

PROSPECTUS SUPPLEMENT  
(To Prospectus dated June 21, 2005)

Sp 2017

**\$232,508,165**  
(Approximate)

**CWALT, INC.**  
Depositor



**HOME LOANS**

**Countrywide Home Loans Servicing LP**  
Master Servicer

**Alternative Loan Trust 2005-J7**  
Issuer

**Mortgage Pass-Through Certificates, Series 2005-J7**  
Distributions payable monthly, beginning July 25, 2005

The following classes of certificates are being offered pursuant to this prospectus supplement and the accompanying prospectus:

	Initial Class Certificate Balance	Pass-Through Rate		Initial Class Certificate Balance	Pass-Through Rate
Class 1-A-1	\$80,000,000	Variable	Class 2-A-1	\$55,370,000	6.00%
Class 1-A-2	N/A	Variable	Class X-A	N/A	Variable
Class 1-A-3	\$25,845,000	5.50%	Class X-B	N/A	Variable
Class 1-A-4	\$13,807,000	5.50%	Class PO-A	\$ 397,984	N/A
Class 1-A-5	\$ 3,000,000	5.50%	Class PO-B	\$ 360,081	N/A
Class 1-A-6	\$16,973,000	5.50%	Class A-R	\$100	5.50%
Class 1-A-7	\$25,000,000	Variable	Class M	\$ 4,463,500	Variable
Class 1-A-8	\$ 4,000,000	5.50%	Class B-1	\$ 1,644,000	Variable
Class 1-A-9	\$ 708,000	5.50%	Class B-2	\$ 939,500	Variable

**Consider carefully the risk factors beginning on page S-8 in this prospectus supplement and on page 5 in the prospectus.**

The Class PO-A and Class PO-B Certificates are principal only certificates, and the Class 1-A-2, Class X-A and Class X-B Certificates are interest only notional amount certificates. The pass-through rates for the Class 1-A-1, Class 1-A-2, Class 1-A-7, Class X-A, Class X-B, Class M, Class B-1 and Class B-2 Certificates are calculated as described under "Description of the Certificates — Interest" in this prospectus supplement.

The assets of the trust will consist primarily of a pool consisting of two loan groups of primarily 30-year and 15-year conventional fixed-rate mortgage loans secured by first liens on one- to four-family residential properties.

**These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this prospectus supplement or the prospectus. Any representation to the contrary is a criminal offense.**

Countrywide Securities Corporation will offer the classes of certificates listed above to the public at varying prices to be determined at the time of sale. The proceeds to the depositor from the sale of these classes of certificates are expected to be approximately \$237,598,554, plus accrued interest, before deducting expenses. The offered certificates will be purchased by Countrywide Securities Corporation on or about June 30, 2005. See "Method of Distribution" in this prospectus supplement.

**Countrywide Securities Corporation**

June 29, 2005

## Summary

**This summary highlights selected information from this document and does not contain all of the information that you need to consider in making your investment decision. To understand all of the terms of an offering of the certificates, read carefully this entire document and the accompanying prospectus.**

### Offered Certificates

Alternative Loan Trust 2005-J7 will issue twenty-two classes of certificates, eighteen of which are being offered by this prospectus supplement and the accompanying prospectus. The assets of the trust fund that will support both the offered certificates and other classes of certificates will consist, on the closing date, of a pool of mortgage loans with an aggregate stated principal balance of approximately \$234,856,849 as of June 1, 2005, and certain other property and assets described in this prospectus supplement. The mortgage loans will consist primarily of 30-year and 15-year conventional fixed-rate mortgage loans secured by first liens on one- to four-family residential properties.

The mortgage pool consists of two loan groups. Loan group 1 will consist primarily of 30-year mortgage loans expected to have an aggregate stated principal balance of approximately \$176,803,928 as of the cut-off date. Loan group 2 will consist of 15-year mortgage loans expected to have an aggregate stated principal balance of approximately \$58,052,921 as of the cut-off date.

The following chart lists certain characteristics of the classes of the offered certificates. The classes of certificates listed below will not be offered unless they are assigned the following ratings by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and by Moody's Investors Service, Inc. ("Moody's"):

Class	S&P Ratings	Moody's Ratings	Type
Class 1-A-1	AAA	Aaa	Senior/Floating Rate
Class 1-A-2	AAA	Aaa	Senior/Inverse Floating Rate/Notional Amount/ Interest Only
Class 1-A-3	AAA	Aaa	Senior
Class 1-A-4	AAA	Aaa	Senior
Class 1-A-5	AAA	Aaa	Senior
Class 1-A-6	AAA	Aaa	Senior/NAS/Super

Class	S&P Ratings	Moody's Ratings	Type
Class 1-A-7	AAA	Aaa	Senior
Class 1-A-8	AAA	Aaa	Senior/Floating Rate/Super Senior
Class 1-A-9	AAA	*	Senior/Mezzanine
Class 2-A-1	AAA	Aaa	Senior/Mezzanine
Class X-A	AAA	Aaa	Senior
Class X-B	AAA	Aaa	Senior/Notional Amount/Interest Only/Variable Rate
Class PO-A	AAA	Aaa	Senior/Notional Amount/Interest Only/Variable Rate
Class PO-B	AAA	Aaa	Senior/Principal Only
Class A-R	AAA	Aaa	Senior/Principal Only
Class M	AA	*	Senior/Residual Subordinate/Variable Rate
Class B-1	A	*	Subordinate/Variable Rate
Class B-2	BBB	Baa2	Subordinate/Variable Rate

\* Moody's was not asked to rate these certificates.

