payments of principal and interest on the Mortgage Loans received by the Servicer (net of amounts representing the Servicing Fee with respect to each Mortgage Loan and reimbursement for related Monthly Advances and Servicing Advances); (ii) Net Liquidation Proceeds and Insurance Proceeds with respect to the Mortgage Loans (net of amounts applied to the restoration or repair of a Mortgaged Property); (iii) the Purchase Price for repurchased Defective Mortgage Loans with respect to such Loan Group and any related Substitution Adjustment Amounts; (iv) payments from the Servicer in connection with (a) Monthly Advances, (b) Prepayment Interest Shortfalls and (c) the termination of the Trust with respect to the

S-40

Mortgage Loans as provided in the Agreement; and (v) on the initial Distribution Date, (a) amounts from the Initial Interest Coverage Account for the payment of interest on the related Classes of Offered Certificates, and (b) any related Excess Funding Amount.

Available Funds Cap: As to any Distribution Date, (A) in the case of Loan Group F, Certificate Group F and the Class B Certificates, the lesser of the Loan Group F Cap and the Loan Group A Cap and (B) in the case of Loan Group A and Certificate Group A, the Loan Group A Cap.

Available LIBOR Carryover Amount: As to any Distribution Date, the lesser of the amounts remaining after distributions pursuant to clauses C.1 through C.8 under "--Distribution Priorities" and (ii) the excess, if any, of (x) the Interest Remittance Amount for Loan Group A for such Distribution Date over (y) the sum of distributions pursuant to clauses B.1 and B.2 under "--Distribution Priorities" and the Group A Subordination Increase Amount.

Basic Principal Amount: As to either Loan Group and any Distribution Date, an amount equal to the sum of the following amounts (without duplication) with respect to the Mortgage Loans in such Loan Group and the immediately preceding Due Period: (i) each payment of principal on a Mortgage Loan received by the Servicer during such Due Period, including all full and partial principal prepayments; (ii) the net liquidation proceeds allocable to principal received by the Servicer with respect to any Liquidated Mortgage Loan during such Due Period; (iii) the portion of the Purchase Price allocable to principal of all repurchased Defective Mortgage Loans with respect to such Due Period; (iv) any Substitution Adjustment Amounts received on or prior to the previous Determination Date and not yet distributed; and (v) any related Excess Funding Amount.

Class A-6F Percentage: As to any Distribution Date, the applicable percentage set forth below:

<TABLE>	
<CAPTION>	
DISTRIBUTION DATES	PERCENTAGES
-----	-----
<S>	<C>
April 1999-March 2002.....	0%

April 2002-March 2004.....	45%
April 2004-March 2005.....	80%
April 2005-March 2006.....	100%
April 2006 and thereafter.....	300%

</TABLE>

Class A-6F Principal Distribution: As to any Distribution Date, the product of (i) the applicable Class A-6F Percentage and (ii) the product of (x) the Adjusted Senior Principal Distribution Amount and (y) a fraction, the numerator of which is the Class Principal Balance of the Class A-6F Certificates immediately prior to such Distribution Date, and the denominator of which is the aggregate Class Principal Balance of the Offered Certificates in Certificate Group F immediately prior to such Distribution Date.

Class B Cap Carryover: As to any Distribution Date, the sum of (i) the excess, if any, of the related Class Monthly Interest Amount, calculated at 6.80% per annum, over the Class Monthly Interest Amount for such Distribution Date, (ii) any Class B Cap Carryover remaining unpaid from prior Distribution Dates and (iii) 30 days' interest on the amount in clause (ii) calculated at the rate of 6.80% per annum.

Class B Principal Distribution Amount: Prior to the Stepdown Date, zero. On any Distribution Date on and after the Stepdown Date and so long as a Cumulative Loss Event or Trigger Event is not in effect, an amount equal to the excess of (i) the sum of (x) the aggregate Class Principal Balance of the Senior Certificates (after giving effect to the distribution of the Principal Distribution Amount on such Distribution Date) and (y) the Class Principal Balance of the Class B Certificates immediately prior to such Distribution Date, over (ii) the lesser of (x) the product of 96.8% and the Pool Balance as of the last day of the related Due Period and (y) the Pool Balance as of the last day of the related Due Period minus \$2,812,500; provided, however, that if the aggregate Class Principal Balance of the Senior Certificates is reduced to zero, the Class B Certificates shall be entitled to all of the remaining Principal Distribution Amount, whether or not a Trigger Event is in effect.

Class Interest Carryover Shortfall: As to any Class of Certificates and any Distribution Date, an amount equal to the sum of (i) the excess of the related Class Monthly Interest Amount for the preceding Distribution Date and any outstanding Class Interest Carryover Shortfall with respect to such Class on such preceding Distribution Date, over the amount in respect of interest that is actually distributed to the Holders

S-41

of such Class on such preceding Distribution Date plus (ii) one month's interest on such excess, to the extent permitted by law, at the related Certificate Rate.

Class Interest Distribution: As to any Class of Certificates and Distribution Date, an amount equal to the sum of (a) the related Class Monthly Interest Amount and (b) any Class Interest Carryover Shortfall for such Class of Certificates for such Distribution Date.

Class Monthly Interest Amount: As to any Distribution Date and Class of Certificates, interest for the related Interest Period at the related Certificate Rate on the related Class Principal Balance or Notional Amount minus the pro rata portion of any Civil Relief Act Shortfalls for the related Loan Group during the related Due Period, based on the amount of interest to which such Class would otherwise be entitled in the absence of such shortfall.

Class Principal Carryover Shortfall: As to the Class B Certificates and any Distribution Date, the excess, if any, of (i) the sum of (x) the amount of the reduction in the Class Principal Balance of the Class B Certificates on such Distribution Date as provided under "--Allocation of Realized Losses" below and (y) the amount of such reductions on prior Distribution Dates over (ii) the amount distributed in respect thereof on prior Distribution Dates.

Cumulative Loss Event: The occurrence of certain rates of cumulative losses during certain periods of time as specified in the Agreement.

Delinquency Amount: As to any date of determination, the aggregate Principal Balance of the Mortgage Loans that are (a) 90 or more days delinquent or (b) in bankruptcy or foreclosure and REO Properties.

Due Period: With respect to the first Distribution Date for collections of both interest and principal, the period from and including March 1, 1999 through and including April 1, 1999. With respect to each Distribution Date thereafter for collections of both interest and principal, the period from and including the second day of the month preceding the month of such Distribution Date to and including the first day of the month of such Distribution Date.

Excess Funding Amount: As to either Certificate Group, the excess, if any, of the aggregate Class Principal Balance of the Offered Certificates in such Certificate Group over the related Loan Group Balance, in each case on the Closing Date.

Excess Interest: As to any Distribution Date, the Available Funds remaining after the application of payments pursuant to clauses 1. through 5. of clause C. under "--Distribution Priorities," above.

Excess Overcollateralization Amount: As to any Distribution Date, the lesser of (i) the Aggregate Principal Amount for such Distribution Date and (ii) the excess, if any, of (x) the Overcollateralization Amount (assuming 100% of the Aggregate Principal Amount is distributed on the Offered Certificates) over (y) the Required Overcollateralization Amount.

Group A Principal Distribution Amount: As to any Distribution Date, the lesser of (A) the greater of (i) the product of (x) the Senior Principal Distribution Amount for such Distribution Date and (y) a fraction, the numerator of which is the aggregate Class Principal Balance of the Group A Certificates immediately prior to such Distribution Date, and the denominator of which is the aggregate Class Principal Balance of all of the Senior Certificates immediately prior to such Distribution Date, and (ii) the excess, if any, of (x) the aggregate Class Principal Balance of the Group A Certificates immediately prior to such Distribution Date over (y) the Loan Group Balance of Loan Group A as of the last day of the related Due Period or (B) the Senior Principal Distribution Amount.

Group A Subordination Increase Amount: As to any Distribution Date, the product of (i) the Subordination Increase Amount, if any, for such Distribution Date and (ii) a fraction the numerator of which is the Loan Group Balance of Loan Group A as of the first day of the related Due Period and the denominator of which is the Pool Balance as of the first day of the related Due Period.

Interest Period: For any Distribution Date and (a) the Fixed Rate Certificates, the calendar month preceding the month of such Distribution Date, calculated on the basis of a 360-day year comprised of twelve 30-day months and (b) the Adjustable Rate Certificates, the period from the prior Distribution Date (or in the case of the first Distribution Date, from the Closing Date) through the day preceding the current Distribution Date, calculated on the basis of a 360-day year and the actual number of days elapsed; provided, however,

S-42

that interest accrued on any Class of Offered Certificates at the applicable Available Funds Cap, will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Interest Remittance Amount: As to either Loan Group and any Distribution Date, the portion of the Available Funds for such Loan Group that constitutes amounts in respect of interest.

Loan Group A Cap: The weighted average Net Loan Rate of the Mortgage Loans in Loan Group A minus, for any Distribution Date after the 12th Distribution Date, 0.50% per annum.

Loan Group F Cap: A rate per annum equal to (i) the weighted average Net Loan Rate of the Mortgage Loans in Loan Group F minus (ii) the product of (x) the Certificate Rate on the Notional Amount Certificates and (y) a fraction, the numerator of which is the Notional Amount of such Notional Amount Certificates and the denominator of which is the Loan Group Balance of Loan Group F as of the first day of the related Due Period.

LIBOR Carryover: As to the Class A-1A Certificates and any Distribution Date, the sum of (i) the excess, if any, of the related Class Monthly Interest Amount calculated on the basis of the lesser of (x) 1-Month LIBOR plus the applicable Certificate Margin and (y) 14% per annum over the related Class Monthly Interest Amount for such Distribution Date, (ii) any LIBOR Carryover remaining unpaid from prior Distribution Dates and (iii) 30 days interest on the amount in clause (ii) calculated on the basis of the lesser of (x) 1-Month LIBOR plus the applicable Certificate Margin and (y) 14% per annum.

Liquidated Mortgage Loan: As to any Distribution Date, a Mortgage Loan with respect to which the Servicer has determined, in accordance with the servicing procedures specified in the Agreement, as of the end of the preceding Due Period, that all Liquidation Proceeds which it expects to recover with respect to such Mortgage Loan (including the disposition of the related REO) have been received.

Loan Group Balance: As to either Loan Group and any date of determination, the aggregate of the Principal Balances of the Mortgage Loans in such Loan Group at such date.

Overcollateralization Amount: As to any Distribution Date, the excess, if any, of (i) the sum of (x) the Pool Balance as of the end of the related Due Period and (y) the Excess Funding Amount over (ii) the aggregate Class Principal Balance of the Offered Certificates after giving effect to the distribution of the Principal Distribution Amount on such Distribution Date.

Pool Balance: As of any date of determination, the sum of the Loan Group Balances as of such date.

Principal Balance: As to any Mortgage Loan and any date of determination, the unpaid principal balance of such Mortgage Loan as of the related Cut-off Date minus all amounts credited against such principal balance prior to such date of determination.

Principal Distribution Amount: As to any Distribution Date, the lesser of (a) the aggregate Principal Balances of the Offered Certificates immediately preceding such Distribution Date and (b) the sum of (i) the Aggregate Principal Amount minus the Excess Overcollateralization Amount and (ii) the Subordination Increase Amount.

Required Overcollateralization Amount: As to any Distribution Date (a) prior to the Stepdown Date, the product of (i) 1.60% and (ii) the aggregate original Class Principal Balances of the Offered Certificates; and (b) on and after the Stepdown Date, the greater of (i) the lesser of (x) the product of 1.60% and the aggregate Original Class Principal Balances of the Offered Certificates and (y) the product of 3.20% and the Pool Balance as of the end of the related Due Period and (ii) \$2,812,500; provided, however, that on each Distribution Date during the continuance of (a) a Cumulative Loss Event, the Required Overcollateralization Amount will equal 1.60% of the aggregate original Class Principal Balances of the Offered Certificates or (b) a Trigger Event, the Required Overcollateralization Amount will equal the Required Overcollateralization Amount in effect as of the Distribution Date immediately preceding the date on which such Trigger Event first occurred.

Senior Enhancement Percentage: As to any Distribution Date, the percentage equivalent of a fraction, the numerator of which is the sum of (i) the Class Principal Balance of the Class B Certificates and (ii) the Overcollateralization Amount (in each case, after taking into account the distribution of the Principal Distribution Amount on such Distribution Date) and the denominator of which is the Pool Balance as of the last day of the related Due Period.

S-43

Senior Principal Distribution Amount: As to (a) any Distribution Date prior to the Stepdown Date or during the continuation of a Cumulative Loss Event or Trigger Event, the lesser of (i) 100% of the Principal Distribution Amount and (ii) the aggregate Class Principal Balance of the Senior Certificates, and (b) any other Distribution Date, an amount equal to the excess, if any, of (i) the aggregate Class Principal Balance of the Senior Certificates immediately prior to such Distribution Date over (ii) the lesser of (x) the product of 90.8% and the Pool Balance as of the last day of the related Due Period and (y) the Pool Balance as of the last day of the related Due Period minus \$2,812,500.

Stepdown Date: The later to occur of (x) the earlier to occur of (i) the Distribution Date in April 2002 and (ii) the Distribution Date on which the aggregate Class Principal Balance of the Senior Certificates is reduced to zero, and (y) the first Distribution Date on which the related Senior Enhancement Percentage (assuming 100% of the Principal Distribution Amount is distributed on the Offered Certificates) is at least equal to 9.2%.

Subordination Deficiency: As to any Distribution Date, the excess, if any, of (i) the Required Overcollateralization Amount for such Distribution Date over (ii) the Overcollateralization Amount for such Distribution Date after giving effect to the distribution of the Aggregate Principal Amount on such Distribution Date.

Subordination Increase Amount: As to any Distribution Date, the lesser of (i) the Subordination Deficiency and (ii) the Excess Interest.

Trigger Event: A Trigger Event shall have occurred and be continuing, if at any time, (x) the three-month rolling average of the percentage equivalent of a fraction, the numerator of which is the Delinquency Amount and the denominator of which is the Pool Balance as of the last day of the related Due Period exceeds (y) 11%.

#### CERTIFICATE RATES

The Certificate Rate for each Class of Fixed Rate Certificates is set forth on the cover page or described herein. Each such Certificate Rate is subject to the lower of the Available Funds Cap for Loan Group F and the Available Funds Cap for Loan Group A. The Certificate Rate for the Adjustable Rate Certificates for any Interest Period will equal the least of (i) the sum of 1-month LIBOR and the applicable Certificate Margin, (ii) 14% and (iii) the applicable Available Funds Cap. The Certificate Margin for the Adjustable Rate Certificates will be as follows:

<TABLE>  
<CAPTION>

CERTIFICATE MARGIN

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CLASS	(1)	(2)
<S>	<C>	<C>
A-1A.....	0.28%	0.56%

(1) Prior to or on the Optional Termination Date.

(2) After the Optional Termination Date.

With respect to each Distribution Date, 1-Month LIBOR will equal the interbank offered rate for one-month United States dollar deposits in the London market as quoted on Telerate Page 3750 as of 11:00 A.M., London time, on the second LIBOR Business Day prior to the first day of the related Interest Period. "Telerate Page 3750" means the display designated as page 3750 on the Bridge Telerate (or such other page as may replace page 3750 on that service for the purpose of displaying London interbank offered rates of major banks). If such rate does not appear on such page (or such other page as may replace that page on that service, or if such service is no longer offered, such other service for displaying LIBOR or comparable rates as may be selected by the Trustee after consultation with the Servicer), the rate will be the Reference Bank Rate. The "Reference Bank Rate" will be determined on the basis of the rates at which deposits in U.S. Dollars are offered by the reference banks (which shall be three major banks that are engaged in transactions in the London interbank market, selected by the Trustee after consultation with the Servicer) as of 11:00 A.M., London time, on the day that is two LIBOR Business Days prior to the immediately preceding Distribution Date to prime banks in the London interbank market for a period of one month in amounts approximately equal to the aggregate Class Principal Balance of the Adjustable Rate Certificates. The Trustee

S-44

will request the principal London office of each of the reference banks to provide a quotation of its rate. If at least two such quotations are provided, the rate will be the arithmetic mean of the quotations. If on such date fewer than two quotations are provided as requested, the rate will be the arithmetic mean of the rates quoted by one or more major banks in New York City, selected by the Trustee after consultation with the Servicer, as of 11:00 A.M., New York City time, on such date for loans in U.S. Dollars to leading European banks for a period of one month in amounts approximately equal to the aggregate Class Principal Balance of the Adjustable Rate Certificates. If no such quotations can be obtained, the rate will be LIBOR for the prior Distribution Date. "LIBOR Business Day" means any day other than (i) a Saturday or a Sunday or (i) a day on which banking institutions in the State of New York or in the city of London, England are required or authorized by law to be closed.

THE POLICIES

The following information has been supplied by the Certificate Insurer for inclusion in this Prospectus Supplement.

The Certificate Insurer, in consideration of the payment of the premiums and subject to the terms of the related Policies, thereby unconditionally and irrevocably guarantees to any Owner (as described below) that an amount equal to each full and complete Insured Payment (as described below) will be received by Norwest Bank Minnesota, National Association, or its successor, as trustee for the Owners (the "Trustee"), on behalf of the Owners from the Certificate Insurer, for distribution by the Trustee to each Owner of each Owner's proportionate share of the Insured Payment. The Certificate Insurer's obligations under the Policies with respect to a particular Insured Payment shall be discharged to the extent funds equal to the applicable Insured Payment are received by the Trustee, whether or not such funds are properly applied by the Trustee. Insured Payments shall be made only at the time set forth in the related Policy and no accelerated Insured Payments shall be made regardless of any acceleration of the Senior Certificates, unless such acceleration is at the sole option of the Certificate Insurer.

Notwithstanding the foregoing paragraph, the Policies do not cover shortfalls, if any, attributable to the liability of the Trust, any REMIC or the Trustee for withholding taxes, if any (including interest and penalties in respect of any such liability), any Civil Relief Act Shortfalls or any LIBOR Carryover.

The Certificate Insurer will pay any Insured Payment that is a Preference Amount (as described below) on the Business Day following receipt on a Business Day by the Fiscal Agent (as described below) of:

- o a certified copy of the order requiring the return of a preference payment,
- o an opinion of counsel satisfactory to the Certificate Insurer that such order is final and not subject to appeal,

- o an assignment in such form as is reasonably required by the Certificate Insurer, irrevocably assigning to the Certificate Insurer all rights and claims of the Owner relating to or arising under the Senior Certificates against the debtor that made such preference payment or otherwise with respect to such preference payment and
- o appropriate instruments to effect the appointment of the Certificate Insurer as agent for such Owner in any legal proceeding related to such preference payment, such instruments being in a form satisfactory to the Certificate Insurer,

provided that if such documents are received after 12:00 noon, New York City time, on such Business Day, they will be deemed to be received on the following Business Day. Such payments shall be disbursed to the receiver or trustee in bankruptcy named in the final order of the court exercising jurisdiction on behalf of the Owners and not any Owner directly unless such Owner has returned principal or interest paid on the Senior Certificates to such receiver or trustee in bankruptcy, in which case such payment shall be disbursed to such Owner.

The Certificate Insurer will pay any other amount payable under a Policy no later than 12:00 noon, New York City time, on the later of the Distribution Date on which the related Deficiency Amount is due or the second Business Day following receipt in New York, New York on a Business Day by State Street Bank and Trust Company, N.A., as Fiscal Agent for the Certificate Insurer or any successor fiscal agent appointed by

S-45

the Certificate Insurer (the "Fiscal Agent") of a Notice (as described below); provided that if such Notice is received after 12:00 noon, New York City time, on such Business Day, it will be deemed to be received on the following Business Day. If any such Notice received by the Fiscal Agent is not in proper form or is otherwise insufficient for the purpose of making a claim under a Policy, it shall be deemed not to have been received by the Fiscal Agent for purposes of this paragraph, and the Certificate Insurer or the Fiscal Agent, as the case may be, shall promptly so advise the Trustee and the Trustee may submit an amended Notice.

Insured Payments due under a Policy unless otherwise stated therein will be disbursed by the Fiscal Agent to the Trustee on behalf of the Owners by wire transfer of immediately available funds in the amount of the Insured Payment less, in respect of Insured Payments related to Preference Amounts, any amount held by the Trustee for the payment of such Insured Payment and legally available therefor.

The Fiscal Agent is the agent of the Certificate Insurer only and the Fiscal Agent shall in no event be liable to the Owners for any acts of the Fiscal Agent or any failure of the Certificate Insurer to deposit or cause to be deposited, sufficient funds to make payments due under the related Policy.

As used in the related Policy, the following terms shall have the following meanings:

"Agreement" means the Pooling and Servicing Agreement, dated as of February 28, 1999, between Delta Funding Corporation, as Seller and Servicer, and the Trustee, as trustee, without regard to any amendment or supplement thereto unless such amendment or modification has been approved in writing by the Certificate Insurer.

"Business Day" means any day other than a Saturday, a Sunday or a day on which the Certificate Insurer or banking institutions in New York City, Minneapolis, Minnesota or Columbia, Maryland are authorized or obligated by law or executive order to close.

"Deficiency Amount" means, with respect to the related Certificate Group and any Distribution Date, the excess, if any, of (A) the sum of (i) the Class Monthly Interest Amount for each Class of Senior Certificates plus any Class Interest Carryover Shortfall for each Class of Senior Certificates and (ii) the Guaranteed Principal Amount over (B) Available Funds (after payment of the Trustee Fee and the premium payable to the Certificate Insurer) with respect to the related Loan Group (after giving effect to the crosscollateralization provisions of the Agreement and without regard to any Insured Payments to be made as of such Distribution Date). The Policy will not cover payment of any LIBOR Carryover.

"Guaranteed Principal Amount" means for any Distribution Date (a) the amount, if any, by which the aggregate Class Principal Balance of the Senior Certificates of the related Certificate Group exceeds the related Loan Group Balance at the end of the previous month (after giving effect to all distributions of principal on the related Senior Certificates on such Distribution Date) and (b) on the Distribution Date in February 2031 (after

giving effect to all other distributions of principal on the related Certificate Group), an amount equal to the applicable Certificate Group Balance.

"Insured Payment" means (i) as of any Distribution Date, any Deficiency Amount and (ii) any Preference Amount.

"Notice" means the telephonic or telegraphic notice, promptly confirmed in writing (in the case of a telephonic notice) by telecopy, substantially in the form of Exhibit A attached to the related Policy, the original of which is subsequently delivered by registered or certified mail, from the Trustee specifying the Insured Payment which shall be due and owing on the applicable Distribution Date.

"Owner" means each Holder (as defined in the Agreement) who, on the applicable Distribution Date, is entitled under the terms of the applicable Senior Certificates to payment thereunder.

"Preference Amount" means any amount previously distributed to an Owner on the Senior Certificates that is recoverable and sought to be recovered as a voidable preference by a trustee in bankruptcy pursuant to the United States Bankruptcy Code (11 U.S.C.), as amended from time to time, in accordance with a final nonappealable order of a court having competent jurisdiction.

Capitalized terms used in each Policy and not otherwise defined therein shall have the respective meanings set forth in the Agreement as of the date of execution of such Policy, without giving effect to any

S-46

subsequent amendment or modification to the Agreement unless such amendment or modification has been approved in writing by the Certificate Insurer.

Any notice under a Policy or service of process on the Fiscal Agent may be made at the address listed below for the Fiscal Agent or such other address as the Certificate Insurer shall specify to the Trustee in writing.

The notice address of the Fiscal Agent is 61 Broadway, 15th Floor, New York, New York 10006, Attention: Municipal Registrar and Paying Agency, or such other address as the Fiscal Agent shall specify to the Trustee in writing.

Each Policy is being issued under and pursuant to, and shall be construed under, the laws of the State of New York, without giving effect to the conflict of laws principles thereof.

The insurance provided by each Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

The Policies are not cancelable for any reason. The premium on the Policies is not refundable for any reason including payment, or provision being made for payment, prior to the maturity of the Senior Certificates.

#### OVERCOLLATERALIZATION PROVISIONS

The Excess Interest will be applied to, among other things, the accelerated amortization of the Offered Certificates then entitled to distributions of principal until the Overcollateralization Amount equals the Required Overcollateralization Amount. Subject to certain floors, caps and triggers, the Required Overcollateralization Amount may increase or decrease over time. An increase in the required level of overcollateralization will result (i) if on the basis of the same methodology applied to the Statistic Calculation Mortgage Loans, the Certificate Insurer determines that the characteristics of the Additional Mortgage Loans require an increase or (ii) on the basis of cumulative realized losses or the Delinquency Amount.

#### CROSSCOLLATERALIZATION PROVISIONS

Certain Available Funds with respect to each Loan Group will be available to cover certain shortfalls and to create overcollateralization with respect to the Offered Certificates relating to the other Loan Group as described above under the caption "--Distribution Priorities."

#### ALLOCATION OF REALIZED LOSSES

The Basic Principal Amount includes the net liquidation proceeds in respect of principal received upon liquidation of a Liquidated Mortgage Loan. If such net liquidation proceeds are less than the unpaid principal balance of the related Liquidated Mortgage Loan, the Pool Balance will decline more than the aggregate Class Principal Balance of the Offered Certificates. If such difference is not covered by the Overcollateralization Amount or the application of Excess Interest, the Class B Certificates will bear such loss.

If, following the distributions on a Distribution Date, the aggregate Class Principal Balance of the Offered Certificates exceeds the Pool Balance, i.e., the Certificates are undercollateralized, the Class Principal Balance of the Class B Certificates will be reduced by the amount of such excess. Any such reduction will constitute a Class Principal Carryover Amount for the Class B Certificates. Although a Class Principal Carryover Amount will not accrue interest, such amount may be paid on a future Distribution Date to the extent funds are available therefor as provided above under "---Distribution Priorities."

#### REPORTS TO CERTIFICATEHOLDERS

Concurrently with each distribution to Certificateholders, the Trustee will forward to each Certificateholder a statement setting forth, among other items the following, to the extent applicable to each Class of Certificates:

(i) the aggregate amount of the distribution to each Class of Certificates on such Distribution Date;

S-47

(ii) the amount of the distribution set forth in paragraph (i) above in respect of interest and the amount thereof in respect of any Class Interest Carryover Shortfall, and the amount of any Class Interest Carryover Shortfall remaining;

(iii) the amount of the distribution set forth in paragraph (i) above in respect of principal;

(iv) the amount of Excess Interest for each Loan Group paid as principal;

(v) the Servicing Fee;

(vi) the Loan Group Balance of each Loan Group and the Pool Balance, in each case as of the close of business on the last day of the preceding Due Period;

(vii) the Class Principal Balance of each Class of Certificates after giving effect to payments allocated to principal above;

(viii) the Overcollateralization Amount and the Required Overcollateralization Amount as of the close of business on the Distribution Date, after giving effect to distributions of principal on such Distribution Date;

(ix) the number and aggregate Principal Balances of the Mortgage Loans as to which the minimum monthly payment is delinquent for 30-59 days, 60-89 days, or 90 or more days (including Mortgage Loans in foreclosure, in bankruptcy and real estate owned, each separately stated), respectively, as of the end of the preceding month;

(x) the amount paid under each Policy for such Distribution Date in respect of the Class Interest Distribution of each Class of Senior Certificates and the portion of the Guaranteed Principal Amount paid to the Senior Certificates;

(xi) the Guaranteed Principal Amount for such Distribution Date;

(xii) the book value of any real estate which is acquired by the Trust through foreclosure or grant of deed in lieu of foreclosure;

(xiii) the amounts of realized losses for such Due Period and the cumulative amount of realized losses to date;

(xiv) the weighted average Loan Rate on the Mortgage Loans in each Loan Group and specifying such weighted average Loan Rate for each Loan Group as of the first day of the month prior to the Distribution Date;

(xv) the Certificate Rate on the Adjustable Rate Certificates for such Distribution Date;

(xvi) the amount of LIBOR Carryover distributed to the Adjustable Rate Certificates and the amount of LIBOR Carryover remaining for such Class;

(xvii) the amount of Class B Cap Carryover distributed to the Class B Certificates and the amount of Class B Cap Carryover remaining; and

(xviii) the amount of any Class B Principal Carryover Shortfall.

In the case of information furnished pursuant to clauses (ii) and (iii) above, the amounts shall be expressed as a dollar amount per Certificate with a \$1,000 denomination.

Within 60 days after the end of each calendar year, the Trustee will forward to each Person, if requested in writing by such Person, who was a Certificateholder during the prior calendar year a statement containing the information set forth in clauses (ii) and (iii) above aggregated for such calendar year.

S-48

#### THE CERTIFICATE INSURER

The following information has been supplied by the Certificate Insurer for inclusion in this Prospectus Supplement. The Certificate Insurer does not accept any responsibility for the accuracy or completeness of this Prospectus Supplement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policies and the Certificate Insurer set forth under the headings "DESCRIPTION OF THE CERTIFICATES--The Policies" and "THE CERTIFICATE INSURER." Additionally, the Certificate Insurer makes no representation regarding the Certificates or the advisability of investing in the Certificates.

#### THE CERTIFICATE INSURER

The Certificate Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company ("MBIA Inc."). MBIA Inc. is not obligated to pay the debts of or claims against the Certificate Insurer. The Certificate Insurer is domiciled in the State of New York and licensed to do business and is subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Certificate Insurer has two European branches, one in the Republic of France and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Certificate Insurer, changes in control and transactions among affiliates. Additionally, the Certificate Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

Effective February 17, 1998, MBIA Inc. acquired all of the outstanding stock of Capital Markets Assurance Corporation ("CMAC") through a merger with its parent CapMAC Holdings Inc. Pursuant to a reinsurance agreement, CMAC has ceded all of its net insured risks (including any amounts due but unpaid from third party reinsurers), as well as its unearned premiums and contingency reserves, to the Certificate Insurer. MBIA Inc. is not obligated to pay the debts of or claims against CMAC.

#### CERTIFICATE INSURER FINANCIAL INFORMATION

The consolidated financial statements of the Certificate Insurer, a wholly owned subsidiary of MBIA Inc., and its subsidiaries as of December 31, 1997 and December 31, 1996 and for each of the three years in the period ended December 31, 1997, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of MBIA Inc. for the year ended December 31, 1997 and the consolidated financial statements of the Certificate Insurer and its subsidiaries as of September 30, 1998 and for the nine-month periods ended September 30, 1998 and September 30, 1997 included in the Quarterly Report on Form 10-Q of MBIA Inc. for the period ended September 30, 1998 are hereby incorporated by reference into this Prospectus Supplement and shall be deemed to be a part hereof. Any statement contained in a document incorporated by reference herein shall be modified or superseded for the purposes of this Prospectus Supplement to the extent that a statement contained herein or in any subsequently filed document which is also 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 part of this Prospectus Supplement.

All financial statements of the Certificate Insurer and its subsidiaries included in documents filed by MBIA Inc. pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Prospectus Supplement and prior to the termination of the offering of the Offered Certificates shall be deemed to be incorporated by reference into this Prospectus Supplement and to be a part hereof from the respective dates of filing such documents.

S-49

The tables below present selected financial information of the Certificate Insurer determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities ("SAP") and generally accepted accounting principles ("GAAP"):

<TABLE>

<CAPTION>

	SAP	
	DECEMBER 31, 1997	SEPTEMBER 30, 1998
	(AUDITED)	(UNAUDITED)
	(IN MILLIONS)	
<S>	<C>	<C>
Admitted Assets.....	\$ 5,256	\$6,318
Liabilities.....	3,496	4,114
Capital and Surplus.....	1,760	2,204

<CAPTION>

	GAAP	
	DECEMBER 31, 1997	SEPTEMBER 30, 1998
	(AUDITED)	(UNAUDITED)
	(IN MILLIONS)	
<S>	<C>	<C>
Assets.....	\$ 5,988	\$7,439
Liabilities.....	2,624	3,268
Shareholder's Equity.....	3,364	4,171

#### WHERE YOU CAN OBTAIN ADDITIONAL INFORMATION ABOUT THE CERTIFICATE INSURER

Copies of the financial statements of the Certificate Insurer incorporated by reference herein and copies of the Certificate Insurer's 1997 year-end audited financial statements prepared in accordance with statutory accounting practices are available, without charge, from the Certificate Insurer. The address of the Certificate Insurer is 113 King Street, Armonk, New York 10504. The telephone number of the Certificate Insurer is (914) 273-4545.

#### FINANCIAL STRENGTH OF THE CERTIFICATE INSURER

Moody's Investors Service, Inc. rates the financial strength of the Certificate Insurer "Aaa".

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. rates the financial strength of the Certificate Insurer "AAA".

Fitch IBCA, Inc. (formerly known as Fitch Investors Service, L.P.) rates the financial strength of the Certificate Insurer "AAA".

Each rating of the Certificate Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Certificate Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Certificates, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Certificates. The Certificate Insurer does not guaranty the market price of the Certificates nor does it guaranty that the ratings on the Certificates will not be revised or withdrawn.

#### YEAR 2000 READINESS DISCLOSURE

An area of potential risk to the Certificate Insurer's financial guarantee business would be the inability of an issuer or its trustee or paying agent to make payments on a Certificate Insurer insured transaction because of their failure to be Year 2000 ready. To mitigate this risk, the Certificate Insurer has been surveying all trustees, all paying agents and selected high volume issuers to determine their state of readiness. While the survey is not complete, the results to-date are that all respondents are either ready or planning to be ready by late 1999. If the Certificate Insurer is asked to pay in those situations where the issuer's system fails, it will do so and would expect to recover any such payment in a fairly short time period. It is not possible at this time to evaluate the extent of such payments. The Certificate Insurer believes that it has adequate sources of liquidity to cover these payments.

S-50

#### THE POOLING AND SERVICING AGREEMENT

##### GENERAL

The Certificates will be issued pursuant to the Agreement. A form of the Agreement has been filed as an exhibit to the Registration Statement of which this Prospectus Supplement and the Prospectus are a part. The following summaries together with the information herein under "DESCRIPTION OF THE

CERTIFICATES" and in the Prospectus under the headings "DESCRIPTION OF THE SECURITIES" and "THE AGREEMENTS" describe the material provisions of the Agreement. The summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of the Agreement. Wherever particular sections or defined terms of the Agreement are referred to, such sections or defined terms are hereby incorporated herein by reference.

#### ASSIGNMENT OF MORTGAGE LOANS

On the Closing Date, the Seller will transfer to the Trust all of its right, title and interest in and to each Mortgage Loan, the related mortgage note, mortgages and other related documents (collectively, the "Related Documents"), including all payments received after the Cut-off Date other than payments of interest on the Initial Mortgage Loans due before March 1, 1999. The Trustee, concurrently with such initial transfer, will deliver the Certificates to the Seller. Each Mortgage Loan transferred to the Trust will be identified on a schedule (the "Mortgage Loan Schedule") delivered to the Trustee pursuant to the Agreement. Such schedule will include information as to the Principal Balance of each Mortgage Loan as of the related Cut-off Date, as well as information with respect to the Loan Rate.

The Agreement will require that, within the time period specified therein, the Seller will deliver to the Trustee (or the Custodian, as the Trustee's agent for such purpose) the Mortgage Loans endorsed to the Trustee and the Related Documents. In lieu of delivery of original mortgages, if such original is not available, the Seller may deliver true and correct copies thereof.

Under the terms of the Agreement, the Seller will promptly and in no event later than 30 days after the Closing Date, prepare and record assignments of the mortgages related to each Mortgage Loan in favor of the Trustee (unless opinions of counsel satisfactory to the Certificate Insurer are delivered to the Trustee and the Certificate Insurer to the effect that recordation of such assignments is not required in the relevant jurisdictions to protect the interests of the Trustee in the Mortgage Loans). The Seller expects that assignments for substantially all of the Mortgage Loans will not be recorded based on such opinion of counsel. If the recording information with respect to any assignment of Mortgage is unavailable within 30 days of the Closing Date, such assignment will be prepared and recorded within 30 days after receipt of such information, but in no event later than one year after the Closing Date.

Within 45 days of the Closing Date, the Trustee (or the Custodian on behalf of the Trustee) will review the Mortgage Loans and the Related Documents pursuant to the Agreement and if any Mortgage Loan or Related Document is found to be defective in any material respect (a "Defective Mortgage Loan") and such defect is not cured within 90 days following notification thereof to the Seller by the Trustee, the Seller will be obligated to either (i) substitute for such Mortgage Loan an Eligible Substitute Mortgage Loan; however, such substitution is permitted only within two years of the Closing Date and may not be made unless an opinion of counsel is provided to the effect that such substitution will not disqualify any REMIC as a REMIC or result in a prohibited transaction tax under the Code or (ii) purchase such Mortgage Loan at a price (the "Purchase Price") equal to the outstanding Principal Balance of such Mortgage Loan as of the date of purchase, plus unpaid interest thereon from the date interest was last paid or with respect to which interest was advanced and not reimbursed through the end of the calendar month in which the purchase occurred, computed at the Loan Rate, net of the Servicing Fee if the Seller is the Servicer, plus if the Seller is not the Servicer the amount of any unreimbursed Servicing Advances made by the Servicer. The Purchase Price will be deposited in the Collection Account on or prior to the next succeeding Determination Date after such obligation arises. The obligation of the Seller to repurchase or substitute for a Defective Mortgage Loan is the sole remedy regarding any defects in the Mortgage Loans and Related Documents available to the Trustee or the Certificateholders.

S-51

In connection with the substitution of an Eligible Substitute Mortgage Loan, the Seller will be required to deposit in the Collection Account on or prior to the next succeeding Determination Date after such obligation arises an amount (the "Substitution Adjustment") equal to the excess of the Principal Balance of the related Defective Mortgage Loan over the Principal Balance of such Eligible Substitute Mortgage Loan.

An "Eligible Substitute Mortgage Loan" is a mortgage loan to be substituted by the Seller for a Defective Mortgage Loan which must, on the date of such substitution, (i) have an outstanding principal balance after deducting all scheduled principal payments due in the month of such substitution (or in the case of a substitution of more than one Mortgage Loan for a Defective Mortgage Loan, an aggregate Principal Balance), not in excess of, and not less than 95% of, the Principal Balance of the Defective Mortgage Loan; (ii) have a Loan Rate not less than the Loan Rate of the Defective Mortgage Loan and not more than 1% in excess of the Loan Rate of such Defective Mortgage Loan; (iii) have a mortgage of the same or higher level of priority as the mortgage relating to the

Defective Mortgage Loan; (iv) have a remaining term to maturity not more than six months earlier and not later than the remaining term to maturity of the Defective Mortgage Loan; and (v) comply with each representation and warranty as to the Mortgage Loans set forth in the Agreement (deemed to be made as of the date of substitution).

The Seller will make certain representations and warranties as to the accuracy in all material respects of certain information furnished to the Trustee with respect to each Mortgage Loan. In addition, the Seller will represent and warrant, on the Closing Date, that, among other things: (i) at the time of transfer to the Trust, the Seller has transferred or assigned all of its right, title and interest in each Mortgage Loan and the Related Documents, free of any lien; and (ii) each Mortgage Loan complied, at the time of origination, in all material respects with applicable state and federal laws. Upon discovery of a breach of any such representation and warranty which materially and adversely affects the interests of the Certificateholders or the Certificate Insurer in the related Mortgage Loan and Related Documents, the Seller will have a period of 60 days after discovery or notice of the breach to effect a cure. If the breach cannot be cured within the 60-day period, the Seller will be obligated to (i) substitute for such Mortgage Loan an Eligible Substitute Mortgage Loan or (ii) purchase such Mortgage Loan from the Trust. The same procedure and limitations that are set forth above for the substitution or purchase of Defective Mortgage Loans as a result of deficient documentation relating thereto will apply to the substitution or purchase of a Mortgage Loan as a result of a breach of a representation or warranty in the Agreement that materially and adversely affects the interests of the Certificateholders or the Certificate Insurer.

#### PAYMENTS ON MORTGAGE LOANS; DEPOSITS TO COLLECTION ACCOUNT AND DISTRIBUTION ACCOUNT

The Servicer will establish and maintain in the name of the Trustee a separate trust account (the "Collection Account") for the benefit of the holders of the Certificates. The Collection Account will be an Eligible Account (as defined herein). Upon receipt by the Servicer of amounts in respect of the Mortgage Loans (excluding amounts representing the Servicing Fee, reimbursement for Monthly Advances and Servicer Advances and insurance proceeds to be applied to the restoration or repair of a Mortgaged Property or similar items and amounts in respect of interest due before March 1, 1999), the Servicer will deposit such amounts in the Collection Account. Amounts so deposited may be invested in Eligible Investments (as described in the Agreement) maturing no later than one Business Day prior to the date on which the amount on deposit therein is required to be deposited in the Distribution Account or on such Distribution Date if approved by the Rating Agencies and the Certificate Insurer.

The Trustee will establish an account (the "Distribution Account"). No later than 11:00 a.m. (New York time) the Business Day prior to each Distribution Date, the Available Funds for a Loan Group and the related Due Period are required to be deposited into the Distribution Account. The Distribution Account will be an Eligible Account. Amounts on deposit therein may be invested in Eligible Investments maturing on or before the Business Day prior to the related Distribution Date or, if such Eligible Investments are an obligation of the Trustee or are money market funds for which the Trustee or any affiliate is the manager or the advisor, such Eligible Investments shall mature no later than the related Distribution Date.

An "Eligible Account" is a segregated account that is (i) maintained with a depository institution whose debt obligations at the time of any deposit therein have the highest short-term debt rating by the Rating Agencies and whose accounts are insured to the maximum extent provided by either the Savings Association

S-52

Insurance Fund ("SAIF") or the Bank Insurance Fund ("BIF") of the Federal Deposit Insurance Corporation established by such fund with a minimum long-term unsecured debt rating of A by S&P and A2 by Moody's, and which is any of (A) a federal savings and loan association duly organized, validly existing and in good standing under the federal banking laws, (B) an institution duly organized, validly existing and in good standing under the applicable banking laws of any state, (C) a national banking association duly organized, validly existing and in good standing under the federal banking laws, (D) a principal subsidiary of a bank holding company; (ii) a segregated trust account maintained with the corporate trust department of a federal or state chartered depository institution or trust company, having capital and surplus of not less than \$50,000,000, acting in its fiduciary capacity; or (iii) otherwise acceptable to each Rating Agency and the Certificate Insurer as evidenced by a letter from each Rating Agency and the Certificate Insurer to the Trustee, without reduction or withdrawal of the then current ratings of the Senior Certificates, without regard to the Policies.

#### ADVANCES



Not later than the close of business on the fourth Business Day prior to each Distribution Date (the "Determination Date"), the Servicer will deposit into the Collection Account an amount equal to the sum of the interest accrued on each Mortgage Loan through the related Due Date but not received by the Servicer as of the close of business on the last day of the related Due Period (net of the Servicing Fee) (the "Monthly Advance"). Such obligation of the Servicer continues with respect to each Mortgage Loan until such Mortgage Loan becomes a Liquidated Mortgage Loan.

In the course of performing its servicing obligations, the Servicer will pay all reasonable and customary "out-of-pocket" costs and expenses incurred in the performance of its servicing obligations, including, but not limited to, the cost of (i) the preservation, restoration and protection of the Mortgaged Properties, (ii) any enforcement or judicial proceedings, including foreclosures, and (iii) the management and liquidation of Mortgaged Properties acquired in satisfaction of the related Mortgage. Each such expenditure will constitute a "Servicing Advance."

The Servicer's right to reimbursement for Servicing Advances is limited to late collections on the related Mortgage Loan, including Liquidation Proceeds, released mortgaged property proceeds, Insurance Proceeds and such other amounts as may be collected by the Servicer from the related Mortgagor or otherwise relating to the Mortgage Loan in respect of which such unreimbursed amounts are owed. The Servicer's right to reimbursement for Monthly Advances is limited to late collections of interest on any Mortgage Loan and to Liquidation Proceeds and Insurance Proceeds on the related Mortgage Loan. The Servicer's right to such reimbursements is prior to the rights of Certificateholders.

Notwithstanding the foregoing, the Servicer is not required to make any Monthly Advance or Servicing Advance if in the good faith judgment and sole discretion of the Servicer, the Servicer determines that such advance will not be ultimately recoverable from collections received from the Mortgagor in respect of the related Mortgage Loan or other recoveries in respect of such Mortgage Loan (a "Nonrecoverable Advance"). In addition, if any Servicing Advance or Monthly Advance is determined in good faith by the Servicer to be non-recoverable from such sources, the amount of such Nonrecoverable Advances may be reimbursed to the Servicer from other amounts on deposit in the Collection Account.

#### INITIAL INTEREST COVERAGE ACCOUNT

On the Closing Date, cash may be deposited in the Initial Interest Coverage Account, which account will be in the name of and maintained by the Trustee and will be part of the Trust. The amount on deposit in the Initial Interest Coverage Account, including reinvestment income thereon, will be used by the Trustee to fund, on the initial Distribution Date, the amount of interest accruing at the weighted average Certificate Rate of all Certificates in a Certificate Group on the related Excess Funding Amount, if any. Any amounts remaining in the Initial Interest Coverage Account and not needed for such purpose will be paid to the Seller and will not thereafter be available for distribution to the Holders of the Offered Certificates.

Amounts on deposit in the Initial Interest Coverage Account will be invested in Eligible Investments. The Initial Interest Coverage Account will not be an asset of any REMIC.

S-53

#### CARRYOVER RESERVE FUNDS

The Agreement provides for two reserve funds (the "LIBOR Carryover Fund" and the "Class B Cap Fund," respectively), which are held by the Trustee on behalf of the Holders of the Class A-1A and Class B Certificates, respectively. To the extent amounts on deposit are sufficient, Holders of the Class A-1A and Class B Certificates will be entitled to receive payments from the related fund equal to any LIBOR Carryover or Class B Cap Carryover, as applicable. The amount required to be deposited in each fund on any Distribution Date (the "Carryover Reserve Fund Deposit") will equal any LIBOR Carryover or Class B Cap Carryover, as applicable, for such Distribution Date, or, if no LIBOR Carryover or Class B Cap Carryover, as applicable, is payable on such Distribution Date, an amount such that when added to other amounts already on deposit in the applicable fund, the aggregate amount on deposit therein is equal to \$10,000. Any investment earnings on amounts on deposit in each fund will be paid to (and for the benefit of) the holders of the Class BIO Certificates and will not be available to pay any LIBOR Carryover or Class B Cap Carryover, as applicable. Neither the LIBOR Carryover Fund nor the Class B Cap Fund will be included as an asset of any REMIC. The Policies do not cover LIBOR Carryover or Class B Cap Carryover.

#### SERVICING PROCEDURES

The Servicer will make reasonable efforts to collect all payments required to be made under the Mortgage Loans and will, consistent with the terms of the Agreement, follow such collection procedures as it follows with respect to comparable loans held in its own portfolio. Consistent with the above, the

Servicer may, in its discretion, (i) waive any assumption fee, late payment charge, or other charge in connection with a Mortgage Loan and (ii) arrange with an obligor a schedule for the liquidation of delinquencies by extending the Due Dates for Scheduled Payments on such Mortgage Loans. In addition, the Servicer has the right to modify the terms of the Mortgage Loans if such modification would be made by the Servicer if such Mortgage Loan were held for the Servicer's own account and it first delivers to the Trustee written notice thereof together with the calculations demonstrating that the modification is permitted by the REMIC provisions of the Code and applicable Treasury regulations.

#### SERVICING COMPENSATION, PAYMENT OF EXPENSES AND PREPAYMENT INTEREST SHORTFALLS

With respect to each Due Period, the Servicer will receive from interest payments in respect of the Mortgage Loans a portion of such interest payments as a monthly Servicing Fee (the "Servicing Fee") in the amount equal to 0.50% per annum (the "Servicing Fee Rate") on the Principal Balance of each Mortgage Loan as of the first day of each such Due Period. All assumption fees, late payment charges, prepayment penalties and other fees and charges, to the extent collected from borrowers, will be retained by the Servicer as additional servicing compensation.