A rating is not a recommendation to buy, sell or hold securities. These ratings may be lowered or withdrawn at any time by either of the rating agencies.

See "Ratings" in this prospectus supplement.

### Other Certificates

In addition to the offered certificates, the trust fund will issue the Class P, Class B-3, Class B-4 and Class B-5 Certificates, which are not being offered pursuant to this prospectus supplement and the prospectus. The Class P Certificates will have an initial class certificate balance of \$100 and will not be entitled to distributions in respect of interest. The Class P Certificates will be entitled to all prepayment charges received in respect of the mortgage loans. The Class B-3, Class B-4 and Class B-5 Certificates will have initial class certificate balances of approximately \$939,500, \$704,600 and \$704,582, respectively, and will have a variable pass-through rate. Any information contained in this prospectus supplement with respect to the Class P, Class B-

3, Class B-4 and Class B-5 Certificates is provided only to permit a better understanding of the offered certificates.

*See "Description of the Certificates — General" and "the Mortgage Pool" in this prospectus supplement, and "The Trust Fund — The Mortgage Loans — General" in the prospectus.*

#### **Relationship Between the Loan Groups and the Certificate Groups**

The numeric prefix for each class of senior certificates designates the group of senior certificates to which that class belongs and corresponds to the loan group of the same number. The senior certificates with a "1" prefix are sometimes referred to in this prospectus supplement as the group 1 senior certificates and the senior certificates with a "2" prefix are sometimes referred to in this prospectus supplement as the group 2 senior certificates. The Class A-R Certificates are part of the group 1 senior certificates. The Class PO-A and Class X-A Certificates relate to loan group 1 and the Class PO-B and Class X-B Certificates relate to loan group 2. The subordinated certificates correspond to the mortgage loans in each loan group. The certificates generally receive distributions based on principal and interest collected from the mortgage loans in the corresponding loan group.

*See "Description of the Certificates — General" in this prospectus supplement and "The Mortgage Pool" in this prospectus supplement, and "The Trust Fund — The Mortgage Loans — General" in the prospectus.*

#### **Cut-off Date**

For any mortgage loan, the later of June 1, 2005 and the date of origination for that mortgage loan.

#### **Closing Date**

On or about June 30, 2005.

#### **Depositor**

CWALT, Inc. is a limited purpose finance subsidiary of Countrywide Financial Corporation. Its address is 4500 Park Granada, Calabasas, California 91302, and its telephone number is (818) 225-3000.

#### **Sellers**

Countrywide Home Loans, Inc. will be the seller of a portion of the mortgage loans. The remainder of the mortgage loans will be sold directly to the depositor by one or more special purpose entities that were established by Countrywide Financial Corporation or one of its affiliates which, in turn, acquired those mortgage loans directly from Countrywide Home Loans, Inc.

#### **Master Servicer**

Countrywide Home Loans Servicing LP.

#### **Trustee**

The Bank of New York.

#### **Distribution Dates**

We will make distributions on the 25th day of each month. If the 25th day of a month is not a business day, then we will make distributions on the next business day. The first distribution is scheduled for July 25, 2005.

#### **Record Date**

The record date for the certificates and any distribution date will be the last business day of the month preceding the month of that distribution date.

#### **Interest Payments**

Interest will accrue at the rate specified on the cover page hereof or as described in this prospectus supplement on each interest-bearing class of certificates on the basis of a 360-day year divided into twelve 30-day months.

The interest accrual period for the interest-bearing classes of certificates (other than the Class 1-A-1, Class 1-A-2 and Class 1-A-7 Certificates (we sometimes refer to these certificates as "LIBOR Certificates")) for any distribution date will be the calendar month before the distribution date. The interest accrual period for the LIBOR Certificates for any distribution date will be the one-month period commencing on the 25th day of the month prior to the month in which that distribution date occurs and ending on the 24th day of the month in which that distribution date occurs.

*See "Description of the Certificates — Interest" in this prospectus supplement.*

#### **Principal Payments**

Principal will be paid on each class of certificates entitled to receive principal payments on each distribution date as described in this prospectus supplement beginning at page S-58.

*See "Description of the Certificates — Principal" in this prospectus supplement.*

#### **Optional Termination**

The master servicer may purchase all of the remaining assets of the trust fund after the aggregate stated principal balance of the mortgage loans and real estate owned by the trust fund is less than or equal to 10% of the aggregate stated principal balance of the mortgage loans as of the cut-off date.