Not later than the Determination Date, the Servicer is required to remit to the Trustee, without any right of reimbursement, an amount equal to, with respect to each Mortgage Loan as to which a principal prepayment in full was received during the related Due Period, the lesser of (a) the excess, if any, of the sum of 30 days' interest on the Principal Balance of each such Mortgage Loan at the related Loan Rate (or at such lower rate as may be in effect for such Mortgage Loan because of application of the Civil Relief Act) minus the Servicing Fee for such Mortgage Loan, over the amount of interest actually paid by the related Mortgagor in connection with each such principal prepayment (with respect to all such Mortgage Loans, the "Prepayment Interest Shortfall") and (b) the sum of the Servicing Fee received by the Servicer in the most recently ended Due Period.

The Servicer is not obligated to offset any of the Servicing Fee against, or to provide any other funds to cover, any Civil Relief Act Shortfalls.

#### EVIDENCE AS TO COMPLIANCE

The Agreement provides for delivery on or before the last business day of the fifth month following the end of each fiscal year of the Servicer, beginning in 2000, to the Trustee, the Certificate Insurer and the Rating Agencies of an annual statement signed by an officer of the Servicer to the effect that the Servicer has fulfilled its material obligations under the Agreement throughout the preceding fiscal year, except as specified in such statement.

S-54

On or before the last business day of the fifth month following the end of each fiscal year of the Servicer, beginning in 2000, the Servicer will furnish a report prepared by a firm of nationally recognized independent public accountants (who may also render other services to the Servicer) to the Trustee, the Certificate Insurer and the Rating Agencies to the effect that such firm has examined certain documents and the records relating to servicing of the Mortgage Loans under the Uniform Single Attestation Program for Mortgage Bankers and such firm's conclusion with respect thereto.

The Servicer's fiscal year is the calendar year.

#### CERTAIN MATTERS REGARDING THE SERVICER

The Agreement provides that the Servicer may not resign from its obligations and duties thereunder, except in connection with a permitted transfer of servicing, unless (i) such duties and obligations are no longer permissible under applicable law as evidenced by an opinion of counsel delivered to the Trustee and the Certificate Insurer or (ii) upon the satisfaction of the following conditions: (a) the Servicer has proposed a successor servicer to the Trustee in writing and such proposed successor servicer is reasonably acceptable to the Trustee; (b) the Rating Agencies have confirmed to the Trustee that the appointment of such proposed successor servicer as the Servicer will not result in the reduction or withdrawal of the then current ratings of the Offered Certificates; and (c) such proposed successor is reasonably acceptable to the Certificate Insurer. No such resignation will become effective until the Trustee or a successor servicer has assumed the Servicer's obligations and duties under the Agreement.

The Servicer may perform any of its duties and obligations under the Agreement through one or more subservicers or delegates, which may be affiliates of the Servicer. Notwithstanding any such arrangement, the Servicer will remain liable and obligated to the Trustee and the Certificateholders for the Servicer's duties and obligations under the Agreement, without any diminution of such duties and obligations and as if the Servicer itself were performing such duties and obligations.

Any corporation into which the Servicer may be merged or consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Servicer shall be a party, or any corporation succeeding to the business of the Servicer shall be the successor of the Servicer under the Agreement, without the execution or filing of any paper or any further act on the part of any of the parties to the Agreement, anything in the Agreement to the contrary notwithstanding.

#### EVENTS OF DEFAULT

"Events of Default" will consist of: (i) (A) any failure by the Servicer to make any required Monthly Advance or (B) any other failure of the Servicer to deposit in the Collection Account or the Distribution Account any deposit required to be made under the Agreement, which failure continues unremedied for three Business Days after payment was required to be made; (ii) any failure by the Servicer duly to observe or perform in any material respect any other of its covenants or agreements in the Agreement which, in each case, materially and adversely affects the interests of the Certificateholders or the Certificate Insurer and continues unremedied for 30 days after knowledge or the giving of written notice of such failure to the Servicer by the Trustee, or to the Servicer and the Trustee by the Certificate Insurer or with the consent of the Certificate Insurer by Certificateholders evidencing at least 25% of the Voting Rights; (iii) any failure by the Servicer to make any required Servicing Advance, which failure continues unremedied for a period of 30 days after knowledge or the giving of written notice of such failure to the Servicer by the Trustee, or to the Servicer and the Trustee by the Certificate Insurer or with the consent of the Certificate Insurer by Certificateholders evidencing at least 25% of the Voting Rights; (iv) certain events of insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings relating to the Servicer and certain actions by the Servicer indicating insolvency, reorganization or inability to pay its obligations; and (v) any failure by the Servicer to pay when due amounts payable by it under the Insurance Agreement which failure results in a draw under a Policy.

If any Monthly Advance is not made by 12:00 noon, New York City time, on the second Business Day preceding the applicable Distribution Date, the Trustee or a successor Servicer will immediately assume the advancing obligation of the Servicer.

S-55

Upon removal of the Servicer, the Trustee will be the successor servicer (the "Successor Servicer"). The Trustee, as Successor Servicer, will be obligated to make Monthly Advances and Servicing Advances unless it determines reasonably and in good faith that such advances would not be recoverable. If, however, the Trustee is unwilling or unable to act as Successor Servicer, or if the Certificate Insurer or with the consent of the Certificate Insurer, the majority of Certificateholders so requests, the Trustee may appoint, or petition a court of competent jurisdiction to appoint, subject to the approval of the Certificate Insurer, any established mortgage loan servicing institution acceptable to the Certificate Insurer having a net worth of not less than \$25,000,000 as the Successor Servicer in the assumption of all or any part of the responsibilities, duties or liabilities of the Servicer.

In addition, the Certificate Insurer may terminate the Servicer upon the occurrence of a Servicer Termination Event. Servicer Termination Events will consist of, among other things, (i) any failure by the Servicer to pay when due any amount payable by it under the Agreement or the Insurance Agreement which results in a drawing under a Policy, (ii) failure of the Servicer to satisfy certain financial tests; and (iii) the loss performance of the Mortgage Loans exceeding certain levels set forth in the Agreement.

#### RIGHTS UPON AN EVENT OF DEFAULT

So long as an Event of Default remains unremedied, either the Trustee with the consent of the Certificate Insurer, the Certificate Insurer or with the consent of the Certificate Insurer, Certificateholders holding Certificates evidencing at least 51% of the Voting Rights in the Trust may terminate all of the rights and obligations of the Servicer under the Agreement and in and to the Mortgage Loans, whereupon the Trustee will succeed to all the responsibilities, duties and liabilities of the Servicer under the Agreement and will be entitled to similar compensation arrangements. In the event that the Trustee would be obligated to succeed the Servicer but is unwilling or unable so to act, it may appoint, or petition a court of competent jurisdiction for the appointment of, a housing and home finance institution or other mortgage loan or home equity loan servicer with all licenses and permits required to perform its obligations under the Agreement and having a net worth of at least \$25,000,000 and acceptable to the Certificate Insurer to act as successor to the Servicer under the Agreement. Pending such appointment, the Trustee will be obligated to act in such capacity unless prohibited by law. Such successor will be entitled to receive the same compensation that the Servicer would otherwise have received (or such lesser compensation as the Trustee and such successor may agree). A receiver or conservator for the Servicer may be empowered to prevent the termination and replacement of the Servicer if the only Event of Default that has occurred is an

insolvency event.

#### AMENDMENT

The Agreement may be amended from time to time by the Seller, the Servicer and the Trustee with the consent of the Certificate Insurer but without the consent of the Certificateholders, to cure any ambiguity, to correct or supplement any provisions therein which may be defective or inconsistent with any other provisions of the Agreement, to add to the duties of the Servicer to comply with any requirements imposed by the Code or any regulation thereunder, or to add or amend any provisions of the Agreement as required by the Rating Agencies in order to maintain or improve any rating of the Offered Certificates (it being understood that, after obtaining the ratings in effect on the Closing Date, none of the Seller, the Trustee, the Certificate Insurer or the Servicer is obligated to obtain, maintain, or improve any such rating) or to add any other provisions with respect to matters or questions arising under the Agreement which shall not be inconsistent with the provisions of the Agreement, provided that such action will not, as evidenced by an opinion of counsel, materially and adversely affect the interests of any Certificateholder or the Certificate Insurer; provided, that any such amendment will not be deemed to materially and adversely affect the Certificateholders and no such opinion will be required to be delivered if the person requesting such amendment obtains a letter from the Rating Agencies stating that such amendment would not result in a downgrading of the then current rating of the Offered Certificates. The Agreement also may be amended from time to time by the Seller, the Servicer, the Certificate Insurer and the Trustee, with the consent of Certificateholders holding Certificates evidencing at least 51% of the Voting Rights of each Class affected thereby (or 51% of all of the Voting Rights if all Classes are affected) and the Certificate Insurer, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Agreement or of modifying in any manner the rights of the Certificateholders, provided that no such

S-56

amendment will (i) reduce in any manner the amount of, or delay the timing of, collections of payments on the Certificates or distributions or payments under the Policies which are required to be made on any Certificate without the consent of the Certificateholder or (ii) reduce the aforesaid percentage required to consent to any such amendment, without the consent of the holders of all Certificates of the affected Class then outstanding.

#### TERMINATION; PURCHASE OF MORTGAGE LOANS

The Trust will terminate on the Distribution Date following the later of (A) payment in full of all amounts owing to the Certificate Insurer, unless the Certificate Insurer otherwise consents, and (B) the earliest of (i) the Distribution Date on which the aggregate Class Principal Balance of all the Certificates has been reduced to zero, (ii) the final payment or other liquidation of the last Mortgage Loan in the Trust, (iii) the optional purchase by the Servicer of the Mortgage Loans, as described below and (iv) the Distribution Date in February, 2031, on which date the Policies will be available to pay the aggregate Class Principal Balance of the outstanding Group F Certificates and the Group A Certificates.

Subject to provisions in the Agreement concerning adopting a plan of complete liquidation, the Servicer may, at its option, terminate the Agreement on any Distribution Date following the Due Period during which the aggregate Principal Balance of the Mortgage Loans is less than 10% of the sum of the Principal Balances of the Statistic Calculation Mortgage Loans and Additional Mortgage Loans as of the Cut-off Date (the "Optional Termination Date") by purchasing all of the outstanding Mortgage Loans and REO Properties at a price equal to the sum of the outstanding Pool Balance (subject to reduction of the purchase price based in part on the appraised value of any REO Property included in the Trust if such appraised value is less than the Principal Balance of the related Mortgage Loan, as provided in the Agreement) and accrued and unpaid interest thereon at the weighted average of the Loan Rates through the end of the related Due Period together with all amounts due to the Certificate Insurer.

#### OPTIONAL PURCHASE OF DEFAULTED MORTGAGE LOANS

The Servicer has the option to purchase from the Trust any Mortgage Loan 90 days or more delinquent at a purchase price equal to the outstanding principal balance of such Mortgage Loan as of the date of purchase, plus all accrued and unpaid interest on such principal balance computed at the Loan Rate.

Notwithstanding the foregoing, unless the Certificate Insurer consents, the Servicer may only exercise its option with respect to the Mortgage Loan or Mortgage Loans that have been delinquent for the longest period at the time of such repurchase. If the Certificate Insurer fails to respond to the Servicer's request for consent within 10 Business Days after receipt thereof, the Servicer may repurchase the Mortgage Loan or Mortgage Loans proposed to be repurchased without the consent of, or any further action by, the Certificate Insurer.

## VOTING RIGHTS

Under the Agreement, the portion of the Voting Rights allocated to the Offered Certificates will equal 100% minus the portion allocated to the Class BIO Certificates and the Residual Certificates, and the portion of the Voting Rights allocated to the Class BIO Certificates and the Residual Certificates will equal the percentage equivalent of a fraction, the numerator of which is the sum of the Required Overcollateralization Amount and the denominator of which is the Pool Balance. Voting Rights allocated to the Classes of Offered Certificates will be allocated among such Classes in proportion to their respective Class Principal Balances. Voting Rights allocated to a Class of Certificates will be further allocated among the Certificates of such Class on the basis of their respective Percentage Interests. So long as no Certificate Insurer Default is continuing, the Certificate Insurer will be entitled to exercise the Voting Rights of the Senior Certificates.

## THE TRUSTEE

Norwest Bank Minnesota, National Association ("Norwest Bank"), will be named Trustee pursuant to the Agreement. Norwest Bank, a direct, wholly-owned subsidiary of Wells Fargo & Co., is a national banking association originally chartered in 1872 and is engaged in a wide range of activities typical of a national bank. Norwest Bank's principal office is located at Norwest Center, Sixth Street and Marquette Avenue, Minneapolis, Minnesota 55479-0113. Certificate transfer services are conducted at Norwest Bank's

S-57

offices in Minneapolis. Norwest Bank otherwise conducts its trustee and securities administration services at its offices in Columbia, Maryland. Its address there is 11000 Broken Land Parkway, Columbia, Maryland 21044-3562. Certificateholders and other interested parties should direct their inquiries to the Minneapolis office. The telephone number of the Trustee in Minneapolis is (612) 667-9764. The Trustee may have banking relationships with the Seller and the Servicer. The Trustee may appoint one or more co-trustees if necessary to comply with the fiduciary requirements imposed by any jurisdiction in which a mortgaged property is located.

The Trustee may resign at any time, in which event the Seller will be obligated to appoint a successor Trustee as approved by the Certificate Insurer. The Seller 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. Upon becoming aware of such circumstances, the Seller will be obligated to appoint a successor Trustee as approved by the Certificate Insurer. 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.

No holder of a Certificate will have any right under the Agreement to institute any proceeding with respect to the Agreement unless such holder previously has given to the Trustee written notice of default and unless Certificateholders evidencing at least 51% of the Voting Rights have made written requests upon the Trustee to institute such proceeding in its own name as Trustee thereunder and have offered to the Trustee reasonable indemnity and the Trustee for 60 days has neglected or refused to institute any such proceeding. The Trustee will be under no obligation to exercise any of the trusts or powers vested in it by the Agreement or to make any investigation of matters arising thereunder or to institute, conduct or defend any litigation thereunder or in relation thereto at the request, order or direction of any of the Certificateholders, unless such Certificateholders have offered to the Trustee reasonable security or indemnity against the cost, expenses and liabilities which may be incurred therein or thereby.

## USE OF PROCEEDS

The net proceeds to be received from the sale of the Certificates will be applied by the Seller for general corporate purposes, including repayment of financing for the Mortgage Loans. Such financing may have been provided by one or more of the Underwriters or their affiliates.

## FEDERAL INCOME TAX CONSIDERATIONS

Separate elections will be made to treat certain assets of the Trust (exclusive of the Initial Interest Coverage Account, the Class B Cap Fund and the LIBOR Carryover Fund) as a "real estate mortgage investment conduit" (a "REMIC") for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), creating a tiered REMIC structure. The Offered Certificates (excluding any associated rights to receive LIBOR Carryover or Class B Cap Carryover) will be designated as "regular interests" in a REMIC (the "REMIC Regular Certificates"). The REMIC Regular Certificates generally will be treated as debt instruments issued by a REMIC for federal income tax purposes. Income on the REMIC Regular Certificates must be reported under an accrual method of accounting. See "FEDERAL INCOME TAX CONSIDERATIONS--Taxation of the REMIC and its Holders" in the Prospectus.

The Notional Amount Certificates will, and the other Classes of REMIC Regular Certificates may, depending on their issue price, be issued with original issue discount ("OID") for federal income tax purposes. In such event, holders of such Certificates will be required to include OID in income as it accrues under a constant yield method, in advance of the receipt of cash attributable to such income. The Treasury regulations relating to OID (the "OID Regulations") do not contain provisions specifically interpreting Code Section 1272(a)(6). Until the Treasury issues guidance to the contrary, the Trustee intends to base its computation on Code Section 1272(a)(6) and the OID Regulations as described in the Prospectus. However, because no regulatory guidance currently exists under Code Section 1272(a)(6), there can be no assurance that such methodology represents the correct manner of calculating OID.

The yield used to calculate accruals of OID with respect to the REMIC Regular Certificates with OID will be the original yield to maturity of such Certificates, determined by assuming that the Mortgage Loans in Loan Group F and Loan Group A will prepay in accordance with 125% of the Prepayment Assumption and

S-58

30% CPR, respectively. No representation is made as to the actual rate at which the Mortgage Loans will prepay.

A reasonable application of the principles of the OID Regulations to the Adjustable Rate Certificates generally would be to calculate OID for each period, computing such OID (i) by assuming that the value of the 1-Month LIBOR will remain constant for purposes of determining the original yield to maturity of such Class of Certificates and projecting future distributions on such Certificates, thereby treating such Certificates as fixed rate instruments to which the OID computation rules described in the Prospectus can be applied, and (ii) by accounting for any positive or negative variation in the actual value of the applicable index in any period from its assumed value as a current adjustment to OID with respect to such period.

The REMIC Regular Certificates will be treated as regular interests in a REMIC under section 860G of the Code. Accordingly, the REMIC Regular Certificates will be treated as (i) assets described in section 7701(a)(19)(C) of the Code, and (ii) "real estate assets" within the meaning of section 856(c)(4)(A) of the Code, in each case to the extent described in the Prospectus. Interest on the REMIC Regular 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 REMIC Regular Certificates are treated as real estate assets. See "FEDERAL INCOME TAX CONSIDERATIONS" in the Prospectus.

#### LIBOR CARRYOVER AND CLASS B CAP CARRYOVER

The beneficial owners of the Class A-1A and Class B Certificates and the related rights to receive LIBOR Carryover and Class B Cap Carryover, respectively, will be treated for tax purposes as owning two separate assets: (i) the respective Class A-1A and Class B Certificates without the rights to receive LIBOR Carryover or Class B Carryover (which constitute regular interests in a REMIC) and (ii) the related rights to receive LIBOR Carryover or Class B Cap Carryover. Accordingly, a purchaser of a Class A-1A Certificate or Class B Certificate must allocate its purchase price between the two assets comprising the related Certificate. In general, such allocation would be based on the relative fair market values of such assets on the date of purchase of the Certificates. No representation is or will be made as to the relative fair market values. All holders of Class A-1A and Class B Certificates are urged to consult their tax advisors regarding the taxation of LIBOR Carryover and Class B Cap Carryover, respectively, the taxation of which is generally governed by the provisions of the Code and Treasury regulations relating to notional principal contracts and possibly those relating to straddles.

The rights to receive LIBOR Carryover or Class B Cap Carryover will not constitute (i) a "real estate asset" within the meaning of section 856(c)(4)(A) of the Code for a real estate investment trust; (ii) a "qualified mortgage" or a "permitted investment" within the meaning of section 860G(a)(3) and section 860(G)(a)(5), respectively, of the Code if held by a REMIC; or (iii) an asset described in section 7701(a)(19)(C)(xi) of the Code if held by a domestic building and loan association. Further, the LIBOR Carryover and Class B Cap Carryover will not constitute income described in section 856(c)(3)(B) of the Code for a real estate investment trust. Moreover, other special rules may apply to certain investors, including dealers in securities and dealers in notional principal contracts.

#### BACKUP WITHHOLDING

Certain Certificate Owners may be subject to backup withholding at the rate of 31% with respect to interest paid on the Offered Certificates if the Certificate Owners, upon issuance, fail to supply the Trustee or their broker with their taxpayer identification number, furnish an incorrect taxpayer

identification number, fail to report interest, dividends, or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fail to provide the Trustee or their broker with a certified statement, under penalty of perjury, that they are not subject to backup withholding.

The Trustee will be required to report annually to the IRS, and to each Certificateholder of record, the amount of interest paid (and OID accrued, if any) on the Offered Certificates (and the amount of interest withheld for federal income taxes, if any) for each calendar year, except as to exempt holders (generally, holders that are corporations, certain tax-exempt organizations or nonresident aliens who provide certification as to their status as nonresidents). As long as the only "Certificateholder" of record is Cede, as nominee for

S-59

DTC, Certificate Owners and the IRS will receive tax and other information including the amount of interest paid on such Certificates owned from Participants and Indirect Participants rather than from the Trustee. (The Trustee, however, will respond to requests for necessary information to enable Participants, Indirect Participants and certain other persons to complete their reports.) Each non-exempt Certificate Owner will be required to provide, under penalty of perjury, a certificate on IRS Form W-9 containing his or her name, address, correct Federal taxpayer identification number and a statement that he or she is not subject to backup withholding. Should a nonexempt Certificate Owner fail to provide the required certification, the Participants or Indirect Participants (or the Paying Agent) will be required to withhold 31% of the interest (and principal) otherwise payable to the holder, and remit the withheld amount to the IRS as a credit against the holder's federal income tax liability. Such amounts will be deemed distributed to the affected Certificate Owner for all purposes of the Certificates and the Agreement.

Treasury Regulations (the "Final Withholding Regulations"), which are generally effective with respect to payments made after December 31, 1999, consolidate and modify the current certification requirements and means by which a holder may claim exemption from United States federal income tax withholding and provide certain presumptions regarding the status of holders when payments to the holders cannot be reliably associated with appropriate documentation provided to the payor. All holders should consult their tax advisors regarding the application of the Final Withholding Regulations.

#### FEDERAL INCOME TAX CONSEQUENCES TO FOREIGN INVESTORS

The following information describes the United States federal income tax treatment of holders that are not United States persons ("Foreign Investors"). The term "Foreign Investor" means any person other than (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity treated as a corporation or partnership for United States federal income tax purposes organized in or under the laws of the United States or any state or political subdivision thereof, (iii) an estate the income of which is includible in gross income for United States federal income tax purposes, regardless of its source, or (iv) a trust if a court within the United States is able to exercise primary supervision of the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

The Code and Treasury regulations generally subject interest paid to a Foreign Investor to a withholding tax at a rate of 30% (unless such rate were changed by an applicable treaty). The withholding tax, however, is eliminated with respect to certain "portfolio debt investments" issued to Foreign Investors. Portfolio debt investments include debt instruments issued in registered form for which the United States payor receives a statement that the beneficial owner of the instrument is a Foreign Investor. The Offered Certificates will be issued in registered form, therefore if the information required by the Code is furnished (as described below) and no other exceptions to the withholding tax exemption are applicable, no withholding tax will apply to the Offered Certificates.

For the Offered Certificates to constitute portfolio debt investments exempt from the United States withholding tax, the withholding agent must receive from the Certificate Owner an executed IRS Form W-8 signed under penalty of perjury by the Certificate Owner stating that the Certificate Owner is a Foreign Investor and providing such Certificate Owner's name and address. The statement must be received by the withholding agent in the calendar year in which the interest payment is made, or in either of the two preceding calendar years.

As indicated above, the Final Withholding Regulations consolidate and modify the current certification requirements and means by which a Non-United States Holder may claim exemption from United States federal income tax withholding. All Non-United States Holders should consult their tax advisors regarding the application of the Final Withholding Regulations, which are generally effective with respect to payments made after December 31, 1999.

A Certificate Owner that is a nonresident alien or foreign corporation will not be subject to United States federal income tax on gain realized on the sale, exchange, or redemption of such Offered Certificate, provided that (i) such gain is not effectively connected with a trade or business carried on by the Certificate Owner in the United States, (ii) in the case of a Certificate Owner that is an individual, such Certificate Owner is not present in the United States for 183 days or more during the taxable year in which such sale,

S-60

exchange or redemption occurs and (iii) in the case of gain representing accrued interest, the conditions described in the second preceding paragraph are satisfied.

#### ERISA CONSIDERATIONS

Any Plan fiduciary which proposes to cause a Plan to acquire any of the Offered Certificates should consult with its counsel with respect to the potential consequences under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code, of the Plan's acquisition and ownership of such Certificates. See "ERISA CONSIDERATIONS" in the Prospectus.

The U.S. Department of Labor has granted an administrative exemption to NationsBank Corporation, now known as Bank of America Corporation (Prohibited Transaction Exemption 93-31) (the "Exemption") which exempts from the application of the prohibited transaction rules transactions relating to (1) the acquisition, sale and holding by Plans of certain certificates representing an undivided interest in certain asset-backed pass-through trusts, with respect to which NationsBank Corporation or any of its affiliates is the sole underwriter or the manager or co-manager of the underwriting syndicate; and (2) the servicing, operation and management of such asset-backed pass-through trusts, provided that the general conditions and certain other conditions set forth in the Exemption are satisfied. The Exemption will apply to the acquisition, holding and resale of the Senior Certificates by a Plan provided that certain conditions (certain of which are described below) are met.

Among the conditions which must be satisfied for the Exemption to apply are the following:

(1) The acquisition of the Offered Certificates by a Plan is on terms (including the price for such Certificates) that are at least as favorable to the investing Plan as they would be in an arm's-length transaction with an unrelated party;

(2) The rights and interests evidenced by the Offered Certificates acquired by the Plan are not subordinated to the rights and interests evidenced by other certificates of the Trust;

(3) The Offered Certificates acquired by the Plan have received a rating at the time of such acquisition that is in one of the three highest generic rating categories from either S&P, Fitch IBCA, Inc., Moody's, or Duff & Phelps Credit Rating Co.;

(4) The sum of all payments made to and retained by the Underwriters in connection with the distribution of the Offered Certificates represents not more than reasonable compensation for underwriting such Certificates; the sum of all payments made to and retained by the Seller pursuant to the sale of the Mortgage Loans to the Trust represents not more than the fair market value of such Mortgage Loans; the sum of all payments made to and retained by the Servicer represent not more than reasonable compensation for the Servicer's services under the Agreement and reimbursement of the Servicer's reasonable expenses in connection therewith;

(5) The Trustee is not an affiliate of the Underwriters, the Seller, the Servicer, any borrower whose obligations under one or more Mortgage Loans constitute more than 5% of the aggregate unamortized principal balance of the assets in the Trust, or any of their respective affiliates; and

(6) The Plan investing in the Offered Certificates is an "accredited investor" as defined in Rule 501(a)(1) of Regulation D of the Securities and Exchange Commission under the Securities Act of 1933, as amended.

It is expected that the Exemption will apply to the acquisition and holding of the Senior Certificates by Plans and that all conditions of the Exemption other than those within the control of the investors will be met.

The Exemption does not apply to Plans sponsored by the Seller, the Underwriters, the Trustee, the Servicer, any other servicers or any Mortgagor with respect to Mortgage Loans included in the Trust constituting more than 5% of the aggregate unamortized principal balance of the assets in such Trust or any affiliate of such parties (the "Restricted Group"). No exemption is provided from the restrictions of ERISA for the acquisition or holding of Offered Certificates on behalf of an "Excluded Plan" by any person who is a fiduciary



with respect to the assets of such Excluded Plan. For purposes of the Offered Certificates, an

S-61

Excluded Plan is a Plan sponsored by any member of the Restricted Group. In addition, no Plan's investment in any Class of Offered Certificates may exceed 25% of all of the Certificates of such Class outstanding at the time of the Plan's acquisition and after the Plan's acquisition of such Class of Offered Certificates, no more than 25% of the assets over which the fiduciary has investment authority may be invested in securities of a trust containing assets which are sold or serviced by the same entity. Finally, in the case of initial issuance (but not secondary market transactions), at least 50% of each Class of Offered Certificates, and at least 50% of the aggregate interest in the Trust, must be acquired by persons independent of the Restricted Group.

Whether the conditions of the Exemption will be satisfied with respect to the Senior Certificates will depend upon the relevant facts and circumstances existing at the time a Plan acquires such Senior Certificates. Plan investors should make their own determination, in consultation with their counsel, before acquiring Senior Certificates in reliance on the applicability of the Exemption.

BECAUSE THE CHARACTERISTICS OF THE CLASS B CERTIFICATES MAY NOT MEET THE REQUIREMENTS OF THE EXEMPTION OR ANY OTHER ISSUED EXEMPTION UNDER ERISA, THE PURCHASE AND HOLDING OF THE CLASS B CERTIFICATES BY A PLAN OR BY INDIVIDUAL RETIREMENT ACCOUNTS OR OTHER PLANS SUBJECT TO SECTION 4975 OF THE CODE MAY RESULT IN PROHIBITED TRANSACTIONS OR THE IMPOSITION OF EXCISE TAX OR CIVIL PENALTIES. CONSEQUENTLY, TRANSFERS OF THE CLASS B CERTIFICATES WILL NOT BE REGISTERED BY THE TRUSTEE UNLESS THE TRUSTEE RECEIVES: (I) A REPRESENTATION FROM THE TRANSFEREE OF SUCH CERTIFICATE, ACCEPTABLE TO AND IN FORM AND SUBSTANCE SATISFACTORY TO THE TRUSTEE, TO THE EFFECT THAT SUCH TRANSFEREE IS NOT AN EMPLOYEE BENEFIT PLAN SUBJECT TO SECTION 406 OF ERISA OR A PLAN OR ARRANGEMENT SUBJECT TO SECTION 4975 OF THE CODE, NOR A PERSON ACTING ON BEHALF OF ANY PLAN OR ARRANGEMENT NOR USING THE ASSETS OF ANY SUCH PLAN OR ARRANGEMENT TO EFFECT SUCH TRANSFER; (II) IF THE PURCHASER IS AN INSURANCE COMPANY, A REPRESENTATION THAT THE PURCHASER IS AN INSURANCE COMPANY WHICH IS PURCHASING SUCH CERTIFICATES WITH FUNDS CONTAINED IN AN "INSURANCE COMPANY GENERAL ACCOUNT" (AS SUCH TERM IS DEFINED IN SECTION V(E) OF PROHIBITED TRANSACTION CLASS EXEMPTION 95-60 ("PTCE 95-60")) AND THAT THE PURCHASE AND HOLDING OF SUCH CERTIFICATES ARE COVERED UNDER PTCE 95-60; OR (III) AN OPINION OF COUNSEL SATISFACTORY TO THE TRUSTEE THAT THE PURCHASE OR HOLDING OF SUCH CERTIFICATE BY A PLAN, ANY PERSON ACTING ON BEHALF OF A PLAN OR USING SUCH PLAN'S ASSETS WILL NOT RESULT IN THE ASSETS OF THE TRUST BEING DEEMED TO BE "PLAN ASSETS" AND, SUBJECT TO THE PROHIBITED TRANSACTION REQUIREMENTS OF ERISA AND THE CODE, WILL NOT SUBJECT THE TRUSTEE TO ANY OBLIGATION IN ADDITION TO THOSE UNDERTAKEN IN THE AGREEMENT. SUCH REPRESENTATION AS DESCRIBED ABOVE SHALL BE DEEMED TO HAVE BEEN MADE TO THE TRUSTEE BY THE TRANSFEREE'S ACCEPTANCE OF A CLASS B CERTIFICATE IN BOOK-ENTRY FORM. IN THE EVENT THAT SUCH REPRESENTATION IS VIOLATED, OR ANY ATTEMPT TO TRANSFER TO A PLAN OR PERSON ACTING ON BEHALF OF A PLAN OR USING SUCH PLAN'S ASSETS IS ATTEMPTED WITHOUT SUCH OPINION OF COUNSEL, SUCH ATTEMPTED TRANSFER OR ACQUISITION SHALL BE VOID AND OF NO EFFECT.

Any Plan fiduciary considering whether to purchase any Offered Certificates on behalf of a Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code to such investment. Among other things, before purchasing any Offered Certificates, a fiduciary of a Plan subject to the fiduciary responsibility provisions of ERISA or an employee benefit plan subject to the prohibited transaction provisions of the Code should make its own determination as to the availability of the exemptive relief provided in the Exemption, and also consider the availability of any other prohibited transaction exemptions.

#### LEGAL INVESTMENT CONSIDERATIONS

The Offered Certificates will NOT constitute "mortgage related securities" for purposes of the Secondary Mortgage Market Enhancement Act of 1984 ("SMMEA"). Accordingly, many institutions with legal authority to invest in comparably rated securities may not be legally authorized to invest in the Offered Certificates. See "LEGAL INVESTMENT" in the Prospectus.

S-62

#### UNDERWRITING

Subject to the terms and conditions set forth in the underwriting agreement, dated March 19, 1999 (the "Underwriting Agreement"), among the Seller and the Underwriters named below (the "Underwriters"), the Seller has agreed to sell to the Underwriters and each of the Underwriters has severally agreed to purchase from the Seller the principal amount of Offered Certificates set forth below under such Underwriter's name.

<TABLE>  
<CAPTION>

CLASS	NATIONSBANC MONTGOMERY SECURITIES LLC	LEHMAN BROTHERS INC.	CREDIT SUISSE FIRST BOSTON CORPORATION	FIRST UNION CAPITAL MARKETS CORP.
<S>	<C>	<C>	<C>	<C>
Class A-1F.....	\$ 36,960,000	\$ 27,720,000	\$ 18,480,000	\$ 9,240,000
Class A-2F.....	28,680,000	21,510,000	14,340,000	7,170,000
Class A-3F.....	13,920,000	10,440,000	6,960,000	3,480,000
Class A-4F.....	20,840,000	15,630,000	10,420,000	5,210,000
Class A-5F.....	10,300,000	7,725,000	5,150,000	2,575,000
Class A-6F.....	12,800,000	9,600,000	6,400,000	3,200,000
Class A-1A.....	17,600,000	13,200,000	8,800,000	4,400,000
Class A-2A.....	4,400,000	3,300,000	2,200,000	1,100,000
Class B.....	4,500,000	3,375,000	2,250,000	1,125,000
Total.....	\$150,000,000	\$ 112,500,000	\$ 75,000,000	\$37,500,000

</TABLE>

The Seller has been advised that the Underwriters propose initially to offer the Offered Certificates to certain dealers at such price less a selling concession not to exceed the applicable percentage of the Certificate denomination set forth below, and that the Underwriters may allow and such dealers may reallocate a reallocation discount not to exceed the applicable percentage of the Certificate denomination set forth below:

<TABLE>

<CAPTION>

CLASS	SELLING CONCESSION	REALLOWANCE DISCOUNT
<S>	<C>	<C>
Class A-1F.....	0.1200 %	0.0400 %
Class A-2F.....	0.1650 %	0.0550 %
Class A-3F.....	0.1800 %	0.0600 %
Class A-4F.....	0.2100 %	0.0700 %
Class A-5F.....	0.3000 %	0.1000 %
Class A-6F.....	0.2100 %	0.0700 %
Class A-1A.....	0.1500 %	0.0500 %
Class A-2A.....	0.1650 %	0.0550 %
Class B.....	0.4020 %	0.1340 %

</TABLE>

After the initial public offering, the public offering prices, such concessions and such discounts may be changed.

Distribution of the Notional Amount Certificates will be made by NationsBanc Montgomery Securities LLC from time to time in negotiated transactions or otherwise at varying prices to be determined at the time of sale. Proceeds to the Seller from the Notional Amount Certificates are expected to be approximately \$11,168,039 plus accrued interest, before deducting a portion of the total expenses payable by the Seller which total is estimated to be a total of \$500,000. In connection with the purchase and sale of the Notional Amount Certificates, NationsBanc Montgomery Securities LLC may be deemed to have received compensation from the Seller in the form of underwriting discounts and commissions.

The Seller has been advised by the Underwriters that they presently intend to make a market in the Offered Certificates. However, no Underwriter is obligated to do so, any market-making may be discontinued at any time, and there can be no assurance that an active public market for any Class of Offered Certificates will develop or if one does develop, that it will continue for the life of the applicable Class or that it will provide Certificateholders with a sufficient level of liquidity of investment.

Until the distribution of the Offered Certificates is completed, rules of the Securities and Exchange Commission may limit the ability of the Underwriters and certain selling group members to bid for and purchase the Offered Certificates, other than the Class IOF Certificates. As an exception to these rules, the

S-63

Underwriters are permitted to engage in certain transactions that stabilize the prices of the Offered Certificates, other than the Class IOF Certificates. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of such Offered Certificates.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases.

Neither the Seller nor any of the Underwriters makes any representation or

prediction as to the direction or magnitude of any effect that the transactions described above may have on the prices of the related Offered Certificates. In addition, neither the Seller nor any of the Underwriters makes any representation that the Underwriters will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

Immediately prior to the sale of the Mortgage Loans to the Trust, the Mortgage Loans were subject to financing provided by affiliates of certain of the Underwriters. The Seller will apply a portion of the proceeds it receives from the sale of the Offered Certificates to repay such financing.

The Underwriting Agreement provides that the Seller will indemnify the Underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933, as amended.

EXPERTS

The consolidated balance sheets of MBIA Insurance Corporation and Subsidiaries as of December 31, 1997 and December 31, 1996 and the related consolidated statements of income, changes in shareholder's equity and cash flows for each of the three years in the period ended December 31, 1997, incorporated by reference in this Prospectus Supplement, have been incorporated herein in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of that firm as experts in accounting and auditing.

LEGAL MATTERS

Certain legal matters with respect to the Offered Certificates will be passed upon for the Seller and Servicer by Stroock & Stroock & Lavan LLP, New York, New York, and for the Underwriters by Brown & Wood LLP, New York, New York. Certain legal matters will be passed upon for the Certificate Insurer by Kutak Rock, Omaha, Nebraska.

RATINGS

The Offered Certificates will be rated by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("S&P") and Moody's Investors Service, Inc. ("Moody's") (each a "Rating Agency"). It is a condition to the issuance of the Offered Certificates that they receive ratings by the Rating Agencies as follows:

<TABLE>  
<CAPTION>

CLASS	S&P	MOODY'S
-----	----	-----
<S>	<C>	<C>
Class A-1F	AAA	Aaa
Class A-2F	AAA	Aaa
Class A-3F	AAA	Aaa
Class A-4F	AAA	Aaa
Class A-5F	AAA	Aaa
Class A-6F	AAA	Aaa
Class IOF	AAAr	Aaa
Class A-1A	AAA	Aaa
Class A-2A	AAA	Aaa
Class B	BBB-	Baa3

</TABLE>

The ratings assigned by S&P to mortgage pass-through certificates address the likelihood of the receipt of all distributions on the mortgage loans by the related Certificateholders under the agreements pursuant to which such certificates are issued. S&P's ratings take into consideration the credit quality of the related mortgage pool, including any credit support providers, structural and legal aspects associated with such

certificates, and the extent to which the payment stream on such mortgage pool is adequate to make the payments required by such certificates. S&P's ratings on such certificates do not, however, constitute a statement regarding frequency of prepayments on the related mortgage loans. The "r" symbol is appended to the rating by S&P of those Certificates that S&P believes may experience high volatility or high variability in expected returns due to non-credit risks. The absence of an "r" symbol in the ratings of the other Offered Certificates should not be taken as an indication that such Certificates will exhibit no volatility or variability in total return.

The ratings assigned by Moody's to mortgage pass-through certificates address the likelihood of the receipt of all distributions on the mortgage loans by the related certificateholders under the agreements pursuant to which such certificates are issued. Moody's ratings take into consideration the credit quality of the related mortgage pool, including any credit support providers, structural and legal aspects associated with such certificates, and the extent

to which the payment stream on the mortgage pool is adequate to make the payments required by such certificates. Moody's ratings on such certificates do not, however, constitute a statement regarding frequency of prepayments of the mortgage loans.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization. The ratings do not address the possibility that Holders of the Notional Amount Certificates may fail to recoup their initial investments or the likelihood that Holders of the Adjustable Rate Certificates will receive any LIBOR Carryover or the likelihood that Holders of the Class B Certificates will receive any Class B Cap Carryover. Each securities rating should be evaluated independently of similar ratings on different securities.

There can be no assurance as to whether any other rating agency will rate the Offered Certificates or, if it does, what rating would be assigned by such other rating agency. The rating assigned by such other rating agency to the Offered Certificates of any Class could be lower than the respective ratings assigned by the applicable Rating Agency.

S-65

INDEX OF PRINCIPAL TERMS

Set forth below are the pages on which certain principal terms are first defined. Additional defined terms can be found in GLOSSARY OF TERMS beginning on page 76 of the Prospectus.

<TABLE> <CAPTION> TERMS	PAGE
-----	
<S>	<C>
Additional Mortgage Loans.....	S-12
Adjustable Rate Certificates.....	S-3
Adjusted Senior Principal Distribution Amount.....	S-40
Agreement.....	S-11
Aggregate Principal Amount.....	S-40
ARM.....	S-12
Available Funds.....	S-40
Available Funds Cap.....	S-41
Available LIBOR Carryover Amount.....	S-41
Balloon Loans.....	S-12
Balloon Payment.....	S-12
Basic Principal Amount.....	S-41
BIF.....	S-53
Book-Entry Certificates.....	S-3
Business Day.....	S-46
Carryover Reserve Fund Deposit.....	S-54
CMAC.....	S-49
Cede.....	S-38
Cedelbank.....	S-38
Certificateholder.....	S-38
Certificate Group.....	S-3
Certificate Group A.....	S-3
Certificate Group Balance.....	S-37
Certificate Group F.....	S-3
Certificate Insurer.....	S-3
Certificate Insurer Default.....	S-40
Certificate Owners.....	S-38
Certificate Rates.....	S-4
Certificate Register.....	S-38
Certificate Registrar.....	S-38
Certificates.....	S-11
Change Date.....	S-12
Chase.....	S-38
Citibank.....	S-38
Class A-1A.....	S-1
Class A-1F.....	S-1
Class A-2A.....	S-1
Class A-2F.....	S-1
Class A-3F.....	S-1
Class A-4F.....	S-1
Class A-5F.....	S-1
Class A-6F.....	S-1
Class A-6F Percentage.....	S-41
Class A-6F Principal Distribution.....	S-41
Class B.....	S-1
Class B Cap Carryover.....	S-41
Class B Cap Fund.....	S-54
Class B Principal Distribution Amount.....	S-41
Class IOF.....	S-1
Class Interest Carryover Shortfall.....	S-41
Class Interest Distribution.....	S-42

Class Monthly Interest Amount.....	S-42
Class Principal Balance.....	S-37
Class Principal Carryover Shortfall.....	S-42
Closing Date.....	S-3
Code.....	S-58
CLTV.....	S-15
Collection Account.....	S-52

</TABLE>

<TABLE>	
<CAPTION>	
TERMS	PAGE

<S>	<C>
CPR.....	S-30
Credit Enhancement.....	S-6
Cumulative Loss Event.....	S-42
Custodian.....	S-3
Cut-off Date.....	S-3
Defective Mortgage Loan.....	S-51
Deficiency Amount.....	S-46
Delinquency Amount.....	S-42
Determination Date.....	S-53
Distribution Account.....	S-52
Distribution Date.....	S-3
DTC.....	S-38
Due Period.....	S-42
Eligible Account.....	S-52
Eligible Substitute Mortgage Loan.....	S-52
ERISA.....	S-61
Euroclear.....	S-38
European Depositories.....	S-38
Events of Default.....	S-55
Excess Funding Amount.....	S-42
Excess Interest.....	S-42
Excess Overcollateralization Amount.....	S-42
Excluded Plan.....	S-61
Exemption.....	S-61
Expense Fee Rate.....	S-26
Final Scheduled Distribution Dates.....	S-3
Final Withholding Regulations.....	S-60
Fiscal Agent.....	S-46
Fixed Rate Certificates.....	S-3
Foreign Investors.....	S-60
GAAP.....	S-50
Global Securities.....	S-70
Group A Certificates.....	S-3
Group A Principal Distribution Amount.....	S-42
Group A Subordination Increase Amount.....	S-42
Group F Certificates.....	S-3
Gross Margin.....	S-12
Guaranteed Principal Amount.....	S-46
Holder.....	S-38
Insured Payment.....	S-46
Interest Accrual Period.....	S-4
Interest Calculations.....	S-4
Interest Distributions.....	S-4
Interest Period.....	S-42
Interest Remittance Amount.....	S-43
LIBOR Business Day.....	S-45
LIBOR Carryover.....	S-43
LIBOR Carryover Fund.....	S-54
Lifetime Cap.....	S-12
Lifetime Floor.....	S-12
Liquidated Mortgage Loan.....	S-43
Loan Group.....	S-12
Loan Group A.....	S-4
Loan Group A Cap.....	S-43
Loan Group Balance.....	S-43
Loan Group F.....	S-4
Loan Group F Cap.....	S-43
Loan Index.....	S-12
Loan Rate.....	S-12
LTV.....	S-20
MBIA, Inc.....	S-49
Minimum Denominations.....	S-4
Monthly Advance.....	S-53

</TABLE>

<TABLE> <CAPTION> TERMS	PAGE
-----	
<S>	<C>
Moody's.....	S-64
Mortgaged Properties.....	S-12
Mortgage Loan Schedule.....	S-51
Mortgage Loans.....	S-12
Mortgage Note.....	S-12
Net Loan Rate.....	S-26
Nonrecoverable Advance.....	S-53
Norwest Bank.....	S-57
Notice.....	S-46
Notional Amount Certificates.....	S-4
Offered Certificates.....	S-4
OID.....	S-58
OID Regulations.....	S-58
Optional Termination Date.....	S-57
Overcollateralization Amount.....	S-43
Owner.....	S-46
Percentage Interest.....	S-37
Periodic Cap.....	S-12
Policies.....	S-11
Policy.....	S-45
Pool Balance.....	S-43
Preference Amount.....	S-46
Prepayment Assumption.....	S-30
Prepayment Interest Shortfall.....	S-54
Principal Balance.....	S-43
Principal Distribution Amount.....	S-43
Principal Distributions.....	S-4
PTCE 95-60.....	S-62
Purchase Price.....	S-51
Rating Agency.....	S-64
Record Date.....	S-38
Record Dates.....	S-3
Reference Bank Rate.....	S-44
Regular Interests.....	S-58
Related Documents.....	S-51
Relevant Depository.....	S-38
REMIC.....	S-6
REMIC Regular Certificates.....	S-58
Required Overcollateralization Amount.....	S-43
RESPA.....	S-10
Restricted Group.....	S-61
SAIF.....	S-53
SAP.....	S-50
S&P.....	S-64
Seller.....	S-3
Senior Certificates.....	S-4
Senior Enhancement Percentage.....	S-43
Senior Principal Distribution Amount.....	S-44
Servicer.....	S-3
Servicing Advance.....	S-53
Servicing Fee.....	S-54
Servicing Fee Rate.....	S-54
Six-Month LIBOR.....	S-12
SMMEA.....	S-62
Statistic Calculation Mortgage Loans.....	S-12
Stepdown Rate.....	S-44
Structuring Assumptions.....	S-30
Subordination Deficiency.....	S-44
Subordination Increase Amount.....	S-44
Substitution Adjustment.....	S-52
Successor Servicer.....	S-56
Telerate Page 3750.....	S-44
Trigger Event.....	S-44
</TABLE>	

<TABLE> <CAPTION> TERMS	PAGE
-----	
<S>	<C>
Trust.....	S-11
Trustee.....	S-3
2/28 Loans.....	S-12
3/27 Loans.....	S-12
Underwriters.....	S-63
Underwriting Agreement.....	S-63

ANNEX I  
GLOBAL CLEARANCE, SETTLEMENT AND TAX DOCUMENTATION PROCEDURES

Except in certain limited circumstances, the globally offered Home Equity Loan Asset-Backed Certificates, Series 1999-1 (the "Global Securities") will be available only in book-entry form. Investors in the Global Securities may hold such Global Securities through any of The Depository Trust Company ("DTC"), Cedelbank or Euroclear. The Global Securities will be tradeable as home market instruments in both the European and U.S. domestic markets. Initial settlement and all secondary trades will settle in same-day funds.

Secondary market trading between investors holding Global Securities through Cedelbank and Euroclear will be conducted in the ordinary way in accordance with their normal rules and operating procedures and in accordance with conventional eurobond practice (i.e., seven calendar day settlement).

Secondary market trading between investors holding Global Securities through DTC will be conducted according to the rules and procedures applicable to U.S. corporate debt obligations and prior Home Equity Loan Asset-Backed Certificates issues.

Secondary cross-market trading between Cedelbank or Euroclear and DTC Participants holding Certificates will be effected on a delivery-against-payment basis through the respective Depositories of Cedelbank and Euroclear (in such capacity) and as DTC Participants.

Non-U.S. holders (as described below) of Global Securities will be subject to U.S. withholding taxes unless such holders meet certain requirements and deliver appropriate U.S. tax documents to the securities clearing organizations or their participants.

INITIAL SETTLEMENT

All Global Securities will be held in book-entry form by DTC in the name of Cede & Co. as nominee of DTC. Investors' interests in the Global Securities will be represented through financial institutions acting on their behalf as direct and indirect Participants in DTC. As a result, Cedelbank and Euroclear will hold positions on behalf of their participants through their respective Depositories, which in turn will hold such positions in accounts as DTC Participants.

Investors electing to hold their Global Securities through DTC will follow the settlement practices applicable to prior Home Equity Loan Asset-Backed Certificates issues. Investor securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Investors electing to hold their Global Securities through Cedelbank or Euroclear accounts will follow the settlement procedures applicable to conventional eurobonds, except that there will be no temporary global security and no "lock-up" or restricted period. Global Securities will be credited to the securities custody accounts on the settlement date against payment in same-day funds.

SECONDARY MARKET TRADING

Since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading between DTC Participants. Secondary market trading between DTC Participants will be settled using the procedures applicable to prior Home Equity Loan Asset-Backed Certificates issues in same-day funds.

Trading between Cedelbank and/or Euroclear Participants. Secondary market trading between Cedelbank Participants or Euroclear Participants will be settled using the procedures applicable to conventional eurobonds in same-day funds.

Trading between DTC seller and Cedelbank or Euroclear purchaser. When Global Securities are to be transferred from the account of a DTC Participant to the account of a Cedelbank Participant or a Euroclear Participant, the purchaser will send instructions to Cedelbank or Euroclear through a Cedelbank Participant or Euroclear Participant at least one business day prior to settlement. Cedelbank or Euroclear will instruct the respective Depository, as the case may be, to receive the Global Securities against payment. Payment will

include interest accrued on the Global Securities from and including the last coupon payment date to and excluding the settlement date, on the basis of either the actual number of days in such accrual period and a year assumed to consist of 360 days or a 360-day year of twelve 30-day months as applicable to the related class of Global Securities. For transactions settling on the 31st of the month, payment will include interest accrued to and excluding the first day of the following month. Payment will then be made by the respective Depository of the DTC Participant's account against delivery of the Global Securities. After settlement has been completed, the Global Securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Cedelbank Participant's or Euroclear Participant's account. The securities credit will appear the next day (European time) and the cash debt will be back-valued to, and the interest on the Global Securities will accrue from, the value date (which would be the preceding day when settlement occurred in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Cedelbank or Euroclear cash debt will be valued instead as of the actual settlement date.

Cedelbank Participants and Euroclear Participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to preposition funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Cedelbank or Euroclear. Under this approach, they may take on credit exposure to Cedelbank or Euroclear until the Global Securities are credited to their accounts one day later.

As an alternative, if Cedelbank or Euroclear has extended a line of credit to them, Cedelbank Participants or Euroclear Participants can elect not to preposition funds and allow that credit line to be drawn upon the finance settlement. Under this procedure, Cedelbank Participants or Euroclear Participants purchasing Global Securities would incur overdraft charges for one day, assuming they cleared the overdraft when the Global Securities were credited to their accounts. However, interest on the Global Securities would accrue from the value date. Therefore, in many cases the investment income on the Global Securities earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each Cedelbank Participant's or Euroclear Participant's particular cost of funds.

Since the settlement is taking place during New York business hours, DTC Participants can employ their usual procedures for sending Global Securities to the respective European Depository for the benefit of Cedelbank Participants or Euroclear Participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC Participants a cross-market transaction will settle no differently than a trade between two DTC Participants.

Trading between Cedelbank or Euroclear Seller and DTC Purchaser. Due to time zone differences in their favor, Cedelbank Participants and Euroclear Participants may employ their customary procedures for transactions in which Global Securities are to be transferred by the respective clearing system, through the respective Depository, to a DTC Participant. The seller will send instructions to Cedelbank or Euroclear through a Cedelbank Participant or Euroclear Participant at least one business day prior to settlement. In these cases Cedelbank or Euroclear will instruct the respective Depository, as appropriate, to deliver the Global Securities to the DTC Participant's account against payment. Payment will include interest accrued on the Global Securities from and including the last coupon payment to and excluding the settlement date on the basis of either the actual number of days in such accrual period and a year assumed to consist of 360 days or a 360-day year of twelve 30-day months as applicable to the related class of Global Securities. For transactions settling on the 31st of the month, payment will include interest accrued to and excluding the first day of the following month. The payment will then be reflected in the account of the Cedelbank Participant or Euroclear Participant the following day, and receipt of the cash proceeds in the Cedelbank Participant's or Euroclear Participant's account would be back-valued to the value date (which would be the preceding day, when settlement occurred in New York). Should the Cedelbank Participant or Euroclear Participant have a line of credit with its respective clearing system and elect to be in debt in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft incurred over that one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Cedelbank Participant's or Euroclear Participant's account would instead be valued as of the actual settlement date.

Finally, day traders that use Cedelbank or Euroclear and that purchase Global Securities from DTC Participants for delivery to Cedelbank Participants or Euroclear Participants should note that these trades

S-71

would automatically fail on the sale side unless affirmative action were taken. At least three techniques should be readily available to eliminate this potential problem:



(a) borrowing through Cedelbank or Euroclear for one day (until the purchase side of the day trade is reflected in their Cedelbank or Euroclear accounts) in accordance with the clearing system's customary procedures;

(b) borrowing the Global Securities in the U.S. from a DTC Participant no later than one day prior to settlement, which would give the Global Securities sufficient time to be reflected in their Cedelbank or Euroclear account in order to settle the sale side of the trade; or

(c) staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the DTC Participant is at least one day prior to the value date for the sale to the Cedelbank Participant or Euroclear Participant.

#### CERTAIN U.S. FEDERAL INCOME TAX DOCUMENTATION REQUIREMENTS

A beneficial owner of Global Securities holding securities through Cedelbank or Euroclear (or through DTC if the holder has an address outside the U.S.) will be subject to the 30% U.S. withholding tax that generally applies to payments of interest (including original issue discount) on registered debt issued by U.S. Persons, unless (i) each clearing system, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business in the chain of intermediaries between such beneficial owner and the U.S. entity required to withhold tax complies with applicable certification requirements and (ii) such beneficial owner takes one of the following steps to obtain an exemption or reduced tax rate:

**Exemption for non-U.S. Persons (Form W-8).** Beneficial owners of Global Securities that are non-U.S. Persons can obtain a complete exemption from the withholding tax by filing a signed Form W-8 (Certificate of Foreign Status). If the information shown on Form W-8 changes, a new Form W-8 must be filed within 30 days of such change.

**Exemption for non-U.S. Persons with effectively connected income (Form 4224).** A non-U.S. Person, including a non-U.S. corporation or bank with a U.S. branch, for which the interest income is effectively connected with its conduct of a trade or business in the United States, can obtain an exemption from the withholding tax by filing Form 4224 (Exemption from Withholding of Tax on Income Effectively Connected with the Conduct of a Trade or Business in the United States).

**Exemption or reduced rate for non-U.S. Persons resident in treaty countries (Form 1001).** Non-U.S. Persons that are Certificate Owners residing in a country that has a tax treaty with the United States can obtain an exemption or reduced tax rate (depending on the treaty terms) by filing Form 1001 (Ownership, Exemption or Reduced Rate Certificate). If the treaty provides only for a reduced rate, withholding tax will be imposed at that rate unless the filer alternatively files Form W-8. Form 1001 may be filed by the Certificate Owners or his agent.

**Exemption for U.S. Persons (Form W-9).** U.S. Persons can obtain a complete exemption from the withholding tax by filing Form W-9 (Payer's Request for Taxpayer Identification Number and Certification).

**U.S. Federal Income Tax Reporting Procedure.** The Certificate Owner of a Global Security or, in the case of a Form 1001 or a Form 4224 filer, his agent, files by submitting the appropriate form to the person through whom it holds (the clearing agency, in the case of persons holding directly on the books of the clearing agency). Form W-8 and Form 1001 are effective for three calendar years and Form 4224 is effective for one calendar year.

The term "U.S. Person" means (i) a citizen or resident of the United States, (ii) a corporation or partnership (or other entity treated as a corporation or partnership for U.S. federal income tax purposes) organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is includible in gross income for United States tax purposes, regardless of its source (iv) or a trust if a court within the United States is able to exercise primary supervision of the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust. This summary does not deal with all aspects of U.S. Federal income tax withholding that may be relevant to foreign holders of the Global Securities or with the application of Treasury regulations relating to tax documentation requirements that are generally effective with respect to payments after December 31, 1999. Investors are advised to consult their own tax advisors for specific tax advice concerning their holding and disposing of the Global Securities.

ASSET-BACKED CERTIFICATES  
ASSET-BACKED NOTES  
(ISSUABLE IN SERIES)

-----  
DELTA FUNDING CORPORATION  
(SELLER AND SERVICER)  
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The Asset-Backed Certificates (the "Certificates") and the Asset-Backed Notes (the "Notes" and, collectively with the Certificates, the "Securities") described herein may be sold from time to time in one or more series (each, a "Series") in amounts, at prices and on terms to be determined at the time of sale and to be set forth in a supplement to this Prospectus (a "Prospectus Supplement"). Each series (each a "Series") of Securities will include either one or more classes of Certificates or, if Notes are issued as part of a Series, one or more Classes of Notes and one or more Classes of Certificates, as set forth in the related Prospectus Supplement. Certain capitalized terms used herein are defined in "GLOSSARY OF TERMS" beginning on page 76.

The Certificates of a Series will evidence undivided interests in certain assets deposited into a trust (each, a "Trust Fund") by Delta Funding Corporation (the "Seller") pursuant to a Pooling and Servicing Agreement or a Trust Agreement, as described herein. The Notes of a Series will be issued and secured pursuant to an Indenture and will represent indebtedness of the related Trust Fund. The Trust Fund for a Series of Securities will include (a) Primary Assets, which may include one or more pools of (i) closed-end home equity loans (the "Home Equity Loans"), secured by mortgages on one- to four-family residential or mixed-use properties, and (ii) securities ("Private Securities") backed or secured by Home Equity Loans (the "Underlying Loans"), (b) certain monies received or due thereunder on or after the date specified in the related Prospectus Supplement (the "Cutoff Date") net of certain amounts payable to Delta Funding Corporation, as servicer (the "Servicer") of the Home Equity Loans, (c) if specified in the related Prospectus Supplement, funds on deposit in one or more pre-funding accounts and/or capitalized interest accounts and (d) reserve funds, letters of credit, surety bonds, insurance policies or other forms of credit support as described herein and in the related Prospectus Supplement. Amounts on deposit in a pre-funding account for any Series will be used to purchase additional Home Equity Loans during the funding period specified in the related Prospectus Supplement in the manner specified therein. The amount initially deposited in a pre-funding account for a Series of Securities will not exceed fifty percent of the aggregate principal amount of such Series of Securities.

Each Series of Securities will be issued in one or more classes (each, a "Class"). Interest on and principal of the Securities of a Series will be payable on the date or dates specified in the related Prospectus Supplement (each, a "Distribution Date"), at the times, at the rates, in the amounts and in the order of priority set forth in the related Prospectus Supplement.

If a Series includes multiple Classes, such Classes may vary with respect to the amount, percentage (which may be 0%) and timing of distributions of principal, interest or both and one or more Classes may be subordinated to other Classes with respect to distributions of principal, interest or both as described herein and in the related Prospectus Supplement. The Primary Assets and other assets comprising the Trust Fund may be divided into one or more Asset Groups and each Class of the related Series will evidence beneficial ownership of the corresponding Asset Group, as applicable.

The rate of reduction of the aggregate principal balance of each Class of a Series may depend principally upon the rate of payment (including prepayments) with respect to the Home Equity Loans or Underlying Loans relating to the Private Securities, as applicable. A rate of prepayment lower or higher than anticipated will affect the yield on the Securities of a Series in the manner described herein and in the related Prospectus Supplement. Under certain limited circumstances described herein and in the related Prospectus Supplement, a Series of Securities may be subject to termination or redemption.

If specified in the related Prospectus Supplement, an election may be made to treat certain assets comprising the Trust Fund for a Series as a "real estate mortgage investment conduit" (a "REMIC") for federal income tax purposes. See "FEDERAL INCOME TAX CONSIDERATIONS."

There currently is no secondary market for the Securities. There can be no assurance that any such market will develop or, if it does develop, that it will continue.

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NOTES OF A GIVEN SERIES REPRESENT OBLIGATIONS OF, AND CERTIFICATES OF A SERIES EVIDENCE BENEFICIAL INTERESTS IN, THE RELATED TRUST FUND ONLY AND ARE NOT GUARANTEED BY ANY GOVERNMENTAL AGENCY OR BY THE SELLER, THE TRUSTEE, THE SERVICER OR BY ANY OF THEIR RESPECTIVE AFFILIATES OR, UNLESS OTHERWISE SPECIFIED IN THE RELATED PROSPECTUS SUPPLEMENT, BY ANY OTHER PERSON OR ENTITY. THE SELLER'S ONLY OBLIGATIONS WITH RESPECT TO ANY SERIES OF SECURITIES WILL BE PURSUANT TO CERTAIN REPRESENTATIONS AND WARRANTIES SET

FORTH IN THE RELATED AGREEMENT AS DESCRIBED HEREIN OR IN THE RELATED  
PROSPECTUS SUPPLEMENT.

SEE "RISK FACTORS" BEGINNING ON PAGE 13 FOR CERTAIN FACTORS  
TO BE CONSIDERED IN PURCHASING THE SECURITIES.

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 OR THE PROSPECTUS  
SUPPLEMENT. ANY REPRESENTATION TO THE  
CONTRARY IS A CRIMINAL OFFENSE.

Retain this Prospectus for future reference. This Prospectus may not be used  
to consummate sales of securities offered hereby unless accompanied by a  
Prospectus Supplement.

THE DATE OF THIS PROSPECTUS IS MARCH 25, 1999

#### PROSPECTUS SUPPLEMENT

The Prospectus Supplement relating to a Series of Securities to be offered hereunder will, among other things, set forth with respect to such Series of Securities: (i) the aggregate principal amount, interest rate, and authorized denominations of each Class of such Securities; (ii) certain information concerning the Primary Assets; (iii) the terms of any Enhancement (as defined herein) with respect to such Series; (iv) the terms of any insurance related to the Primary Assets; (v) information concerning any other assets in the related Trust Fund, including any Reserve Fund; (vi) the Final Scheduled Distribution Date (as defined herein) of each Class of such Securities; (vii) the method to be used to calculate the amount of interest and principal required to be applied to the Securities of each Class of such Series on each Distribution Date, the timing of the application of interest and principal and the order of priority of the application of such interest and principal to the respective Classes and the allocation of interest and principal to be so applied; (viii) the Distribution Dates and any Assumed Reinvestment Rate (as defined herein); (ix) the amount, if any, deposited in the Pre-Funding Account (as defined herein) available to purchase additional Home Equity Loans, the length of the Pre-Funding Period (as defined herein) and the criteria for determining which additional Home Equity Loans may become part of the Trust Fund; (x) additional information with respect to the plan of distribution of such Securities; and (xi) whether a REMIC election will be made with respect to some or all of the Trust Fund for such Series.

#### REPORTS TO HOLDERS

Periodic and annual reports concerning the related Trust Fund for a Series of Securities are required under the related Agreements to be forwarded to Holders. Unless otherwise specified in the related Prospectus Supplement, such reports will not be examined and reported on by an independent public accountant. If so specified in the Prospectus Supplement for a Series of Securities, such Series or one or more Classes of such Series will be issued in book-entry form. In such event, (i) owners of beneficial interests in such Securities will not be considered "Holders" under the Agreements and will not receive such reports directly from the related Trust Fund; rather, such reports will be furnished to such owners through the participants and indirect participants of the applicable book-entry system and (ii) references herein to the rights of "Holders" shall refer to the rights of such owners as they may be exercised indirectly through such participants. See "THE AGREEMENTS--Reports to Holders."

#### AVAILABLE INFORMATION

The Seller has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement under the Securities Act of 1933, as amended, with respect to the Securities. This Prospectus, which forms a part of the Registration Statement, and the Prospectus Supplement relating to each Series of Securities contain summaries of the material terms of the documents referred to herein and therein, but do not contain all of the information set forth in the Registration Statement pursuant to the Rules and Regulations of the Commission. For further information, reference is made to such Registration Statement and the exhibits thereto. Such Registration Statement and exhibits can be inspected and copied at prescribed rates at the public reference facilities maintained by the Commission at its Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549, and at its Regional Office located as follows, Midwest Regional Office, 500 West Madison Street, Chicago, Illinois 60661; and Northeast Regional Office, Seven World Trade Center, New York, New York 10048. The Commission maintains an Internet Web site that contains reports, proxy and information statements and other information regarding the registrants that file electronically with the Commission, including the Seller. The address of such Internet Web site is (<http://www.sec.gov>).

Each Trust Fund will be required to file certain reports with the Commission pursuant to the requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Seller intends to cause each Trust Fund to suspend filing such reports if and when such reports are no longer required under the Exchange Act.

No person has been authorized to give any information or to make any representation other than those contained in this Prospectus and any Prospectus Supplement with respect hereto and, if given or made, such information or representations must not be relied upon. This Prospectus and any Prospectus Supplement with respect hereto do not constitute an offer to sell or a solicitation of an offer to buy any securities other than the

2

Securities offered hereby and thereby nor an offer of the Securities to any person in any state or other jurisdiction in which such offer would be unlawful. The delivery of this Prospectus at any time does not imply that information herein is correct as of any time subsequent to its date.

#### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

All documents subsequently filed by or on behalf of the Trust Fund referred to in the accompanying Prospectus Supplement with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, after the date of this Prospectus and prior to the termination of any offering of the Securities issued by such Trust Fund shall be deemed to be incorporated by reference in this Prospectus and to be a part of this Prospectus from the date of the filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for all purposes of this Prospectus to the extent that a statement contained herein (or in the accompanying Prospectus Supplement) or in any other subsequently filed document which also is or is deemed to be incorporated by reference modifies or replaces such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Seller on behalf of any Trust Fund will provide without charge to each person to whom this Prospectus is delivered, on the written or oral request of such person, a copy of any or all of the documents referred to above that have been or may be incorporated by reference in this Prospectus (not including exhibits to the information that is incorporated by reference unless such exhibits are specifically incorporated by reference into the information that this Prospectus incorporates). Such requests should be directed to Corporate Secretary, Delta Funding Corporation, 1000 Woodbury Road, Woodbury, New York 11797 (telephone: 516-364-8500; facsimile: 516-364-9450).

3

#### SUMMARY OF TERMS

The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Prospectus and by reference to the information with respect to each Series of Securities contained in the Prospectus Supplement to be prepared and delivered in connection with the offering of Securities of such Series. Capitalized terms used and not otherwise defined herein or in the related Prospectus Supplement shall have the meanings set forth in the "GLOSSARY OF TERMS" beginning on page 76.

<TABLE>

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SECURITIES OFFERED..... Asset-Backed Certificates (the "Certificates") and Asset-Backed Notes (the "Notes"). Certificates are issuable from time to time in Series pursuant to a Pooling and Servicing Agreement or Trust Agreement. Each Certificate of a Series will evidence an interest in the Trust Fund for such Series, or in an Asset Group specified in the related Prospectus Supplement. Notes are issuable from time to time in a Series pursuant to an Indenture. Each Series of Securities will consist of one or more Classes, one or more of which may be Classes of Compound Interest Securities, Planned Amortization Class ("PAC") Securities, Variable Interest Securities, Zero Coupon Securities, Principal Only Securities, Interest Only Securities, Senior Securities or Subordinate Securities (each of which is generally described in the "GLOSSARY OF TERMS"). Each Class may differ in, among other things, the amounts allocated to and the priority of principal and interest payments, Final Scheduled Distribution Dates, Distribution Dates and interest rates. The Securities of each Class will be issued in fully

registered form in the denominations specified in the related Prospectus Supplement. If so specified in the related Prospectus Supplement, the Securities or certain Classes of such Securities offered thereby may be available in book-entry form only.

SELLER AND SERVICER..... Delta Funding Corporation, a New York corporation, with its principal executive offices located at 1000 Woodbury Road, Woodbury, New York 11797, and a telephone number of (516) 364-8500. See "THE SELLER AND THE SERVICER."

INTEREST PAYMENTS..... Interest payments on the Securities of a Series entitled by their terms to receive interest will be made on each Distribution Date, to the extent set forth in, and at the applicable rate specified in (or determined in the manner set forth in), the related Prospectus Supplement. The interest rate on Securities of a Series may be variable or change with changes in the rates of interest on the related Home Equity Loans or Underlying Loans relating to the Private Securities, as applicable and/or as prepayments occur with respect to such Home Equity Loans or Underlying Loans, as applicable. Interest Only Securities may be assigned a "Notional Amount" which is used solely for convenience in expressing the calculation of interest and for certain other purposes and does not represent the right to receive any distributions allocable to principal. Principal Only Securities may not be entitled to receive any interest payments or may be entitled to receive only nominal interest payments. Interest payable on the Securities of a Series on a Distribution Date will include all interest accrued during the period specified in the related Prospectus Supplement. See "DESCRIPTION OF THE SECURITIES--Payments of Interest."

PRINCIPAL PAYMENTS..... All payments of principal of a Series of Securities will be made in an aggregate amount determined as set forth in the related Prospectus Supplement and will be paid at the times and will be allocated among

</TABLE>

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<TABLE>

<S> <C>  
the Classes of such Series in the order and amounts, and will be applied either on a pro rata or a random lot basis among all Securities of any such Class, all as specified in the related Prospectus Supplement.

FINAL SCHEDULED

DISTRIBUTION DATE

OF THE SECURITIES..... The Final Scheduled Distribution Date with respect to each Class of Notes is the date no later than the date on which principal thereof will be fully paid and with respect to each Class of Certificates is the date after which no Certificates of such Class are expected to remain outstanding, in each case calculated on the basis of the assumptions applicable to such Series described in the related Prospectus Supplement. The Final Scheduled Distribution Date of a Class may equal the maturity date of the Primary Asset in the related Trust Fund which has the latest stated maturity or will be determined as described herein and in the related Prospectus Supplement.

The actual final Distribution Date of the Securities of a Series will depend primarily upon the rate of payment (including prepayments, liquidations due to default, the receipt of proceeds from casualty insurance policies and repurchases) of the Home Equity Loans or Underlying Loans relating to the Private Securities, as applicable, in the related Trust Fund. In general, the actual final Distribution Date of any Security is likely to occur earlier and may occur substantially earlier or, with respect to a Class of Certificates, may occur later than its Final Scheduled Distribution Date as a result of the application of prepayments to the reduction of the principal balances of the Securities and as a result of defaults on the Primary Assets. The rate of payments on the Home

Equity Loans or Underlying Loans relating to the Private Securities, as applicable, in the Trust Fund for a Series will depend on a variety of factors, including certain characteristics of such Home Equity Loans or Underlying Loans, as applicable, and the prevailing level of interest rates from time to time, economic, demographic, tax and legal factors and servicing decisions. No assurance can be given as to the actual prepayment experience with respect to a Series. See "RISK FACTORS--Yield May Vary" and "DESCRIPTION OF THE SECURITIES--Weighted Average Life of the Securities."

OPTIONAL TERMINATION..... The Seller, the Servicer, or such other entity that is specified in the related Prospectus Supplement, may, at its option, cause an early termination of one or more Classes of Securities by purchasing all or part of the Primary Assets remaining in the Trust Fund on or after a specified date, or on or after such time as the aggregate principal balance of the Securities of the Series or the Primary Assets relating to such Series, as specified in the related Prospectus Supplement, is less than the amount or percentage, not more than 25%, specified in the related Prospectus Supplement. See "DESCRIPTION OF THE SECURITIES--Optional Redemption, Purchase or Termination."

SECURITIES INVOLVE RISKS..... An investment in the Securities of any Series involves material risks and should only be considered by investors which, either alone or together with their investment advisors, have the ability to understand such risks. See "RISK FACTORS" beginning on page 13 herein.

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THE TRUST FUND..... The Trust Fund for a Series of Securities will consist of one or more of the assets described below, as described in the related Prospectus Supplement.

A. PRIMARY ASSETS..... The Primary Assets for a Series may consist of any combination of the following assets, to the extent and as specified in the related Prospectus Supplement.

(1) HOME EQUITY  
LOANS..... Primary Assets for a Series will consist, in whole or in part, of "closed-end" home equity loans (the "Home Equity Loans"). The Home Equity Loans may, as specified in the related Prospectus Supplement, have various payment characteristics, including balloon or other irregular payment features, and may accrue interest at a fixed rate or an adjustable rate. Some Home Equity Loans may be delinquent or non-performing as specified in the related Prospectus Supplement. The Home Equity Loans will be originated or acquired by the Seller in the ordinary course of its business. The Home Equity Loans will be nonconventional loans. Additional Home Equity Loans may be periodically added to the Trust Fund, or may be removed from time to time if certain asset tests are met, all as described herein under "THE TRUST FUNDS" and in the related Prospectus Supplement.

The Home Equity Loans will be secured by mortgages or deeds of trust or other similar security instruments creating a lien on a Mortgaged Property, which may be subordinated to one or more senior liens on such Mortgaged Property, as described herein under "THE TRUST FUNDS" and in the related Prospectus Supplement.

The related Prospectus Supplement will describe certain characteristics of the Home Equity Loans for a Series, including, without limitation, and to the extent relevant: (a) the aggregate unpaid principal balance of the Home Equity Loans; (b) the range and weighted average Home Equity Loan Rate on the Home Equity Loans and in the case of adjustable rate Home Equity Loans, the range and weighted average of the

Current Home Equity Loan Rates and the Lifetime Rate Caps, if any; (c) the range and the average outstanding principal balance of the Home Equity Loans; (d) the weighted average original and remaining term-to-stated maturity of the Home Equity Loans and the range of original and remaining terms-to-stated maturity, if applicable; (e) the range of Combined Loan-to-Value Ratios or Loan-to-Value Ratios, as applicable, of the Home Equity Loans, computed in the manner described in the related Prospectus Supplement; (f) the percentage (by principal balance as of the Cut-off Date) of Home Equity Loans that accrue interest at adjustable or fixed interest rates; (g) any enhancement relating to the Home Equity Loans; (h) the geographic distribution of the Mortgaged Properties securing the Home Equity Loans; (i) the use and type of each Mortgaged Property securing a Home Equity Loan; (j) the lien priority of the Home Equity Loans; and (k) the delinquency status and year of origination of the Home Equity Loans.

(2) PRIVATE

SECURITIES..... Primary Assets for a Series may consist, in whole or in part, of Private Securities which include (a) pass-through certificates representing beneficial interests in loans of the type that would otherwise be eligible to be Home Equity Loans (the "Underlying Loans") or (b) collateralized obligations secured by Underlying Loans. Such pass-through certificates or collateralized obligations: (i) will have been

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registered for sale under the Securities Act of 1933, as amended; (ii) will have been acquired in the secondary market and not in the initial offering thereof; (iii) will have been issued by an issuer which is not involved in the issuance of the related Series and which is not an affiliate of the Seller; and (iv) will be freely transferable under Rule 144(k) under the Securities Act of 1933, as amended, to the extent such rule is applicable to such securities. Although individual Underlying Loans may be insured or guaranteed by the United States or an agency or instrumentality thereof, they need not be, and the Private Securities themselves will not be so insured or guaranteed. See "THE TRUST FUNDS--Private Securities." Payments on the Private Securities will be distributed directly to the Trustee as registered owner of such Private Securities.  
The related Prospectus Supplement for a Series will specify (such disclosure may be on an approximate basis, as described above and will be as of the date specified in the related Prospectus Supplement) to the extent relevant and to the extent such information is reasonably available to the Seller and the Seller reasonably believes such information to be reliable: (i) the aggregate approximate principal amount and type of any Private Securities to be included in the Trust Fund for such Series; (ii) certain characteristics of the Underlying Loans including (A) the payment features of such Underlying Loans (i.e., whether they are fixed rate or adjustable rate and whether they provide for fixed level payments, negative amortization or other payment features), (B) the approximate aggregate principal amount of such Underlying Loans which are insured or guaranteed by a governmental entity, (C) the servicing fee or range of servicing fees with respect to such Underlying Loans, (D) the minimum and maximum stated maturities of such Underlying Loans at origination, (E) the lien priority of such Underlying Loans, and (F) the delinquency status and year of origination of such Underlying Loans; (iii) the maximum original term-to-stated maturity of the Private Securities; (iv) the weighted average term-to-stated maturity of the Private Securities; (v) the pass-through or certificate rate or ranges thereof for the Private Securities; (vi) the sponsor or depositor of the Private Securities (the "PS Sponsor"), the servicer of the Private Securities (the "PS Servicer") and the trustee of the Private Securities (the "PS Trustee");

(vii) certain characteristics of Enhancement, if any, such as reserve funds, insurance policies, letters of credit or guarantees, relating to the Underlying Loans, or to such Private Securities themselves; (viii) the terms on which the Underlying Loans may, or are required to, be repurchased prior to stated maturity; and (ix) the terms on which substitute Underlying Loans may be delivered to replace those initially deposited with the PS Trustee. See "THE TRUST FUNDS--Private Securities--Additional Information."

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B. COLLECTION,  
CERTIFICATE  
AND DISTRIBUTION  
ACCOUNTS.....

All payments on or with respect to the Primary Assets for a Series, net of amounts permitted to be retained by the Servicer pursuant to the Agreement, will be remitted by the Servicer directly to an account (the "Collection Account" or the "Certificate Account") to be established for such Series. The Trustee will be required to apply a portion of the amount in the Collection Account or the Certificate Account, to the payment of certain amounts payable to the Servicer under the related Agreement and any other person specified in the Prospectus Supplement, and to deposit a portion of the amount in the Collection Account into one or more separate accounts (each, a "Distribution Account") to be established for such Series, each in the manner and at the times established in the related Prospectus Supplement. All amounts deposited in such Distribution Account (or, if there is no Distribution Account, amounts remaining in the Certificate Account) will be available for (i) application to the payment of principal of and interest on such Series of Securities (or such Class or Classes specified in the related Prospectus Supplement) on the next Distribution Date, (ii) the making of adequate provision for future payments on certain Classes of Securities and (iii) any other purpose specified in the related Prospectus Supplement. After applying the funds in the Collection Account or the Certificate Account as described above, any funds remaining in such Accounts may be paid over to the Servicer, the Seller, any provider of Enhancement with respect to such Series (an "Enhancer") or any other person entitled thereto in the manner and at the times established in the related Prospectus Supplement.

C. PRE-FUNDING AND  
CAPITALIZED  
INTEREST  
ACCOUNTS.....

A Trust Fund may include one or more segregated trust accounts (each, a "Pre-Funding Account") for the related Series. On the closing date for such a Series, a portion of the proceeds of the sale of the Securities of such Series (such amount, the "Pre-Funded Amount") will be deposited in the Pre-Funding Account and may be used to purchase additional Primary Assets during the period of time, not to exceed six months, specified in the related Prospectus Supplement (the "Pre-Funding Period"). The Primary Assets to be so purchased will be required to have certain characteristics specified in the related Prospectus Supplement. If any Pre-Funded Amount remains on deposit in the Pre-Funding Account at the end of the Pre-Funding Period, such amount will be applied in the manner specified in the related Prospectus Supplement to prepay the Classes of Notes and/or the Certificates of the applicable Series specified in the related Prospectus Supplement. The amount initially deposited in a Pre-Funding Account for a Series of Securities will not exceed fifty percent of the aggregate principal amount of such Series of Securities. The Seller will include information regarding the additional Primary Assets in a Current Report on Form 8-K to the extent such information, individually or in the aggregate, is material.



If a Pre-Funding Account is established, one or more segregated trust accounts (each, a "Capitalized Interest Account") may be established for the related Series. On the closing date for such Series, a portion of the proceeds of the sale of the Securities of such Series may be

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deposited in the Capitalized Interest Account and used to fund the excess, if any, of (x) the sum of (i) the amount of interest accrued on the Classes of Securities of such Series specified in the related Prospectus Supplement and (ii) if specified in the related Prospectus Supplement, certain fees or expenses during the Pre-Funding Period such as Trustee fees and credit enhancement fees, over (y) the amount of interest available therefor from the Primary Assets in the Trust Fund. If so specified in the related Prospectus Supplement, amounts on deposit in the Capitalized Interest Account may be released to the Seller prior to the end of the Pre-Funding Period subject to the satisfaction of certain tests specified in the related Prospectus Supplement. Any amounts on deposit in the Capitalized Interest Account at the end of the Pre-Funding Period that are not necessary for such purposes will be distributed to the person specified in the related Prospectus Supplement.

ENHANCEMENT..... If and to the extent specified in the related Prospectus Supplement, enhancement with respect to a Series or any Class of Securities may include any one or more of the following: a financial guaranty insurance policy, overcollateralization, a letter of credit, a cash reserve fund, insurance policies, one or more Classes of Subordinate Securities, derivative products or other forms of credit enhancement, or any combination thereof (collectively, "Enhancement"). The Enhancement with respect to any Series or any Class of Securities may be structured to provide protection against delinquencies and/or losses on the Primary Assets, against changes in interest rates, or other risks, to the extent and under the conditions specified in the related Prospectus Supplement. Any form of Enhancement will have certain limitations and exclusions from coverage thereunder, which will be described in the related Prospectus Supplement. Further information regarding any Enhancer, including financial information when material, will be included in the related Prospectus Supplement. See "ENHANCEMENT."

With respect to any Series of Securities including one or more Classes of Notes, distributions in respect of the Certificates may be subordinated in priority of payment to payments on the Notes, to the extent specified in the related Prospectus Supplement.

CREDIT QUALITY OF  
HOME EQUITY LOANS..... Throughout its operating history, the Seller has focused on lending to individuals who generally have impaired or limited credit profiles or higher debt to income ratios and who typically have substantial equity in their homes. See "RISK FACTORS--Underwriting Standards May Affect Performance" and "THE SELLER AND THE SERVICER--General" and "--Underwriting" herein. The Seller has in the past and will in the future change its underwriting guidelines and procedures when, in its business judgment, competition or other conditions in its market so warrant. As a result, Home Equity Loans originated at different times may reflect different underwriting guidelines and be of different credit quality. However, any such differences will be reflected in the levels of Enhancement for the related Series of Securities.

SERVICING..... The Servicer will be responsible for servicing, managing and making collections on the Home Equity Loans for a Series. In addition, the Servicer, if so

specified in the related Prospectus Supplement, will act

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as custodian and will be responsible for maintaining custody of the Home Equity Loans and related documentation on behalf of the Trustee. Advances with respect to delinquent payments of principal and/or interest on a Home Equity Loan ("Delinquency Advances") will be made by the Servicer if and only to the extent described in the related Prospectus Supplement. Such advances will be intended to provide liquidity only and will be reimbursable to the Servicer to the extent specified in the related Prospectus Supplement, from scheduled payments of principal and/or interest, late collections, or from the proceeds of liquidation of the related Home Equity Loans or from other recoveries relating to such Home Equity Loans (including any insurance proceeds or payments from other credit support) or, to the extent specified in the related Prospectus Supplement, from payments or proceeds from other Home Equity Loans. If and to the extent specified in the related Prospectus Supplement, the Servicer will be entitled to advance its own funds to pay for any related expenses of foreclosure and disposition of any liquidated Home Equity Loan or related Mortgaged Property (the "Servicer Advances"). See "SERVICING OF LOANS--Advances and Limitations Thereon." The Servicer will be entitled to be reimbursed for any such Servicer Advances as specified in the related Prospectus Supplement. In performing these functions, the Servicer will exercise the same degree of skill and care that it customarily exercises with respect to similar Home Equity Loans owned or serviced by it. Under certain limited circumstances, the Servicer may resign or be removed, in which event either the Trustee or a third-party servicer will be appointed as successor servicer. The Servicer will receive a periodic fee as servicing compensation (the "Servicing Fee") and may, as specified in the related Prospectus Supplement, receive certain additional compensation. See "SERVICING OF LOANS--Servicing Compensation and Payment of Expenses."

FEDERAL INCOME TAX  
CONSIDERATIONS  
A. DEBT SECURITIES AND  
REMIC RESIDUAL  
SECURITIES.....

If (i) an election is made to treat all or a portion of a Trust Fund for a Series as a "real estate mortgage investment conduit" (a "REMIC") or (ii) so provided in the related Prospectus Supplement, a Series of Securities will include one or more Classes of taxable debt obligations under the Internal Revenue Code of 1986, as amended (the "Code"). Stated interest with respect to such Classes of Securities will be reported by a Holder in accordance with the Holder's method of accounting except that, in the case of Securities constituting "regular interests" in a REMIC ("Regular Interests"), such interest will be required to be reported on the accrual method regardless of a Holder's usual method of accounting. Securities that are Compound Interest Securities, Zero Coupon Securities or Interest Only Securities will, and certain other Classes of Securities may, be issued with original issue discount that is not de minimis. In such cases, the Holder will be required to include original issue discount in gross income as it accrues, which may be prior to the receipt of cash attributable to such income. If a Security is issued at a premium, the Holder may be entitled to make an election to amortize such premium on a constant yield method. In the case of a REMIC election, a Class of Securities may be treated as REMIC "residual interests" ("Residual Interest"). A Holder of a

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Residual Interest will be required to include in its income its pro rata share of the taxable income of the REMIC. In certain circumstances, the Holder of a Residual Interest may have REMIC taxable income or tax liability attributable to REMIC taxable income for a particular period in excess of cash distributions for such period or have an after-tax return that is less than the after-tax return on comparable debt instruments. In addition, a portion (or, in some cases, all) of the income from a Residual Interest (i) except in certain circumstances with respect to a Holder classified as a thrift institution under the Code, may not be subject to offset by losses from other activities or investments, (ii) for a Holder that is subject to tax under the Code on unrelated business taxable income, may be treated as unrelated business taxable income and (iii) for a foreign holder, may not qualify for exemption from or reduction of withholding. In addition, (i) Residual Interests are subject to transfer restrictions and (ii) certain transfers of Residual Interests will not be recognized for federal income tax purposes. Further, individual holders are subject to limitations on the deductibility of expenses of the REMIC. See "FEDERAL INCOME TAX CONSIDERATIONS."

B. NON-REMIC  
PASS-THROUGH

SECURITIES..... If so specified in the related Prospectus Supplement, the Trust Fund for a Series will be treated as a grantor trust and will not be classified as an association taxable as a corporation for federal income tax purposes and Holders of Securities of such Series ("Pass-Through Securities") will be treated as owning directly rights to receive certain payments of interest or principal, or both, on the Primary Assets held in the Trust Fund for such Series. All income with respect to a Stripped Security (as defined herein) will be accounted for as original issue discount and, unless otherwise specified in the related Prospectus Supplement, will be reported by the Trustee on an accrual basis, which may be prior to the receipt of cash associated with such income.

C. OWNER TRUST

SECURITIES..... If so specified in the Prospectus Supplement, the Trust Fund will be treated as a partnership for purposes of federal and state income tax. Each Noteholder, by the acceptance of a Note of a given Series, will agree to treat such Note as indebtedness, and each Certificateholder, by the acceptance of a Certificate of a given Series, will agree to treat the related Trust Fund as a partnership in which such Certificateholder is a partner for federal income and state tax purposes. Alternative characterizations of such Trust Fund and such Certificates are possible, but would not result in materially adverse tax consequences to Certificateholders. See "FEDERAL INCOME TAX CONSIDERATIONS."

ERISA CONSIDERATIONS..... Subject to the considerations discussed under "ERISA CONSIDERATIONS" herein and in the related Prospectus Supplement, the Notes may be eligible for purchase by employee benefit plans. The related Prospectus Supplement will provide further information with respect to the eligibility of a Class of Certificates for purchase by employee benefit plans.

A fiduciary of any employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or the Code should carefully review with its own legal advisors whether the purchase or holding of Securities could give rise to a transaction

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prohibited or otherwise impermissible under ERISA or the Code. See "ERISA CONSIDERATIONS" herein and in the related Prospectus Supplement.

LEGAL INVESTMENT..... Unless otherwise specified in the related Prospectus Supplement, Securities of each Series offered by this Prospectus and the related Prospectus Supplement will not constitute "mortgage related securities" under the Secondary Mortgage Market Enhancement Act of 1984 ("SMMEA"). Investors whose investment authority is subject to legal restrictions should consult their own legal advisors to determine whether and to what extent the Securities constitute legal investments for them. See "LEGAL INVESTMENT."

RATINGS..... It will be a requirement for issuance of any Series that each Class of Securities offered by this Prospectus and the related Prospectus Supplement be rated by at least one Rating Agency in one of its four highest applicable rating categories. The rating or ratings applicable to Securities of each Series offered hereby and by the related Prospectus Supplement will be as set forth in the related Prospectus Supplement.

A securities rating should be evaluated independently of similar ratings on different types of securities. In general, a securities rating addresses the likelihood that Holders will receive the distributions to which they are entitled. A securities rating is not a recommendation to buy, hold or sell securities and does not address the effect that the rate of prepayments on the Home Equity Loans or Underlying Loans relating to Private Securities, as applicable, for a Series may have on the yield to investors in the Securities of such Series.

There is no assurance that the rating initially assigned to such Securities will not be subsequently lowered or withdrawn by the Rating Agency. In the event the rating initially assigned to any Securities is subsequently lowered for any reason, no person or entity will be obligated to provide any credit enhancement in addition to the Enhancement, if any, specified in the related Prospectus Supplement. See "RISK FACTORS--Ratings Are Not Recommendations."

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#### RISK FACTORS

Investors should consider, among other things, the following risk factors in connection with the purchase of the Securities.

**Lack of Secondary Market Limits Liquidity.** There will be no market for the Securities of any Series prior to the issuance thereof, and there can be no assurance that a secondary market will develop or, if it does develop, that it will provide Holders with liquidity of investment or will continue for the life of the Securities of such Series. See "PLAN OF DISTRIBUTION."

**Primary Assets Are Only Source of Repayment.** The Securities of a Series will be payable solely from the assets of the Trust Fund for such Securities and any related Enhancement. There will be no recourse to the Seller or any other person for any default on the Notes or any failure to receive distributions on the Certificates. Further, unless otherwise stated in the related Prospectus Supplement, at the times set forth in the related Prospectus Supplement, certain Primary Assets and/or any balance remaining in the Collection Account, Certificate Account or Distribution Account immediately after making all payments due on the Securities of such Series and other payments specified in the related Prospectus Supplement, may be promptly released or remitted to the Seller, the Servicer, the Enhancer or any other person entitled thereto and will no longer be available for making payments to Holders. Consequently, Holders of Securities of each Series must rely solely upon payments with respect to the Primary Assets and the other assets constituting the Trust Fund for a Series of Securities, including, if applicable, any amounts available pursuant to any Enhancement for such Series, for the payment of principal of and interest on the Securities of such Series.

Holders of Notes will be required under the Indenture to proceed only against the Primary Assets and other assets constituting the related Trust Fund in the case of a default with respect to such Notes and may not proceed against any assets of the Seller. There is no assurance that the market value of the

Primary Assets or any other assets for a Series will at any time be equal to or greater than the aggregate principal amount of the Securities of such Series then outstanding, plus accrued interest thereon. Moreover, upon an event of default under the Indenture for a Series of Notes and a sale of the assets in the Trust Fund or upon a sale of the assets of a Trust Fund for a Series of Certificates, the Trustee, the Servicer, if any, the Enhancer and any other service provider specified in the related Prospectus Supplement generally will be entitled to receive the proceeds of any such sale to the extent of unpaid fees and other amounts owing to such persons under the related Agreement prior to distributions to Holders of Securities. Upon any such sale, the proceeds thereof may be insufficient to pay in full the principal of and interest on the Securities of such Series.

Limited Protection Against Losses. Although any Enhancement is intended to reduce the risk of delinquent payments or losses to Holders entitled to the benefit thereof, the amount of such Enhancement will be limited, as set forth in the related Prospectus Supplement, and will decline and could be depleted under certain circumstances prior to the payment in full of the related Series of Securities. As a result Holders may suffer losses. See "ENHANCEMENT."

Yield May Vary. The yield to maturity experienced by a Holder of Securities may be affected by the rate of payment of principal of the Home Equity Loans or Underlying Loans relating to the Private Securities, as applicable. The timing of principal payments of the Securities of a Series will be affected by a number of factors, including the following: (i) the extent of prepayments of the Home Equity Loans or Underlying Loans relating to the Private Securities, as applicable; (ii) the manner of allocating principal payments among the Classes of Securities of a Series as specified in the related Prospectus Supplement; and (iii) the exercise by the party entitled thereto of any right of optional termination. See "DESCRIPTION OF THE SECURITIES--Weighted Average Life of the Securities." The rate of prepayments may be affected by the characteristics of the Home Equity Loans, such as the loans-to-value ratios, interest rates and purposes of such loans, the prevailing level of interest rates, demographic, tax, and legal factors and servicing decisions. Prepayments may also result from repurchases of Home Equity Loans or Underlying Loans relating to the Private Securities, as applicable, due to material breaches of the Seller's representations and warranties.

Interest payable on the Securities of a Series on a Distribution Date will include all interest accrued during the period specified in the related Prospectus Supplement. In the event interest accrues during the calendar month prior to a Distribution Date, the effective yield to Holders will be reduced from the yield that would otherwise be

13

obtainable if interest payable on the Security were to accrue through the day immediately preceding each Distribution Date, and the effective yield (at par) to Holders will be less than the indicated coupon rate. See "DESCRIPTION OF THE SECURITIES--Payments of Interest."

Underwriting Standards May Affect Performance. As described herein under "THE SELLER AND THE SERVICER--Underwriting," the Seller's underwriting standards generally are less stringent than those of Fannie Mae or Freddie Mac with respect to a borrower's credit history and in certain other respects. A borrower's past credit history may not preclude the Seller from making a loan; however, it generally will reduce the size (and consequently the Combined Loan-to-Value Ratio) of the loan that the Seller is willing to make. As a result of this approach to underwriting, the Home Equity Loans may experience higher rates of delinquencies, defaults and foreclosures than mortgage loans underwritten in a more traditional manner.

Junior Liens Create Additional Risk of Loss. If the Home Equity Loans in a Trust Fund are secured primarily by junior liens subordinate to the rights of the mortgagee under the related senior mortgage(s) or deed(s) of trust, the proceeds from any liquidation, insurance or condemnation proceedings will be available to satisfy the outstanding balance of such Home Equity Loans only to the extent that the claims of such senior mortgagees or beneficiaries have been satisfied in full, including any related foreclosure costs. In addition, a junior mortgagee may not foreclose on the Mortgaged Property securing a junior mortgage unless it forecloses subject to the senior mortgages, in which case it must either pay the entire amount due on the senior mortgages to the senior mortgagees at or prior to the foreclosure sale or undertake the obligation to make payments on the senior mortgages in the event the mortgagor is in default thereunder. The Trust Fund will not have any source of funds to satisfy the senior mortgages or deeds of trust or make payments due to the senior mortgagees or beneficiaries.

Property Values May Be Insufficient. There are several factors that could adversely affect the value of the Mortgaged Properties such that the outstanding balance of the related Home Equity Loan, together with any senior financing on the Mortgaged Properties, would equal or exceed the value of the Mortgaged Properties. Among the factors that could adversely affect the value of the Mortgaged Properties are an overall decline in the residential real estate

market in the areas in which the Mortgaged Properties are located or a decline in the general condition of the Mortgaged Properties as a result of failure of borrowers to maintain adequately the Mortgaged Properties or of natural disasters that are not necessarily covered by insurance, such as earthquakes and floods. Any such decline could extinguish the value of a junior interest in a Property before having any effect on the related senior interest therein. If such a decline occurs, the actual rates of delinquencies, foreclosure and losses on the junior Loans could be higher than those currently experienced in the mortgage and home improvement lending industry in general.

Insufficient Additional Primary Assets May Adversely Affect Yield. The ability of a Trust Fund to invest in additional Home Equity Loans during the related Pre-Funding Period will be dependant on the ability of the Seller to originate or acquire Home Equity Loans that satisfy the requirements for transfer to the Trust Fund specified in the related Prospectus Supplement. The ability of the Seller to originate or acquire such Loans will be affected by a variety of factors, including the prevailing level of market interest rates, unemployment levels and consumer perceptions of general economic conditions. If the principal balance of additional Primary Assets delivered to the Trust Fund during the Pre-Funding Period is less than the Pre-Funded Amount, the Holders of the Securities of the related Series will receive a prepayment of principal as and to the extent described in the related Prospectus Supplement. Any such principal prepayment may adversely affect the yield to maturity of the applicable Securities. Since prevailing interest rates are subject to fluctuation, there can be no assurance that investors will be able to reinvest such a prepayment at yields equaling or exceeding the yields on the related Securities. It is possible that the yield on any such reinvestment will be lower, and may be significantly lower, than the yield on the related Securities.

Potential Liability for Environmental Conditions. Real property pledged as security to a lender may be subject to certain environmental risks. Under the laws of certain states, contamination of a property may give rise to a lien on the property to assure the costs of clean-up. In several states, such a lien has priority over the lien of an existing mortgage or owner's interest against such property. In addition, under the laws of some states and under the federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), a lender may be liable, as an "owner" or "operator," for costs of addressing releases or

14

threatened releases of hazardous substances that require remedy at a property, if agents or employees of the lender have become sufficiently involved in the operations of the borrower, regardless of whether or not the environmental damage or threat was caused by a prior owner. A lender also risks such liability on foreclosure of the Mortgaged Property.

Consumer Protection Laws May Affect Loans. Applicable state laws generally regulate interest rates and other charges and require certain disclosures. In addition, other state laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, servicing and collection of the Loans. Depending on the provisions of the applicable law and the specific facts and circumstances involved, violations of these laws, policies and principles may limit the ability of the Servicer to collect all or part of the principal of or interest on the Loans, may entitle the borrower to a refund of amounts previously paid and, in addition, could subject the owner of the Home Equity Loan to damages and administrative enforcement.

The Loans are also subject to federal laws, including:

(i) the federal Truth in Lending Act and Regulation Z promulgated thereunder, which require certain disclosures to the borrowers regarding the terms of the Loans;

(ii) the Equal Credit Opportunity Act and Regulation B promulgated thereunder, which prohibit discrimination on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act, in the extension of credit;

(iii) the Americans with Disabilities Act, which, among other things, prohibits discrimination on the basis of disability in the full and equal enjoyment of the goods, services, facilities, privileges, advantages or accommodations of any place of public accommodation; and

(iv) the Fair Credit Reporting Act, which regulates the use and reporting of information related to the borrower's credit experience.

Violations of certain provisions of these federal laws may limit the ability of the Servicer to collect all or part of the principal of or interest on the Loans and in addition could subject the Trust Fund to damages and administrative enforcement. The Loans may be subject to the Home Ownership and Equity Protection Act of 1994 (the "Act") which amended the Truth in Lending Act

as it applies to mortgages subject to the Act. The Act requires certain additional disclosures, specifies the timing of such disclosures and limits or prohibits inclusion of certain provisions in mortgages subject to the Act. The Act also provides that any purchaser or assignee of a mortgage covered by the Act is subject to all of the claims and defenses which the borrower could assert against the original lender. The maximum damages that may be recovered under the Act from an assignee is the remaining amount of indebtedness plus the total amount paid by the borrower in connection with the Loan. If the Trust Fund includes Loans subject to the Act, it will be subject to all of the claims and defenses which the borrower could assert against the Seller. Any violation of the Act which would result in such liability would be a breach of the Seller's representations and warranties, and the Seller would be obligated to cure, repurchase or, if permitted by the Agreement, substitute for the Home Equity Loan in question. In addition, numerous other federal and state statutory provisions, including the federal bankruptcy laws, the Soldiers' and Sailors' Civil Relief Act of 1940 and state debtor relief laws, may also adversely affect the Servicer's ability to collect the principal of or interest on the Loans and also would affect the interests of the Securityholders in such Loans if such laws result in the Loans being uncollectible. See "CERTAIN LEGAL ASPECTS OF THE LOANS."

Insolvency of Seller May Cause Losses. The Seller intends that its transfer of the Primary Assets to a Trust Fund will constitute a sale, and the Seller and the Trust Fund will agree to treat each such transfer as a sale. In the event of the insolvency of the Seller, the trustee in bankruptcy or the Seller, as debtor-in-possession, may attempt to recharacterize such a sale as a loan by the Trust Fund to the Seller secured by the pledge of the related Primary Assets. If such an attempt were to be successful, Holders of Securities could receive a prepayment of all or part of their Securities. Any such prepayment would adversely affect the yield on such Securities and could result in a loss. Even if such an attempt were to be unsuccessful, Holders of Securities could experience delays in distributions which would adversely affect the yield on the related Securities.

15

Ratings Are not Recommendations. It will be a condition to the issuance of a Series of Securities that each Class be rated in one of the four highest rating categories by the Rating Agency identified in the related Prospectus Supplement. Any such rating would be based on, among other things, the adequacy of the value of the Primary Assets and any Enhancement with respect to such Series. In general, a securities rating addresses the likelihood that Holders will receive the distributions to which they are entitled. Such rating should not be deemed a recommendation to purchase, hold or sell Securities, inasmuch as it does not address market price or suitability for a particular investor and does not address the likelihood of prepayments or the possibility that investors may receive a lower than anticipated yield. There is also no assurance that any such rating will remain in effect for any given period of time or may not be lowered or withdrawn entirely by the Rating Agency if in its judgment circumstances in the future so warrant. In addition to being lowered or withdrawn due to any erosion in the adequacy of the value of the Primary Assets, such rating might also be lowered or withdrawn, among other reasons, because of an adverse change in the financial or other condition of an Enhancer or a change in the rating of such Enhancer's long term debt. Any such reduction or withdrawal in the rating assigned to the Securities may adversely affect the liquidity of and yield on such Securities.

#### THE SELLER AND THE SERVICER

##### GENERAL

Delta Funding Corporation, a New York corporation ("Delta" or the "Company") is a specialty consumer finance company that has engaged in originating, acquiring, selling and servicing home equity loans since 1982. Throughout its operating history, Delta has focused on lending to individuals who generally have impaired or limited credit profiles or higher debt to income ratios and typically have substantial equity in their homes. The Company makes loans to these borrowers for such purposes as debt consolidation, home improvement, refinancing or education, and these loans are primarily secured by first mortgages on one- to four-family residential properties.

Delta originates home equity loans through licensed mortgage brokers and other real estate professionals ("brokers") who submit loan applications on behalf of the borrower ("Brokered Loans"). Delta also purchases from approved mortgage bankers and financial institutions ("correspondents") loans that conform to Delta's underwriting guidelines ("Correspondent Loans"). During the 12 month period ended December 31, 1997, the Company has originated and purchased loans through a network of approximately 1,150 brokers and correspondents. The Company believes that it has a competitive advantage in serving brokers and correspondents in the nonconforming home equity market that stems from its substantial experience in this sector and its emphasis on providing quality service that is prompt, responsive and consistent. The 28 members of the Company's senior management have an average of over 14 years of nonconforming mortgage loan experience. The Company believes this industry- and

company-specific experience, coupled with the systems and programs it has developed over the past 16 years, enable the Company to provide quality services that include preliminary approval of most Brokered Loans and certain Correspondent Loans within one day, consistent application of its underwriting guidelines and funding or purchasing of loans within 14 to 21 days of preliminary approval. In addition, the Company seeks to establish and maintain productive relationships with its network of brokers and correspondents by servicing each one with a business development representative, a team of experienced underwriters and, in the case of Brokered Loans, a team of loan officers and processors who are assigned to specific brokers to process all applications submitted by each broker.

In February 1997, in an effort to broaden its origination sources and to expand its geographic presence, Delta's parent company, Delta Financial Corporation, acquired two related retail originators of home equity loans, Fidelity Mortgage Inc., based in Cincinnati, Ohio, and Fidelity Mortgage (Florida), Inc., based in West Palm Beach, Florida, and subsequently merged the two companies into Fidelity Mortgage Inc. ("Fidelity Mortgage"). Fidelity Mortgage develops retail loan leads primarily through its telemarketing system and its network of 15 retail offices located in Florida (3), Georgia, Illinois, Indiana, Missouri, North Carolina, Ohio (4), Pennsylvania (2) and Tennessee.

During its first 12 years of operation, Delta concentrated its efforts on serving brokers and correspondents primarily in New York, New Jersey and Pennsylvania. Commencing in 1995, the Company began to implement a program to expand its geographic focus into the New England, Mid-Atlantic, Midwest and Southeast regions. To

increase the size of its network of brokers and correspondents in these new markets and to provide better service, the Company operates a full service office in Atlanta, Georgia, staffed by two members of the Company's senior management who relocated; full processing offices in Chicago, Illinois and Warwick, Rhode Island; processing offices in Deerfield Beach, Florida and Cleveland, Ohio and business development offices in Delaware, Michigan (2), Missouri, New Jersey, Ohio, Pennsylvania, and Virginia. Total loan originations and purchases increased from \$287.8 million in 1995 to \$658.8 million in 1996 and \$1.25 billion in 1997. Of the total loan production during 1997, 38% was originated through the Company's broker network, 51% was purchased from its correspondent network and 11% was originated from its affiliate's retail network. The Company is not dependent on any single or affiliated group of brokers or correspondents.

As of December 31, 1997, Delta had 540 full and part-time employees. Delta's headquarters are located in approximately 120,000 square feet in a 230,000 square foot building located at 1000 Woodbury Road, Woodbury, New York 11797. Its telephone number is (516) 364-8500.

UNDERWRITING

All of Delta's brokers and correspondents are provided with the Company's underwriting guidelines. Loan applications received from brokers and correspondents are classified according to certain characteristics, including but not limited to: condition and location of the collateral, credit history of the applicant, ability to pay, loan-to-value ratio and general stability of the applicant in terms of employment history and time in residence. Delta has established classifications with respect to the credit profile of the applicant, and each loan is placed into one of four letter ratings "A" through "D", with subratings within those categories. Terms of loans made by Delta, as well as maximum loan-to-value ratios and debt-to-income ratios, vary depending on the classification of the applicant. Loan applicants with less favorable credit ratings are generally offered loans with higher interest rates and lower loan-to-value ratios than applicants with more favorable credit ratings. The general criteria used by Delta's underwriting staff in classifying loan applicants are set forth below.

UNDERWRITING CRITERIA OF DELTA FUNDING CORPORATION

<TABLE>

<CAPTION>

	"A" RISK	"B" RISK	"C" RISK	"D" RISK
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Credit profile.....	Excellent credit history	Good overall credit	Good to fair credit	Fair to poor credit
Existing mortgage history.....	Current at application time and a maximum of two 30-day late payments in the last 12 months	Current at application time and a maximum of four 30-day late payments in the last 12 months	Up to 30 days delinquent at application time and a maximum of four 30-day late payments, two 60-day late	90 days delinquent or more



			payments and one 90-day late payment in the last 12 months	
Other credit.....	Minor 30-day late items allowed with a letter of explanation; no open collection accounts, charge-offs, judgments	Some slow pays allowed but majority of credit and installment debt paid as agreed. Small isolated charge-offs, collections, or judgments allowed case-by-case	Slow pays, some open delinquencies allowed. Isolated charge-offs, collection accounts or judgments case-by-case	Not a factor. Derogatory credit must be paid with proceeds. Must demonstrate ability to pay
Bankruptcy filings...	Discharged more than three years prior to closing and excellent reestablished credit	Discharged more than two years prior to closing and excellent reestablished credit	Discharged more than one year prior to closing and good reestablished credit	May be open at closing, but must be paid off with proceeds
Debt Service to Income ratio.....	Generally 45% or less	Generally 50% or less	Generally 55% or less	Generally 55% or less
Maximum loan-to-value ratio:				
Owner-occupied.....	Generally 80% (up to 90%*) for a one- to four-family residence	Generally 80% (up to 85%*) for a one- to four-family residence	Generally 75% (up to 80%*) for a one- to four-family residence	Generally 65% (up to 70%*) for a one- to four-family residence

</TABLE>

<TABLE>  
<CAPTION>

	"A" RISK	"B" RISK	"C" RISK	"D" RISK
<S>	<C>	<C>	<C>	<C>
Non-owner occupied.....	Generally 70% (up to 80%*) for a one- to four-family residence	Generally 70% (up to 80%*) for a one- to four-family residence	Generally 65% (up to 75%*) for a one- to four-family residence	Generally 55% (up to 60%*) for a one- to four-family residence
Employment.....	Minimum 2 years employment in the same field	Minimum 2 years employment in the same field	No minimum required	No minimum required

</TABLE>

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\* On an exception basis

Delta uses the foregoing categories and characteristics as guidelines only. On a case-by-case basis, the Company may determine that the prospective borrower warrants an exception, if sufficient compensating factors exist. Examples of such compensating factors are: low loan-to-value ratio, low debt ratio, long-term stability of employment and/or residence, excellent payment history on past mortgages, or a significant reduction in monthly housing expenses.

Except for Balloon Loans, the mortgage loans originated by Delta have amortization schedules ranging from 5 years to 30 years, generally bear interest at fixed rates and require equal monthly payments which are due as of a scheduled day of each month which is fixed at the time of origination. Substantially all of Delta's mortgage loans are simple interest loans. Delta primarily purchases fixed rate loans which amortize over a period not to exceed 30 years. Delta also acquires and originates Balloon Loans, which generally provide for scheduled amortization over 30 years, but in some instances over 20 years, with a due date and a Balloon Payment at the end of the fifteenth year. The principal amounts of the loans purchased or originated by Delta generally range from a minimum of \$6,000 to a maximum of \$350,000. Delta generally does not acquire or originate any mortgage loans where the Combined Loan-to-Value Ratio exceeds 95%. The collateral securing loans acquired or originated by Delta are generally one- to four-family residences, including condominiums and townhomes, and such properties may or may not be occupied by the owner. It is Delta's policy not to accept commercial properties or unimproved land as collateral. However, Delta will accept mixed-use properties such as a property where more than 50% is used for residential purposes and the balance is used for commercial purposes. Delta does not purchase loans where any senior mortgage contains open-end advance, negative amortization or shared appreciation provisions.

Delta's mortgage loan program includes (i) a full documentation program for salaried borrowers and (ii) a non-income verification program for self-employed borrowers. Under the full documentation program, the total monthly debt obligations (which include principal and interest on the new loan and all other mortgages, loans, charge accounts and scheduled indebtedness) generally does not exceed 50% of the borrower's monthly gross income. A higher debt to income ratio

will be considered for a loan with a lower Combined Loan-to-Value Ratio, or with a combined total gross income greater than \$50,000 in conjunction with the loan applicant's favorable credit history, and each approval for such a loan will be supported by documentation. Loans to borrowers who are salaried employees must be supported by current employment information in addition to employment history. This information for salaried borrowers is verified based on written confirmation from employers, one or more pay-stubs, recent W-2 tax forms, recent tax returns or telephone confirmation from the employer. For Delta's non-income verification program, proof of self-employment in the same business plus proof of current self-employed status is required. Delta generally requires lower Combined Loan-to-Value Ratios with respect to loans made to self-employed borrowers.

Assessment of an applicant's ability and willingness to pay is one of the principal elements in distinguishing Delta's lending specialty from methods employed by traditional lenders, such as savings and loans and commercial banks. All lenders utilize debt ratios and loan-to-value ratios in the approval process. Many lenders simply use software packages to score an applicant for loan approval and fund the loan after auditing the data provided by the borrower. In contrast, Delta employs experienced non-conforming mortgage loan credit underwriters to scrutinize the applicant's credit profile and to evaluate whether an impaired credit history is a result of adverse circumstances or a continuing inability or unwillingness to meet credit obligations in a timely manner. Personal circumstances including divorce, family illnesses or deaths and temporary job loss due to layoffs and corporate downsizing will often impair an applicant's credit record.

Delta has a staff of 75 underwriters. With the exception of the Company's Atlanta, Georgia office, all underwriting functions are centralized in its Woodbury, New York office. Delta does not delegate underwriting authority to any broker or correspondent. Delta's Underwriting Department functions independently of its

18

Business Development and Mortgage Origination Departments and does not report to any individual directly involved in the origination process. No underwriter at Delta is compensated on an incentive or commission basis.

Delta has instituted underwriting checks and balances that are designed to ensure that every loan is reviewed and approved by a minimum of two underwriters, with certain higher loan amounts requiring a third approval. Management believes that by requiring each file be seen by a minimum of two underwriters, a high degree of accuracy and quality control is ensured throughout the underwriting process and before funding.

Delta's underwriting of every loan submitted consists not only of a thorough credit review, but also (i) a separate appraisal review conducted by Delta's Appraisal Review Department, and, (ii) a full compliance review, to ensure that all documents have been properly prepared, all applicable disclosures given in a timely fashion, and proper compliance with all federal and state regulations. Appraisals are performed by third party, fee-based appraisers or by the Company's staff appraisers and generally conform to current FNMA/FHLMC secondary market requirements for residential property appraisals. Each such appraisal includes, among other things, an inspection of the exterior of the subject property and, where available, data from sales within the preceding 12 months of similar properties within the same general location as the subject property. In addition, in certain situations, the Company also obtains broker price opinions from independent real estate agents.

Delta performs a thorough appraisal review on each loan prior to closing or prior to purchasing. While Delta recognizes that the general practice by conventional mortgage lenders is to perform only drive-by appraisals after closings, management believes this practice does not provide sufficient protection. In addition to reviewing each appraisal for accuracy, the Company accesses other sources to validate sales used in the appraisal to determine market value. These sources include: interfacing with Multiple Listing Services and Comps, Inc. to access current sales and listing information; its own in-house database which contains comparable sales from all appraisals ordered by Delta during the past eight years; and other sources for verification, including broker price opinions and market analyses by local real estate agents.

Post closing, in addition to its normal due diligence, the Company randomly selects one out of every ten appraisals, and performs a drive-by appraisal. This additional step gives the Company an added degree of comfort with respect to appraisers with which the Company has had limited experience. Delta actively tracks all appraisers from which it accepts appraisals for quality control purposes and does not accept work from appraisers who have not conformed to its review standards.

Upon completion of a broker loan's underwriting and processing, the closing of the loan is scheduled with a closing attorney or agent approved by Delta. The closing attorney or agent is responsible for completing the loan closing transaction in accordance with applicable law and Delta's operating procedures.

Title insurance that insures Delta's interest as mortgagee and evidence of adequate homeowner's insurance naming Delta as an additional insured party are required on all loans.

The Company performs a post-funding quality control review to monitor and evaluate the Company's loan origination policies and procedures. The Quality Control Department is separate from the Underwriting Department, and reports directly to a member of senior management.

At least 10% of all loan originations and purchases are subjected to a full quality control re-underwriting and review, the results of which are reported to senior management on a monthly basis. Discrepancies noted by the audit are analyzed and corrective actions are instituted. A typical quality control review currently includes: (a) obtaining a new drive-by appraisal for each property; (b) running a new credit report from a different credit report agency; (c) reviewing loan applications for completeness, signatures, and for consistency with other processing documents; (d) obtaining new written verification of income and employment; (e) obtaining new written verification of mortgage to re-verify any outstanding mortgages; and (f) analyzing the underwriting and program selection decisions. The quality control process is updated from time to time as the Company's policies and procedures change.

#### SERVICING

Delta has been servicing loans since its inception in 1982, and Delta has serviced or is servicing substantially all of the loans that it has originated or purchased. Servicing involves, among other things, collecting payments when due, remitting payments of principal and interest and furnishing reports to the current owners of the loans and enforcing such owners' rights with respect to the loans, including, recovering delinquent

19

payments, instituting foreclosure and liquidating the underlying collateral. As of December 31, 1997, Delta had a servicing portfolio of \$1.8 billion.

Delta services all loans out of its headquarters in Woodbury, New York, utilizing a leading "in-house" loan servicing system ("LSAMS") which it purchased in 1995. LSAMS replaced Delta's former "service bureau" loan servicing system, and has provided Delta with considerably more flexibility to adapt the system to Delta's specific needs as a nonconforming home equity lender. As such, Delta has achieved significant cost efficiencies by automating a substantial number of previously manual servicing procedures and functions since its conversion to LSAMS on July 1, 1995.

At the same time that it upgraded its primary servicing system, Delta purchased a default management sub-servicing system ("TPLS")--with separate "modules" for foreclosure, bankruptcy, and REO--to provide it with the ability to more efficiently monitor and service loans in default. These sub-servicing modules provide detailed tracking of all key events in foreclosure and bankruptcy on a loan-by-loan and portfolio-wide basis; the ability to track and account for all pre- and post-petition payments received in bankruptcy from the borrower and/or trustee; and the ability to monitor, market and account for all aspects necessary to liquidate an REO property after foreclosure. Additionally, Delta's Management Information Systems Department has created a market value analysis program to run with LSAMS, and provides Delta with the ability to monitor its equity position on a loan-by-loan and/or portfolio-wide basis.

Centralized controls and standards have been established by Delta for the servicing and collection of mortgage loans in its portfolio. Delta revises such policies and procedures from time to time in connection with changing economic and market conditions and changing legal and regulatory requirements.

Delta's collections policy is designed to identify payment problems sufficiently early to permit Delta to quickly address delinquency problems and, when necessary, to act to preserve equity in a preforeclosure property. Delta believes that these policies, combined with the experience level of independent appraisers engaged by Delta, help to reduce the incidence of charge-offs of a first or second mortgage loan.

Borrowers are billed on a monthly basis in advance of the due date. Collection procedures commence upon identification of a past due account by Delta's automated servicing system. If timely payment is not received, LSAMS automatically places the loan in the assigned collector's "auto queue" and collection procedures are generally initiated on the day immediately following the payment due date for chronic late payers, or the day immediately following the end of the grace period for those borrowers who usually pay within the grace period or shortly thereafter. LSAMS automatically queues up each loan in the assigned collector's "auto queue" at one of these two dates based upon a particular borrower's payment history over the prior 12 months. The account remains in the queue unless and until a payment is received, at which point LSAMS automatically removes the loan from that collector's auto queue until the next month's payment is due and/or becomes delinquent.

When a loan appears in a collector's auto queue, a collector will telephone to remind the borrower that a payment is due. Follow-up telephone contacts are attempted until the account is current or other payment arrangements have been made. Standard form letters are utilized when attempts to reach the borrower by telephone fail and/or, in some circumstances, to supplement the phone contacts. During the delinquency period, the collector will continue to contact the borrower. Company collectors have computer access to telephone numbers, payment histories, loan information and all past collection notes. All collection activity, including the date collection letters were sent and detailed notes on the substance of each collection telephone call, is entered into a permanent collection history for each account on LSAMS. Additional guidance with the collection process is derived through frequent communication with Delta's senior management.

For those loans in which collection efforts have been exhausted without success, the Pre-foreclosure Manager recommends the loans be sent to foreclosure at one of two Foreclosure Committee Meetings held each month. At each such committee meeting, the Pre-foreclosure Manager meets with the Foreclosure Manager and a member of the Executive Department, to determine whether foreclosure proceedings are appropriate, based upon their analysis of all relevant factors, including a market value analysis, reason for default and efforts by the borrower to cure the default.

Regulations and practices regarding the liquidation of properties (e.g., foreclosure) and the rights of a borrower in default vary greatly from state to state. As such, all foreclosures are assigned to outside counsel, located in the same state as the secured property. Bankruptcies filed by borrowers are similarly assigned to

20

appropriate local counsel. All aspects of foreclosures and bankruptcies are closely monitored by Delta through its TPLS sub-servicing loan system described above and through monthly status reports from attorneys.

Prior to foreclosure sale, Delta performs an in-depth market value analysis on all defaulted loans. This analysis includes: (i) a current valuation of the property obtained through a drive-by appraisal or broker's price opinion conducted by an independent appraiser and/or a broker from Delta's network of real estate brokers, complete with a description of the condition of the property, recent price lists of comparable properties, recent closed comparables, estimated marketing time and required or suggested repairs, and an estimate of the sales price; (ii) an evaluation of the amount owed, if any, for real estate taxes; (iii) an evaluation of the amount owed, if any, to a senior mortgagee; and (iv) estimated carrying costs, brokers' fee, repair costs and other related costs associated with real estate owned properties. Delta bases the amount it will bid at foreclosure sales on this analysis.

If Delta acquires title to a property at a foreclosure sale or otherwise, the REO Department immediately begins working the file by obtaining an estimate of the sale price of the property by sending at least two local real estate brokers to inspect the premises, and then hiring one to begin marketing the property. If the property is not vacant when acquired, local eviction attorneys are hired to commence eviction proceedings and/or negotiations are held with occupants in an attempt to get them to vacate without incurring the additional time and cost of eviction. Repairs are performed if it is determined that they will increase the net liquidation proceeds, taking into consideration the cost of repairs, the carrying costs during the repair period and the marketability of the property both before and after the repairs.

Delta's loan servicing software also tracks and maintains homeowners' insurance information and tax and insurance escrow information. Expiration reports are generated bi-weekly listing all policies scheduled to expire within the next 15 days. When policies lapse, a letter is issued advising the borrower of such lapse and notifying the borrower that Delta will obtain force-placed insurance at the borrower's expense. Delta also has an insurance policy in place that provides coverage automatically for Delta in the event that Delta fails to obtain force-placed insurance.

#### DELINQUENCY AND LOSS EXPERIENCE

The following table sets forth information relating to the delinquency and loss experience of Delta for its servicing portfolio of mortgage loans (including mortgage loans serviced for others) for the periods indicated.

The information in the tables below has not been adjusted to eliminate the effect of the significant growth in the size of Delta's mortgage loan portfolio during the periods shown. Accordingly, loss and delinquency as percentages of aggregate principal balance of mortgage loans serviced for each period would be higher than those shown if a group of mortgage loans were artificially isolated at a point in time and the information showed the activity only in that isolated group. However, since most of the mortgage loans in Delta's mortgage loan portfolio are not fully seasoned, the delinquency and loss information for such an isolated group would also be distorted to some degree since newly originated

loans have not been in existence long enough to give rise to some or all of the indicated periods of delinquency in the table.

DELTA FUNDING CORPORATION'S  
HISTORIC SERVICING PORTFOLIO INFORMATION

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
<S>	<C>	<C>	<C>
Total Outstanding Principal Balance (end of period).....	\$932,958,188	\$1,840,150,403	\$2,950,434,922
Average Outstandings(1).....	\$667,368,565	\$1,376,108,923	\$2,436,343,233
DELINQUENCY			
30-59 Days:			
Principal Balance.....	\$ 54,582,550	\$ 90,052,724	\$ 153,726,410
Percent of Delinquency by Dollar(2).....	5.85%	4.89%	5.2%
60-89 Days:			
Principal Balance.....	\$ 14,272,587	\$ 28,864,099	\$ 50,034,005
Percent of Delinquency by Dollar(2).....	1.53%	1.57%	1.7%
90 Days or More:			
Principal Balance.....	\$ 9,224,525	\$ 17,695,594	\$ 47,886,542
Percent of Delinquency by Dollar(2).....	0.99%	0.96%	1.6%
Total Delinquencies:			
Principal Balance.....	\$ 78,079,663	\$ 136,612,417	\$ 251,646,956
Percent of Delinquency by Dollar(2).....	8.37%	7.42%	8.5%
FORECLOSURES			
Principal Balance.....	\$ 34,765,638	\$ 85,500,439	\$ 145,678,781
Percent of Foreclosures by Dollar(2).....	3.73%	4.65%	4.9%
REO			
Principal Balance.....	\$ 5,672,811	\$ 10,292,208	\$ 18,811,007
Percent of REO by Dollar(2).....	0.61%	0.56%	0.6%
Gross Losses.....	\$ (3,223,525)	\$ (5,514,944)	\$ (10,324,682)
Recoveries.....	\$ 357,320	\$ 529,406	\$ 1,620,479
Net Losses on liquidated loans(3).....	\$ (2,866,204)	\$ (4,985,538)	\$ (8,703,996)
Percentage of Net Losses on liquidated loans (based on Average Outstanding Principal Balance) (4)...	0.43%	0.36%	0.36%

</TABLE>

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- (1) Calculated by summing the actual outstanding principal balances at the end of each month and dividing the total by the number of months in the applicable period.
  - (2) Percentages are expressed based upon the total outstanding principal balance as of the indicated date.
  - (3) Net Losses equal Gross Losses plus recoveries.
  - (4) For June 30, 1998, the percentage of Net Losses on liquidated loans is annualized.

Delta believes that the increase in Total Delinquencies (Percent of Delinquency by Dollar) from 1997 to 1998 is attributable primarily to a combination of (a) the seasoning of the loans in its servicing portfolio and (b) the reduction (on a percentage basis) in the size of the increase in the average servicing portfolio in 1998 (77% over 1997) from the increase in 1997 (106% over 1996).

While the above delinquency and foreclosure and loss experiences reflect Delta's experiences for the periods indicated, there can be no assurance that the delinquency and foreclosure and loss experiences on the Home Equity Loans will be similar. Accordingly, this information should not be considered to reflect the credit quality of the Home Equity Loans included in the Trust, or as a basis of assessing the likelihood, amount or severity of losses on the Home Equity Loans. The statistical data in the table is based on all of the loans in Delta's servicing portfolio. The Home Equity Loans may, in general, be more recently originated than, and are likely to have other characteristics which distinguish them from, the majority of the loans in Delta's servicing portfolio.

## GENERAL

Each Series of Notes will be issued pursuant to an indenture (the "Indenture") between the related Trust Fund and the entity named in the related Prospectus Supplement as trustee (the "Trustee") with respect to such Series. A form of Indenture has been filed as an exhibit to the Registration Statement of which this Prospectus forms a part. The Certificates will also be issued in Series pursuant to separate agreements (each, a "Pooling and Servicing Agreement" or a "Trust Agreement") among the Seller, the Servicer, if the Series relates to Loans, and the Trustee. A form of Pooling and Servicing Agreement has been filed as an exhibit to the Registration Statement of which this Prospectus forms a part. A Series may consist of both Notes and Certificates.

The following summaries describe the material provisions in the Agreements common to each Series of Securities. 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 Agreements and the Prospectus Supplement relating to each Series of Securities. Where particular provisions or terms used in the Agreements are referred to, the actual provisions (including definitions of terms) are incorporated herein by reference as part of such summaries.

Each Series of Securities will consist of one or more Classes of Securities, one or more of which may be Compound Interest Securities, Variable Interest Securities, PAC Securities, Zero Coupon Securities, Principal Only Securities or Interest Only Securities (each of which is generally described in the "GLOSSARY OF TERMS"). A Series may also include one or more Classes of Subordinate Securities. The Securities of each Series will be issued only in fully registered form, without coupons, in the authorized denominations for each Class specified in the related Prospectus Supplement. Upon satisfaction of the conditions, if any, applicable to a Class of a Series, as described in the related Prospectus Supplement, the transfer of the Securities may be registered and the Securities may be exchanged at the office of the Trustee specified in the Prospectus Supplement without the payment of any service charge other than any tax or governmental charge payable in connection with such registration of transfer or exchange. If specified in the related Prospectus Supplement, one or more Classes of a Series may be available in book-entry form only.

Unless otherwise provided in the related Prospectus Supplement, payments of principal of and interest on a Series of Securities will be made on the Distribution Dates specified in the related Prospectus Supplement (which may be different for each Class or for the payment of principal and interest) by check mailed to Holders of such Series, registered as such at the close of business on the record date specified in the related Prospectus Supplement applicable to such Distribution Dates at their addresses appearing on the security register, except that (a) payments may be made by wire transfer (which, unless otherwise specified in the related Prospectus Supplement, shall be at the expense of the Holder requesting payment by wire transfer) in certain circumstances described in the related Prospectus Supplement and (b) final payments of principal in retirement of each Security will be made only upon presentation and surrender of such Security at the office of the Trustee specified in the Prospectus Supplement. Notice of the final payment on a Security will be mailed to the Holder of such Security before the Distribution Date on which the final principal payment on any Security is expected to be made to the holder of such Security.

Payments of principal of and interest on the Securities will be made by the Trustee, or a paying agent on behalf of the Trustee, as specified in the related Prospectus Supplement. Unless otherwise provided in the related Prospectus Supplement, all payments with respect to the Primary Assets for a Series, together with reinvestment income thereon, amounts withdrawn from any Reserve Fund, and amounts available pursuant to any other Enhancement will be deposited directly into the Collection Account or the Certificate Account. If provided in the related Prospectus Supplement, such amounts may be net of certain amounts payable to the Servicer and any other person specified in the Prospectus Supplement. Such amounts thereafter may be deposited into the Distribution Account and will be available to make payments on the Securities of such Series on the next applicable Distribution Date. See "THE TRUST FUNDS--Collection, Certificate and Distribution Accounts."

## BOOK-ENTRY SECURITIES

If specified in the related Prospectus Supplement, one or more Classes of Securities may be issued in book-entry form (the "Book-Entry Securities"). Persons acquiring beneficial ownership interests in the Book-Entry Securities ("Owners") will hold their Securities through the Depository Trust Company ("DTC") in the United

States, or CEDEL Bank societe anonyme ("CEDEL") or the Euroclear System ("Euroclear") (in Europe) if they are participants of such systems, or indirectly through organizations which are participants in such systems. The Book-Entry Securities will be issued in one or more certificates which equal the

aggregate principal balance of the applicable Class or Classes of Securities and will initially be registered in the name of Cede & Co., the nominee of DTC. CEDEL and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in CEDEL's and Euroclear's names on the books of their respective depositaries which in turn will hold such positions in customers' securities accounts in the depositaries' names on the books of DTC. Citibank N.A. ("Citibank") will act as depositary for CEDEL and The Chase Manhattan Bank ("Chase") will act as depositary for Euroclear (in such capacities, individually the "Relevant Depositary" and collectively the "European Depositaries"). Except as described below, no person acquiring a Book-Entry Security will be entitled to receive a physical certificate representing such Security (a "Definitive Security"). Unless and until Definitive Securities are issued, it is anticipated that the only "Certificateholder" or Noteholder, as applicable, will be Cede & Co., as nominee of DTC. Owners are only permitted to exercise their rights indirectly through Participants and DTC.

The Owner's ownership of a Book-Entry Security will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (each, a "Financial Intermediary") that maintains the beneficial owner's account for such purpose. In turn, the Financial Intermediary's ownership of such Book-Entry Security will be recorded on the records of DTC (or of a participating firm that acts as agent for the Financial Intermediary, whose interest will in turn be recorded on the records of DTC, if the beneficial owner's Financial Intermediary is not a DTC participant and on the records of CEDEL or Euroclear, as appropriate).

Owners will receive all distributions of principal of, and interest on, the Book-Entry Securities from the Trustee through DTC and DTC participants. While the Book-Entry Securities are outstanding (except under the circumstances described below), under the rules, regulations and procedures creating and affecting DTC and its operations (the "Rules"), DTC is required to make book-entry transfers among Participants on whose behalf it acts with respect to the Securities and is required to receive and transmit distributions of principal of, and interest on, the Securities. Participants and indirect participants with whom Certificate Owners have accounts with respect to Securities are similarly required to make book-entry transfers and receive and transmit such distributions on behalf of their respective Owners. Accordingly, although Owners will not possess certificates, the Rules provide a mechanism by which Owners will receive distributions and will be able to transfer their interest.

Owners will not receive or be entitled to receive certificates representing their respective interests in the Securities, except under the limited circumstances described below. Unless and until Definitive Securities are issued, Owners who are not Participants may transfer ownership of Securities only through Participants and indirect participants by instructing such Participants and indirect participants to transfer Securities, by book-entry transfer, through DTC for the account of the purchasers of such Securities, which account is maintained with their respective Participants. Under the Rules and in accordance with DTC's normal procedures, transfers of ownership of Securities will be executed through DTC and the accounts of the respective Participants at DTC will be debited and credited. Similarly, the Participants and indirect participants will make debits or credits, as the case may be, on their records on behalf of the selling and purchasing Owners.

Because of time zone differences, credits of securities received in CEDEL or Euroclear as a result of a transaction with a Participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such securities settled during such processing will be reported to the relevant Euroclear or CEDEL Participants on such business day. Cash received in CEDEL or Euroclear as a result of sales of securities by or through a CEDEL Participant (as defined below) or Euroclear Participant (as defined below) to a DTC Participant will be received with value on the DTC settlement date but will be available in the relevant CEDEL or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between Participants will occur in accordance with DTC rules. Transfers between CEDEL Participants and Euroclear Participants will occur in accordance with their respective rules and operating procedures.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through CEDEL Participants or Euroclear Participants, on the other, will be effected in DTC

in accordance with DTC rules on behalf of the relevant European international clearing system by the Relevant Depositary; however, such cross market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the

transaction meets its settlement requirements, deliver instructions to the Relevant Depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. CEDEL Participants and Euroclear Participants may not deliver instructions directly to the European Depositories.

DTC, which is a New York-chartered limited purpose trust company, performs services for its participants, some of which (and/or their representatives) own DTC. In accordance with its normal procedures, DTC is expected to record the positions held by each DTC participant in the Book-Entry Certificates, whether held for its own account or as a nominee for another person. In general, beneficial ownership of Book-Entry Certificates will be subject to the rules, regulations and procedures governing DTC and DTC participants as in effect from time to time.

CEDEL is incorporated under the laws of Luxembourg as a professional depository. CEDEL holds securities for its participating organizations ("CEDEL Participants") and facilitates the clearance and settlement of securities transactions between CEDEL Participants through electronic book-entry changes in accounts of CEDEL Participants, thereby eliminating the need for physical movement of certificates. Transactions may be settled in CEDEL in any of 28 currencies, including United States dollars. CEDEL provides to its CEDEL Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. CEDEL interfaces with domestic markets in several countries. As a professional depository, CEDEL is subject to regulation by the Luxembourg Monetary Institute. CEDEL participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to CEDEL is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a CEDEL Participant, either directly or indirectly.

Euroclear was created in 1968 to hold securities for its participants ("Euroclear Participants") and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Transactions may be settled in any of 32 currencies, including United States dollars. Euroclear includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described above. Euroclear is operated by the Brussels, Belgium office of Morgan Guaranty Trust Company of New York (the "Euroclear Operator"), under contract with Euroclear Clearance Systems S.C., a Belgian cooperative corporation (the "Cooperative"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

The Euroclear Operator is the Belgian branch of a New York banking corporation which is a member bank of the Federal Reserve System. As such, it is regulated and examined by the Board of Governors of the Federal Reserve System and the New York State Banking Department, as well as the Belgian Banking Commission.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law (collectively, the "Terms and Conditions"). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants, and has no record of or relationship with persons holding through Euroclear Participants.

Distributions on the Book-Entry Securities will be made on each Distribution Date by the Trustee to DTC. DTC will be responsible for crediting the amount of such payments to the accounts of the applicable DTC participants in accordance with DTC's normal procedures. Each DTC Participant will be responsible for disbursing such payments to the Owners that it represents and to each Financial Intermediary for which it acts as agent. Each such Financial Intermediary will be responsible for disbursing funds to the Owners that it represents.



Under a book-entry format, Owners may experience some delay in their receipt of payments, since such payments will be forwarded by the Trustee to Cede. Distributions with respect to Securities held through CEDEL or Euroclear will be credited to the cash accounts of CEDEL Participants or Euroclear Participants in accordance with the relevant system's rules and procedures, to the extent received by the Relevant Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. Because DTC can only act on behalf of Financial Intermediaries, the ability of an Owner to pledge Book-Entry Securities to persons or entities that do not participate in the Depository system, or otherwise take actions in respect of such Book-Entry Securities, may be limited due to the lack of physical certificates for such Book-Entry Securities. In addition, issuance of the Book-Entry Securities in book-entry form may reduce the liquidity of such Securities in the secondary market since certain potential investors may be unwilling to purchase Securities for which they cannot obtain physical certificates.

Monthly and annual reports on the applicable Trust Fund will be provided to Cede, as nominee of DTC, and may be made available by Cede to Owners upon request, in accordance with the rules, regulations and procedures creating and affecting the Depository, and to the Financial Intermediaries to whose DTC accounts the Book-Entry Securities of such Owners are credited.

DTC has advised the Trustee that, unless and until Definitive Securities are issued, DTC will take any action permitted to be taken by the holders of the Book-Entry Securities under the Agreement only at the direction of one or more Financial Intermediaries to whose DTC accounts the Book-Entry Securities are credited, to the extent that such actions are taken on behalf of Financial Intermediaries whose holdings include such Book-Entry Securities. CEDEL or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by a Holder under the Agreement on behalf of a CEDEL Participant or Euroclear Participant only in accordance with its relevant rules and procedures and subject to the ability of the Relevant Depository to effect such actions on its behalf through DTC. DTC may take actions, at the direction of the related Participants, with respect to some Securities which conflict with actions taken with respect to other Securities.

Definitive Securities will be issued to Owners, or their nominees, rather than to DTC, only if (a) DTC or the Seller advises the Trustee in writing that DTC is no longer willing, qualified or able to discharge properly its responsibilities as nominee and depository with respect to the Book-Entry Securities and the Seller or the Trustee is unable to locate a qualified successor, (b) the Seller, at its sole option, elects to terminate a book-entry system through DTC or (c) after the occurrence of an Event of Default (as defined herein), Owners owning a majority in principal amount of the applicable Securities advise the Trustee and DTC through the Financial Intermediaries and the DTC participants in writing that the continuation of a book-entry system through DTC (or a successor thereto) is no longer in the best interests of Owners.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Trustee will be required to notify all applicable Owners of the occurrence of such event and the availability through DTC of Definitive Securities. Upon surrender by DTC of the global certificate or certificates representing the Book-Entry Securities and instructions for re-registration, the Trustee will issue Definitive Securities, and thereafter the Trustee will recognize the holders of such Definitive Securities as Certificateholders or Noteholders, as applicable, under the Agreement.

Although DTC, CEDEL and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of Securities among participants of DTC, CEDEL and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

Neither the Seller, the Servicer nor the Trustee will have any responsibility for any aspect of the records relating to or payments made on account of beneficial ownership interests of the Book-Entry Securities held by Cede & Co., as nominee for DTC, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

#### VALUATION OF THE PRIMARY ASSETS

If specified in the related Prospectus Supplement for a Series of Notes, each Primary Asset included in the related Trust Fund for a Series will be assigned an initial "Asset Value." Unless otherwise specified in the related Prospectus Supplement, at any time the Asset Value of the Primary Assets will be equal to the product of the Asset Value Percentage as set forth in the Indenture and the lesser of (a) the stream of remaining regularly scheduled payments on the Primary Assets, net, unless otherwise provided in the related Prospectus Supplement, of certain amounts payable as expenses, together with income earned on each such scheduled payment received through the day preceding the next Distribution Date at the Assumed Reinvestment Rate, if any, discounted to

present value at the highest interest rate on the Notes of such Series over periods equal to the interval between payments on the Notes, and (b) the then principal balance of the Primary Assets. Unless otherwise specified in the related Prospectus Supplement, the initial Asset Value of the Primary Assets will be at least equal to the principal amount of the Notes of the related Series at the date of issuance thereof.

The "Assumed Reinvestment Rate," if any, for a Series will be the highest rate permitted by the Rating Agency or a rate insured by means of a surety bond, guaranteed investment contract, or other arrangement satisfactory to the Rating Agency. If the Assumed Reinvestment Rate is so insured, the related Prospectus Supplement will set forth the terms of such arrangement.

#### PAYMENTS OF INTEREST

The Securities of each Class by their terms entitled to receive interest will bear interest (calculated, unless otherwise specified in the related Prospectus Supplement, on the basis of a 360 day year of twelve 30-day months) from the date and at the rate per annum specified, or calculated in the method described, in the related Prospectus Supplement. Interest on such Securities of a Series will be payable on the Distribution Date specified in the related Prospectus Supplement. If so specified in the related Prospectus Supplement, the Distribution Date for the payment of interest of a Class may be different from, or occur more or less frequently than, the Distribution Date for the payment of principal of such Class. The rate of interest on Securities of a Series may be variable or may change with changes in the annual percentage rates of the Loans or Underlying Loans relating to the Private Securities, as applicable, included in the related Trust Fund and/or as prepayments occur with respect to such Loans or Underlying Loans, as applicable. Principal Only Securities may not be entitled to receive any interest distributions or may be entitled to receive only nominal interest distributions. Any interest on Zero Coupon Securities that is not paid on the related Distribution Date will accrue and be added to the principal thereof on such Distribution Date.

Interest payable on the Securities on a Distribution Date will include all interest accrued during the period specified in the related Prospectus Supplement. In the event interest accrues during the calendar month preceding a Distribution Date, the effective yield to Holders will be reduced from the yield that would otherwise be obtainable if interest payable on the Securities were to accrue through the day immediately preceding such Distribution Date.

#### PAYMENTS OF PRINCIPAL

On each Distribution Date for a Series, principal payments will be made to the Holders of the Securities of such Series on which principal is then payable, to the extent set forth in the related Prospectus Supplement. Such payments will be made in an aggregate amount determined as specified in the related Prospectus Supplement and will be allocated among the respective Classes of a Series in the manner, at the times and in the priority set forth in the related Prospectus Supplement. The Holders of one or more Classes of Securities may have the right to request that principal distributions allocable to such Holder's Class of Securities be distributed to such Holder. If the requests of Holders exceed the amount of principal to be distributed, the requests generally will be filled in the order in which they were received. If the amount of principal to be distributed exceeds the amount of requests, the Trustee will select random lots of \$1,000 each to receive such principal distribution. Thus, some Holders of the applicable Class of Securities may receive no principal distributions or a disproportionate amount of such principal distributions. If so specified in the related Prospectus Supplement, the Distribution Date for the payment of principal of a Class may be different from, or occur more or less frequently than, the Distribution Date for the payment of interest for such Class.

27

#### FINAL SCHEDULED DISTRIBUTION DATE

The Final Scheduled Distribution Date with respect to each Class of Notes is the date no later than the date on which the principal thereof will be fully paid and with respect to each Class of Certificates will be the date on which the entire aggregate principal balance of such Class is expected to be reduced to zero, in each case calculated on the basis of the assumptions applicable to such Series described in the related Prospectus Supplement. The Final Scheduled Distribution Date for each Class of a Series will be specified in the related Prospectus Supplement. Since payments on the Primary Assets will be used to make distributions in reduction of the outstanding principal amount of the Securities, it is likely that the actual final Distribution Date of any such Class will occur earlier, and may occur substantially earlier, than its Final Scheduled Distribution Date. Furthermore, with respect to a Series of Certificates, as a result of delinquencies, defaults and liquidations of the Primary Assets in the Trust Fund, the actual final Distribution Date of any Certificate may occur later than its Final Scheduled Distribution Date. No assurance can be given as to the actual prepayment experience with respect to a Series. See "--Weighted Average Life of the Securities" below.

## SPECIAL REDEMPTION

If so specified in the Prospectus Supplement relating to a Series of Securities having other than monthly Distribution Dates, one or more Classes of Securities of such Series may be subject to special redemption, in whole or in part, on the day specified in the related Prospectus Supplement (a "Special Redemption Date") if, as a consequence of prepayments on the Loans or Underlying Loans, as applicable, relating to such Securities or low yields then available for reinvestment the entity specified in the related Prospectus Supplement determines, based on assumptions specified in the applicable Agreement, that the amount available for the payment of interest that will have accrued on such Securities (the "Available Interest Amount") through the designated interest accrual date specified in the related Prospectus Supplement is less than the amount of interest that will have accrued on such Securities to such date. In such event and as further described in the related Prospectus Supplement, the Trustee will redeem a principal amount of outstanding Securities of such Series as will cause the Available Interest Amount to equal the amount of interest that will have accrued through such designated interest accrual date for such Series of Securities outstanding immediately after such redemption.

## OPTIONAL REDEMPTION, PURCHASE OR TERMINATION

The Seller, the Servicer, or another entity designated in the related Prospectus Supplement may, at its option, cause an early termination of one or more Classes of Securities by purchasing all or part of the Primary Assets from such Trust Fund on or after a date specified in the related Prospectus Supplement, or on or after such time as the aggregate outstanding principal amount of the Securities or Primary Assets, as specified in the related Prospectus Supplement is less than the amount or percentage, not more than 25%, specified in the related Prospectus Supplement. In addition, if so specified in the related Prospectus Supplement upon certain events of insolvency or receivership of the Seller or another affiliated entity specified in the related Prospectus Supplement, the related Primary Assets of the Trust Fund will be liquidated and the Trust Fund will be terminated, subject to the conditions set forth in the related Prospectus Supplement. In each such event, the Securities of the related Series will experience a prepayment. The redemption, purchase or repurchase price will be set forth in the related Prospectus Supplement. If specified in the related Prospectus Supplement, in the event that a REMIC election has been made, the Trustee will receive a satisfactory opinion of counsel that the optional redemption, purchase or termination will be conducted so as to constitute a "qualified liquidation" under Section 860F of the Code.

## WEIGHTED AVERAGE LIFE OF THE SECURITIES

Weighted average life refers to the average amount of time that will elapse from the date of issue of a security until each dollar of principal of such security will be repaid to the investor. Unless otherwise specified in the related Prospectus Supplement, the weighted average life of a Class of the Securities will be influenced by the rate at which the amount financed under the Loans or Underlying Loans relating to the Private Securities, as applicable, included in the Trust Fund for a Series is paid, which may be in the form of scheduled amortization or prepayments.

28

Prepayments on loans and other receivables can be measured relative to a prepayment standard or model. The Prospectus Supplement for a Series of Securities will describe the prepayment standard or model, if any, used and may contain tables setting forth the weighted average life of each Class of Securities of such Series, and the percentage of the original principal amount of each Class of Securities of such Series that would be outstanding on specified Distribution Dates for such Series, in each case based on the assumptions stated in such Prospectus Supplement, including assumptions that prepayments on the Loans or Underlying Loans relating to the Private Securities, as applicable, included in the related Trust Fund are made at rates corresponding to various percentages of the prepayment standard or model specified in such Prospectus Supplement.

There is, however, no assurance that prepayment of the Loans or Underlying Loans relating to the Private Securities, as applicable, included in the related Trust Fund will conform to any level of any prepayment standard or model specified in the related Prospectus Supplement. The rate of principal prepayments on pools of loans may be influenced by a variety of factors, including job related factors such as transfers, layoffs or promotions and personal factors such as divorce, disability or prolonged illness. Economic conditions, either generally or within a particular geographic area or industry, also may affect the rate of principal prepayments. Demographic and social factors may influence the rate of principal prepayments in that some borrowers have greater financial flexibility to move or refinance than do other borrowers. The deductibility of mortgage interest payments, and servicing decisions also affect the rate of principal prepayments. As a result, there can be no assurance as to the rate or timing of principal prepayments of the Loans or Underlying Loans either from time to time or over the lives of such Loans or Underlying Loans.

The rate of prepayments of conventional housing loans and other receivables has fluctuated significantly in recent years. In general, however, if prevailing interest rates fall significantly below the interest rates on the Loans or Underlying Loans relating to the Private Securities, as applicable, for a Series, such loans are likely to prepay at rates higher than if prevailing interest rates remain at or above the interest rates borne by such loans. In this regard, it should be noted that the Loans or Underlying Loans, as applicable, for a Series may have different interest rates. In addition, the weighted average life of the Securities may be affected by the varying maturities of the Loans or Underlying Loans relating to the Private Securities, as applicable. If any Loans or Underlying Loans relating to the Private Securities, as applicable, for a Series have actual terms-to-stated maturity of less than those assumed in calculating the Final Scheduled Distribution Date of the related Securities, one or more Classes of the Series may be fully paid prior to their respective Final Scheduled Distribution Date, even in the absence of prepayments and a reinvestment return higher than the Assumed Reinvestment Rate.

#### THE TRUST FUNDS

##### GENERAL

The Notes of each Series will be secured by the pledge of the assets of the related Trust Fund, and the Certificates of each Series will represent interests in the assets of the related Trust Fund. The Trust Fund of each Series will include (i) the Primary Assets, (ii) amounts available from the reinvestment of payments on such Primary Assets at the Assumed Reinvestment Rate, if any, specified in the related Prospectus Supplement, (iii) any Enhancement or the rights thereto, (iv) any Mortgaged Property that secured a Home Equity Loan but which is acquired by foreclosure or deed in lieu of foreclosure or repossession and (v) the amount, if any, initially deposited in the Pre-Funding Account, Capitalized Interest Account, Collection Account, Certificate Account or Distribution Account for a Series as specified in the related Prospectus Supplement.

The Securities will be non-recourse obligations of the related Trust Fund. The assets of the Trust Fund specified in the related Prospectus Supplement for a Series of Securities, unless otherwise specified in the related Prospectus Supplement, will serve as collateral only for that Series of Securities. Holders of a Series of Notes may only proceed against such collateral securing such Series of Notes in the case of a default with respect to such Series of Notes and may not proceed against any assets of the Seller or the related Trust Fund not pledged to secure such Notes.

The Primary Assets for a Series will be transferred by the Seller to the Trust Fund. Loans relating to a Series will be serviced by the Servicer pursuant to a Pooling and Servicing Agreement, with respect to a Series consisting of only Certificates or a Sale and Servicing Agreement (each, a "Sale and Servicing Agreement") between the Seller, the Trust Fund and the Servicer, with respect to a Series that includes Notes.

29

As used herein, "Agreement" means, with respect to a Series of Certificates, the Pooling and Servicing Agreement or Trust Agreement, and with respect to a Series that includes Notes, the Indenture and the Sale and Servicing Agreement, as the context requires.

If so specified in the related Prospectus Supplement, a Trust Fund relating to a Series of Securities may be a business trust formed under the laws of the state specified in the related Prospectus Supplement pursuant to a trust agreement (each, a "Trust Agreement") between the Seller and the Trustee of such Trust Fund specified in the related Prospectus Supplement.

With respect to each Trust Fund, prior to the initial offering of the related Series of Securities, the Trust Fund will have no assets or liabilities. No Trust Fund is expected to engage in any activities other than acquiring, managing and holding the related Primary Assets and other assets contemplated herein and in the related Prospectus Supplement and the proceeds thereof, issuing Securities and making payments and distributions thereon and certain related activities. No Trust Fund is expected to have any source of capital other than its assets and any related Enhancement.

Primary Assets included in the Trust Fund for a Series may consist of any combination of Loans and Private Securities, to the extent and as specified in the related Prospectus Supplement.

An Agreement may provide that additional Home Equity Loans may be added to the Trust Fund if such Home Equity Loans were originated or acquired by the Seller in the ordinary course of its business, the inclusion of such Home Equity Loans will maintain or increase the level of overcollateralization and the inclusion of such Home Equity Loans will not result in the withdrawal or downgrading of the ratings then assigned to the Securities of the related

Series. In addition, an Agreement may provide that Home Equity Loans may be removed from a Trust Fund from time to time if the actual level of overcollateralization exceeds the amount of overcollateralization required to be maintained and such removal will not result in the withdrawal or downgrading of the ratings then assigned to the Securities of the related Series.

#### THE LOANS

The Primary Assets for a Series may consist, in whole or in part, of closed-end home equity loans (the "Home Equity Loans") secured by mortgages primarily on Single Family Mortgaged Properties which may be subordinated to other mortgages on the same Mortgaged Property. The Home Equity Loans may have fixed interest rates or adjustable interest rates and may provide for other payment characteristics as described below.

The full principal amount of a Home Equity Loan is advanced at origination of the loan and generally is repayable in equal (or substantially equal) installments of an amount sufficient to fully amortize such loan at its stated maturity. As more fully described in the related Prospectus Supplement, interest on each Home Equity Loan is calculated on the basis of the outstanding principal balance of such loan multiplied by the Home Equity Loan Rate thereon and, in the case of simple interest loans, further multiplied by a fraction, the numerator of which is the number of days in the period elapsed since the preceding payment of interest was made and the denominator is the number of days in the annual period for which interest accrues on such loan. Interest on Home Equity Loans also may be calculated on the actuarial basis, in which case each monthly payment consists of a decreasing amount of interest and an increasing amount of principal, and the payment either earlier or later than the due date therefor will not affect the relative applications of principal and interest. The Loans for a Series may include Home Equity Loans that do not amortize their entire principal balance by their stated maturity in accordance with their terms and require a balloon payment of the remaining principal balance at maturity, as specified in the related Prospectus Supplement. The original terms to stated maturity of Home Equity Loans will generally not exceed 360 months.

The Mortgaged Properties will include Single Family Property (i.e., one- to four-family residential housing, including Condominium Units and Cooperative Dwellings), five- to eight-family properties and mixed-use property. Mixed-use properties will consist of structures of no more than three stories, which include one to four residential dwelling units and space used for retail, professional or other commercial uses. Such uses, which will not involve more than 50% of the space in the structure, may include doctor, dentist or law offices, real estate agencies, boutiques, newsstands, convenience stores or other similar types of uses intended to cater to individual customers as specified in the related Prospectus Supplement. The properties may be located in suburban or metropolitan districts. Any such non-residential use will be in compliance with local zoning laws and regulations.

30

The Mortgaged Properties may consist of detached individual dwellings, individual condominiums, townhouses, duplexes, row houses, individual units in planned unit developments and other attached dwelling units. The Mortgaged Properties also may include module or manufactured homes which are treated as real estate under local law. Each Single Family Property will be located on land owned in fee simple by the borrower or on land leased by the borrower for a term at least ten years greater than the term of the related Loan. Attached dwellings may include owner-occupied structures where each borrower owns the land upon which the unit is built, with the remaining adjacent land owned in common or dwelling units subject to a proprietary lease or occupancy agreement in a cooperatively owned apartment building. Mortgages on Cooperative Dwellings consist of a lien on the shares issued by such Cooperative Dwelling and the proprietary lease or occupancy agreement relating to such Cooperative Dwelling.

The aggregate principal balance of Loans secured by Mortgaged Properties that are owner-occupied will be disclosed in the related Prospectus Supplement. The sole basis for determining that a given percentage of the Loans are secured by Single Family Property that is owner-occupied will be either (i) the making of a representation by the Mortgagor at origination of the Home Equity Loan either that the underlying Mortgaged Property will be used by the Mortgagor for a period of at least six months every year or that the Mortgagor intends to use the Mortgaged Property as a primary residence, or (ii) a finding that the address of the underlying Mortgaged Property is the Mortgagor's mailing address as reflected in the Servicer's records. The Mortgaged Properties also may include non-owner occupied investment properties and vacation and second homes.

Additional Information. The related Prospectus Supplement for each Series will provide information with respect to the Loans that are Primary Assets as of the Cut-off Date, including, among other things, and to the extent relevant: (a) the aggregate unpaid principal balance of the Loans (b) the range and weighted average Home Equity Loan Rate on the Loans, and, in the case of adjustable rate Loans, the range and weighted average of the current Home Equity Loan Rates and the Lifetime Rate Caps, if any; (c) the range and average outstanding principal balance of the Loans; (d) the weighted average original and remaining

term-to-stated maturity of the Loans and the range of original and remaining terms-to-stated maturity, if applicable; (e) the range and weighted average of Combined Loan-to-Value Ratios or Loan-to-Value Ratios for the Loans, as applicable; (f) the percentage (by outstanding principal balance as of the Cut-off Date) of Loans that accrue interest at adjustable or fixed interest rates; (g) any special hazard insurance policy or bankruptcy bond or other enhancement relating to the Loans; (h) the geographic distribution of the Mortgaged Properties securing the Loans; (i) the percentage of Loans (by principal balance as of the Cut-off Date) that are secured by Single Family Mortgaged Properties, shares relating to Cooperative Dwellings, Condominium Units, investment property and vacation or second homes; (j) the lien priority of the Home Equity Loans; and (k) the delinquency status and year of origination of the Loans. The related Prospectus Supplement will also specify any other limitations on the types or characteristics of Loans for a Series.

If information of the nature described above respecting the Loans is not known to the Seller at the time the Securities are initially offered, approximate or more general information of the nature described above will be provided in the Prospectus Supplement and additional information will be set forth in a Current Report on Form 8-K to be available to investors on the date of issuance of the related Series and to be filed with the Commission within 15 days after the initial issuance of such Securities.

#### PRIVATE SECURITIES

General. Primary Assets for a Series may consist, in whole or in part, of Private Securities which include pass-through certificates representing beneficial interests in loans of the type that would otherwise be eligible to be Loans (the "Underlying Loans") or (b) collateralized obligations secured by Underlying Loans. Such pass-through certificates or collateralized obligations: (i) will have been registered for sale under the Securities Act of 1933, as amended; (ii) will have been acquired in the secondary market and not in the initial offering thereof; (iii) will have been issued by an issuer which is not involved in the issuance of the related Series and which is not an affiliate of the Seller; and (iv) will be freely transferable under Rule 144(k) under the Securities Act of 1933, as amended to the extent such rule is applicable to such securities.

Private Securities will have been issued pursuant to a pooling and servicing agreement, a trust agreement or similar agreement (a "PS Agreement"). The seller/servicer of the Underlying Loans will have entered into the PS Agreement with the trustee under such PS Agreement (the "PS Trustee"). The PS Trustee or its agent, or a

31

custodian, will possess the Underlying Loans. Underlying Loans will be serviced by a servicer (the "PS Servicer") directly or by one or more sub-servicers who may be subject to the supervision of the PS Servicer.

The sponsor of the Private Securities (the "PS Sponsor") will be a financial institution or other entity engaged generally in the business of lending; a public agency or instrumentality of a state, local or federal government; or a limited purpose corporation organized for the purpose of, among other things, establishing trusts and acquiring and selling loans to such trusts, and selling beneficial interests in such trusts. The obligations of the PS Sponsor will generally be limited to certain representations and warranties with respect to the assets conveyed by it to the related trust. Additionally, although the Underlying Loans may be guaranteed by an agency or instrumentality of the United States, the Private Securities themselves will not be so guaranteed.

Distributions of principal and interest will be made on the Private Securities on the dates specified in the related Prospectus Supplement. The Private Securities may be entitled to receive nominal or no principal distributions or nominal or no interest distributions. Principal and interest distributions will be made on the Private Securities by the PS Trustee or the PS Servicer. The PS Sponsor or the PS Servicer may have the right to repurchase the Underlying Loans after a certain date or under other circumstances specified in the related Prospectus Supplement. The Underlying Loans may be fixed rate, level payment, fully amortizing loans or adjustable rate loans or loans having balloon or other irregular payment features.

Credit Support Relating to Private Securities. Credit support in the form of Reserve Funds, subordination of other private securities issued under the PS Agreement, guarantees, letters of credit, cash collateral accounts, insurance policies or other types of credit support may be provided with respect to the Underlying Loans or with respect to the Private Securities themselves. The type, characteristics and amount of credit support will be a function of certain characteristics of the Underlying Loans and other factors, such as the operating history and degree of securitization experience of the seller/servicer of the Underlying Loans and the then current market for various types of credit enhancement, and will have been established for the Private Securities on the basis of requirements of the nationally recognized statistical rating

organization that rated the Private Securities.

Additional Information. The Prospectus Supplement for a Series for which the Primary Assets include Private Securities will specify (such disclosure may be on an approximate basis and will be as of the date specified in the related Prospectus Supplement), to the extent relevant and to the extent such information is reasonably available to the Seller and the Seller reasonably believes such information to be reliable: (i) the aggregate approximate principal amount and type of the Private Securities to be included in the Trust Fund for such Series; (ii) certain characteristics of the Underlying Loans including (A) the payment features of such Underlying Loans (i.e., whether they are fixed rate or adjustable rate and whether they provide for fixed level payments or other payment features), (B) the approximate aggregate principal balance, if known, of such Underlying Loans insured or guaranteed by a governmental entity, (C) the servicing fee or range of servicing fees with respect to the Underlying Loans, (D) the minimum and maximum stated maturities of such Underlying Loans at origination, (E) the lien priority of such Underlying Loans, and (F) the delinquency status and year of origination of such Underlying Loans; (iii) the maximum original term-to-stated maturity of the Private Securities; (iv) the weighted average term-to-stated maturity of the Private Securities; (v) the pass-through or certificate rate or ranges thereof for the Private Securities; (vi) the PS Sponsor, the PS Servicer (if other than the PS Sponsor) and the PS Trustee for such Private Securities; (vii) certain characteristics of credit support if any, such as Reserve Funds, insurance policies, letters of credit or guarantees relating to such Loans underlying the Private Securities or to such Private Securities themselves; (viii) the terms on which Underlying Loans may, or are required to, be purchased prior to their stated maturity or the stated maturity of the Private Securities; and (ix) the terms on which Underlying Loans may be substituted for those originally underlying the Private Securities.

If information of the nature described above representing the Private Securities is not known to the Seller at the time the Securities are initially offered, approximate or more general information of the nature described above will be provided in the Prospectus Supplement and the additional information, if available, will be set forth in a Current Report on Form 8-K to be available to investors on the date of issuance of the related Series and to be filed with the Commission within 15 days of the initial issuance of such Securities.

32

#### COLLECTION, CERTIFICATE AND DISTRIBUTION ACCOUNTS

A separate Collection Account or Certificate Account will be established for each Series of Securities for receipt of all amounts received on or with respect to the Primary Assets. Certain amounts on deposit in such Collection Account and certain amounts available pursuant to any Enhancement, as provided in the related Prospectus Supplement, may be deposited in one or more Distribution Accounts. Funds in the Collection, Certificate and Distribution Accounts generally will be invested in Eligible Investments maturing, with certain exceptions, not later, in the case of funds in the Collection Account, than the day preceding the date such funds are due to be deposited in the Distribution Account or otherwise distributed and, in the case of funds in the Distribution Account and the Certificate Account, than the day preceding the next Distribution Date for the related Series of Securities. See "--Eligible Investments" below.

#### PRE-FUNDING AND CAPITALIZED INTEREST ACCOUNTS

If specified in the related Prospectus Supplement, a Trust Fund will include one or more segregated trust accounts (each, a "Pre-Funding Account") established and maintained with the Trustee for the related Series. If so specified, on the closing date for such Series, a portion of the proceeds of the sale of the Securities of such Series not to exceed fifty percent of the aggregate principal amount of such Series (such amount, the "Pre-Funded Amount") may be deposited in the Pre-Funding Account and may be used to purchase additional Primary Assets during the period of time not to exceed six months specified in the related Prospectus Supplement (the "Pre-Funding Period"). Pending the purchase of such additional Primary Assets, funds deposited in the Pre-Funding Account will be invested in Eligible Investments. If any Pre-Funded Amount remains on deposit in the Pre-Funding Account at the end of the Pre-Funding Period, such amount will be applied in the manner specified in the related Prospectus Supplement to prepay the Notes and/or the Certificates of the applicable Series.

Each additional Primary Asset must satisfy the eligibility criteria specified in the related Prospectus Supplement and related Agreements. Such eligibility criteria will be determined in consultation with each Rating Agency (and/or any Enhancer) prior to the issuance of the related Series and are designed to ensure that if such additional Primary Assets were included as part of the initial Primary Assets, the credit quality of such assets would be consistent with the initial rating of the Securities of such Series. The eligibility criteria will apply to the pool of Primary Assets, including the subsequent Primary Assets, and will include a minimum weighted average interest

rate, a maximum weighted average remaining term to maturity and a maximum weighted average Combined Loan-to-Value Ratio. Depending on the composition of the original Primary Assets and the type of Enhancement, additional eligibility criteria such as a minimum interest rate, a maximum principal balance, a limitation on geographic concentration and a limit on certain types of Primary Assets such as Balloon Loans or loans secured by other than primary residences. The Seller will certify to the Trustee that all conditions precedent to the transfer of the additional Primary Assets, including the satisfaction of the eligibility criteria to the Trust Fund, have been satisfied. It is a condition to the transfer of any additional Primary Assets to the Trust Fund that each Rating Agency, after receiving prior notice of the proposed transfer of the additional Primary Assets to the Trust Fund, shall not have advised the Seller or the Trustee or any Enhancer that the conveyance of such additional Primary Assets will result in a qualification, modification or withdrawal of its then current rating of any Class of Notes or Certificates of such Series. Following the transfer of additional Primary Assets to the Trust Fund, the aggregate characteristics of the Primary Assets then held in the Trust Fund may vary from those of the initial Primary Assets of such Trust Fund. As a result, the additional Primary Assets may adversely affect the performance of the related Securities.

If a Pre-Funding Account is established, one or more segregated trust accounts (each, a "Capitalized Interest Account") may be established and maintained with the Trustee for the related Series. On the closing date for such Series, a portion of the proceeds of the sale of the Securities of such Series will be deposited in the Capitalized Interest Account and used to fund the excess, if any, of the sum of (i) the amount of interest accrued on the Securities of such Series and (ii) if specified in the related Prospectus Supplement, certain fees or expenses during the Pre-Funding Period such as Trustee fees and credit enhancement fees, over the amount of interest available therefor from the Primary Assets in the Trust Fund. If so specified in the related Prospectus Supplement, amounts on deposit in the Capitalized Interest Account may be released to the Seller prior to the end of the Pre-Funding Period subject to the satisfaction of certain tests specified in the related Prospectus Supplement. Any amounts on deposit in the Capitalized Interest Account at the end of the Pre-Funding Period

33

that are not necessary for such purposes will be distributed to the person specified in the related Prospectus Supplement.

#### ELIGIBLE INVESTMENTS

Each Agreement generally will define Eligible Investments to include the following:

(i) direct obligations of, or obligations fully guaranteed as to timely payment of principal and interest by, the United States or any agency or instrumentality thereof, provided that such obligations are backed by the full faith and credit of the United States;

(ii) repurchase agreements on obligations specified in clause (i) maturing not more than three months from the date of acquisition thereof, provided that the short-term unsecured debt obligations of the party agreeing to repurchase such obligations are at the time rated by each Rating Agency in its highest short-term rating category;

(iii) certificates of deposit, time deposits and bankers' acceptances of any U.S. depository institution or trust company incorporated under the laws of the United States or any state thereof and subject to supervision and examination by federal and/or state banking authorities, provided that the unsecured short-term debt obligations of such depository institution or trust company at the date of acquisition thereof have been rated by each Rating Agency in its highest unsecured short-term debt rating category;

(iv) commercial paper (having original maturities of not more than 90 days) of any corporation incorporated under the laws of the United States or any state thereof which on the date of acquisition has been rated by each Rating Agency in their highest short-term rating categories;

(v) short-term investment funds ("STIFS") sponsored by any trust company or national banking association incorporated under the laws of the United States or any state thereof which on the date of acquisition has been rated by each Rating Agency in their respective highest rating category of long-term unsecured debt; and

(vi) interests in any money market fund which at the date of acquisition of the interests in such fund and throughout the time as the interest is held in such fund has a rating of "Aaa" by Moody's Investors Service, Inc., and either "AAAm" or "AAAAM-G" by Standard & Poor's Rating Group, a division of the McGraw-Hill Companies, Inc.;

provided that no instrument described above may evidence either the right to



receive (a) only interest with respect to the obligations underlying such instrument or (b) both principal and interest payments derived from obligations underlying such instrument and the interest and principal payments with respect to such instrument provided a yield to maturity at par greater than 120% of the yield to maturity at par of the underlying obligations; and provided, further, that no instrument described above may be purchased at a price greater than par if such instrument may be prepaid or called at a price less than its purchase price prior to its stated maturity.

To the extent any such investment would require registration of the Trust Fund as an investment company, such investment will not constitute an Eligible Investment.

#### ENHANCEMENT

The amounts and types of credit enhancement ("Enhancement") arrangements and the provider thereof, if applicable, with respect to a Series or any Class of Securities will be set forth in the related Prospectus Supplement. If specified in the applicable Prospectus Supplement, Enhancement for any Series of Securities may cover one or more Classes of Notes or Certificates, and accordingly may be exhausted for the benefit of a particular Class of Notes or Certificates and thereafter be unavailable to such other Classes of Notes or Certificates. Further information regarding any provider of credit enhancement, including financial information when material, will be included in the related Prospectus Supplement.

34

If and to the extent provided in the related Prospectus Supplement, Enhancement may include one or more of the following or any combination thereof:

Financial Guaranty Insurance Policy which will be issued by a monoline insurance company and which, subject to the terms of such policy, will guarantee timely payment of interest on, and ultimate (as opposed to timely) payment of principal of, the applicable Class or Classes of Securities;

Overcollateralization which will equal the excess of the aggregate principal balance of the Primary Assets over the aggregate principal balance of the Securities. Overcollateralization may take the form of the initial or subsequent deposit of Primary Assets to create such excess or may build over time from the application of certain excess cash amounts generated by the Primary Assets to accelerate the amortization of the applicable Class or Classes of Securities;

Letter of Credit which will be issued by a bank or other financial institution in a maximum amount which may be permanently reduced as draws are made or may be replenished as previous draws are repaid from certain excess cash amounts generated by the Primary Assets. Draws may be made to cover shortfalls generally in collections, with respect to particular types of shortfalls such as those due to particular types of losses or with respect to specific situations such as shortfalls in amounts necessary to pay current interest;

Cash Reserve Fund which may be partially or fully funded on the date of issuance or may be funded over time from certain excess cash amounts generated by the Primary Assets. Withdrawals may be made in circumstances similar to those for which draws may be made on a letter of credit;

Insurance Policies which may insure a portion of the Home Equity Loans or Underlying Loans against credit losses, bankruptcy losses, fraud losses or special hazard losses not covered by typical homeowners insurance policies;

Subordinate Securities which will be subordinated in the right to reserve distributions to one or more other Classes of Securities of the same Series, some or all of which may themselves be subordinated to other Classes of such Series. Subordination may be with respect to distributions of interest, principal or both. In addition, all or portions of certain types of losses on the Primary Assets may be allocated to one or more Classes of the Subordinate Securities prior to the allocation thereof to other Classes of Subordinate Certificates and/or the Senior Securities of the applicable Series; or

Derivative Products which may include a swap to convert floating or fixed rate payments, as applicable, on the Primary Assets into fixed or floating rate payments, as applicable, on the Securities or a cap or floor agreement intended to provide protection against changes in floating rates of interest payable on the Primary Assets and/or the Securities. Any such derivative product will constitute or will be structured so as to be an insurance policy or an exempt security.

The presence of Enhancement is intended to increase the likelihood of receipt by the Certificateholders and the Noteholders of the full amount of

principal and interest due thereon and to decrease the likelihood that the Certificateholders and the Noteholders will experience losses, or may be structured to provide protection against changes in interest rates or against other risks, to the extent and under the conditions specified in the related Prospectus Supplement. The Enhancement for a Class of Securities generally will not provide protection against all risks of loss and may not guarantee repayment of the entire principal and interest thereon. If losses occur which exceed the amount covered by any Enhancement or which are not covered by any Enhancement, Securityholders will bear their allocable share of deficiencies. In addition, if a form of Enhancement covers more than one Class of Securities of a Series, Securityholders of any such Class will be subject to the risk that such Enhancement will be exhausted by the claims of Securityholders of other Classes.

35

## SERVICING OF LOANS

### GENERAL

Customary servicing functions with respect to Loans comprising the Primary Assets in the Trust Fund will be provided by the Servicer directly pursuant to the related Sale and Servicing Agreement or Pooling and Servicing Agreement, as the case may be, with respect to a Series of Securities.

### COLLECTION PROCEDURES; ESCROW ACCOUNTS

The Servicer will make reasonable efforts to collect all payments required to be made under the Loans and will, consistent with the terms of the related Agreement for a Series and any applicable Enhancement, follow such collection procedures as it follows with respect to comparable loans held in its own portfolio. Consistent with the above, the Servicer may, in its discretion, (i) waive any assumption fee, late payment charge, or other charge in connection with a Home Equity Loan and (ii) arrange with an obligor a schedule for the liquidation of delinquencies by extending the Due Dates for Scheduled Payments on such Loan.

The Servicer, to the extent permitted by law, will establish and maintain escrow or impound accounts ("Escrow Accounts") with respect to Loans in which payments by obligors with respect to taxes, assessments, mortgage and hazard insurance premiums, and other comparable items will be deposited. Loans may not require such payments under the related loan documents, in which case the Servicer would not be required to establish any Escrow Account with respect to such Loans. Withdrawals from the Escrow Accounts are to be made to effect timely payment of taxes, assessments and mortgage and hazard insurance, to refund to obligors amounts determined to be overages, to pay interest to obligors on balances in the Escrow Account to the extent required by law, to repair or otherwise protect the property securing the related Home Equity Loan and to clear and terminate such Escrow Account. The Servicer will be responsible for the administration of the Escrow Accounts and generally will make advances to such accounts when a deficiency exists therein.

### DEPOSITS TO AND WITHDRAWALS FROM THE COLLECTION ACCOUNT OR THE CERTIFICATE ACCOUNT

The Trustee or the Servicer will establish a separate account (the "Collection Account" or the "Certificate Account") in the name or for the benefit of the Trustee. The Collection Account and/or Certificate Account will be an account maintained (i) at a depository institution, the long-term unsecured debt obligations of which at the time of any deposit therein are rated by each Rating Agency rating the Securities of such Series at levels satisfactory to each Rating Agency or (ii) in an account or accounts the deposits in which are insured to the maximum extent available by the Federal Deposit Insurance Corporation (the "FDIC") or which are secured in a manner meeting requirements established by each Rating Agency.

The funds held in the Collection Account or the Certificate Account may be invested, pending remittance to the Trustee, in Eligible Investments. The Servicer will be entitled to receive as additional compensation any interest or other income earned on funds in the Collection Account or Certificate Account.

The Servicer, the Seller or the Trustee will deposit into the Collection Account for each Series, within the period specified in the related Prospectus Supplement, the following payments and collections received or made by it (other than, in respect of principal of and interest on the related Primary Assets due or, in the case of simple interest Loans, received, on or before such Cut-off Date):

(i) all payments on account of principal, including prepayments, on such Primary Assets;

(ii) all payments on account of interest on such Primary Assets after deducting therefrom, at the discretion of the Servicer but only to the extent of the amount permitted to be withdrawn or withheld from the Collection Account in accordance with the related Agreement, the Servicing

Fee in respect of such Primary Assets;

(iii) all amounts received by the Servicer in connection with the liquidation of Primary Assets or property acquired in respect thereof, whether through foreclosure sale, repossession or otherwise, including payments in connection with such Primary Assets received from the obligor, other than amounts required to be paid or refunded to the obligor pursuant to the terms of the applicable loan documents or otherwise pursuant to law ("Liquidation Proceeds"), exclusive of, in the discretion of the Servicer, but only to the extent of the amount permitted to be withdrawn from the Collection Account or the Certificate Account in

36

accordance with the related Agreement, the Servicing Fee, if any, in respect of the related Primary Asset and, to the extent specified in the related Prospectus Supplement, net of reimbursements for related Delinquency Advances and Servicer Advances;

(iv) all proceeds under any title insurance, hazard insurance or other insurance policy covering any such Primary Asset, other than proceeds to be applied to the restoration or repair of the related Property or released to the obligor in accordance with the related Agreement;

(v) all amounts required to be deposited therein from any applicable Reserve Fund for such Series pursuant to the related Agreement;

(vi) all Delinquency Advances made by the Servicer required pursuant to the related Agreement; and

(vii) all repurchase prices of any such Primary Assets repurchased by the Servicer or the Seller pursuant to the related Agreement.

The Servicer is permitted, from time to time, to make withdrawals from the Collection Account or the Certificate Account for each Series for the following purposes:

(i) to reimburse itself for Delinquency Advances and Servicing Advances for such Series made by it pursuant to the related Agreement; the Servicer's right to reimburse itself for Delinquency Advances and Servicing Advances is limited to amounts received on or in respect of particular Loans (including, for this purpose, Liquidation Proceeds and amounts representing proceeds of insurance policies covering the related Property) which represent late recoveries of Scheduled Payments respecting which any such advance was made;

(ii) to reimburse itself for any Delinquency Advances for such Series that the Servicer determines in good faith it will be unable to recover from amounts representing late recoveries of Scheduled Payments respecting which such Advance was made or from Liquidation Proceeds or the proceeds of insurance policies;

(iii) in the event it has elected not to pay itself the Servicing Fee out of the interest component of any Scheduled Payment, late payment or other recovery with respect to a particular Home Equity Loan prior to the deposit of such Scheduled Payment, late payment or recovery into the Collection Account, to pay to itself the Servicing Fee, as adjusted pursuant to the related Agreement, from any such Scheduled Payment, late payment or such other recovery, to the extent permitted by the related Agreement;

(iv) to reimburse itself or the Seller for expenses incurred by and recoverable by or reimbursable to it pursuant to the related Agreement;

(v) to pay to the applicable person with respect to each Primary Asset or REO Property acquired in respect thereof that has been repurchased or removed from the Trust Fund by the Seller or the Servicer pursuant to the related Agreement, all amounts received thereon and not distributed as of the date on which the related repurchase price was determined;

(vi) to make payments to the Trustee of such Series for deposit into the Distribution Account, if any, or for remittance to the Holders of such Series in the amounts and in the manner provided for in the related Agreement; and

(vii) to clear and terminate the Collection Account pursuant to the related Agreement.

In addition, if the Servicer deposits in the Collection Account for a Series any amount not required to be deposited therein, it may, at any time, withdraw such amount from such Collection Account.

ADVANCES AND LIMITATIONS THEREON

The related Prospectus Supplement will describe the circumstances, if any, under which the Servicer will make advances with respect to delinquent payments of principal and/or interest on Loans ("Delinquency Advances"). If specified in the related Prospectus Supplement, the Servicer will be obligated to make Delinquency Advances, and such obligation may be limited in amount, or may not be activated until a certain portion of a specified Reserve Fund is depleted. Such advances are intended to provide liquidity and, except to the extent specified in the related Prospectus Supplement, not to guarantee or insure against losses. Accordingly, to the extent specified in the related Prospectus Supplement, any funds advanced are recoverable by the Servicer

37

out of amounts received on particular Loans which represent late recoveries of principal or interest, proceeds of insurance policies or Liquidation Proceeds respecting which any such Delinquency Advance was made or, to the extent provided in the Prospectus Supplement, from payments or proceeds from other Loans. If and to the extent specified in the related Prospectus Supplement, the Servicer will advance its own funds to pay for any related expenses of foreclosure and disposition of any liquidated Mortgage Home Equity Loan or related Property (the "Servicing Advances"). The Servicer will be entitled to be reimbursed for any such Servicing Advances to the extent provided in the Prospectus Supplement. If a Servicer Advance is made and subsequently determined to be nonrecoverable from late collections, proceeds of insurance policies, or Liquidation Proceeds from the related Loan, the Servicer may be entitled to reimbursement from other funds in the Collection Account, Certificate Account or Distribution Account, as the case may be, or from a specified Reserve Fund as applicable, to the extent specified in the related Prospectus Supplement.

#### MAINTENANCE OF INSURANCE POLICIES AND OTHER SERVICING PROCEDURES

Standard Hazard Insurance; Flood Insurance. Except as otherwise specified in the related Prospectus Supplement, the Servicer will be required to maintain or to cause the obligor on each Home Equity Loan to maintain a hazard insurance policy naming the Servicer as loss payee thereunder and providing for extended coverage of the standard form of fire insurance with extended coverage for certain other hazards as its customary in the state in which the related Property is located. 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 for property of the type securing the related Loans.

In general, the standard form of fire and extended coverage insurance policy covers physical damage to or destruction of the improvements on the property by fire, lightning, explosion, smoke, windstorm and hail, and riot, strike and civil commotion, subject to the conditions and exclusions specified in each policy. Although the policies relating to the Home Equity Loans will be underwritten by different insurers under different state laws in accordance with different applicable state forms and therefore will not contain identical terms and conditions, the basic terms thereof are dictated by respective state laws, and most such policies typically do not cover any physical damage resulting from any of the following: war, revolution, governmental actions, floods and other water-related causes, earth movement (including earthquakes, landslides and mudflows), nuclear reactions, wet or dry rot, vermin, rodents, insects or domestic animals, theft and, in certain cases, vandalism. The foregoing list is merely indicative of certain kinds of uninsured risks and is not intended to be all-inclusive. When a Mortgaged Property is located in a federally designated special flood hazard area at the time of origination of the related Home Equity Loan, the Agreement requires the Servicer to cause to be maintained, for each such Home Equity Loan serviced, flood insurance (to the extent available) in an amount equal in general to the lesser of the maximum insurance available under the federal flood insurance program and the sum of the Home Equity Loan Balance of the applicable Home Equity Home Equity Loan the principal balance of any mortgage loan senior to such Home Equity Home Equity Loan from time to time.

The hazard insurance policies covering the Mortgaged Properties typically contain a co-insurance clause that in effect requires the insured at all times to carry insurance of a specified percentage (generally 80% to 90% of the full replacement value of the improvements on the property in order to recover the full amount of any partial loss. If the insured's coverage falls below this specified percentage, such clause generally provides that the insurer's liability in the event of partial loss does not exceed the greater of (i) the replacement cost of the improvements less physical depreciation or (ii) such proportion of the loss as the amount of insurance carried bears to the specified percentage of the full replacement cost of such improvements.

Unless otherwise specified in the related Prospectus Supplement, coverage will be in an amount at least equal to the greater of (i) the amount necessary to avoid the enforcement of any co-insurance clause contained in the policy or (ii) the outstanding principal balance of the related loan plus the balance of any senior mortgage. Unless otherwise specified in the related Prospectus Supplement, the Servicer will also maintain on REO Property that secured a defaulted Home Equity Loan and that has been acquired upon foreclosure, deed in lieu of foreclosure, or repossession, a standard hazard insurance policy in an

amount that is equal to the maximum insurable value of such REO Property. No earthquake or other additional insurance will be required of any obligor or will be maintained on REO Property acquired in respect of a default Loan, other than pursuant to such applicable laws and regulations as shall at any time be in force and shall require such additional insurance.

38

The ability of the Servicer to assure that hazard insurance proceeds are appropriately applied may depend on its being named as an additional insured under any hazard insurance policy and under any flood insurance policy, or upon the extent to which information in this regard is furnished to the Servicer by a borrower. Except as described below, all amounts collected by the Servicer under any hazard policy (except for amounts applied or expected to be applied to the restoration or repair of the Property or released to the borrower in accordance with the Servicer's normal servicing procedures), will be deposited in the Collection Account. The Agreement provides that the Servicer may satisfy its obligation to cause hazard policies to be maintained by maintaining a blanket policy issued by an insurer acceptable to the Rating Agencies insuring against hazard losses to the collateral securing the Home Equity Loans. If such blanket policy contains a deductible clause, the Servicer will deposit into the Collection Account the amount not otherwise payable under the blanket policy because of such deductible clause.

#### REALIZATION UPON DEFAULTED LOANS

The Servicer will use its reasonable best efforts to foreclose upon, repossess or otherwise comparably convert the ownership of the Mortgaged Properties securing the related 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 Servicer will follow such practices and procedures as it deems necessary or advisable and as are normal and usual in its servicing activities with respect to comparable loans serviced by it. However, the Servicer will not be required to expend its own funds in connection with any foreclosure or towards the restoration of the Property unless it determines that (i) such restoration or foreclosure will increase the Liquidation Proceeds in respect of the related Home Equity Loan available to the Holders after reimbursement to itself for such expenses and (ii) such expenses will be recoverable by it either through Liquidation Proceeds or the proceeds of insurance. Notwithstanding anything to the contrary herein, in the case of a Trust Fund for which a REMIC election has been made, the Servicer will be required to liquidate any Mortgaged Property acquired through foreclosure within two years after the acquisition of the beneficial ownership of such Mortgaged Property. While the holder of a Mortgaged Property acquired through foreclosure can often maximize its recovery by providing financing to a new purchaser, the Trust Fund, if applicable, will have no ability to do so and neither the Servicer nor the Seller will be required to do so.

#### ENFORCEMENT OF DUE-ON-SALE CLAUSES

When any Mortgaged Property is being conveyed by the obligor, the Servicer will be obligated to exercise its rights to accelerate the maturity of the related Home Equity Loan under the applicable "due-on-sale" clause, if any, unless such exercise is not permitted under applicable law or if the enforcement of such clause would result in loss of coverage under any primary mortgage insurance policy. In such event, the Servicer is authorized to accept from or enter into an assumption agreement with the person to whom such property has been or is about to be conveyed, pursuant to which such person becomes liable under the Loan. To the extent permitted by applicable law, such assumption will not release the original borrower from its obligation under the Loan. Any fee collected in connection with an assumption will be retained by the Servicer as additional servicing compensation. The terms of a Home Equity Loan may not be changed in connection with an assumption except to the extent specified in the related Prospectus Supplement.

#### SERVICING COMPENSATION AND PAYMENT OF EXPENSES

The Servicer will be entitled to a periodic fee as servicing compensation (the "Servicing Fee") in an amount to be determined as specified in the related Prospectus Supplement. The Servicing Fee may be fixed or variable, as specified in the related Prospectus Supplement. In addition, the Servicer will be entitled to servicing compensation in the form of assumption fees, late payment charges and similar items, or excess proceeds following disposition of Property in connection with defaulted Loans.

Except to the extent otherwise specified in the related Prospectus Supplement, the Servicer will pay certain expenses incurred in connection with the servicing of the Loans, including, without limitation, the payment of the fees and expenses of the Trustee and independent accountants, payment of insurance policy premiums and the cost of credit support, if any, and payment of expenses incurred in preparation of reports to Holders.

39

When an obligor makes a principal prepayment in full between Due Dates on the related Loan, the obligor will generally be required to pay interest on the amount prepaid 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 Holders of a Series will not be adversely affected by any resulting shortfall in interest, the amount of the Servicing Fee may be reduced to the extent necessary to include in the Servicer's remittance to the Trustee for distribution to Securityholders an amount equal to one month's interest on the related Home Equity Loan (Less the Servicing Fee). If the aggregate amount of such shortfalls in a month exceeds the Servicing Fee for such month, a shortfall to Holders may occur.

The Servicer will be entitled to reimbursement for Servicing Advances. The related Holders will suffer no loss by reason of such Servicing Advances to the extent expenses are covered under related insurance policies or from excess Liquidation Proceeds. If claims are either not made or paid under the applicable insurance policies or if coverage thereunder has been exhausted, the related Holders will suffer a loss to the extent that Liquidation Proceeds, after reimbursement of the Servicing Advances, are less than the outstanding principal balance of and unpaid interest on the related Home Equity Loan which would be distributable to Holders. The Servicer is generally also entitled to reimbursement from the Collection Account for Servicing Advances. In addition, the Servicer will be entitled to reimbursement for Delinquency Advances as described above under "--Advances and Limitations Thereon."

The rights of the Servicer to receive funds from the Collection Account for a Series, whether as the Servicing Fee or other compensation, or for the reimbursement of Delinquency Advances and Servicing Advances, expenses or otherwise, are not subordinate to the rights of Holders of such Series.

#### EVIDENCE AS TO COMPLIANCE

The applicable Agreement for each Series will provide that each year, a firm of independent public accountants will furnish a statement to the Trustee to the effect that such firm has examined certain documents and records relating to the servicing of the Loans by the Servicer and that such examination, which has been conducted substantially in compliance with either (i) the audit guide for audits of non-supervised mortgagees approved by the Department of Housing and Urban Development or (ii) the requirements of the Uniform Single Attestation Program for Mortgage Bankers, has disclosed no items of non-compliance with the provisions of the applicable Agreement that, in the opinion of the firm, are material, except for such items of non-compliance as shall be referred in the report.

The applicable Agreement for each Series will also provide for delivery to the Trustee for such Series of an annual statement signed by an officer of the Servicer to the effect that the Servicer has fulfilled its material obligations under such Agreement throughout the preceding calendar year.

#### CERTAIN MATTERS REGARDING THE SERVICER

If an Event of Default occurs under either a Sale and Servicing Agreement or a Pooling and Servicing Agreement, the Servicer may be replaced by the Trustee or a successor Servicer. Unless otherwise specified in the related Prospectus Supplement, such Events of Default and the rights of the Trustee upon such a default under the Agreement for the related Series will be substantially similar to those described under "THE AGREEMENTS--Events of Default; Rights Upon Event of Default--Pooling and Servicing Agreement; Sale and Servicing Agreement."

The Servicer may assign its rights and delegate its duties and obligations under the related Agreement for each Series if the successor Servicer accepting such assignment or delegation (i) services similar loans in the ordinary course of its business, (ii) is reasonably satisfactory to the Trustee for the related Series, (iii) would not cause any Rating Agency's rating of the Securities for such Series in effect immediately prior to such assignment, sale or transfer to be qualified, downgraded or withdrawn as a result of such assignment, sale or transfer and (iv) executes and delivers to the Trustee and the Enhancer, if any, an agreement, in form and substance reasonably satisfactory to the Trustee, and the Enhancer, if any, which contains an assumption by such Servicer of the due and punctual performance and observance of each covenant and condition to be performed or observed by the Servicer under the related Agreement from and after the date of such agreement. No such assignment will become effective until the Trustee or a successor Servicer has assumed the servicer's obligations and duties under the related Agreement. To the extent that the Servicer transfers its obligations to a wholly-owned subsidiary or

affiliate, such subsidiary or affiliate need not satisfy the criteria set forth above; however, in such instance, the assigning Servicer will remain liable for the servicing obligations under the related Agreement. Any entity into which the Servicer is merged or consolidated or any successor corporation resulting from

any merger, conversion or consolidation will succeed to the Servicer's obligations under the related Agreement provided that such successor or surviving entity meets the requirements for a successor Servicer set forth above.

The Servicer will not be under any liability to the Trust Fund or the Securityholders for taking any action or for refraining from taking any action in good faith pursuant to the Agreement, or for errors in judgment; provided, however, that the Servicer will not be protected against any liability that otherwise would be imposed by reason of willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of its reckless disregard of its obligations and duties thereunder. Except to the extent otherwise provided therein, each Agreement further will provide that the Servicer and any director, officer, employee or agent of the Servicer will be entitled to indemnification by the Trust Fund and will be held harmless to the extent provided in the Agreement against any loss, liability or expense incurred in connection with any legal action relating to the Agreement or the Securities, other than any loss, liability or expense related to any specific Home Equity Loan or Loans (except any such loss, liability or expense otherwise reimbursable pursuant to the Agreement) and any loss, liability or expense incurred by the Servicer by reason of its willful misfeasance, bad faith or gross negligence in the performance of its duties thereunder or by reason of the Servicer's reckless disregard of its obligations and duties thereunder.

Each Agreement will provide that the Servicer will not be under any obligation to appear in, prosecute or defend any legal action that is not incidental to its duties under the Agreement and that in its opinion may involve it in any expense or liability. The Servicer, however, in its discretion, may undertake any such action that it may deem necessary or desirable with respect to the Agreement and the rights and duties of the parties thereto and the interest of the Securityholders and the Enhancer, if any, 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 Servicer will be entitled to be reimbursed therefor to the extent provided in the Agreement. The Servicer's right to such indemnity or reimbursement will survive any resignation or termination of the Servicer with respect to any losses, expenses, costs or liabilities arising prior to such resignation or termination (or arising from events that occurred prior to such resignation or termination). Any claims by or on behalf of the Securityholders or the Trust Fund will be made only against the Servicer, who will be liable with respect to its own acts and omissions as well as the acts and omissions of its directors, officer, employees and agents.

#### THE AGREEMENTS

The following summaries describe the material provisions of the Agreements common to each Series of Securities. The summaries do not purport to be complete and are subject to, and qualified in their entirety by reference to, the provisions of the Agreements. Where particular provisions or terms used in the Agreements are referred to, such provisions or terms are as specified in the related Agreements.

#### ASSIGNMENT OF PRIMARY ASSETS

General. At the time of issuance of the Securities of a Series, the Seller will transfer, convey and assign to the Trust Fund all right, title and interest of the Seller in the Primary Assets and other property to be transferred to the Trust Fund for a Series. Such assignment will include all principal and interest due or received on or with respect to the Primary Assets after the Cut-off Date to the extent specified in the related Prospectus Supplement (except for any Retained Interests). The Trustee will, concurrently with such assignment, execute and deliver the Securities.

Assignment of Loans. The Seller will, as to each Loan, deliver or cause to be delivered to the Trustee, or, as specified in the related Prospectus Supplement a custodian on behalf of the Trustee (the "Custodian"), the Mortgage Note endorsed without recourse to the order of the Trustee or in blank, the original Mortgage with evidence of recording indicated thereon (except for any Mortgage not returned from the public recording office, in which case the Seller will certify that the original of such Mortgage was delivered to such recording office) and an assignment of the Mortgage in recordable form. The Trustee, or, if so specified in the related Prospectus Supplement, the Custodian, will hold such documents in trust for the benefit of the Holders.

The Seller will, at the time of issuance of the Securities, cause assignments to the Trustee of the Mortgages relating to the Loans for a Series 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 related Loans. If specified in the related Prospectus Supplement, the Seller will cause such assignments to be so recorded within the time after issuance of the Securities as is specified in the related Prospectus Supplement, in which event,

the Agreement may require the Seller to repurchase from the Trustee any Home Equity Loan the related Mortgage of which is not recorded within such time, at the price described below with respect to repurchases by reason of defective documentation. Unless otherwise provided in the related Prospectus Supplement, the enforcement of the repurchase obligation would constitute the sole remedy available to the Holders or the Trustee for the failure of a Mortgage to be recorded.

Each Home Equity Loan will be identified in a schedule appearing as an exhibit to the related Agreement (the "Home Equity Loan Schedule"). Such Home Equity Loan Schedule will specify with respect to each Loan: the original principal amount and unpaid principal balance as of the Cut-off Date; the current interest rate; the current Scheduled Payment of principal and interest; the maturity date, if any, of the related Mortgage Note; and if the Home Equity Loan is an adjustable rate Loan, the Lifetime Rate Cap, if any, and the index. The Seller does not intend to file the Home Equity Loan Schedules or the related Agreements.

**Assignment of Private Securities.** The Seller will cause Private Securities to be registered in the name of the Trustee (or its nominee or correspondent). The Trustee (or its nominee or correspondent) will have possession of any certificated Private Securities. The Trustee generally will not be in possession of or be assignee of record of any underlying assets for a Private Security. See "THE TRUST FUNDS--Private Securities." Each Private Security will be identified in a schedule appearing as an exhibit to the related Agreement (the "Certificate Schedule"), which will specify the original principal amount, outstanding principal balance as of the Cut-off Date, annual pass-through rate or interest rate and maturity date for each Private Security conveyed to the Trust Fund. In the Agreement, the Seller will represent and warrant to the Trustee regarding the Private Securities: (i) that the information contained in the Certificate Schedule is true and correct in all material respects; (ii) that, immediately prior to the conveyance of the Private Securities, the Seller had good title thereto, and was the sole owner thereof (subject to any Retained Interest); (iii) that there has been no other sale by it of such Private Securities; and (iv) that there is no existing lien, charge, security interest or other encumbrance (other than any Retained Interest) on such Private Securities.

**Repurchase and Substitution of Non-Conforming Primary Assets.** If any document in the file relating to the Primary Assets delivered by the Seller to the Trustee (or Custodian) is found by the Trustee within 90 days of the execution of the related Agreement (or promptly after the Trustee's receipt of any document permitted to be delivered after the Closing Date) to be defective in any material respect and the Seller does not cure such defect within 90 days, or within such other period specified in the related Prospectus Supplement, the Seller will, not later than 90 days or within such other period specified in the related Prospectus Supplement, after the Trustee's notice to the Seller of the defect, repurchase the related Primary Asset or any property acquired in respect thereof from the Trustee at a price equal to, unless otherwise specified in the related Prospectus Supplement, (a) the outstanding principal balance of such Primary Asset and (b) accrued and unpaid interest to the date of the repurchase/substitution of such Primary Asset at the rate set forth in the related Agreement.

The Seller, may, rather than repurchase the Primary Asset as described above, remove such Primary Asset from the Trust Fund (the "Deleted Primary Asset") and substitute in its place one or more other Primary Assets (each, a "Qualifying Substitute Primary Asset") provided, however, that (i) with respect to a Trust Fund for which no REMIC election is made, such substitution must be effected within 120 days of the date of initial issuance of the Securities and (ii) with respect to a Trust Fund for which a REMIC election is made, after a specified time period, the Trustee must have received a satisfactory opinion of counsel that such substitution will not cause the Trust Fund to lose its status as a REMIC or otherwise subject the Trust Fund to a prohibited transaction tax.

Any Qualifying Substitute Primary Asset will have, on the date of substitution, (i) 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 Primary Asset (the amount of any shortfall to be deposited to the Collection Account in the month of substitution for distribution to Holders), (ii) an interest rate not less than (and not more than 2% greater than) the interest rate or Margin of the Deleted Primary Asset, (iii) a remaining term-to-

42

stated maturity not greater than (and not more than two years less than) that of the Deleted Primary Asset, and will comply with all of the representations and warranties set forth in the applicable Agreement as of the date of substitution.

The above-described cure, repurchase or substitution obligations constitute the sole remedies available to the Holders or the Trustee for a material defect in a document for a Primary Asset.

The Seller will make representations and warranties with respect to Primary



Assets for a Series. If the Seller cannot cure a breach of any such representations and warranties in all material respects within the time period specified in the related Prospectus Supplement after notification by the Trustee of such breach, and if such breach is of a nature that materially and adversely affects the value of such Primary Asset, the Seller is obligated to repurchase the affected Primary Asset or, if provided in the related Prospectus Supplement, provide a Qualifying Substitute Primary Asset therefor, subject to the same conditions and limitations on purchases and substitutions as described above.

#### REPORTS TO HOLDERS

The Trustee or other entity specified in the related Prospectus Supplement will prepare and forward to each Holder on each Distribution Date, or as soon thereafter as is practicable, a statement setting forth, to the extent applicable to any Series, among other things:

(i) the amount of principal distributed to Holders of the related Securities and the outstanding principal balance of such Securities following such distribution;

(ii) the amount of interest distributed to Holders of the related Securities and the current interest on such Securities;

(iii) the amounts of (a) any overdue accrued interest included in such distribution, (b) any remaining overdue accrued interest with respect to such Securities or (c) any current shortfall in amounts to be distributed as accrued interest to Holders of such Securities;

(iv) the amounts of (a) any overdue payments of scheduled principal included in such distribution, (b) any remaining overdue principal amounts with respect to such Securities, (c) any current shortfall in receipt of scheduled principal payments on the related Primary Assets or (d) any realized losses or Liquidation Proceeds to be allocated as reductions in the outstanding principal balances of such Securities;

(v) the amount received under any related Enhancement, the remaining amount available under such Enhancement and the amount reimbursed to the Enhancer, if any;

(vi) the number and aggregate principal balance of Loans that were delinquent (a) one monthly payment, (b) two monthly payments and (c) three or more monthly payments, as of the end of the prior collection period;

(vii) the number and aggregate principal balance of Loans in foreclosure, as of the end of the prior collection period;

(viii) the aggregate principal balance of Loans which became REO during the prior collection period;

(ix) the book value of any REO Property acquired by the related Trust Fund;

(x) the amount of losses realized during the prior collection period;

(xi) the aggregate principal balance of Loans repurchased during the prior collection period;

(xii) the amount of the Servicing Fee for the prior collection period;

(xiii) during the Pre-Funding Period, the remaining Pre-Funded Amount and the portion of the Pre-Funding Amount used to acquire additional Primary Assets since the preceding Distribution Date;

(xiv) during the Pre-Funding Period, the amount remaining in the Capitalized Interest Account; and

(xv) such other information as specified in the related Agreement.

In addition, within a reasonable period of time after the end of each calendar year the Trustee, unless otherwise specified in the related Prospectus Supplement, will furnish to each Holder of record at any time during such calendar year (a) the aggregate of amounts reported pursuant to (i), (ii), and (iv) (d) above for such calendar

year and (b) such information specified in the related Agreement to enable Holders to prepare their tax returns including, without limitation, the amount of original issue discount accrued on the Securities, if applicable. Information in the Distribution Date and annual statements provided to the Holders will not have been examined and reported upon by an independent public accountant. However, the Servicer will provide to the Trustee a report by independent public accountants with respect to the Servicer's servicing of the Loans. See "SERVICING OF LOANS--Evidence as to Compliance."

If so specified in the Prospectus Supplement for a Series of Securities, such Series or one or more Classes of such Series will be issued in book-entry form. In such event, owners of beneficial interests in such Securities will not be considered Holders and will not receive such reports directly from the Trustee. The Trustee will forward such reports only to the entity or its nominee which is the registered holder of the global certificate which evidences such book-entry securities. Beneficial owners will receive such reports from the participants and indirect participants of the applicable book-entry system in accordance with the practices and procedures of such entities.

#### EVENTS OF DEFAULT; RIGHTS UPON EVENT OF DEFAULT

Pooling and Servicing Agreement; Sale and Servicing Agreement. Unless otherwise specified in the related Prospectus Supplement, Events of Default under the Pooling and Servicing Agreement or Sale and Servicing Agreement for each Series of Securities relating to Loans include (i) any failure by the Servicer to deposit amounts in the Collection Account and/or Certificate Account and/or Distribution Account required to be made thereunder, which failure continues unremedied for three business days after the giving of written notice of such failure to the Servicer by the Trustee for such Series, or to the Servicer and the Trustee by the Enhancer or by the Holders of such Series evidencing not less than 51% of the aggregate voting rights of the Securities for such Series, (ii) any failure by the Servicer duly to observe or perform in any material respect any other of its covenants or agreements in the applicable Agreement which continues unremedied for 30 days after the giving of written notice of such failure to the Servicer by the Trustee, or to the Servicer and the Trustee by the Enhancer or by the Holders of such Series evidencing not less than 51% of the aggregate voting rights of the Securities for such Series, and (iii) certain events of insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings and certain actions by the Servicer indicating its insolvency, reorganization or inability to pay its obligations.

So long as an Event of Default remains unremedied under the applicable Agreement for a Series of Securities relating to the servicing of Loans, unless otherwise specified in the related Prospectus Supplement, the Trustee for such Series or Holders of Securities of such Series evidencing not less than 51% of the aggregate voting rights of the Securities for such Series with, if specified in the related Prospectus Supplement, the consent of the Enhancer, may terminate all of the rights and obligations of the Servicer as servicer under the applicable Agreement (other than its right to recovery of other expenses and amounts advanced pursuant to the terms of such Agreement which rights the Servicer will retain under all circumstances), whereupon the Trustee will succeed to all the responsibilities, duties and liabilities of the Servicer under such Agreement and will be entitled to reasonable servicing compensation not to exceed the applicable servicing fee, together with other servicing compensation in the form of assumption fees, late payment charges or otherwise as provided in such Agreement.

In the event that the Trustee is unwilling or unable so to act, it may select, or petition a court of competent jurisdiction to appoint, a finance institution, bank or loan servicing institution with a net worth of at least \$15,000,000 to act as successor Servicer under the provisions of the applicable Agreement. The successor Servicer would be entitled to reasonable servicing compensation in an amount not to exceed the Servicing Fee as set forth in the related Prospectus Supplement, together with the other servicing compensation in the form of assumption fees, late payment charges or otherwise, as provided in such Agreement.

During the continuance of any Event of Default of a Servicer under an Agreement for a Series of Securities, the Trustee for such Series will have the right to take action to enforce its rights and remedies and to protect and enforce the rights and remedies of the Holders of such Series, and, unless otherwise specified in the related Prospectus Supplement, Holders of Securities evidencing not less than 51% of the aggregate voting rights of the Securities for such Series may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon that Trustee. However, the Trustee will not be under any obligation to pursue any such remedy or to exercise any of such trusts or powers unless such

Holders have offered the Trustee reasonable security or indemnity against the cost, expenses and liabilities which may be incurred by the Trustee therein or thereby. The Trustee may decline to follow any such direction if the Trustee determines that the action or proceeding so directed may not lawfully be taken or would involve it in personal liability or be unjustly prejudicial to the nonassenting Holders.

Indenture. Unless otherwise specified in the related Prospectus Supplement, Events of Default under the Indenture for each Series of Notes include: (i) a default for 30 days or more in the payment of any principal or interest on any Note of such Series; (ii) failure to perform any other covenant

of the Seller or the Trust Fund in the Indenture which continues for a period of 60 days after notice thereof is given in accordance with the procedures described in the related Prospectus Supplement; (iii) any representation or warranty made by the Seller or the Trust Fund in the Indenture or in any certificate or other writing delivered pursuant thereto or in connection therewith with respect to or affecting such Series having been incorrect in a material respect as of the time made, and such breach is not cured within 60 days after notice thereof is given in accordance with the procedures described in the related Prospectus Supplement; (iv) certain events of bankruptcy, insolvency, receivership or liquidation of the Seller or the Trust Fund; or (v) any other Event of Default provided with respect to Notes of that Series.

If an Event of Default with respect to the Notes of any Series at the time outstanding occurs and is continuing, either the Trustee or the Holders of a majority of the then aggregate outstanding amount of the Notes of such Series with, if specified in the related Prospectus Supplement, the consent of the Enhancer, may declare the principal amount (or, if the Notes of that Series are Zero Coupon Securities, such portion of the principal amount as may be specified in the terms of that Series, as provided in the related Prospectus Supplement) of all the Notes of such Series to be due and payable immediately. Such declaration may, under certain circumstances, be rescinded and annulled by the Holders of a majority in aggregate outstanding amount of the Notes of such Series.

If, following an Event of Default with respect to any Series of Notes, the Notes of such Series have been declared to be due and payable, the Trustee may, in its discretion, notwithstanding such acceleration, elect to maintain possession of the collateral securing the Notes of such Series and to continue to apply distributions on such collateral as if there had been no declaration of acceleration if such collateral continues to provide sufficient funds for the payment of principal of and interest on the Notes of such Series as they would have become due if there had not been such a declaration. In addition, unless otherwise specified in the related Prospectus Supplement, the Trustee may not sell or otherwise liquidate the collateral securing the Notes of a Series following an Event of Default other than a default in the payment of any principal or interest on any Note of such Series for 30 days or more, unless (a) the Holders of 100% of the then aggregate outstanding amount of the Notes of such Series consent to such sale, (b) the proceeds of such sale or liquidation are sufficient to pay in full the principal of and accrued interest due and unpaid on the outstanding Notes of such Series at the date of such sale or (c) the Trustee determines that such collateral would not be sufficient on an ongoing basis to make all payments on such Notes as such payments would have become due if such Notes had not been declared due and payable, and the Trustee obtains the consent of the Holders of 66 2/3% of the then aggregate outstanding amount of the Notes of such Series.

In the event that the Trustee liquidates the collateral in connection with an Event of Default involving a default for 30 days or more in the payment of principal of or interest on the Notes of a Series, the Indenture provides that the Trustee will have a prior lien on the proceeds of any such liquidation for unpaid fees and expenses. As a result, upon the occurrence of such an Event of Default, the amount available for distribution to the Noteholders may be less than would otherwise be the case. However, the Trustee may not institute a proceeding for the enforcement of its lien except in connection with a proceeding for the enforcement of the lien of the Indenture for the benefit of the Noteholders after the occurrence of such an Event of Default.

Unless otherwise specified in the related Prospectus Supplement, in the event the principal of the Notes of a Series is declared due and payable, as described above, the Holders of any such Notes issued at a discount from par may be entitled to receive no more than an amount equal to the unpaid principal amount thereof less the amount of such discount which is unamortized.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default shall occur and be continuing with respect to a Series of Notes, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders of Notes of such

Series, unless such Holders offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in complying with such request or direction. Subject to such provisions for indemnification and certain limitations contained in the Indenture, the Holders of a majority of the then aggregate outstanding amount of the Notes of such Series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Notes of such Series, and the Holders of a majority of the then aggregate outstanding amount of the Notes of such Series may, in certain cases, waive any default with respect thereto, except a default in the payment of principal or interest or a default in respect of a covenant or provision of the Indenture that cannot be

modified without the waiver or consent of all the Holders of the outstanding Notes of such Series affected thereby.

#### THE TRUSTEE

The identity of the commercial bank, savings and loan association or trust company named as the Trustee for each Series of Securities will be set forth in the related Prospectus Supplement. The entity serving as Trustee may have normal banking relationships with the Seller. In addition, for the purpose of meeting the legal requirements of certain local jurisdictions, the Trustee will have the power to appoint co-trustees or separate trustees of all or any part of the Trust Fund relating to a Series of Securities. In the event of such appointment, all rights, powers, duties and obligations conferred or imposed upon the Trustee by the Agreement relating to such Series will be conferred or imposed upon the Trustee and each such separate trustee or co-trustee jointly, or, in any jurisdiction in which the Trustee shall be incompetent or unqualified to perform certain acts, singly upon such separate trustee or co-trustee who will exercise and perform such rights, powers, duties and obligations solely at the direction of the Trustee. The Trustee may also appoint agents to perform any of the responsibilities of the Trustee, which agents will have any or all of the rights, powers, duties and obligations of the Trustee conferred on them by such appointment; provided that the Trustee will continue to be responsible for its duties and obligations under the Agreement. In the event a Series includes both Notes and Certificates, a separate Trustee identified in the related Prospectus Supplement will serve as Trustee for the Certificateholders and for the Notes.

#### DUTIES OF THE TRUSTEE

The Trustee will not make any representations as to the validity or sufficiency of the Agreement, the Securities or of any Primary Asset or related documents. If no Event of Default (as defined in the related Agreement) has occurred, the Trustee is required to perform only those duties specifically required of it under the Agreement. Upon receipt of the various certificates, statements, reports or other instruments required to be furnished to it, the Trustee is required to examine them to determine whether they are in the form required by the related Agreement. However, the Trustee will not be responsible for the accuracy or content of any such documents furnished to it by the Holders or the Servicer under the Agreement.

The Trustee may be held liable for its own negligent action or failure to act, or for its own misconduct; provided, however, that the Trustee will not be personally liable with respect to any action taken, suffered or omitted to be taken by it in good faith in accordance with the direction of the Holders in an Event of Default. The Trustee is not required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Agreement, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

#### RESIGNATION OF TRUSTEE

The Trustee may, upon written notice to the Seller, and if specified in the related Prospectus Supplement, the Enhancer, if any, resign at any time, in which event the Seller will be obligated to use its best efforts to appoint a successor Trustee. If no successor Trustee has been appointed and has accepted the appointment within the period specified in the Agreement after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for appointment of a successor Trustee. The Trustee may also be removed at any time (i) if the Trustee ceases to be eligible to continue as such under the Agreement, (ii) if the Trustee becomes insolvent or (iii) by the Holders of Securities evidencing over 50% of the aggregate voting rights of the Securities in the Trust Fund upon written notice to the Trustee and to the Seller. Any resignation or

46

removal of the Trustee and appointment of a successor Trustee will not become effective until acceptance of the appointment by the successor Trustee.

#### AMENDMENT OF AGREEMENT

The Agreement for each Series of Securities may be amended by the Seller, the Servicer and the Trustee with respect to such Series, without notice to or consent of the Holders (i) to cure any ambiguity, (ii) to correct any defective provisions or to correct or supplement any provision therein, (iii) to add to the duties of the Seller, the Trust Fund or Servicer, (iv) to add any other provisions with respect to matters or questions arising under such Agreement or related Enhancement, (v) to add or amend any provisions of such Agreement as required by a Rating Agency in order to maintain or improve the rating of the Securities (it being understood that none of the Seller, the Servicer or Trustee is obligated to maintain or improve such rating), or (vi) to comply with any requirements imposed by the Code; provided that any such amendment except pursuant to clause (vi) above will not materially and adversely affect the interests of any Holders of such Series or, if specified in the related

Prospectus Supplement, the Enhancer, as evidenced by an opinion of counsel. Any such amendment except pursuant to clause (vi) of the preceding sentence shall be deemed not to adversely affect in any material respect the interests of any Holder if the Trustee receives written confirmation from each Rating Agency rating such Securities that such amendment will not cause such Rating Agency to withdraw or reduce the then current rating thereof. The Agreement for each Series may also be amended by the Trustee, the Servicer, if applicable, and the Seller with respect to such Series with the consent of the Enhancer, if specified in the related Prospectus Supplement or the Holders possessing not less than 51% of the aggregate outstanding principal amount of the Securities of such Series or, if only certain Classes of such Series are affected by such amendment, 51% of the aggregate outstanding principal amount of the Securities of each Class of such Series 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 modifying in any manner the rights of Holders of such Series; provided, however, that no such amendment may (a) reduce the amount or delay the timing of payments on any Security without the consent of the Holder of such Security; or (b) reduce the aforesaid percentage of the aggregate outstanding principal amount of Securities of each Class, the Holders of which are required to consent to any such amendment or (c) if specified in the related Prospectus Supplement, adversely affect the interests of the Enhancer, without, in the case of clauses (a) or (b), the consent of the Holders of 100% of the aggregate outstanding principal amount of each Class of Securities affected thereby.

#### VOTING RIGHTS

The related Prospectus Supplement will set forth the method of determining allocation of voting rights with respect to a Series. Unless otherwise provided in the related Prospectus Supplement, no Holder of Securities of a Series, solely by virtue of such Holder's status as a Holder, will have any right under the applicable Agreement for such Series to institute any proceeding with respect to such Agreement, unless such Holder previously has given to the Trustee for such Series written notice of default and unless the Holders of Securities evidencing not less than 51% of the aggregate voting rights of the Securities for such Series have made written request upon the Trustee to institute such proceeding in its own name as Trustee thereunder and have offered to the Trustee reasonable indemnity, and the Trustee for 60 days has neglected or refused to institute any such proceeding.

#### LIST OF HOLDERS

Upon written request of three or more Holders of record of a Series for purposes of communicating with other Holders with respect to their rights under the Agreement, which request is accompanied by a copy of the communication which such Holders propose to transmit, the Trustee will afford such Holders access during business hours to the most recent list of Holders of that Series held by the Trustee.

No Agreement will provide for the holding of any annual or other meeting of Holders.

#### BOOK-ENTRY SECURITIES

If specified in the Prospectus Supplement for a Series of Securities, such Series or one or more Classes of such Series may be issued in book-entry form. In such event, beneficial owners of such Securities will not be considered "Holders" under the Agreements and may exercise the rights of Holders only indirectly through the participants in the applicable book-entry system.

47

#### REMIC ADMINISTRATOR

For any Series with respect to which a REMIC election is made, preparation of certain reports and certain other administrative duties with respect to the Trust Fund may be performed by a REMIC administrator, who may be the Seller or an affiliate of the Seller.

#### TERMINATION

Pooling and Servicing Agreement; Trust Agreement. The obligations created by the Pooling and Servicing Agreement or Trust Agreement for a Series will terminate upon the distribution to Holders of all amounts distributable to them pursuant to such Agreement after the earlier of (i) the later of (a) the final payment or other liquidation of the last Primary Asset remaining in the Trust Fund for such Series and (b) the disposition of all property acquired upon foreclosure or deed in lieu of foreclosure or repossession in respect of any Primary Asset or (ii) the repurchase, as described below, by the Servicer or other entity specified in the related Prospectus Supplement from the Trustee for such Series of all Primary Assets and other property at that time subject to such Agreement. The Agreement for each Series permits, but does not require, the Servicer or other entity specified in the related Prospectus Supplement to purchase from the Trust Fund for such Series all remaining Primary Assets at a price equal to, unless otherwise specified in the related Prospectus Supplement,

100% of the aggregate Principal Balance of such Primary Assets plus, with respect to any property acquired in respect of a Primary Asset, if any, the outstanding Principal Balance of the related Primary Asset at the time of foreclosure, less, in either case, related unreimbursed Advances (in the case of the Primary Assets, only to the extent not already reflected in the computation of the aggregate Principal Balance of such Primary Assets) and unreimbursed expenses (that are reimbursable pursuant to the terms of the Pooling and Servicing Agreement) plus, in either case, accrued interest thereon at the weighted average rate on the related Primary Assets through the last day of the Due Period in which such repurchase occurs; provided, however, that if an election is made for treatment as a REMIC under the Code, the repurchase price may equal the greater of (a) 100% of the aggregate Principal Balance of such Primary Assets, plus accrued interest thereon at the applicable net rates on the Primary Assets through the last day of the month of such repurchase and (b) the aggregate fair market value of such Primary Assets plus the fair market value of any property acquired in respect of a Primary Asset and remaining in the Trust Fund. The exercise of such right will effect early retirement of the Securities of such Series, but such entity's right to so purchase is subject to the aggregate Principal Balance of the Primary Assets at the time of repurchase being less than a fixed percentage, not more than 25%, to be set forth in the related Prospectus Supplement, of the aggregate Principal Balance of the Primary Assets as of the Cut-off Date. In no event, however, will the trust created by the Agreement continue beyond the expiration of 21 years from the death of the last survivor of certain persons identified therein. For each Series, the Servicer or the Trustee, as applicable, will give written notice of termination of the Agreement to each Holder, and the final distribution will be made only upon surrender and cancellation of the Securities at an office or agency specified in the notice of termination. If so provided in the related Prospectus Supplement for a Series, the Seller or another entity may effect an optional termination of the Trust Fund under the circumstances described in such Prospectus Supplement. See "DESCRIPTION OF THE SECURITIES--Optional Redemption, Purchase or Termination."

Indenture. The Indenture will be discharged with respect to a Series of Notes (except with respect to certain continuing rights specified in the Indenture) upon the delivery to the Trustee for cancellation of all the Notes of such Series or, with certain limitations, upon deposit with the Trustee of funds sufficient for the payment in full of all of the Notes of such Series.

In addition to such discharge with certain limitations, the Indenture will provide that, if so specified with respect to the Notes of any Series, the related Trust Fund will be discharged from any and all obligations in respect of the Notes of such Series (except for certain obligations relating to temporary Notes and exchange of Notes, to register the transfer of or exchange Notes of such Series, to replace stolen, lost or mutilated Notes of such Series, to maintain paying agencies and to hold monies for payment in trust) upon the deposit with the Trustee, in trust, of money and/or direct obligations of or obligations guaranteed by the United States of America which, through the payment of interest and principal in respect thereof in accordance with their terms, will provide money in an amount sufficient to pay the principal of and each installment of interest on the Notes of such Series on the Final Scheduled Distribution Date for such Notes and any installment of interest on such Notes in accordance with the terms of the Indenture and the Notes of such Series. In the event of any such defeasance and discharge of Notes of such Series, holders of Notes of such Series would be able to look only to such money and/or direct obligations for payment of principal and interest, if any, on their Notes until maturity.

#### CERTAIN LEGAL ASPECTS OF THE LOANS

The following discussion contains summaries of certain legal aspects of mortgage loans which are general in nature. Because certain of such legal aspects are governed by applicable state law (which laws may differ substantially), the summaries do not purport to be complete nor reflect the laws of any particular state (other than the state of New York where it is anticipated that a material percentage of the Mortgaged Properties will be located), nor encompass the laws of all states in which the properties securing the Loans are situated.

#### MORTGAGES

The Home Equity Loans for a Series will be secured by either mortgages or deeds of trust or deeds to secure debt (such Home Equity Loans are hereinafter referred to in this section as "mortgage loans"), depending upon the prevailing practice in the state in which the property subject to a mortgage loan is located. In New York, the prevailing practice is a mortgage. The filing of a mortgage, deed of trust or deed to secure debt creates a lien or title interest upon the real property covered by such instrument and represents the security for the repayment of an obligation that is customarily evidenced by a promissory note. The priority of the liens is important because, among other things, the foreclosure of a senior lien will extinguish a junior lien, and because the holder of a senior lien generally will have a right to receive insurance,

condemnation or other proceeds before the holder of a junior lien.

Priority between mortgages and deeds of trust (or other instruments of record) generally depends in the first instance on the order of filing with the appropriate government records office. Priority also may be affected by the express terms of the mortgage or the deed of trust and any subordination agreement among the lenders.

Although priority among liens on the same property generally depends in the first instance on the order of filing, there are a number of ways in which a lien that is a senior lien when it is filed can become subordinate to a lien filed at a later date. A deed of trust or mortgage generally is not prior to any liens for real estate taxes and assessments, certain federal liens (including certain federal criminal liens, environmental liens and tax liens), certain mechanics and materialmen's liens, and other liens given priority by applicable law.

There are two parties to a mortgage, the mortgagor, who is the borrower/property owner or the land trustee (as described below), and the mortgagee, who is the lender. Under the mortgage instrument, the mortgagor delivers to the mortgagee a note or bond and the mortgage. In the case of a land trust, there are three parties because title to the property is held by a land trustee under a land trust agreement of which the borrower/property owner is the beneficiary; at origination of a mortgage loan, the borrower executes a separate undertaking to make payments on the mortgage note. Under a deed of trust, the homeowner or borrower, called the "grantor," grants the security property to a third-party grantee, called the "trustee," for the benefit of the lender, called the "beneficiary." The deed of trust, upon the instructions of the beneficiary, gives the trustee the authority, if the borrower defaults, to sell the security property in a "foreclosure" or "trustee's sale" and to apply the sale proceeds to the secured debt. The mortgagee's authority under a mortgage and the trustee's authority under a deed of trust are governed by the law of the state in which the real property is located, the express provisions of the mortgage or deed of trust, and, in some cases, in deed of trust transactions, the directions of the beneficiary.

#### FORECLOSURE

Foreclosure of a mortgage is generally accomplished by judicial action, and foreclosure of a deed of trust may be 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 and expensive. 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 or 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.

If a borrower defaults under a loan secured by a deed of trust, the lender generally may bring suit against the borrower. The lender generally also may attempt to collect the loan by causing the deed of trust to be enforced against the property it encumbers. Enforcement of a deed of trust is accomplished in most cases by a trustee's sale in which the trustee, upon default of the grantor, and subject to the expiration of applicable cure periods, sells the security property at a public sale under the terms of the loan documents and subject to the applicable procedural provisions of state law. In certain states, the lender must exhaust the security through foreclosure

49

(either judicially or non-judicially) prior to collecting on the loan. Whether a lender may thereafter collect on the unpaid balance of the loan is governed by the anti-deficiency statute in the applicable state.

The trustee's sale generally must be conducted by public auction in the county or city in which all or some part of the security property is located. At the sale, the trustee generally requires a bidder to deposit with the trustee a set amount or a percentage of the full amount of the bidder's final bid in cash (or an equivalent thereto satisfactory to the trustee) prior to and as a condition to recognizing such bid, and may conditionally accept and hold these amounts for the duration of the sale. The beneficiary of the deed of trust generally need not bid cash at the sale, but may instead make a "credit bid" up to the extent of the total amount due under the deed of trust, including costs and expenses actually incurred in enforcing the deed of trust, as well as the trustee's fees and expenses. The trustee will sell the security property to the highest proper bidder at the sale.

A sale conducted in accordance with the terms of the power of sale contained in the deed of trust generally is presumed to be conducted regularly and fairly, and, on a conveyance of the property by trustee's deed, confers

absolute legal title to the property to the purchaser, free of all junior deeds of trust and free of all other liens and claims subordinate to the deed of trust under which the sale is made. The purchaser's title, however, is subject to all senior liens and other senior claims. Thus, if the deed of trust being enforced is a junior deed of trust, the trustee will convey title to the property to the purchaser subject to the first deed of trust and any other prior liens and claims. A trustee's sale or judicial foreclosure under a junior deed of trust generally has no effect on the first deed of trust, with the possible exception of the right of a senior beneficiary to accelerate its indebtedness under a default clause or a "due-on-sale" clause contained in the senior deed of trust. See "---Due-on-Sale Clauses in Home Equity Loans" below.

Because a potential buyer at the sale may find it difficult to determine the exact status of title and other facts about the security property, and because the physical condition of the security property may have deteriorated, it generally is more common for the lender, rather than an unrelated third party, to purchase the security property at a trustee's sale or judicial foreclosure sale. The lender (or other purchaser at the trustee's sale) will be subject to the burdens of ownership, including the obligations to service any senior deed of trust, to obtain hazard insurance and to make such repairs at its own expense as are necessary to render the security property suitable for resale. The lender commonly will attempt to resell the security property and obtain the services of a real estate broker and agree to pay the broker a commission in connection with the resale. Depending upon market conditions, the ultimate proceeds of the resale of the security property may not be high enough to equal the lender's investment.

The proceeds received by the trustee from the sale generally are applied first to the costs, fees and expenses of sale and then in satisfaction of the indebtedness secured by the deed of trust under which the sale was conducted. Any remaining proceeds generally are payable to the holders of junior deeds of trust and other liens and claims in order of their priority. Any balance remaining generally is payable to the grantor. Following the sale, if there are insufficient proceeds to repay the secured debt, the beneficiary under the foreclosed lien generally may obtain a deficiency judgment against the grantor. See "---Deficiency Judgments" below.

Some courts have been faced with the issue of whether federal or state constitutional due process requires that borrowers under deeds of trust receive notices in addition to the statutorily prescribed minimum. For the most part, the courts in these cases have upheld the notice provisions and procedures described above.

An action to foreclose a mortgage is an action to recover the mortgage debt by enforcing the mortgagee's rights under the mortgage. It is regulated by statutes and rules and subject throughout to the court's equitable powers. Generally, a mortgagor is bound by the terms of the related mortgage note and the mortgage as made and cannot be relieved from his default if the mortgagee has exercised his rights in a commercially reasonable manner. However, since a foreclosure action historically was equitable in nature, the court may exercise equitable powers to relieve a mortgagor of a default and deny the mortgagee foreclosure on proof that either the mortgagor's default was neither willful nor in bad faith or the mortgagee's action established a waiver, fraud, bad faith, or oppressive or unconscionable conduct such as to warrant a court of equity to refuse affirmative relief to the mortgagee. Under certain circumstances a court of equity may relieve the mortgagor from an entirely technical default where such default was not willful.

A foreclosure action is subject to most of the delays and expenses of other lawsuits if defenses or counterclaims are interposed, sometimes requiring up to several years to complete. Moreover, a non-collusive, regularly conducted foreclosure sale may be challenged as a fraudulent conveyance, regardless of the parties' intent, if a court determines that the sale was for less than fair consideration and such sale occurred while the

mortgagor was insolvent and within one year (or within the state statute of limitations if the trustee in bankruptcy elects to proceed under state fraudulent conveyance law) of the filing of bankruptcy. Similarly, a suit against the debtor on the related mortgage note may take several years and, generally, is a remedy alternative to foreclosure, the mortgagee being precluded from pursuing both at the same time.

In the case of foreclosure under either a mortgage or a deed of trust, the sale by the referee or other designated officer or by the trustee is a public sale. However, because of the difficulty potential third party purchasers at the sale 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 uncommon for a third party to purchase the property at a foreclosure sale. Rather, it is common for the lender to purchase the property from the trustee or referee for an amount which may be equal to the unpaid principal amount of the mortgage note secured by the mortgage or deed of trust plus accrued and unpaid interest and the expenses of foreclosure, in which event



the mortgagor's debt will be extinguished or the lender may purchase for a lesser amount in order to preserve its right against a borrower to seek a deficiency judgment in states where such a judgment is available. 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, paying taxes and making such repairs at its own expense as are necessary to render the property suitable for sale. The lender will commonly obtain the services of a real estate broker and pay the broker's commission in connection with the sale of the property. Depending upon market conditions, the ultimate proceeds of the sale of the property may not equal the lender's investment in the property. Any loss may be reduced by the receipt of any mortgage guaranty insurance proceeds.

#### RIGHTS OF REDEMPTION

In some states, after sale pursuant to a deed of trust or foreclosure of a mortgage, the trustor or mortgagor and foreclosed junior lienors are given a statutory period in which to redeem the property from the foreclosure sale. The right of redemption should be distinguished from the equity of redemption, which is a non-statutory right that must be exercised prior to the foreclosure sale. In some states, redemption may occur only upon payment of the entire principal balance of the loan, accrued interest and expenses of foreclosure. In other states, redemption may be authorized if the former borrower pays only a portion of the sums due. The effect of a statutory right of redemption 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 foreclosure or sale under a deed of trust. Consequently the practical effect of a right of redemption is to force the lender to retain the property and pay the expenses of ownership until the redemption period has run. In some states, there is no right to redeem property after a trustee's sale under a deed of trust.

In New York, the debtor (or anyone on the debtor's behalf) may cure a default by paying the entire amount of the debt then due, plus costs and expenses actually incurred in enforcing the obligation and statutorily limited attorneys' fees. In addition, the borrower (or its successor) or any other persons having a subordinate lien or encumbrance may discharge the mortgage or deed of trust on the security property by paying the entire principal due as a result of the acceleration, together with interest and costs, expenses and fees. In New York, with few exceptions, the right of redemption is forever barred by a valid foreclosure.

When the lender under a junior mortgage or deed of trust cures the default and reinstates or redeems the senior mortgage or deed of trust, the amount paid by the lender for such cure generally becomes a part of the indebtedness secured by the junior deed of trust.

#### JUNIOR MORTGAGES; RIGHTS OF SENIOR MORTGAGES

The mortgage loans comprising or underlying the Primary Assets included in the Trust Fund for a Series will be secured by mortgages or deeds of trust which may be second or more junior mortgages to other mortgages held by other lenders or institutional investors. The rights of the Trust Fund (and therefore the Holders), as mortgagee under a junior mortgage, are subordinate to those of the mortgagee under the senior mortgage, including the prior rights of the senior mortgagee to receive hazard insurance and condemnation proceeds and to cause the property securing the mortgage loan to be sold upon default of the mortgagor, thereby extinguishing the junior mortgagee's lien unless the junior mortgagee asserts its subordinate interest in the property in foreclosure litigation and, possibly, satisfies the defaulted senior mortgage. A junior mortgagee may satisfy a defaulted senior loan in full and, in some states, may cure such default and bring the senior loan current, in either event adding the amounts expended to the balance due on the junior loan. In some states, absent a provision in the mortgage or

deed of trust, no notice of default is required to be given to a junior mortgagee. In addition, as described above, the rights of the Trust Fund may be or become subject to liens for real estate taxes and other obligations. Although the Seller generally does not cure defaults under a senior deed of trust or other lien, it is the Seller's standard practice to protect its interest by monitoring any such sale of which it is aware and bidding for property if it determines that it is in the Seller's best interests to do so.

The standard form of the mortgage used by most institutional lenders, like that used by the Seller, confers on the mortgagee the right both to receive all proceeds collected under any hazard insurance policy required to be maintained by the borrower and all awards made in connection with condemnation proceedings. The lender generally has the right, subject to the specific provisions of the deed of trust securing its loan, to apply such proceeds and awards to repair of any damage to the security property or to payment of any indebtedness secured by the deed of trust, in such order as the beneficiary may determine. Thus, in the event improvements on the property are damaged or destroyed by fire or other

casualty, or in the event the property is taken by condemnation, the mortgagee or beneficiary under underlying senior mortgages will have the prior right to collect any insurance proceeds payable under a hazard insurance policy and any award of damages in connection with the condemnation and to apply the same to the indebtedness secured by the senior mortgages or deeds of trust. If available, proceeds in excess of the amount of senior mortgage indebtedness, in most cases, will be applied to the indebtedness of a junior mortgage.

Another provision typically found in the form of the mortgage or deed of trust used by institutional lenders obligates the mortgagor to pay before delinquency all taxes and assessments on the property and, when due, all encumbrances, charges and liens on the property which appear prior to the mortgage or deed of trust, to provide and maintain fire insurance on the property, to maintain and repair the property and not to commit or permit any waste thereof, and to appear in and defend any action or proceeding purporting to affect the property or the rights of the mortgagee under the mortgage. Upon a failure of the grantor or mortgagor to perform any of these obligations, the mortgagee or beneficiary is given the right under certain mortgages to perform the obligation itself, at its election, with the mortgagor agreeing to reimburse the mortgagee or beneficiary for any sums expended by the mortgagee or beneficiary on behalf of the mortgagor or grantor. The mortgage or deed of trust typically provide that all sums so expended by the mortgagee become part of the indebtedness secured by the mortgage.

#### ANTI-DEFICIENCY LEGISLATION AND OTHER LIMITATIONS ON LENDERS

Certain states have imposed statutory prohibitions which 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 former borrower equal in most cases to the difference between the net amount realized upon the public sale of the real property and the amount due to the lender. However, some states calculate the deficiency as the difference between the outstanding indebtedness and the greater of the fair market value of the property and the sales price of the property. Other statutes 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. Finally, other statutory provisions 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 the public sale. The purpose of these statutes is generally 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 New York there is no statutory prohibition limiting remedies to the lender, and the liability for deficiency in a mortgage foreclosure action depends upon the contract. However, by statute, where no express covenant (or other separate instrument, such as a guarantee) provides for the liability of a deficiency, the remedies of a lender are confined to the mortgaged property.

In addition to laws limiting or prohibiting deficiency judgments, numerous other statutory provisions, including the federal bankruptcy laws, the Federal Soldiers' and Sailors' Relief Act and state laws affording relief

to debtors, may interfere with or affect the ability of the secured lender to realize upon collateral and/or enforce a deficiency judgment. For example, with respect to federal bankruptcy law, the filing of a petition acts as a stay against the enforcement of remedies for collection of a debt. Moreover, a court with federal bankruptcy jurisdiction may permit a debtor through a Chapter 13 Bankruptcy Code rehabilitative plan to cure a monetary default with respect to a loan on a debtor's residence by paying arrearages within a reasonable time period and reinstating the original loan payment schedule even though the lender accelerated the loan and the lender has taken all steps to realize upon his security (provided no sale of the property has yet occurred) prior to the filing of the debtor's Chapter 13 petition. Some courts with federal bankruptcy jurisdiction have approved plans, based on the particular facts of the reorganization case, that effected the curing of a loan default by permitting the obligor to pay arrearages over a number of years.

Courts with federal bankruptcy jurisdiction have also indicated that the terms of a mortgage loan may be modified if the borrower has filed a petition under Chapter 13. These courts have suggested that such modifications may include reducing the amount of each monthly payment, changing the rate of interest, altering the repayment schedule and reducing the lender's security

interest to the value of the residence, thus leaving the lender a general unsecured creditor for the difference between the value of the residence and the outstanding balance of the loan. Federal bankruptcy law and limited case law indicate that the foregoing modifications could not be applied to the terms of a loan secured by property that is the principal residence of the debtor. In all cases, the secured creditor is entitled to the value of its security plus post-petition interest, attorney's fees and costs to the extent the value of the security exceeds the debt.

In a Chapter 11 case under the Bankruptcy Code, the lender is precluded from foreclosing without authorization from the bankruptcy court. The lender's lien may be transferred to other collateral and/or be limited in amount to the value of the lender's interest in the collateral as of the date of the bankruptcy. The loan term may be extended, the interest rate may be adjusted to market rates and the priority of the loan may be subordinated to bankruptcy court-approved financing. The bankruptcy court can, in effect, invalidate due-on-sale clauses through confirmed Chapter 11 plans of reorganization.

The Bankruptcy Code provides priority to certain tax liens over the lender's security. This may delay or interfere with the enforcement of rights in respect of a defaulted loan. In addition, substantive requirements are imposed upon lenders in connection with the origination and the servicing of mortgage loans by numerous federal and some state consumer protection laws. The 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 impose specific statutory liabilities upon lenders who originate loans and who fail to comply with the provisions of the law. In some cases, this liability may affect assignees of the loans.

#### DUE-ON-SALE CLAUSES IN MORTGAGE LOANS

Due-on-sale clauses permit the lender to accelerate the maturity of the loan if the borrower sells or transfers, whether voluntarily or involuntarily, all or part of the real property securing the loan without the lender's prior written consent. The enforceability of these clauses has been the subject of legislation or litigation in many states, and in some cases, typically involving single family residential mortgage transactions, their enforceability has been limited or denied. In any event, the Garn-St Germain Depository Institutions Act of 1982 (the "Garn-St Germain Act") preempts state constitutional, statutory and case law that prohibits the enforcement of due-on-sale clauses and permits lenders to enforce these clauses in accordance with their terms, subject to certain exceptions. As a result, due-on-sale clauses have become generally enforceable except in those states whose legislatures exercised their authority to regulate the enforceability of such clauses with respect to mortgage loans that were (i) originated or assumed during the "window period" under the Garn-St Germain Act which ended in all cases not later than October 15, 1982, and (ii) originated by lenders other than national banks, federal savings institutions and federal credit unions. FHLMC has taken the position in its published mortgage servicing standards that, out of a total of eleven "window period states," five states (Arizona, Michigan, Minnesota, New Mexico and Utah) have enacted statutes extending, on various terms and for varying periods, the prohibition on enforcement of due-on-sale clauses with respect to certain categories of window period loans. Also, the Garn-St Germain Act does "encourage" lenders to permit assumption of loans at the original rate of interest or at some other rate less than the average of the original rate and the market rate.

53

In addition, under federal bankruptcy law, due-on-sale clauses may not be enforceable in bankruptcy proceedings and may, under certain circumstances, be eliminated in any modified mortgage resulting from such bankruptcy proceeding.

#### ENFORCEABILITY OF PREPAYMENT AND LATE PAYMENT FEES

Forms of notes, mortgages and deeds of trust used by lenders may 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 the 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. Late charges and prepayment fees are typically retained by servicers as additional servicing compensation.

#### EQUITABLE LIMITATIONS ON REMEDIES

In connection with lenders' attempts to realize upon their security, courts have invoked general equitable principles. The equitable principles are generally designed to relieve the borrower from the legal effect of his defaults under the loan documents. Examples of judicial remedies that have been fashioned include judicial requirements that the lender undertake affirmative and expensive actions to determine the causes of the borrower's default and the

likelihood that the borrower will be able to reinstate the loan. In some cases, courts have substituted their judgment for the lender's judgment and have required that lenders reinstate loans or recast payment schedules in order to accommodate borrowers who are suffering from temporary financial disability. In other cases, courts have limited the right of a lender to realize upon his security if the default under the security agreement is not monetary, such as the borrower's failure to adequately maintain the property or the borrower's execution of secondary financing affecting the property. Finally, some courts have been faced with the issue of whether or not federal or state constitutional provisions reflecting due process concerns for adequate notice require that borrowers under security agreements receive notices in addition to the statutorily-prescribed minimums. For the most part, these cases have upheld the notice provisions as being reasonable or have found that, in cases involving the sale by a trustee under a deed of trust or by a mortgagee under a mortgage having a power of sale, there is insufficient state action to afford constitutional protections to the borrower.

Most conventional single-family mortgage loans may be prepaid in full or in part without penalty. A mortgagee to whom a prepayment in full has been tendered may be compelled to give either a release of the mortgage or an instrument assigning the existing mortgage. The absence of a restraint on prepayment, particularly with respect to mortgage loans having higher mortgage rates, may increase the likelihood of refinancing or other early retirements of such mortgage loans.

#### APPLICABILITY OF USURY LAWS

New York has usury laws which limit the interest and other amounts that may be charged under certain loans. Title V of the Depository Institutions Deregulation and Monetary Control Act of 1980, enacted in March 1980 ("Title V"), provides that state usury limitations shall not apply to certain types of residential first mortgage loans originated by certain lenders after March 31, 1980. Similar federal statutes were in effect with respect to mortgage loans made during the first three months of 1980. Title V authorizes any state to reimpose interest rate limits by adopting, before April 1, 1983, a state law, or by certifying that the voters of such state have voted in favor of any provision, constitutional or otherwise, which expressly rejects an application of the federal law. Fifteen states adopted such a law prior to the April 1, 1983 deadline. In addition, even where Title V is not so rejected, any state is authorized by the law to adopt a provision limiting discount points or other charges on mortgage loans covered by Title V.

#### ENVIRONMENTAL LEGISLATION

A federal statute, the Comprehensive Environmental Response, Compensation, and Liability Act, and a growing number of state laws impose a statutory lien for associated costs on property that is the subject of a cleanup action on account of hazardous wastes or hazardous substances released or disposed of on the property. Such a lien generally will have priority over all subsequent liens on the property and, in certain of these states,

54

will have priority over prior recorded liens, including the lien of a deed of trust. The priority of the environmental lien under federal law depends on the time of perfection of the federal lien compared to the time of perfection of any competing liens under applicable state law. In addition, under federal environmental legislation and possibly under state law in a number of states, a secured party that takes a deed in lieu of foreclosure or acquires a property at a foreclosure sale may be liable for the costs of cleaning up a contaminated site. Although such costs could be substantial, they would probably not be imposed on a secured lender (such as the applicable Trust Fund) if it promptly marketed the foreclosed property for resale. In the event that a Trust Fund acquired title to a property securing a Mortgage Home Equity Loan and cleanup costs were incurred in respect of the property, the holders of the Securities might incur a delay in the payment if such costs were required to be paid by such Trust Fund.

#### SOLDIERS' AND SAILORS' CIVIL RELIEF ACT OF 1940

Under the Soldiers' and Sailors' Civil Relief Act of 1940, members of all branches of the military on active duty, including draftees and reservists in military service, (i) are entitled to have interest rates reduced and capped at 6% per annum, on obligations (including Loans) incurred prior to the commencement of military service for the duration of military service, (ii) may be entitled to a stay of proceedings on any kind of foreclosure or repossession action in the case of defaults on such obligations entered into prior to military service for the duration of military service and (iii) may have the maturity of such obligations incurred prior to military service extended, the payments lowered and the payment schedule readjusted for a period of time after the completion of military service. However, the benefits of (i), (ii), or (iii) above are subject to challenge by creditors and if, in the opinion of the court, the ability of a person to comply with such obligations is not materially impaired by military service, the court may apply equitable principles

accordingly. If a borrower's obligation to repay amounts otherwise due on a Home Equity Loan included in a Trust Fund for a Series is relieved pursuant to the Soldiers' and Sailors' Civil Relief Act of 1940, none of the Trust Fund, the Servicer, the Seller nor the Trustee will be required to advance such amounts, and any loss in respect thereof may reduce the amounts available to be paid to the Holders of the Securities of such Series. Unless otherwise specified in the related Prospectus Supplement, any shortfalls in interest collections on Loans or Underlying Loans relating to the Private Securities, as applicable, included in a Trust Fund for a Series resulting from application of the Soldiers' and Sailors' Civil Relief Act of 1940 will be allocated to each Class of Securities of such Series that is entitled to receive interest in respect of such Loans or Underlying Loans in proportion to the interest that each such Class of Securities would have otherwise been entitled to receive in respect of such Loans or Underlying Loans had such interest shortfall not occurred.

#### USE OF PROCEEDS

The Seller will apply all or substantially all of the net proceeds from the sale of each Series of Securities for one or more of the following purposes: (i) to establish any Reserve Fund, Pre-Funding Account or Capitalized Interest Account, (ii) to pay costs of structuring and issuing such Securities, including the costs of obtaining Enhancement and (iii) for its general corporate purposes.

#### FEDERAL INCOME TAX CONSIDERATIONS

##### GENERAL

This section sets forth (i) certain federal income tax opinions of Stroock & Stroock & Lavan LLP, special counsel to the Seller ("Federal Tax Counsel"), and (ii) a summary, based on the advice of Federal Tax Counsel, of the material federal income tax consequences of the purchase, ownership and disposition of Securities. The summary does not purport to deal with all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor with certain types of investors subject to special treatment under the federal income tax laws. The summary focuses primarily upon investors who will hold Securities as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"), but much of the discussion is applicable to other investors as well. Because tax consequences may vary based on the status or tax attributes of the owner of a Security, prospective investors are advised to consult their own tax advisers concerning the federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of the Securities. For purposes of this

55

tax discussion (except with respect to information reporting, or where the context indicates otherwise), any reference to the "Holder" means the beneficial owner of a Security.

The summary is based upon the provisions of the Code, the regulations promulgated thereunder, including, where applicable, proposed regulations, and the judicial and administrative rulings and decisions now in effect, all of which are subject to change or possible differing interpretations. The statutory provisions, regulations, and interpretations on which this interpretation is based are subject to change, and such a change could apply retroactively.

The federal income tax consequences to Holders will vary depending on whether (i) the Securities of a Series are classified as indebtedness for federal income tax purposes; (ii) an election is made to treat the Trust Fund (or certain assets of the Trust Fund) relating to a particular Series of Securities as a real estate mortgage investment conduit ("REMIC") under the Code; (iii) the Securities represent an ownership interest for federal income tax purposes in some or all of the assets included in the Trust Fund for a Series; or (iv) for federal income tax purposes the Trust Fund relating to a particular Series of Certificates is classified as a partnership. The Prospectus Supplement for each Series of Securities will specify how the Securities will be treated for federal income tax purposes and will discuss whether a REMIC election, if any, will be made with respect to such Series.

##### OPINIONS

Federal Tax Counsel is of the opinion that:

(i) If a Prospectus Supplement indicates that one or more Classes of Securities of the related Series are to be treated as indebtedness for federal income tax purposes, assuming that all of the provisions of the applicable Agreement are complied with, the Securities so designated will be considered indebtedness of the Trust Fund for federal income tax purposes;

(ii) If a Prospectus Supplement indicates that one or more REMIC elections will be made with respect to the related Trust Fund, assuming that such elections are timely made and all of the provisions of the

applicable Agreement are complied with (a) each segregated pool of assets specified in such Agreement will constitute a REMIC for federal income tax purposes, (b) the Class or Classes of Securities of the related Series which are designated as "regular interests" in such Prospectus Supplement will be considered "regular interests" in a REMIC for federal income tax purposes and (c) the Class of Securities of the related Series which is designated as the "residual interest" in such Prospectus Supplement will be considered the sole class of "residual interests" in the applicable REMIC for federal income tax purposes;

(iii) If a Prospectus Supplement indicates that a Trust Fund will be treated as a grantor trust for federal income tax purposes, assuming compliance with all of the provisions of the applicable Agreement, (a) the Trust Fund will be considered to be a grantor trust under Subpart E, Part 1 of Subchapter J of the Code and will not be considered to be an association taxable as a corporation and (b) a Holder of the related Securities will be treated for federal income tax purposes as the owner of an undivided interest in the Primary Assets included in the Trust Fund; and

(iv) If a Prospectus Supplement indicates that a Trust Fund is to be treated as a partnership for federal income tax purposes, assuming that all of the provisions of the applicable Agreements are complied with, such Trust Fund will be considered to be a partnership for federal income tax purposes and will not be considered to be an association or publicly traded partnership taxable as a corporation.

Each such opinion is an expression of an opinion only, is not a guarantee of results and is not binding on the Internal Revenue Service or any third-party.

#### TAXATION OF DEBT SECURITIES (INCLUDING REGULAR INTEREST SECURITIES)

Interest and Acquisition Discount. Securities representing regular interest in a REMIC ("Regular Interest Securities") are generally taxable to Holders in the same manner as evidences of indebtedness issued by the REMIC. Stated interest on the Regular Interest Securities will be taxable as ordinary income and taken into account using the accrual method of accounting, regardless of the Holder's normal accounting method. Interest (other than original issue discount) on Securities (other than Regular Interest Securities) that are characterized as indebtedness for federal income tax purposes will be includible in income by Holders thereof in accordance with their usual methods of accounting. Securities characterized as debt for federal income tax purposes and Regular

56

Interest Securities will be referred to hereinafter collectively as "Debt Securities." For Certificates treated as debt for federal income tax purposes, see "Certain Certificates Treated as Indebtedness."

Debt Securities that are Compound Interest Securities will, and certain of the other Debt Securities may, be issued with "original issue discount" ("OID"). The following discussion is based in part on the rules governing OID which are set forth in Sections 1271-1275 of the Code and the Treasury regulations issued thereunder (the "OID Regulations"). A Holder should be aware, however, that the OID Regulations do not adequately address certain issues relevant to prepayable securities, such as the Debt Securities.

In general, OID, if any, will equal the difference between the stated redemption price at maturity of a Debt Security and its issue price. A Holder of a Debt Security must include such OID in gross income as ordinary interest income as it accrues under a prescribed method which takes into account an economic accrual of the discount. In general, OID must be included in income in advance of the receipt of the cash representing that income. The amount of OID on a Debt Security will be considered to be zero if it is less than a de minimis amount determined under the Code.

The issue price of a Debt Security is the first price at which a substantial amount of Debt Securities of that class are sold to the public (excluding bond houses, brokers, underwriters or wholesalers). If less than a substantial amount of a particular class of Debt Securities is sold for cash on or prior to the Closing Date, the issue price for such class will be treated as the fair market value of such class on the Closing Date. The stated redemption price at maturity of a Debt Security includes the original principal amount of the Debt Security, but generally will not include distributions of interest if such distributions constitute "qualified stated interest."

Under the OID Regulations, interest payments will not be qualified stated interest unless the interest payments are "unconditionally payable." The OID Regulations state that interest is unconditionally payable if reasonable legal remedies exist to compel timely payment, or the debt instrument otherwise provides terms and conditions that make the likelihood of late payment (other than late payment that occurs within a reasonable grace period) or nonpayment of interest a remote contingency, as defined in the OID Regulations. It is unclear

whether the terms and conditions of the loans underlying the Debt Securities, or those of the Debt Securities, are considered when determining whether the likelihood of late payment or nonpayment of interest is a remote contingency.

Certain Debt Securities will provide for distributions of interest based on a period that is the same length as the interval between Distribution Dates but ends prior to each Distribution Date. Any interest that accrues prior to the Closing Date may be treated under the OID Regulations either (i) as part of the issue price and the stated redemption price at maturity of the Debt Securities or (ii) as not included in the issue price or stated redemption price. The OID Regulations provide a special application of the de minimis rule for debt instruments with long first accrual periods where the interest payable for the first period is at a rate which is effectively less than that which applies in all other periods. In such cases, for the sole purpose of determining whether original issue discount is de minimis, the OID Regulations provide that the stated redemption price is equal to the instrument's issue price plus the greater of the amount of foregone interest or the excess (if any) of the instrument's stated principal amount over its issue price.

Under the de minimis rule, OID on a Debt Security will be considered to be zero if such OID is less than 0.25% of the stated redemption price at maturity of the Debt Security multiplied by the weighted average maturity of the Debt Security. For this purpose, the weighted average maturity of the Debt Security is computed as the sum of the amounts determined by multiplying the number of full years (i.e., rounding down partial years) from the issue date until each distribution in reduction of stated redemption price at maturity is scheduled to be made by a fraction, the numerator of which is the amount of each distribution included in the stated redemption price at maturity of the Debt Security and the denominator of which is the stated redemption price at maturity of the Debt Security. Holders generally must report de minimis OID pro rata as principal payments are received, and such income will be capital gain if the Debt Security is held as a capital asset. However, accrual method Holders may elect to accrue all de minimis OID as well as market discount under a constant interest method. See "--Election to Treat All Interest as Original Issue Discount."

The Holder of a Debt Security issued with OID must include in gross income, for all days during its taxable year on which it holds such Debt Security, the sum of the "daily portions" of such original issue discount. The amount of OID includible in income by a Holder will be computed by allocating to each day during a taxable year a pro rata portion of the original issue discount that accrued during the relevant accrual period. In the case of

57

a Debt Security that is not a Regular Interest Security and the principal payments on which are not subject to acceleration resulting from prepayments on the Loans, the amount of OID includible in income of a Holder for an accrual period (generally the period over which interest accrues on the debt instrument) will equal the product of the yield to maturity of the Debt Security and the adjusted issue price of the Debt Security, reduced by any payments of qualified stated interest. The adjusted issue price is the sum of its issue price plus prior accruals of OID, reduced by the total payments made with respect to such Debt Security in all prior periods, other than qualified stated interest payments.

The amount of OID to be included in income by a Holder of a debt instrument, such as certain Classes of the Debt Securities, that is subject to acceleration due to prepayments on other debt obligations securing such instruments (a "Pay-Through Security"), is computed by taking into account the anticipated rate of prepayments assumed in pricing the debt instrument (the "Prepayment Assumption"). The amount of OID that will accrue during an accrual period on a Pay-Through Security is the excess (if any) of the sum of (a) the present value of all payments remaining to be made on the Pay-Through Security as of the close of the accrual period and (b) the payments during the accrual period of amounts included in the stated redemption price of the Pay-Through Security, over the adjusted issue price of the Pay-Through Security at the beginning of the accrual period. The present value of the remaining payments is to be determined on the basis of three factors: (i) the original yield to maturity of the Pay-Through Security (determined on the basis of compounding at the end of each accrual period and properly adjusted for the length of the accrual period), (ii) events which have occurred before the end of the accrual period and (iii) the assumption that the remaining payments will be made in accordance with the original Prepayment Assumption. The effect of this method is to increase the portions of OID required to be included in income by a Holder to take into account prepayments with respect to the Loans at a rate that exceeds the Prepayment Assumption, and to decrease (but not below zero for any period) the portions of OID required to be included in income by a Holder of a Pay-Through Security to take into account prepayments with respect to the Loans at a rate that is slower than the Prepayment Assumption. Although OID will be reported to Holders of Pay-Through Securities based on the Prepayment Assumption, no representation is made to Holders that Loans will be prepaid at that rate or at any other rate.

It is unclear whether the Seller may adjust the accrual of OID on a Class

of Regular Interest Securities (or other regular interests in a REMIC) to take account of realized losses on the Loans. The OID Regulations do not provide for such adjustments. If the Internal Revenue Service were to require that OID be accrued without such adjustments, the rate of accrual of OID for a Class of Regular Interest Securities could increase.

Certain classes of Regular Interest Securities may represent more than one class of REMIC regular interests. Unless the applicable Prospectus Supplement specifies otherwise, the Trustee intends, based on the OID Regulations, to calculate OID on such Securities as if, solely for the purposes of computing OID, the separate regular interests were a single debt instrument.

A subsequent Holder of a Debt Security will also be required to include OID in gross income, but such a Holder who purchases such Debt Security for an amount that exceeds its adjusted issue price will be entitled (as will an initial Holder who pays more than a Debt Security's issue price) to offset such OID by comparable economic accruals of portions of such excess.

**Effects of Defaults and Delinquencies.** Holders will be required to report income with respect to the related Securities under an accrual method without giving effect to delays and reductions in distributions attributable to a default or delinquency on the Loans, except possibly to the extent that it can be established that such amounts are uncollectible. As a result, the amount of income (including OID) reported by a Holder of such a Security in any period could significantly exceed the amount of cash distributed to such Holder in that period. The Holder will eventually be allowed a loss (or will be allowed to report a lesser amount of income) to the extent that the aggregate amount of distributions on the Securities is reduced as a result of a Home Equity Loan default. However, the timing and character of such losses or reductions in income are uncertain and, accordingly, Holders of Securities should consult their own tax advisors on this point.

**Interest-Only Debt Securities.** The Trust Fund intends to report income from interest-only classes of Debt Securities to the Internal Revenue Service and to Holders of interest-only Debt Securities based on the assumption that the stated redemption price at maturity is equal to the sum of all payments determined under the applicable prepayment assumption. As a result, such interest-only Debt Securities Certificates will be treated as having original issue discount.

58

**Variable Rate Debt Securities.** Under the OID Regulations, Debt Securities paying interest at a variable rate (a "Variable Rate Debt Security") are subject to special rules. A Variable Rate Debt Security will qualify as a "variable rate debt instrument" if (i) its issue price does not exceed the total noncontingent principal payments due under the Variable Rate Debt Security by more than a specified de minimis amount; (ii) it provides for stated interest, paid or compounded at least annually, at (a) one or more qualified floating rates, (b) a single fixed rate and one or more qualified floating rates, (c) a single objective rate or (d) a single fixed rate and a single objective rate that is a qualified inverse floating rate; and (iii) it does not provide for any principal payments that are contingent, as defined in the OID Regulations, except as provided in (i) above.

A "qualified floating rate" is any variable rate where variations in the value of such rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Rate Debt Security is denominated. A multiple of a qualified floating rate will generally not itself constitute a qualified floating rate for purposes of the OID Regulations. However, a variable rate equal to (i) the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35 or (ii) the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate will constitute a qualified floating rate for purposes of the OID Regulations. In addition, under the OID Regulations, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Rate Debt Security will be treated as a single qualified floating rate (a "Presumed Single Qualified Floating Rate"). Two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Rate Debt Security's issue date will be conclusively presumed to be a Presumed Single Qualified Floating Rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a cap or floor, will not be a qualified floating rate for purposes of the OID Regulations unless the restriction is fixed throughout the term of the Variable Rate Debt Security or the restriction will not significantly affect the yield of the Variable Rate Debt Security.

An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based upon objective financial or economic information. The OID Regulations also provide that other variable rates may be treated as objective rates if so designated by the Internal Revenue Service in the future. An interest rate on a REMIC regular



interest that is the weighted average of the interest rates on some or all of the qualified mortgages held by the REMIC should constitute an objective rate. Despite the foregoing, a variable rate of interest on a Variable Rate Debt Security will not constitute an objective rate if it is reasonably expected that the average value of such rate during the first half of the Variable Rate Debt Security's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Rate Debt Security's term. Further, an objective rate does not include a rate that is based on information that is in the control of or unique to the circumstances of the issuer or a party related to the issuer. An objective rate will qualify as a "qualified inverse floating rate" if such rate is equal to a fixed rate minus a qualified floating rate and variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. The OID Regulations also provide that if a Variable Rate Debt Security provides for stated interest at a fixed rate for an initial period of less than one year followed by a variable rate that is either a qualified floating rate or an objective rate and if the variable rate on the Variable Rate Debt Security's issue date is intended to approximate the fixed rate, then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be (a "Presumed Single Variable Rate"). If the value of the variable rate and the initial fixed rate are within 25 basis points of each other as determined on the Variable Rate Debt Security's issue date, the variable rate will be conclusively presumed to approximate the fixed rate.

For Variable Rate Debt Securities that qualify as a "variable rate debt instrument" under the OID Regulations and provide for interest at either a single qualified floating rate, a single objective rate, a Presumed Single Qualified Floating Rate or a Presumed Single Variable Rate throughout the term (a "Single Variable Rate Debt Security"), original issue discount is computed as described above based on the following: (i) stated interest on the Single Variable Rate Debt Security which is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually will constitute qualified stated interest; (ii) by assuming that the variable rate on the Single Variable Rate Debt Security is a fixed rate equal to: (a) in the case of a Single Variable Rate Debt Security with a qualified floating rate or a qualified inverse floating rate, the value of, as of the issue date, of the qualified floating rate or the qualified inverse floating rate or (b) in the case of a Single Variable Rate Debt

Security with an objective rate (other than a qualified inverse floating rate), a fixed rate which reflects the reasonably expected yield for such Single Variable Rate Debt Security; and (iii) the qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid under the assumed fixed rate described in (ii) above.

In general, any Variable Rate Debt Security other than a Single Variable Rate Debt Security (a "Multiple Variable Rate Debt Security") that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of original issue discount and qualified stated interest on the Multiple Variable Rate Debt Security. The OID Regulations generally require that such a Multiple Variable Rate Debt Security be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Multiple Variable Rate Debt Security with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Multiple Variable Rate Debt Security's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Multiple Variable Rate Debt Security is converted into a fixed rate that reflects the yield that is reasonably expected for the Multiple Variable Rate Debt Security. In the case of a Multiple Variable Rate Debt Security that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Multiple Variable Rate Debt Security provides for a qualified inverse floating rate). Under such circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Multiple Variable Rate Debt Security as of the Multiple Variable Rate Debt Security's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Multiple Variable Rate Debt Security is then converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Multiple Variable Rate Debt Security is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of original issue discount and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the

original issue discount rules to the "equivalent" fixed rate debt instrument in the manner described above. A Holder of the Multiple Variable Rate Debt Security will account for such original issue discount and qualified stated interest as if the Holder held the "equivalent" fixed rate debt instrument. Each accrual period appropriate adjustments will be made to the amount of qualified stated interest or original issue discount assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that such amounts differ from the accrual amount of interest accrued or paid on the Multiple Variable Rate Debt Security during the accrual period.

If a Variable Rate Debt Security does not qualify as a "variable rate debt instrument" under the OID Regulations, then the Variable Rate Debt Security would be treated as a contingent payment debt obligation. It is not clear under current law how a Variable Rate Debt Security would be taxed if such Debt Security were treated as a contingent payment debt obligation.

The Internal Revenue Services (the "IRS") issued final regulations (the "Contingent Regulations") governing the calculation of OID on instruments having contingent interest payments. The Contingent Regulations specifically do not apply for purposes of calculating OID on debt instruments to Code Section 1272(a)(6), such as the Pay-Through Securities (including Regular Interest Securities). Additionally, the OID Regulations do not contain provisions specifically interpreting Code Section 1272(a)(6). Until the Treasury issues guidelines to the contrary, the Trustee intends to base its computation on Code Section 1272(a)(6) and the OID Regulations as described in this Prospectus. However, because no regulatory guidance exists under Code Section 1272(a)(6), there can be no assurance that such methodology represents the correct manner of calculating OID.

**Market Discount.** A purchaser of a Security may be subject to the market discount rules of Sections 1276-1278 of the Code. A Holder that acquires a Debt Security with more than a prescribed de minimis amount of "market discount" (generally, the excess of the principal amount of the Debt Security over the purchaser's purchase price) will be required to include accrued market discount in income as ordinary income in each month, but limited to an amount not exceeding the principal payments on the Debt Security received in that

60

month and, if the Securities are sold, the gain realized. Such market discount would accrue in a manner to be provided in Treasury regulations but, until such regulations are issued, such market discount would in general accrue either (i) on the basis of a constant yield (in the case of a Pay-Through Security, taking into account a prepayment assumption) or (ii) in the ratio of (a) in the case of Securities (or in the case of a Pass-Through Security, as set forth below, the Loans underlying such Security) not originally issued with original issue discount, stated interest payable in the relevant period to total stated interest remaining to be paid at the beginning of the period or (b) in the case of Securities (or, in the case of a Pass-Through Security, as described below, the Loans underlying such Security) originally issued at a discount, OID in the relevant period to total OID remaining to be paid.

Section 1277 of the Code provides that, regardless of the origination date of the Debt Security (or, in the case of a Pass-Through Security, the Loans), the excess of interest paid or accrued to purchase or carry a Security (or, in the case of a Pass-Through Security, as described below, the underlying Loans) with market discount over interest received on such Security is allowed as a current deduction only to the extent such excess is greater than the market discount that accrued during the taxable year in which such interest expense was incurred. In general, the deferred portion of any interest expense will be deductible when such market discount is included in income, including upon the sale, disposition, or repayment of the Security (or in the case of a Pass-Through Security, an underlying Loan). A Holder may elect to include market discount in income currently as it accrues, on all market discount obligations acquired by such Holder during the taxable year such election is made and thereafter, in which case the interest deferral rule will not apply.

**Premium.** A Holder who purchases a Debt Security (other than an Interest Weighted Security to the extent described above) at a cost greater than its stated redemption price at maturity, generally will be considered to have purchased the Security at a premium, which it may elect to amortize as an offset to interest income on such Security (and not as a separate deduction item) on a constant yield method. Although there are regulations addressing amortizable bond premium, they specifically do not apply to prepayable debt instruments subject to Code Section 1272(a)(6), such as the the Pay-Through Securities. The legislative history of the 1986 Act indicates that premium is to be accrued in the same manner as market discount. Accordingly, it appears that the accrual of premium on a Class of Pay-Through Securities will be calculated using the prepayment assumption used in pricing such Class. If a Holder makes an election to amortize premium on a Debt Security, such election will apply to all taxable debt instruments (including all REMIC regular interests and all pass-through certificates representing ownership interests in a trust holding debt obligations) held by the Holder at the beginning of the taxable year in which the election is made, and to all taxable debt instruments acquired thereafter by

such Holder, and will be irrevocable without the consent of the Internal Revenue Service. Purchasers who pay a premium for the Securities should consult their tax advisers regarding the election to amortize premium and the method to be employed.

**Election to Treat All Interest as Original Issue Discount.** The OID Regulations permit a Holder Debt Security to elect to accrue all interest, discount (including de minimis market or original issue discount) and premium in income as interest, based on a constant yield method for Debt Securities acquired on or after April 4, 1994. If such an election were to be made with respect to a Debt Security with market discount, the Holder of the Debt Security would be deemed to have made an election to include in income currently market discount with respect to all other debt instruments having market discount that such Holder of the Debt Security acquires during the year of the election or thereafter. Similarly, a Holder of a Debt Security that makes this election for a Debt Security that is acquired at a premium will be deemed to have made an election to amortize bond premium with respect to all debt instruments having amortizable bond premium that such Holder owns or acquires. The election to accrue interest, discount and premium on a constant yield method with respect to a Debt Security is irrevocable.

**Sale or Exchange.** A Holder's tax basis in its Debt Security is the price such Holder pays for a Debt Security, plus amounts of OID or market discount included in income and reduced by any payments received (other than qualified stated interest payments) and any amortized premium. Gain or loss recognized on a sale, exchange, or redemption of a Debt Security, measured by the difference between the amount realized and the Debt Security's basis as so adjusted, will generally be capital gain or loss, assuming that the Debt Security is held as a capital asset. In the case of a Debt Security held by a bank, thrift, or similar institution described in Section 582 of the Code, however, gain or loss realized on the sale or exchange of a Debt Security will be taxable as ordinary income or loss. In addition, gain from the disposition of a Regular Interest Security that might

61

otherwise be capital gain will be treated as ordinary income to the extent of the excess, if any, of (i) the amount that would have been includible in the Holder's income if the yield on such Regular Interest Security had equaled 110% of the applicable federal rate as of the beginning of such Holder's holding period, over the amount of ordinary income actually recognized by the Holder with respect to such Regular Interest Security. In addition, gain on the sale of a Debt Security purchased at a market discount would be taxable as ordinary income in an amount not exceeding the market discount that accrued while the security was held by the seller, reduced by market discount included in income under the rules described above under "Market Discount."

#### TAXATION OF THE REMIC AND ITS HOLDERS

**Status of Regular Interest Securities as Real Property Loans.** Regular Interest Securities and Securities representing a residual interest in a REMIC (both types of securities collectively referred to as "REMIC Securities") will be "real estate assets" for purposes of Section 856(c)(4)(A) of the Code and assets described in Section 7701(a)(19)(C) of the Code (assets qualifying under one or more of those sections, applying each section separately, "qualifying assets") to the extent that the REMIC's assets are qualifying assets. However, if at least 95 percent of the REMIC's assets are qualifying assets, then 100 percent of the REMIC Securities will be qualifying assets. Similarly, income on the REMIC Securities will be treated as "interest on obligations secured by mortgages on real property" within the meaning of Section 856(c)(3)(B) of the Code, subject to the limitations of the preceding two sentences. In addition to Loans, the REMIC's assets will include payments on Loans held pending distribution to Holders of REMIC Securities, amounts in reserve accounts (if any), other credit enhancements (if any) and possibly buydown funds ("Buydown Funds"). The Loans generally will be qualifying assets under both of the foregoing sections of the Code. However, Loans that are not secured by residential real property or real property used primarily for church purposes may not constitute qualifying assets under Section 7701(a)(19)(C)(v) of the Code. In addition, to the extent that the principal amount of a Home Equity Loan exceeds the value of the property securing the Loan, it is unclear and Federal Tax Counsel is unable to opine whether the Loans will be qualifying assets. The regulations under Sections 860A through 860G of the Code (the "REMIC Regulations") treat credit enhancements as part of the mortgage or pool of mortgages to which they relate, and therefore credit enhancements generally should be qualifying assets. Regulations issued in conjunction with the REMIC Regulations provide that amounts paid on Loans and held pending distribution to Holders of Regular Interest Securities ("cash flow investments") will be treated as qualifying assets. It is unclear whether reserve funds or Buydown Funds would also constitute qualifying assets under any of those provisions.

#### REMIC EXPENSES; SINGLE CLASS REMICS

As a general rule, all of the expenses of a REMIC will be taken into account by Holders of the Residual Interest Securities. In the case of a "single

class REMIC," however, the expenses will be allocated, under Treasury regulations, among the Holders of the Regular Interest Securities and the Holders of the Residual Interest Securities on a daily basis in proportion to the relative amounts of income accruing to each Holder on that day. In the case of a Holder of a Regular Interest Security who is an individual or a "pass-through interest Holder" (including certain pass-through entities but not including real estate investment trusts), such expenses will be deductible only to the extent that such expenses, plus other "miscellaneous itemized deductions" of the Holder, exceed 2% of such Holder's adjusted gross income and such Holder may not be able to deduct such fees and expenses to any extent in computing such Holder's alternative minimum tax liability. In addition, the amount of itemized deductions otherwise allowable for the taxable year for an individual whose adjusted gross income exceeds the applicable amount will be reduced by the lesser of (i) 3% of the excess of adjusted gross income over the applicable amount, or (ii) 80% of the amount of itemized deductions otherwise allowable for such taxable year. For taxable years beginning after December 31, 1997, in the case of a partnership that has 100 or more partners and elects to be treated as an "electing large partnership," 70 percent of such partnership's miscellaneous itemized deductions will be disallowed, although the remaining deductions will generally be allowed at the partnership level and will not be subject to the 2 percent floor that would otherwise be applicable to individual partners. The reduction or disallowance of this deduction may have a significant impact on the yield of the Regular Interest Security to such a Holder. In general terms, a single class REMIC is one that either (i) would qualify, under existing Treasury regulations, as a grantor trust if it were not a REMIC (treating all interests as ownership interests, even if they would be classified as debt for federal income tax purposes) or (ii) is similar to such a trust and which is structured with the principal purpose of avoiding the single class REMIC rules.

62

Unless otherwise stated in the applicable Prospectus Supplement, the expenses of the REMIC will be allocated to Holders of the related Residual Interest Securities.

#### TAXATION OF THE REMIC

**General.** Although a REMIC is a separate entity for federal income tax purposes, a REMIC is not generally subject to entity-level tax. Rather, the taxable income or net loss of a REMIC is taken into account by the Holders of residual interests. As described above, the regular interests are generally taxable as debt of the REMIC.

**Tiered REMIC Structures.** For certain Series of Securities, two or more separate elections may be made to treat designated portions of the related Trust Fund as REMICs ("Tiered REMICs") for federal income tax purposes. Solely for purposes of determining whether the REMIC Certificates will be "real estate assets" within the meaning of Section 856(c)(4)(A) of the Code, and "loans secured by an interest in real property" under Section 7701(a)(19)(C) of the Code, and whether the income on such Certificates is interest described in Section 856(c)(3)(B) of the Code, the Tiered REMICs will be treated as one REMIC.

**Calculation of REMIC Income.** The taxable income or net loss of a REMIC is determined under an accrual method of accounting and in the same manner as in the case of an individual, with certain adjustments. In general, the taxable income or net loss will be the difference between (i) the gross income produced by the REMIC's assets, including stated interest and any original issue discount or market discount on loans and other assets, and (ii) deductions, including stated interest and original issue discount accrued on Regular Interest Securities, amortization of any premium with respect to Loans, and servicing fees and other expenses of the REMIC. A Holder of a Residual Interest Security that is an individual or a "pass-through interest Holder" (including certain pass-through entities, but not including real estate investment trusts) will be unable to deduct servicing fees payable on the Loans or other administrative expenses of the REMIC for a given taxable year, to the extent that such expenses, when aggregated with such Holder's other miscellaneous itemized deductions for that year, do not exceed two percent of such Holder's adjusted gross income and such Holder may not be able to deduct such fees and expenses to any extent in computing such holders alternative minimum tax liability. For taxable years beginning after December 31, 1997, in the case of a partnership that has 100 or more partners and elects to be treated as an "electing large partnership," 70 percent of such partnership's miscellaneous itemized deductions will be disallowed, although the remaining deductions will generally be allowed at the partnership level and will not be subject to the 2 percent floor that would otherwise be applicable to individual partners.

For purposes of computing its taxable income or net loss, the REMIC should have an initial aggregate tax basis in its assets equal to the aggregate fair market value of the regular interests and the residual interests on the Startup Day (generally, the day that the interests are issued). Such aggregate basis will be allocated among the assets of the REMIC in proportion to their respective fair market values.

The OID provisions of the Code apply to loans of individuals originated on or after March 2, 1984. Subject to possible application of the de minimis rules, the method of accrual by the REMIC of OID income on such loans will be equivalent to the method under which Holders of Pay-Through Securities accrue original issue discount (i.e., under the constant yield method taking into account the Prepayment Assumption). The REMIC will deduct OID on the Regular Interest Securities in the same manner that the Holders of the Regular Interest Securities include such discount in income, but without regard to the de minimis rules. See "Taxation of Debt Securities (Including Regular Interest Securities)" above. However, a REMIC that acquires loans at a market discount must include such market discount in income currently, as it accrues, on a constant interest basis.

To the extent that the REMIC's basis allocable to loans that it holds exceeds their principal amounts, the resulting premium, if attributable to mortgages originated after September 27, 1985, will be amortized over the life of the loans (presumably taking into account the Prepayment Assumption) on a constant yield method. Although the law is somewhat unclear regarding recovery of premium attributable to loans originated on or before such date, it is possible that such premium may be recovered in proportion to payments of loan principal.

Prohibited Transactions; Contributions Tax; Tax on Net Income from Foreclosure Property. The REMIC will be subject to a 100% tax on any net income derived from a "prohibited transaction." For this purpose, net income will be calculated without taking into account any losses from prohibited transactions or any deductions attributable to any prohibited transaction that resulted in a loss. In general, prohibited transactions include: (i) subject to limited exceptions, the sale or other disposition of any qualified mortgage transferred to the

63

REMIC; (ii) subject to a limited exception, the sale or other disposition of a cash flow investment; (iii) the receipt of any income from assets not permitted to be held by the REMIC pursuant to the Code; or (iv) the receipt of any fees or other compensation for services rendered by the REMIC. It is anticipated that a REMIC will not engage in any prohibited transactions in which it would recognize a material amount of net income. In addition, subject to a number of exceptions, a tax is imposed at the rate of 100% on amounts contributed to a REMIC after the Startup Day. In addition, a REMIC is subject to tax (deductible from its income) on any "net income from foreclosure property" (determined in accordance with Section 857(b)(4)(B) of the Code as if the REMIC were a REIT). The Holders of Residual Interest Securities will generally be responsible for the payment of any such taxes imposed on the REMIC. To the extent not paid by such Holders or otherwise, however, such taxes will be paid out of the Trust Fund and will be allocated pro rata to all outstanding Classes of Securities of such REMIC.

#### TAXATION OF HOLDERS OF RESIDUAL INTEREST SECURITIES

The Holder of a Security representing a residual interest (a "Residual Interest Security") will take into account the "daily portion" of the taxable income or net loss of the REMIC for each day during the taxable year on which such Holder held the Residual Interest Security. The daily portion is determined by allocating to each day in any calendar quarter its ratable portion of the taxable income or net loss of the REMIC for such quarter, and by allocating that amount among the Holders (on such day) of the Residual Interest Securities in proportion to their respective holdings on such day.

The Holder of a Residual Interest Security must report its proportionate share of the taxable income of the REMIC whether or not it receives cash distributions from the REMIC attributable to such income or loss. The reporting of taxable income without corresponding distributions could occur, for example, in certain REMIC issues in which the Loans held by the REMIC were issued or acquired at a discount, since mortgage prepayments cause recognition of discount income, while the corresponding portion of the prepayment could be used in whole or in part to make principal payments on REMIC Regular Interests issued without any discount or at an insubstantial discount. (If this occurs, it is likely that cash distributions will exceed taxable income in later years.) Taxable income may also be greater in earlier years of certain REMIC issues as a result of the fact that interest expense deductions, as a percentage of outstanding principal on REMIC Regular Interest Securities, will typically increase over time as lower yielding Securities are paid, whereas interest income with respect to loans will generally remain constant over time as a percentage of loan principal.

In any event, because the Holder of a residual interest is taxed on the net income of the REMIC, the taxable income derived from a Residual Interest Security in a given taxable year will not be equal to the taxable income associated with investment in a corporate bond or stripped instrument having similar cash flow characteristics and pretax yield. Therefore, the after-tax yield on the Residual Interest Security may be less than that of such a bond or instrument.

Limitation on Losses. The amount of the REMIC's net loss that a Holder may

take into account currently is limited to the Holder's adjusted basis at the end of the calendar quarter in which such loss arises. A Holder's basis in a Residual Interest Security will initially equal such Holder's purchase price, and will subsequently be increased by the amount of the REMIC's taxable income allocated to the Holder, and decreased (but not below zero) by the amount of distributions made and the amount of the REMIC's net loss allocated to the Holder. Any disallowed loss may be carried forward indefinitely, but may be used only to offset income of the same REMIC. The ability of Holders of Residual Interest Securities to deduct net losses may be subject to additional limitations under the Code, as to which such Holders should consult their tax advisers.

**Distributions.** Distributions on a Residual Interest Security (whether at their scheduled times or as a result of prepayments) will generally not result in any additional taxable income or loss to a Holder of a Residual Interest Security. If the amount of such payment exceeds a Holder's adjusted basis in the Residual Interest Security, however, the Holder will recognize gain (treated as gain from the sale of the Residual Interest Security) to the extent of such excess.

**Sale or Exchange.** A Holder of a Residual Interest Security will recognize gain or loss on the sale or exchange of a Residual Interest Security equal to the difference, if any, between the amount realized and such Holder's adjusted basis in the Residual Interest Security at the time of such sale or exchange. Except to the extent provided in regulations, which have not yet been issued, any loss upon disposition of a Residual Interest Security

64

will be disallowed if the selling Holder acquires any residual interest in a REMIC or similar mortgage pool within six months before or after such disposition.

**Excess Inclusions.** The portion of the REMIC taxable income of a Holder of a Residual Interest Security consisting of "excess inclusion" income may not be offset by other deductions or losses, including net operating losses, on such Holder's federal income tax return. Further, if the Holder of a Residual Interest Security is an organization subject to the tax on unrelated business income imposed by Code Section 511, such Holder's excess inclusion income will be treated as unrelated business taxable income of such Holder. In addition, under Treasury regulations yet to be issued, if a real estate investment trust, a regulated investment company, a common trust fund, or certain cooperatives were to own a Residual Interest Security, a portion of dividends (or other distributions) paid by the real estate investment trust (or other entity) would be treated as excess inclusion income. If a Residual Security is owned by a foreign person, excess inclusion income is subject to tax at a rate of 30% which may not be reduced by treaty, is not eligible for treatment as "portfolio interest" and is subject to certain additional limitations. See "Tax Treatment of Foreign Investors."

In addition, the Small Business Job Protection Act of 1996 provides three rules for determining the effect on excess inclusions on the alternative minimum taxable income of a residual holder. First, alternative minimum taxable income for such residual holder is determined without regard to the special rule that taxable income cannot be less than excess inclusions. Second, a residual holder's alternative minimum income for a tax year cannot be less than excess inclusions for the year. Third, the amount of any alternative minimum tax net operating loss deductions must be computed without regard to any excess inclusions. These rules are effective for tax years beginning after December 31, 1986, unless a residual holder elects to have such rules apply only to tax years beginning after August 20, 1996.

The excess inclusion portion of a REMIC's income is generally equal to the excess, if any, of REMIC taxable income for the quarterly period allocable to a Residual Interest Security, over the daily accruals for such quarterly period of (i) 120% of the long-term applicable federal rate on the Startup Date multiplied by (ii) the adjusted issue price of such Residual Interest Security at the beginning of such quarterly period. The adjusted issue price of a Residual Interest Security at the beginning of each calendar quarter will equal its issue price (calculated in a manner analogous to the determination of the issue price of a Regular Interest Security), increased by the aggregate of the daily accruals for prior calendar quarters, and decreased (but not below zero) by the amount of loss allocated to a Holder and the amount of distributions made on the Residual Interest Security before the beginning of the quarter. The long-term federal rate, which is announced monthly by the Treasury Department, is an interest rate that is based on the average market yield of outstanding marketable obligations of the United States government having remaining maturities in excess of nine years.

Under the REMIC Regulations, in certain circumstances, transfers of Residual Interest Securities may be disregarded. See "--Restrictions on Ownership and Transfer of Residual Interest Securities" and "Tax Treatment of Foreign Investors" below.

Restrictions on Ownership and Transfer of Residual Interest Securities. As a condition to qualification as a REMIC, reasonable arrangements must be made to prevent the ownership of a REMIC residual interest by any "Disqualified Organization." Disqualified Organizations include the United States, any State or political subdivision thereof, any foreign government, any international organization, or any agency or instrumentality of any of the foregoing, a rural electric or telephone cooperative described in Section 1381(a)(2)(C) of the Code, or any entity exempt from tax (other than certain farmers' cooperatives), unless such entity is not subject to tax on its unrelated business income. Accordingly, the applicable Agreement will prohibit Disqualified Organizations from owning a Residual Interest Security. In addition, no transfer of a Residual Interest Security will be permitted unless the proposed transferee shall have furnished to the Trustee an affidavit representing and warranting that it is neither a Disqualified Organization nor an agent or nominee acting on behalf of a Disqualified Organization.

If a Residual Interest Security is transferred to a Disqualified Organization (in violation of the restrictions set forth above), a substantial tax will be imposed on the transferor of such Residual Interest Security at the time of the transfer. In addition, if a Disqualified Organization holds an interest in a pass-through entity (including, among others, a partnership, trust, real estate investment trust, regulated investment company, or any person holding as nominee an interest in a pass-through entity), that owns a Residual Interest Security, the pass-through entity will be required to pay an annual tax on its allocable share of the excess inclusion income of the REMIC. For taxable years beginning after December 31, 1997, all partners of certain electing partnerships having 100 or

65

more partners ("electing large partnerships") will be treated as disqualified organizations for purposes of the tax imposed on pass-through entities if such electing large partnerships hold residual interests in a REMIC. However, the electing large partnership would be entitled to exclude the excess inclusion income from gross income for purposes of determining the taxable income of the partners.

The REMIC Regulations provide that a transfer of a "noneconomic residual interest" will be disregarded for all federal income tax purposes unless impeding the assessment or collection of tax was not a significant purpose of the transfer. A residual interest will be treated as a "noneconomic residual interest" unless, at the time of the transfer (1) the present value of the expected future distributions on the residual interest at least equals the product of (x) the present value of all anticipated excess inclusions with respect to the residual interest and (y) the highest corporate tax rate, currently 35 percent, and (2) the transferor reasonably expects that for each anticipated excess inclusion, the transferee will receive distributions from the REMIC, at or after the time at which taxes on such excess inclusion accrue, sufficient to pay the taxes thereon. A significant purpose to impede the assessment or collection of tax exists if the transferor, at the time of the transfer, either knew or should have known (had "improper knowledge") that the transferee would be unwilling or unable to pay taxes due on its share of the taxable income of the REMIC. A transferor will be presumed not to have improper knowledge if (i) the transferor conducts, at the time of the transfer, a reasonable investigation of the financial condition of the transferee and, as a result of the investigation, the transferor finds that the transferee has historically paid its debts as they came due and finds no significant evidence to indicate that the transferee will not continue to pay its debts as they come due in the future, and (ii) the transferee represents to the transferor that (A) the transferee understands that it might incur tax liabilities in excess of any cash received with respect to the residual interest and (B) the transferee intends to pay the taxes associated with owning the residual interest as they come due. A different formulation of this rule applies to transfers of Residual Interest Security by or to foreign transferees. See "Tax Treatment to Foreign Investors".

Mark to Market Rules. Treasury regulations provide that for purposes of the mark to market requirements of Code Section 475, a REMIC Residual Interest acquired after January 3, 1995 is not a security and cannot be marked to market, regardless of the value of such REMIC residual interest.

#### ADMINISTRATIVE MATTERS

The REMIC's books must be maintained on a calendar year basis and the REMIC must file an annual federal income tax return. The REMIC will also be subject to the procedural and administrative rules of the Code applicable to partnerships, including the determination of any adjustments to, among other things, items of REMIC income, gain, loss, deduction, or credit, by the IRS in a unified administrative proceeding.

#### TAX STATUS AS A GRANTOR TRUST

General. As further described below, each Holder of a Security issued by a grantor trust (a "Pass-Through Security") must report on its federal income tax

return the gross income from the portion of the Mortgages that is allocable to such Pass-Through Security and may deduct the portion of the expenses incurred or accrued by the Trust Fund that is allocable to such Pass-Through Security, at the same time and to the same extent as such items would be reported by such Holder if it had purchased and held directly such interest in the Mortgages and received or accrued directly its share of the payments on the Mortgages and incurred or accrued directly its share of expenses incurred or accrued by the Trust Fund when those amounts are received, incurred or accrued by the Trust Fund.

A Holder of a Pass-Through Security that is an individual, estate, or trust will be allowed deductions for such expenses only to the extent that the sum of those expenses and the Holder's other miscellaneous itemized deductions exceeds two percent of such Holder's adjusted gross income. Moreover, a Holder of a Pass-Through Security that is not a corporation cannot deduct such expenses for purposes of the alternative minimum tax (if applicable). Such deductions will include servicing, guarantee and administrative fees paid to the servicer of the Mortgage Loans. As a result, the Trust Fund will report additional taxable income to Holders of Pass-Through Securities in an amount equal to their allocable share of such deductions, and individuals, estates, or trusts holding Pass-Through Securities may have taxable income in excess of the cash received.

Status of the Pass-Through Securities as Real Property Loans. The Pass-Through Securities will be "real estate assets" for purposes of Section 856(c)(5)(A) of the Code and "loans.....secured by an interest in real property" within the meaning of Section 7701(a)(19)(C)(v) of the Code (assets qualifying under one or more of

those sections, applying each section separately, "qualifying assets") to the extent that the Trust Fund's assets are qualifying assets. The Pass-Through Securities may not be qualifying assets under any of the foregoing sections of the Code to the extent that the Trust Fund's assets include Buydown Funds, reserve funds, or payments on mortgages held pending distribution to Certificate Holders. Further, the Pass-Through Securities may not be "qualifying real property loans" to the extent loans held by the Trust Fund are not secured by improved real property or real property which is to be improved using the loan proceeds, may not be "real estate assets" to the extent loans held by the trust are not secured by real property, and may not be "loans secured by an interest in real property" to the extent loans held by the trust are not secured by residential real property or real property used primarily for church purposes. In addition, to the extent that the principal amount of a loan exceeds the value of the property securing the loan, it is unclear and Federal Tax Counsel is unable to opine whether the loans will be qualifying assets.

Taxation of Pass-Through Securities Under Stripped Bond Rules. The federal income tax treatment of the Pass-Through Securities will depend on whether they are subject to the rules of section 1286 of the Code (the "stripped bond rules"). The Pass-Through Securities will be subject to those rules if stripped interest-only Certificates are issued. In addition, whether or not stripped interest-only Certificates are issued, the Internal Revenue Service may contend that the stripped bond rules apply on the ground that the Servicer's servicing fee, or other amounts, if any, paid to (or retained by) the Servicer or its affiliates, as specified in the applicable Prospectus Supplement, represent greater than an arm's length consideration for servicing the Loans and should be characterized for federal income tax purposes as an ownership interest in the Loans. The Internal Revenue Service has taken the position in Revenue Ruling 91-46 that a retained interest in excess of reasonable compensation for servicing is treated as a "stripped coupon" under the rules of Code Section 1286.

If interest retained for the Servicer's servicing fee or other interest is treated as a "stripped coupon," the Pass-Through Securities will either be subject to the OID rules or the market discount rules. A Holder of a Pass-Through Security will account for any discount on the Pass-Through Security as market discount rather than OID if either (i) the amount of OID with respect to the Pass-Through Security was treated as zero under the OID de minimis rule when the Pass-Through Security was stripped or (ii) no more than 100 basis points (including any amount of servicing in excess of reasonable servicing) is stripped off from the Loans. If neither of the above exceptions applies, the OID rules will apply to the Pass-Through Securities.

If the OID rules apply, the Holder of a Pass-Through Security (whether a cash or accrual method taxpayer) will be required to report interest income from the Pass-Through Security in each taxable year equal to the income that accrues on the Pass-Through Security in that year calculated under a constant yield method based on the yield of the Pass-Through Security (or, possibly, the yield of each Mortgage underlying such Pass-Through Security) to such Holder. Such yield would be computed at the rate (assuming monthly compounding) that, if used in discounting the Holder's share of the payments on the Mortgages, would cause the present value of those payments to equal the price at which the Holder purchased the Pass-Through Security. With respect to certain categories of debt instruments, Section 1272(a)(6) of the Code requires that OID be accrued based



on a prepayment assumption determined in a manner prescribed by forthcoming regulations. It is unclear whether such regulations would apply this rule to the Pass-Through Securities, whether Section 1272(a)(6) might apply to the Pass-Through Securities in the absence of such regulations, or whether the Internal Revenue Service could require use of a reasonable prepayment assumption based on other tax law principles and Federal Tax Counsel is unable to opine with respect to this issue. If required to report interest income on the Pass-Through Securities to the Internal Revenue Service under the stripped bond rules, it is anticipated that the Trustee will calculate the yield of the Pass-Through Securities based on a representative initial offering price of the Pass-Through Securities and a reasonable assumed rate of prepayment of the Mortgages (although such yield may differ from the yield to any particular Holder that would be used in calculating the interest income of such Holder). The Prospectus Supplement for each series of Pass-Through Securities will describe the prepayment assumption that will be used for this purpose, but no representation is made that the Mortgages will prepay at that rate or at any other rate.

Assume that Holders are not taxed as directly owning the Loans, in the case of a Pass-Through Security acquired at a price equal to the principal amount of the Mortgages allocable to the Pass-Through Security, the use of a reasonable prepayment assumption would not have any significant effect on the yield used in calculating accruals of interest income. In the case, however, of a Pass-Through Security acquired at a discount or premium (that is, at a price less than or greater than such principal amount, respectively), the use of a reasonable

67

prepayment assumption would increase or decrease such yield, and thus accelerate or decelerate the reporting of interest income, respectively.

If a Mortgage Loan is prepaid in full, the Holder of a Pass-Through Security acquired at a discount or premium generally will recognize ordinary income or loss equal to the difference between the portion of the prepaid principal amount of the Home Equity Loan that is allocable to the Pass-Through Security and the portion of the adjusted basis of the Pass-Through Security (see "Sales of Pass-Through Securities" below) that is allocable to the Loan. The method of allocating such basis among the Loans may differ depending on whether a reasonable prepayment assumption is used in calculating the yield of the Pass-Through Securities for purposes of accruing OID. It is not clear whether any other adjustments would be required to reflect differences between the prepayment rate that was assumed in calculating yield and the actual rate of prepayments.

Pass-Through Securities of certain series ("Variable Rate Pass-Through Securities") may provide for a Pass-Through Rate based on the weighted average of the interest rates of the Mortgages held by the Trust Fund, which interest rates may be fixed or variable. In the case of a Variable Rate Pass-Through Security that is subject to the OID rules, the daily portions of OID generally will be calculated under the principles discussed in "--Taxation of Debt Securities (Including Regular Interest Securities)-Variable Rate Debt Securities."

Taxation of Pass-Through Securities If Stripped Bond Rules Do Not Apply. If the stripped bond rules do not apply to a Pass-Through Security, then the Holder will be required to include in income its share of the interest payments on the Mortgages in accordance with its tax accounting method. In addition, if the Holder purchased the Pass-Through Security at a discount or premium, the Holder will be required to account for such discount or premium in the manner described below. The treatment of any discount will depend on whether the discount is OID as defined in the Code and, in the case of discount other than OID, whether such other discount exceeds a de minimis amount. In the case of OID, the Holder (whether a cash or accrual method taxpayer) will be required to report as additional interest income in each month the portion of such discount that accrues in that month, calculated based on a constant yield method. In general it is not anticipated that the amount of OID to be accrued in each month, if any, will be significant relative to the interest paid currently on the Mortgages. However, OID could arise with respect to a Home Equity Loan ("ARM") that provides for interest at a rate equal to the sum of an index of market interest rates and a fixed number. The OID for ARMs generally will be determined under the principles discussed in "Taxation of Debt Securities (Including Regular Interest Securities)--Variable Rate Debt Securities."

If discount other than OID exceeds a de minimis amount (described below), the Holder will also generally be required to include in income in each month the amount of such discount accrued through such month and not previously included in income, but limited, with respect to the portion of such discount allocable to any Mortgage, to the amount of principal on such Mortgage received by the Trust Fund in that month. Because the Mortgages will provide for monthly principal payments, such discount may be required to be included in income at a rate that is not significantly slower than the rate at which such discount accrues (and therefore at a rate not significantly slower than the rate at which such discount would be included in income if it were OID). The Holder may elect to accrue such discount under a constant yield method based on the yield of the

Pass-Through Security to such Holder (or possibly based on the yields of each Loan). In the absence of such an election, it may be necessary to accrue such discount under a more rapid straight-line method. Under the de minimis rule, market discount with respect to a Pass-Through Security will be considered to be zero if it is less than the product of (i) 0.25% of the principal amount of the Mortgages allocable to the Pass-Through Security and (ii) the weighted average life (in complete years) of the Mortgages remaining at the time of purchase of the Pass-Through Security.

If a Holder purchases a Pass-Through Security at a premium, such Holder may elect under Section 171 of the Code to amortize the portion of such premium that is allocable to a Home Equity Loan under a constant yield method based on the yield of the Mortgage Home Equity Loan to such Holder, provided that such Home Equity Loan was originated after September 27, 1985. Premium allocable to a Home Equity Loan originated on or before that date should be allocated among the principal payments on the Home Equity Loan and allowed as an ordinary deduction as principal payments are made or, perhaps, upon termination.

It is not clear whether the foregoing adjustments for discount or premium would be made based on the scheduled payments on the Loans or taking account of a reasonable prepayment assumption, and Federal Tax Counsel is unable to opine on this issue.

68

If a Home Equity Loan is prepaid in full, the Holder of a Pass-Through Security acquired at a discount or premium will recognize ordinary income or loss equal to the difference between the portion of the prepaid principal amount of the Home Equity Loan that is allocable to the Pass-Through Security and the portion of the adjusted basis of the Pass-Through Security (see "Sales of Pass-Through Securities" below) that is allocable to the Loan. The method of allocating such basis among the Mortgage Loans may differ depending on whether a reasonable prepayment assumption is used in calculating the yield of the Pass-Through Securities for purposes of accruing OID. Other adjustments might be required to reflect differences between the prepayment rate that was assumed in accounting for discount or premium and the actual rate of prepayments.

#### MISCELLANEOUS TAX ASPECTS

**Backup Withholding.** A Holder, other than a Holder of a Residual Interest Security, may, under certain circumstances, be subject to "backup withholding" at a rate of 31% with respect to distributions or the proceeds of a sale of certificates to or through brokers that represent interest or original issue discount on the Securities. This withholding generally applies if the Holder of a Security (i) fails to furnish the Trustee with its taxpayer identification number ("TIN"); (ii) furnishes the Trustee an incorrect TIN; (iii) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the Trustee or such Holder's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that the Holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to Holders, including payments to certain exempt recipients (such as exempt organizations) and to certain Foreign Investors (as defined below). Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

Treasury Regulations (the "Final Withholding Regulations"), which are generally effective with respect to payments made after December 31, 1999, consolidate and modify the current certification requirements and means by which a holder may claim exemption from United States federal income tax withholding and provide certain presumptions regarding the status of holders when payments to the holders cannot be reliably associated with appropriate documentation provided to the payor. All holders should consult their tax advisors regarding the application of the Final Withholding Regulations.

The Trustee will report to the Holders and to the Servicer for each calendar year the amount of any "reportable payments" during such year and the amount of tax withheld, if any, with respect to payments on the Securities.

#### TAX TREATMENT OF FOREIGN INVESTORS

Subject to the discussion below with respect to Trust Funds which are treated as partnerships for federal income tax purposes and with respect to Certificates treated as debt for federal income tax purposes, unless interest (including OID) paid on a Security (other than a Residual Interest Security) is considered to be "effectively connected" with a trade or business conducted in the United States by a Foreign Investor, such interest will normally qualify as portfolio interest (except where (i) the recipient is a Holder, directly or by attribution, of 10% or more of the capital or profits interest in the issuer, or (ii) the recipient is a controlled foreign corporation to which the issuer is a related person) and will be exempt from federal income tax. For this purpose, a Foreign Investor is any holder that is not (i) a citizen or resident of the United States, (ii) a corporation or partnership (including any entity that is

classified as either a corporation or partnership for federal income tax purposes) organized under the law of the United States or any State thereof (including the District of Columbia), (iii) an estate the income of which is includible in gross income regardless of its source, or (iv) a trust other than a "foreign trust," as such term is defined in Section 7701(a)(31) of the Code. See "--Tax Consequences to Holders of the Certificates Issued by a Partnership--Tax Consequences to Foreign Certificateholders" and "--Certain Certificates Treated as Indebtedness--Foreign Investors". Upon receipt of appropriate ownership statements, the issuer normally will be relieved of obligations to withhold tax from such interest payments. These provisions supersede the generally applicable provisions of United States law that would otherwise require the issuer to withhold at a 30% rate (unless such rate were reduced or eliminated by an applicable tax treaty) on, among other things, interest and other fixed or determinable, annual or periodic income paid to Foreign Investors. Holders of Pass-Through Securities however, may be subject to withholding to the extent that the Loans were originated on or before July 18, 1984.

69

Interest and OID of Holders who are Foreign Investors are not subject to withholding if they are effectively connected with a United States business conducted by the Holder and timely provide an IRS Form 4224. They will, however, generally be subject to the regular United States income tax.

The Final Withholding Regulations consolidate and modify the current certification requirements and means by which a holder may claim exemption from United States federal income tax withholding. All holders should consult their tax advisors regarding the application of the Final Withholding Regulations.

Payments to Holders of Residual Interest Securities who are Foreign Investors will generally be treated as interest for purposes of the 30% (or lower treaty rate) United States withholding tax. Holders should assume that such income does not qualify for exemption from United States withholding tax as "portfolio interest." It is clear that, to the extent that a payment represents a portion of REMIC taxable income that constitutes excess inclusion income, a Holder of a Residual Interest Security will not be entitled to an exemption from or reduction of the 30% (or lower treaty rate) withholding tax rule. If the payments are subject to United States withholding tax, they generally will be taken into account for withholding tax purposes only when paid or distributed (or when the Residual Interest Security is disposed of). The Treasury has statutory authority, however, to promulgate regulations which would require such amounts to be taken into account at an earlier time in order to prevent the avoidance of tax. Such regulations could, for example, require withholding prior to the distribution of cash in the case of Residual Interest Securities that do not have significant value. Under the REMIC Regulations, if a Residual Interest Security has tax avoidance potential, a transfer of a Residual Interest Security to a Foreign Investor will be disregarded for all federal tax purposes. A Residual Interest Security has tax avoidance potential unless, at the time of the transfer the transferor reasonably expects that the REMIC will distribute to the transferee residual interest Holder amounts that will equal at least 30% of each excess inclusion, and that such amounts will be distributed at or after the time at which the excess inclusions accrue and not later than the calendar year following the calendar year of accrual. If a Foreign Investor transfers a Residual Interest Security to a United States person (i.e., a person that is not a Foreign Investor), 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 Interest Security for purposes of the withholding tax provisions of the Code. See "Taxation of Holders of Residual Interest Securities--Excess Inclusions."

Subject to the discussion in the previous paragraph, any capital gain realized on the sale, redemption, retirement or other taxable disposition of a Security by a Foreign Investor will be exempt from United States federal income and withholding tax, provided that (i) such gain is not effectively connected with the conduct of a trade or business in the United States by the Foreign Investor and (ii) in the case of an individual Foreign Investor, the Foreign Investor is not present in the United States for 183 days or more in the taxable year.

#### TAX CHARACTERIZATION OF THE TRUST AS A PARTNERSHIP

If a Trust Fund is intended to be a partnership for federal income tax purposes the applicable Agreements will provide that the nature of the income of the Trust Fund will exempt it from the rule that certain publicly traded partnerships are taxable as corporations or the issuance of the Certificates will be structured as a private placement under an IRS safe harbor, so that the Trust Fund will not be characterized as a publicly traded partnership taxable as a corporation.

#### TAX CONSEQUENCES TO HOLDERS OF THE NOTES ISSUED BY A PARTNERSHIP

Treatment of the Notes as Indebtedness. The Trust Fund will agree, and the

NoteHolders will agree by their purchase of Notes, to treat the Notes as debt for federal income tax purposes. Except as otherwise provided in the related Prospectus Supplement, Federal Tax Counsel will advise the Seller that the Notes will be classified as debt for federal income tax purposes. Consequently, Holders of Notes will be subject to taxation as described in "Taxation of Debt Securities (Including Regular Interest Securities)" above for Debt Securities which are not Regular Interest Securities.

Possible Alternative Treatment of the Notes. If, contrary to the opinion of Federal Tax Counsel, the IRS successfully asserted that one or more of the Notes did not represent debt for federal income tax purposes, the Notes might be treated as equity interests in the Trust Fund. If so treated, the Trust Fund would likely be treated as a publicly traded partnership that would not be taxable as a corporation because it would meet certain qualifying income tests. Nonetheless, treatment of the Notes as equity interests in such a publicly traded partnership could have adverse tax consequences to certain Holders. For example, income to foreign Holders

70

generally would be subject to U.S. federal income tax and U.S. federal income tax return filing and withholding requirements, and individual Holders might be subject to certain limitations on their ability to deduct their share of the Trust Fund's expenses.

#### TAX CONSEQUENCES TO HOLDERS OF THE CERTIFICATES ISSUED BY A PARTNERSHIP

Treatment of the Trust Fund as a Partnership. In the case of a Trust Fund intended to qualify as a partnership for federal income tax purposes, the Trust Fund and the Seller will agree, and the Certificateholders will agree by their purchase of Certificates, to treat the Trust Fund as a partnership for purposes of federal and state income tax, franchise tax and any other tax measured in whole or in part by income, with the assets of the partnership being the assets held by the Trust Fund, the partners of the partnership being the Certificateholders, and the Notes, if any, being debt of the partnership. However, the proper characterization of the arrangement involving the Trust Fund, the Certificates, the Notes, the Trust Fund and the Servicer is not clear because there is no authority on transactions closely comparable to that contemplated herein.

A variety of alternative characterizations are possible. For example, because the Certificates have certain features characteristic of debt, the Certificates might be considered debt of the Trust Fund. Any such characterization would not result in materially adverse tax consequences to Certificateholders as compared to the consequences from treatment of the Certificates as equity in a partnership, described below. The following discussion assumes that the Certificates represent equity interests in a partnership. The following discussion also assumes that all payments on the Certificates are denominated in U.S. dollars, none of the Certificates have interest rates which would qualify as contingent interest under the OID regulations, and that a Series of Securities includes a single Class of Certificates. If these conditions are not satisfied with respect to any given Series of Certificates, additional tax considerations with respect to such Certificates will be disclosed in the applicable Prospectus Supplement.

Partnership Taxation. As a partnership, the Trust Fund will not be subject to federal income tax. Rather, each CertificateHolder will be required to separately take into account such Holder's allocated share of income, gains, losses, deductions and credits of the Trust Fund. The Trust Fund's income will consist primarily of interest and finance charges earned on the Loans (including appropriate adjustments for market discount, OID and bond premium) and any gain upon collection or disposition of Loans. The Trust Fund's deductions will consist primarily of interest and OID accruing with respect to the Notes, servicing and other fees, and losses or deductions upon collection or disposition of Loans.

The tax items of a partnership are allocable to the partners in accordance with the Code, Treasury regulations and the partnership agreement (here, the Trust Agreement and related documents). The Trust Agreement will provide, in general, that the Certificateholders will be allocated taxable income of the Trust Fund for each month equal to the sum of (i) the interest that accrues on the Certificates in accordance with their terms for such month, including interest accruing at the Pass-Through Rate for such month and interest on amounts previously due on the Certificates but not yet distributed; (ii) any Trust Fund income attributable to discount on the Loans that corresponds to any excess of the principal amount of the Certificates over their initial issue price; (iii) prepayment premium payable to the Certificateholders for such month; and (iv) any other amounts of income payable to the Certificateholders for such month. Such allocation will be reduced by any amortization by the Trust Fund of premium on Loans that corresponds to any excess of the issue price of Certificates over their principal amount. All remaining taxable income of the Trust Fund will be allocated to the Seller. Based on the economic arrangement of the parties, this approach for allocating Trust Fund income should be permissible under applicable Treasury regulations, although no assurance can be

given that the IRS would not require a greater amount of income to be allocated to Certificateholders. Moreover, even under the foregoing method of allocation, Certificateholders may be allocated income equal to the entire Pass-Through Rate plus the other items described above even though the Trust Fund might not have sufficient cash to make current cash distributions of such amount. Thus, cash basis Holders will in effect be required to report income from the Certificates on the accrual basis and Certificateholders may become liable for taxes on Trust Fund income even if they have not received cash from the Trust Fund to pay such taxes. In addition, because tax allocations and tax reporting will be done on a uniform basis for all Certificateholders but Certificateholders may be purchasing Certificates at different times and at different prices, Certificateholders may be required to report on their tax returns taxable income that is greater or less than the amount reported to them by the Trust Fund.

71

If Notes are also issued, all of the taxable income allocated to a Certificateholder that is a pension, profit sharing or employee benefit plan or other tax-exempt entity (including an individual retirement account) will constitute "unrelated business taxable income" generally taxable to such a Holder under the Code.

An individual taxpayer's share of expenses of the Trust Fund (including fees to the Servicer but not interest expense) would be miscellaneous itemized deductions. Such deductions might be disallowed to the individual in whole or in part and might result in such Holder being taxed on an amount of income that exceeds the amount of cash actually distributed to such Holder over the life of the Trust Fund.

The Trust Fund intends to make all tax calculations relating to income and allocations to Certificateholders on an aggregate basis. If the IRS were to require that such calculations be made separately for each Loan, the Trust Fund might be required to incur additional expense but it is believed that there would not be a material adverse effect on Certificateholders.

Discount and Premium. It is believed that the Loans will not have been issued with OID and, therefore, the Trust should not have OID income. However, the purchase price paid by the Trust Fund for the Loans may be greater or less than the remaining principal balance of the Loans at the time of purchase. If so, the Home Equity Loan will have been acquired at a premium or discount, as the case may be. (As indicated above, the Trust Fund will make this calculation on an aggregate basis, but might be required to recompute it on a Home Equity Loan by Home Equity Loan basis.)

If the Trust Fund acquires the Loans at a market discount or premium, the Trust Fund will elect to include any such discount in income currently as it accrues over the life of the Loans or to offset any such premium against interest income on the Loans. As indicated above, a portion of such market discount income or premium deduction may be allocated to Certificateholders.

Section 708 Termination. Under Section 708 of the Code, the Trust Fund will be deemed to terminate for federal income tax purposes if 50% or more of the capital and profits interests in the Trust Fund are sold or exchanged within a 12-month period. If such a termination occurs, the Trust Fund will be considered to distribute its assets to the partners, who would then be treated as recontributing those assets to the Trust Fund as a new partnership. The Trust Fund will not comply with certain technical requirements that might apply when such a constructive termination occurs. As a result, the Trust Fund may be subject to certain tax penalties and may incur additional expenses if it is required to comply with those requirements. Furthermore, the Trust Fund might not be able to comply due to lack of data.

Disposition of Certificates. Generally, capital gain or loss will be recognized on a sale of Certificates in an amount equal to the difference between the amount realized and the seller's tax basis in the Certificates sold. A Certificateholder's tax basis in a Certificate will generally equal the Holder's cost increased by the Holder's share of Trust Fund income (includible in income) and decreased by any distributions received with respect to such Certificate. In addition, both the tax basis in the Certificates and the amount realized on a sale of a Certificate would include the Holder's share of the Notes and other liabilities of the Trust Fund. A Holder acquiring Certificates at different prices may be required to maintain a single aggregate adjusted tax basis in such Certificates, and, upon sale or other disposition of some of the Certificates, allocate a portion of such aggregate tax basis to the Certificates sold (rather than maintaining a separate tax basis in each Certificate for purposes of computing gain or loss on a sale of that Certificate).

Any gain on the sale of a Certificate attributable to the Holder's share of unrecognized accrued market discount on the Loans would generally be treated as ordinary income to the Holder and would give rise to special tax reporting requirements. The Trust Fund does not expect to have any other assets that would give rise to such special reporting requirements. Thus, to avoid those special reporting requirements, the Trust Fund will elect to include market discount in income as it accrues.

If a Certificateholder is required to recognize an aggregate amount of income (not including income attributable to disallowed itemized deductions described above) over the life of the Certificates that exceeds the aggregate cash distributions with respect thereto, such excess will generally give rise to a capital loss upon the retirement of the Certificates.

**Allocations Between Sellers and Transferees.** In general, the Trust Fund's taxable income and losses will be determined monthly and the tax items for a particular calendar month will be apportioned among the Certificateholders in proportion to the principal amount of Certificates owned by them as of the close of the last

72

day of such month. As a result, a Holder purchasing Certificates may be allocated tax items (which will affect its tax liability and tax basis) attributable to periods before the actual transaction.

The use of such a monthly convention may not be permitted by existing regulations. If a monthly convention is not allowed (or only applies to transfers of less than all of the partner's interest), taxable income or losses of the Trust Fund might be reallocated among the Certificateholders. The Trust Fund's method of allocation between transferors and transferees may be revised to conform to a method permitted by future regulations.

**Section 754 Election.** In the event that a Certificateholder sells its Certificates at a profit (loss), the purchasing Certificateholder will have a higher (lower) basis in the Certificates than the selling Certificateholder had. The tax basis of the Trust Fund's assets will not be adjusted to reflect that higher (or lower) basis unless the Trust Fund were to file an election under Section 754 of the Code. In order to avoid the administrative complexities that would be involved in keeping accurate accounting records, as well as potentially onerous information reporting requirements, the Trust Fund currently does not intend to make such election. As a result, Certificateholders might be allocated a greater or lesser amount of Trust Fund income than would be appropriate based on their own purchase price for Certificates.

**Administrative Matters.** The Owner Trustee is required to keep or have kept complete and accurate books of the Trust Fund. Such books will be maintained for financial reporting and tax purposes on an accrual basis and the fiscal year of the Trust Fund will be the calendar year. The Trustee will file a partnership information return (IRS Form 1065) with the IRS for each taxable year of the Trust Fund and will report each Certificateholder's allocable share of items of Trust Fund income and expense to Holders and the IRS on Schedule K-1. The Trust Fund will provide the Schedule K-1 information to nominees that fail to provide the Trust Fund with the information statement described below and such nominees will be required to forward such information to the beneficial owners of the Certificates. Generally, Holders must file tax returns that are consistent with the information return filed by the Trust Fund or be subject to penalties unless the Holder notifies the IRS of all such inconsistencies.

Under Section 6031 of the Code, any person that holds Certificates as a nominee at any time during a calendar year is required to furnish the Trust Fund with a statement containing certain information on the nominee, the beneficial owners and the Certificates so held. Such information includes (i) the name, address and taxpayer identification number of the nominee and (ii) as to each beneficial owner (x) the name, address and identification number of such person, (y) whether such person is a United States person, a tax-exempt entity or a foreign government, an international organization, or any wholly owned agency or instrumentality of either of the foregoing, and (z) certain information on Certificates that were held, bought or sold on behalf of such person throughout the year. In addition, brokers and financial institutions that hold Certificates through a nominee are required to furnish directly to the Trust Fund information as to themselves and their ownership of Certificates. A clearing agency registered under Section 17A of the Exchange Act is not required to furnish any such information statement to the Trust Fund. The information referred to above for any calendar year must be furnished to the Trust Fund on or before the following January 31. Nominees, brokers and financial institutions that fail to provide the Trust Fund with the information described above may be subject to penalties.

The Seller will be designated as the tax matters partner in the related Trust Agreement and, as such, will be responsible for representing the Certificateholders in any dispute with the IRS. The Code provides for administrative examination of a partnership as if the partnership were a separate and distinct taxpayer. Generally, the statute of limitations for partnership items does not expire before three years after the date on which the partnership information return is filed. Any adverse determination following an audit of the return of the Trust Fund by the appropriate taxing authorities could result in an adjustment of the returns of the Certificateholders, and, under certain circumstances, a Certificateholder may be precluded from separately litigating a proposed adjustment to the items of the Trust Fund. An adjustment could also result in an audit of a Certificateholder's returns and

adjustments of items not related to the income and losses of the Trust Fund.

Tax Consequences to Foreign Certificateholders. It is not clear whether the Trust Fund would be considered to be engaged in a trade or business in the United States for purposes of federal withholding taxes with respect to non-U.S. persons because there is no clear authority dealing with that issue under facts substantially similar to those described herein. Although it is not expected that the Trust Fund would be engaged in a trade or business in the United States for such purposes, the Trust Fund will withhold as if it were so engaged in order to protect the Trust Fund from possible adverse consequences of a failure to withhold. The Trust Fund

73

expects to withhold on the portion of its taxable income that is allocable to foreign Certificateholders pursuant to Section 1446 of the Code, as if such income were effectively connected to a U.S. trade or business, at a rate of 35% for foreign Holders that are taxable as corporations and 39.6% for all other foreign Holders. Subsequent adoption of Treasury regulations or the issuance of other administrative pronouncements may require the Trust Fund to change its withholding procedures.

Each foreign Holder might be required to file a U.S. individual or corporate income tax return (including, in the case of a corporation, the branch profits tax) on its share of the Trust Fund's income. Each foreign Holder must obtain a taxpayer identification number from the IRS and submit that number to the Trust Fund on Form W-8 in order to assure appropriate crediting of the taxes withheld. A foreign Holder generally would be entitled to file with the IRS a claim for refund with respect to taxes withheld by the Trust Fund taking the position that no taxes were due because the Trust Fund was not engaged in a U.S. trade or business. However, interest payments made (or accrued) to a Certificateholder who is a foreign person generally will be considered guaranteed payments to the extent such payments are determined without regard to the income of the Trust Fund. If these interest payments are properly characterized as guaranteed payments, then the interest probably will not be considered "portfolio interest." As a result, Certificateholders will be subject to United States federal income tax and withholding tax at a rate of 30%, unless reduced or eliminated pursuant to an applicable treaty. In such case, a foreign Holder would only be entitled to claim a refund for that portion of the taxes, if any, in excess of the taxes that should be withheld with respect to the guaranteed payments.

Backup Withholding. Distributions made on the Certificates and proceeds from the sale of the Certificates will be subject to a "backup" withholding tax of 31% if, in general, the Certificateholder fails to comply with certain identification procedures, unless the Holder is an exempt recipient under applicable provisions of the Code.

#### STATE TAX CONSIDERATIONS

In addition to the federal income tax consequences described in "Federal Income Tax Considerations," potential investors should consider the state and local income tax consequences of the acquisition, ownership, and disposition of the Securities. State and local income tax law may differ substantially from the corresponding federal law, and this discussion does not purport to describe any aspect of the income tax laws of any state or locality. Therefore, potential investors should consult their own tax advisors with respect to the various state and local tax consequences of an investment in the Securities.

#### ERISA CONSIDERATIONS

Section 406 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Section 4975 of the Code prohibit a pension, profit sharing or other employee benefit plan (each, a "Benefit Plan") from engaging in certain transactions involving "plan assets" with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to the plan. ERISA also imposes certain duties and certain prohibitions on persons who are fiduciaries of plans subject to ERISA. Under ERISA, generally any person who exercises any authority or control with respect to the management or disposition of the assets of a plan is considered to be a fiduciary of such plan. A violation of these "prohibited transaction" rules may generate excise tax and other liabilities under ERISA and the Code for such persons.

Certain transactions involving the related Trust Fund might be deemed to constitute prohibited transactions under ERISA and the Code with respect to a Benefit Plan that purchased Securities if assets of the related Trust Fund were deemed to be assets of the Benefit Plan. Under a regulation issued by the United States Department of Labor (the "Plan Assets Regulation"), the assets of a Trust Fund would be treated as plan assets of a Benefit Plan for the purposes of ERISA and the Code only if the Benefit Plan acquired an "equity interest" in the Trust Fund and none of the exceptions contained in the Plan Assets Regulation was applicable. An equity interest is defined under the Plan Assets Regulation as an interest other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. The likely

treatment of Notes and Certificates will be discussed in the related Prospectus Supplement.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA) are not subject to ERISA requirements.

74

A plan fiduciary considering the purchase of Securities should consult its tax and/or legal advisors regarding whether the assets of the Trust Fund would be considered plan assets, the possibility of exemptive relief from the prohibited transaction rules and other issues and their potential consequences.

#### LEGAL INVESTMENT

Unless otherwise specified in the related Prospectus Supplement, the Securities will not constitute "mortgage-related securities" within the meaning of SMMEA. Accordingly, investors whose investment authority is subject to legal restrictions should consult their own legal advisors to determine whether and the extent to which the Securities constitute legal investments for them.

#### PLAN OF DISTRIBUTION

On the terms and conditions set forth in an underwriting agreement (the "Underwriting Agreement") with respect to each Trust Fund, the Seller will agree to sell to each of the underwriters named therein and in the related Prospectus Supplement, and each of such underwriters will severally agree to purchase from the Seller, the principal amount of each Class of Securities of the related Series set forth therein and in the related Prospectus Supplement.

In each Underwriting Agreement, the several underwriters will agree, subject to the terms and conditions set forth therein, to purchase all of the Securities described therein which are offered hereby and by the related Prospectus Supplement if any of such Securities are purchased. In the event of a default by any such underwriter, each Underwriting Agreement will provide that, in certain circumstances, purchase commitments of the nondefaulting underwriters may be increased, or the Underwriting Agreement may be terminated.

Each Prospectus Supplement will either (i) set forth the price at which each Class of Securities being offered thereby will be offered to the public and any concessions that may be offered to certain dealers participating in the offering of such Securities or (ii) specify that the related Securities are to be resold by the underwriters in negotiated transactions at varying prices to be determined at the time of such sale. After the initial public offering of any Securities, the public offering price and such concessions may be changed.

Each Underwriting Agreement will provide that the Seller will indemnify underwriters against certain liabilities, including liabilities under the Securities Act.

Under each Underwriting Agreement, the closing of the sale of any Class of Securities subject thereto will be conditioned on the closing of the sale of all other such Classes.

The place and time of delivery for the Securities in respect of which this Prospectus is delivered will be set forth in the related Prospectus Supplement.

#### LEGAL MATTERS

Unless otherwise specified in the related Prospectus Supplement, certain legal matters in connection with the Securities will be passed upon for the Seller by Stroock & Stroock & Lavan LLP, New York, New York.

75

#### GLOSSARY OF TERMS

The following are abbreviated definitions of certain capitalized terms used in this Prospectus. Unless otherwise provided in a "Supplemental Glossary" or "Index of Principal Terms" in the Prospectus Supplement for a Series, such definitions will apply to capitalized terms used in such Prospectus Supplement. The definitions may vary from those in the related Agreement for a Series and the related Agreement for a Series generally provides a more complete definition of certain of the terms. Reference should be made to the related Agreement for a Series for a more complete definition of such terms.

"Accrual Termination Date" means, with respect to a Class of Compound Interest Securities, the Distribution Date on which accrued interest on such Securities becomes payable currently.

"Agreement" means, with respect to a Series of Certificates, the Pooling and Servicing Agreement or Trust Agreement, and, with respect to a Series of



Notes, the Indenture and the Sale and Servicing Agreement, as the context requires.

"Appraised Value" means, with respect to property securing a Loan, the lesser of the appraised value determined in an appraisal obtained at origination of the Home Equity Loan or sales price of such property at such time.

"Asset Group" means, with respect to the Primary Assets and other assets comprising the Trust Fund of a Series, a group of such Primary Assets and other assets having the characteristics described in the related Prospectus Supplement.

"Assumed Reinvestment Rate" means, with respect to a Series, the per annum rate or rates specified in the related Prospectus Supplement for a particular period or periods as the "Assumed Reinvestment Rate" for funds held in any fund or account for the Series.

"Available Distribution Amount" means the amount in the Distribution Account (including amounts deposited therein from any reserve fund or other fund or account) eligible for distribution to Holders on a Distribution Date.

"Bankruptcy Code" means the federal bankruptcy code, 11 United States Code 101 et seq., and related rules and regulations promulgated thereunder.

"Business Day" means a day that, in the City of New York or in the city or cities in which the corporate trust office of the Trustee are located, is neither a legal holiday nor a day on which banking institutions are authorized or obligated by law, regulations or executive order to be closed.

"Certificates" means the Asset-Backed Certificates.

"Certificate Account" or "Collection Account" means, with respect to a Series, the account established for the deposit by the Servicer of payments received from the Primary Assets.

"Class" means a Class of Securities of a Series.

"Closing Date" means, with respect to a Series, the date specified in the related Prospectus Supplement as the date on which Securities of such Series are first issued.

"Code" means the Internal Revenue Code of 1986, as amended, and regulations (including proposed regulations) or other pronouncements of the Internal Revenue Service promulgated thereunder.

"Combined Loan-to-Value Ratio" means, with respect to a Loan, the percentage equivalent of a fraction, the numerator of which is the sum of (i) the original principal amount of such Loan at the date of origination thereof and (ii) the outstanding principal amount of any senior loan on the Mortgaged Property at the time of origination of such Loan, and the denominator of which is the Appraised Value of such Mortgaged Property at such date of origination.

"Commission" means the Securities and Exchange Commission.

"Compound Interest Security" means any Security of a Series on which all or a portion of the interest accrued thereon is added to the principal balance of such Security on each Distribution Date, through the Accrual Termination Date, and with respect to which no interest shall be payable until such Accrual Termination Date, after which interest payments will be made on the Compound Value thereof.

"Compound Value" means, with respect to a Class of Compound Interest Securities, the original principal balance of such Class, plus all accrued and unpaid interest, if any, previously added to the principal balance

76

thereof and reduced by any payments of principal previously made on such Class of Compound Interest Securities.

"Condominium" means a form of ownership of real property wherein each owner is entitled to the exclusive ownership and possession of his or her individual Condominium Unit and also owns a proportionate undivided interest in all parts of the Condominium Building (other than the individual Condominium Units) and all areas or facilities, if any, for the common use of the Condominium Units.

"Condominium Association" means the person(s) appointed or elected by the Condominium Unit owners to govern the affairs of the Condominium.

"Condominium Building" means a multi-unit building or buildings, or a group of buildings whether or not attached to each other, located on property subject to Condominium ownership.

"Condominium Loan" means a Home Equity Loan secured by a Mortgage on a Condominium Unit (together with its appurtenant interest in the common elements).

"Condominium Unit" means an individual housing unit in a Condominium Building.

"Cooperative" means a corporation owned by tenant-stockholders who, through the ownership of stock, shares or membership securities in the corporation, receive proprietary leases or occupancy agreements which confer exclusive rights to occupy specific units and which is described in Section 216 of the Code.

"Cooperative Dwelling" means an individual housing unit in a building owned by a Cooperative.

"Cooperative Loan" means a housing loan made with respect to a Cooperative Dwelling and secured by an assignment by the borrower (tenant-stockholder) or security interest in shares issued by the applicable Cooperative.

"Cut-off Date" means the date designated as such in the related Prospectus Supplement for a Series.

"Debt Securities" means Securities characterized as indebtedness for federal income tax purposes, and Regular Interest Securities.

"Deferred Interest" means the excess of the interest accrued on the outstanding principal balance of a Home Equity Loan during a specified period over the amount of interest required to be paid by an obligor on such Home Equity Loan on the related Due Date.

"Delinquency Advance" means cash advanced by the Servicer in respect of delinquent payments of principal of and/or interest on a Home Equity Loan to the extent specified in the related Prospectus Supplement.

"Disqualified Organization" means the United States, any State or political subdivision thereof, any possession of the United States, any foreign government, any international organization, or any agency or instrumentality of any of the foregoing, a rural electric or telephone cooperative described in section 1381(a)(2)(C) of the Code, or any entity exempt from the tax imposed by sections 1-1399 of the Code, if such entity is not subject to tax on its unrelated business income.

"Distribution Account" means, with respect to a Series, the account or accounts established for the deposit of remittances from the Collection Account for distribution to Securityholders.

"Distribution Date" means, with respect to a Series or Class of Securities, each date specified as a distribution date for such Series or Class in the related Prospectus Supplement.

"Due Date" means each date, as specified in the related Prospectus Supplement for a Series, on which any payment of principal or interest is due and payable by the obligor on any Primary Asset pursuant to the terms thereof.

"Eligible Investments" means any one or more of the obligations or securities described herein under "THE TRUST FUNDS--Eligible Investments."

"Enhancement" means a mechanism or instrument which is intended to provide limited protection to Holders of the applicable Class or Classes of Securities against losses on the related Primary Assets or other shortfalls in funds necessary to make required distributions on such Class or Classes of Securities.

"Enhancer" means the provider of the Enhancement for a Series specified in the related Prospectus Supplement.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

77

"Escrow Account" means an account, established and maintained by the Servicer for a Loan, into which payments by borrowers to pay taxes, assessments, mortgage and hazard insurance premiums and other comparable items required to be paid to the mortgagee are deposited.

"FDIC" means the Federal Deposit Insurance Corporation.

"FHLMC" or "Freddie Mac" means the Federal Home Loan Mortgage Corporation.

"Final Scheduled Distribution Date" means, with respect to a Class of Notes of a Series, the date no later than which principal thereof will be fully paid and with respect to a Class of Certificates of a Series, the date after which no Certificates of such Class will remain outstanding, in each case based on the assumptions set forth in the related Prospectus Supplement.

"FNMA" or "Fannie Mae" means the Federal National Mortgage Association.

"Holder" or "Securityholder" means the person or entity in whose name a Security is registered.

"Home Equity Loan" means a closed-end home equity loan secured by a Mortgaged Property.

"Home Equity Loan Rate" means, unless otherwise indicated herein or in the Prospectus Supplement, the interest rate borne by a Loan.

"HUD" means the United States Department of Housing and Urban Development.

"Indenture" means the indenture relating to a Series of Notes between the Trust Fund and the Trustee.

"Insurance Policies" means certain mortgage insurance, hazard insurance and other insurance policies required to be maintained with respect to Loans.

"Insurance Proceeds" means amount paid by the insurer under any of the Insurance Policies covering any Home Equity Loan or Mortgaged Property.

"Interest Only Securities" means a Class of Securities entitled solely or primarily to distributions of interest and which is identified as such in the related Prospectus Supplement.

"IRS" means the Internal Revenue Service.

"Lifetime Rate Cap" means the lifetime limit if any, on the Home Equity Loan Rate during the life of each adjustable rate Loan.

"Liquidation Proceeds" means amounts received by the Servicer in connection with the liquidation of a Loan, net of liquidation expenses.

"Loan-to-Value Ratio" means, with respect to a Loan, the percentage equivalent of a fraction, the numerator of which is the original principal amount of such Loan at the time of origination thereof, and the denominator of which is the Appraised Value of the related Mortgaged Property at such time of origination.

"Minimum Rate" means the lifetime minimum Home Equity Loan Rate during the life of each adjustable rate Loan.

"Mixed-Use Properties" means structures of no more than three stories, which include one to four residential dwelling units and 50% or less of the space in which is used for retail, professional or other commercial uses including doctor, dentist or law offices, real estate agencies, boutiques, newsstands, convenience stores or other uses intended to cater to individual customers.

"Mortgage" means the mortgage, deed of trust or other similar security instrument securing a Mortgage Note.

"Mortgaged Property" means the real property and improvements thereon securing a Home Equity Loan.

"Mortgage Note" means the note or other evidence of indebtedness of a Mortgagor under the Loan.

"Mortgagor" means the obligor on a Mortgage Note.

"1986 Act" means the Tax Reform Act of 1986.

"Notes" means the Asset-Backed Notes.

"Notional Amount" means the amount set forth in the related Prospectus Supplement for a Class of Interest Only Securities.

"OTS" means the Office of Thrift Supervision.

"PAC" ("Planned Amortization Class Securities") means a Class of Securities of a Series on which payments of principal are made in accordance with a schedule specified in the related Prospectus Supplement, based on certain assumptions stated therein.

"Pay Through Security" means Regular Interest Securities and certain Debt Securities that are subject to acceleration due to prepayment on the underlying Primary Assets.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof),

unincorporated organization, or government or any agency or political subdivision thereof.

"Pooling and Servicing Agreement" means the pooling and servicing agreement relating to a Series of Certificates among the Seller, the Servicer (if such Series relates to Loans) and the Trustee.

"Primary Assets" means the Private Securities and/or Loans, as the case may be, which are included in the Trust Fund for such Series. A Primary Asset refers to a specific Private Security or Loan, as the case may be.

"Principal Balance" means, with respect to a Primary Asset and as of a Due Date, the original principal amount of the Primary Asset, plus the amount of any Deferred Interest added to such principal amount, reduced by all payments, both scheduled or otherwise, received on such Primary Asset prior to such Due Date and applied to principal in accordance with the terms of the Primary Asset.

"Principal Only Securities" means a Class of Securities entitled solely or primarily to distributions of principal and identified as such in the Prospectus Supplement.

"Private Security" means a participation or pass-through certificate representing a fractional, undivided interest in Underlying Loans or collateralized obligations secured by Underlying Loans.

"PS Agreement" means the pooling and servicing agreement, indenture, trust agreement or similar agreement pursuant to which a Private Security is issued.

"PS Servicer" means the servicer of the Underlying Loans.

"PS Sponsor" means, with respect to Private Securities, the sponsor or depositor under a PS Agreement.

"PS Trustee" means the trustee designated under a PS Agreement.

"Qualified Insurer" means a mortgage guarantee or insurance company duly qualified as such under the laws of the states in which the Mortgaged Properties are located duly authorized and licensed in such states to transact the applicable insurance business and to write the insurance provided.

"Rating Agency" means the nationally recognized statistical rating organization (or organizations) which was (or were) requested by the Seller to rate the Securities upon the original issuance thereof.

"Regular Interest" means a regular interest in a REMIC.

"REMIC" means a real estate mortgage investment conduit.

"REMIC Administrator" means the Person, if any, specified in the related Prospectus Supplement for a Series for which a REMIC election is made, to serve as administrator of the Series.

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

"REO Property" means real property which secured a defaulted Loan, beneficial ownership of which has been acquired upon foreclosure, deed in lieu of foreclosure, repossession or otherwise.

"Reserve Fund" means, with respect to a Series, a segregated trust account into which funds may be deposited on the Closing Date and/or over time in order to provide a source of funds to provide limited protection to the Holders of one or more Classes of Securities against losses on the related Primary Assets or other shortfalls in amounts necessary to make required distributions to such Holders.

"Residual Interest" means a residual interest in a REMIC.

"Retained Interest" means, with respect to a Primary Asset, the amount or percentage specified in the related Prospectus Supplement which is not included in the Trust Fund for the related Series.

"Scheduled Payments" means the scheduled payments of principal and interest to be made by the borrower on a Primary Asset.

"Securities" means the Notes or the Certificates.

"Seller" means Delta Funding Corporation, or its successors.

"Senior Securityholder" means a holder of a Senior Security.

"Senior Securities" means a Class of Securities as to which the holders' rights to receive distributions of principal and interest are senior to the rights of holders of Subordinate Securities, to the extent specified in the related Prospectus Supplement.

"Series" means a separate series of Securities sold pursuant to this Prospectus and the related Prospectus Supplement.

"Servicer" means Delta Funding Corporation, or its successors or assigns.

"Servicing Fee" means the fee payable to the Servicer on a periodic basis for servicing and administering the Primary Assets in a Trust Fund and calculated at the rate and on the basis set forth in the related Prospectus Supplement.

"Single Family Property" means property securing a Home Equity Loan consisting of one- to four-family attached or detached residential housing, including Cooperative Dwellings.

"Stripped Securities" means Pass-Through Securities representing interests in Primary Assets with respect to which all or a portion of the principal payments have been separated from all or a portion of the interest payments.

"Subordinated Securities" means a Class of Securities as to which the rights of holders to receive distributions of principal, interest or both is subordinated to the rights of holders of Senior Securities or other Classes of securities which are themselves subordinate to other Classes, and may be allocated losses and shortfalls prior to the allocation thereof to other Classes of Securities, to the extent and under the circumstances specified in the related Prospectus Supplement.

"Trustee" means the trustee under the applicable Agreement and its successors.

"Trust Fund" means, with respect to any Series of Securities, the trust holding all money, instruments, securities and other property, including all proceeds thereof, which are, with respect to a Series of Certificates, held for the benefit of the Holders by the Trustee under the Pooling and Servicing Agreement or Trust Agreement or, with respect to a Series of Notes, pledged to the Trustee under the Indenture as a security for such Notes, including, without limitation, the Primary Assets (except any Retained Interests), rights to all amounts in the Distribution Account Collection Account, Certificate Account, Pre-Funding Account, Capitalized Interest Account or Reserve Funds, if any, distributions on the Primary Assets (net of servicing fees), and reinvestment earnings on such net distributions and rights to any Enhancement and all other property and interest held by or pledged to the Trustee pursuant to the related Agreement for such Series.

"UCC" means the Uniform Commercial Code.

"Underlying Loans" means loans of the type eligible to be Loans underlying or securing Private Securities.

"Variable Interest Security" means a Security on which interest accrues at a rate that is adjusted, based upon a predetermined index, at fixed periodic intervals, all as set forth in the related Prospectus Supplement.

"Variable Interest Securities" means a Class of Securities on which interest will accrue at a per annum rate that will vary from Distribution Date to Distribution Date based on changes in the weighted average of the interest rates borne by the related Primary Assets or changes in the level of an index used to calculate such per annum rate of interest.

"Zero Coupon Security" means a Security entitled to receive payments of principal only.

80

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DELTA FUNDING

HOME EQUITY LOAN TRUST 1999-1

HOME EQUITY LOAN  
ASSET-BACKED CERTIFICATES SERIES 1999-1

DELTA FUNDING CORPORATION  
(SELLER AND SERVICER)

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PROSPECTUS SUPPLEMENT  
MARCH 25, 1999  
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NATIONSBANC MONTGOMERY SECURITIES LLC  
LEHMAN BROTHERS  
CREDIT SUISSE FIRST BOSTON  
FIRST UNION CAPITAL MARKETS