*See "Description of the Certificates — Optional Termination" in this prospectus supplement.*

#### **Collection Account; Priority of Distributions**

On each distribution date amounts available from each of loan group 1 and loan group 2 to make distributions on the related classes of certificates will be applied in the following order of priority:

- (1) to interest on the interest-bearing classes of the senior certificates relating to that loan group;
- (2) to principal of the classes of the senior certificates then entitled to principal distributions relating to that loan group in the manner, order and priority described under "Description of the Certificates — Principal" in this prospectus supplement;
- (3) to any deferred amounts payable on the PO Class relating to that loan group, as described under "Description of the Certificates — Principal" in this prospectus supplement; and
- (4) from remaining available funds from each of the loan groups, to interest on and then principal of each class of subordinated certificates, in the order of their numerical class designations, beginning with the Class M Certificates, as described under "Description of the Certificates — Interest" and "— Principal" in this prospectus supplement.

#### **The Corridor Contract**

Countrywide Home Loans has entered into a corridor contract for the benefit of the Class 1-A-1 and Class 1-A-7 Certificates which will be assigned to The Bank of New York, in its capacity as corridor contract administrator, on the closing date. The corridor contract administrator will allocate certain payments received under the interest rate corridor contract to the trustee on behalf of the trust fund. On or prior to the corridor contract termination date, amounts allocated to the trust fund in respect of the corridor contract will be available as described in this prospectus supplement to make payments of the yield supplement amounts to the Class 1-A-1 and Class 1-A-7 Certificates if LIBOR (as calculated for the interest accrual period related to that distribution date) plus the applicable margin exceeds 5.50%, with a ceiling of (i) 9.50%, with respect to the Class 1-A-1 Certificates and (ii) 9.50%, with respect to the Class 1-A-7 Certificates.

Payments under the corridor contract will be made to the corridor contract administrator and allocated between the trust fund and Countrywide Home Loans as described in "Description of the Certificates — The Corridor Contract" in this prospectus supplement. Any amount received in respect of the corridor contract and allocated to the trust fund for a distribution date that are remaining in the reserve fund on the distribution date immediately following the earlier of (i) the corridor contract termination date and (ii) the date on which the aggregate class certificate balance of the Class 1-A-1 and Class 1-A-7 Certificates has been reduced to zero, will be distributed to Countrywide Securities Corporation as provided in the pooling and servicing agreement and will not be available for payment of the yield supplement amounts on the Class 1-A-1 and Class 1-A-7 Certificates in the future.

See "Description of the Certificates — The Corridor Contract" in this prospectus supplement.

#### **Advances**

The master servicer will make cash advances with respect to delinquent payments of principal and interest on the mortgage loans to the extent the master servicer reasonably believes that the cash advances can be repaid from future payments on the mortgage loans. These cash advances are only intended to maintain a regular flow of scheduled interest and principal payments on the certificates and are not intended to guarantee or insure against losses.

See "Servicing of Mortgage Loans — Advances" in this prospectus supplement.

#### **Credit Enhancement**

The issuance of senior certificates and subordinated certificates by the trust fund is designed to increase the likelihood that senior certificateholders will receive regular payments of interest and principal.

#### **Subordination**

The senior certificates will have a payment priority over the subordinated certificates. Within the classes of subordinated certificates offered by this prospectus supplement, the Class M Certificates will have a payment priority over the Class B-1 and Class B-2 Certificates, and the Class B-1 Certificates will have payment priority over the Class B-2 Certificates. The Class B-3, Class B-4 and Class B-5 Certificates, which are not being offered to the public, also will be subordinated to all of the other certificates, in that order, with the Class B-5 Certificates having the lowest priority of payment.

Subordination is designed to provide the holders of certificates with a higher payment priority with protection against losses realized when the remaining unpaid principal balance on a mortgage loan exceeds the amount of proceeds recovered upon the liquidation of that mortgage loan. This loss protection is accomplished by allocating the realized losses among the subordinated certificates, beginning with the subordinated certificates with the lowest payment priority, before realized losses are allocated to the senior certificates (other than the notional amount certificates, the PO Classes and the Class P Certificates), except that the realized losses in loan group 1 that would otherwise be allocated to the Class 1-A-6 and Class 1-A-7 Certificates will instead be allocated to the Class 1-A-9 and Class 1-A-8 Certificates, respectively.

See "Description of the Certificates — Allocation of Losses" in this prospectus supplement and "Credit Enhancement — Subordination" in this prospectus supplement and in the prospectus.

#### **Tax Status**

For federal income tax purposes, the trust fund (exclusive of rights under the corridor contract and the assets held in the reserve fund) will consist of one or more REMICs. Each class of certificates (other than the Class A-R Certificates) will represent regular interests in a REMIC. The Class 1-A-1 and Class 1-A-7

Certificates will also represent the right to receive the yield supplement amounts. The Class A-R Certificates will represent ownership of the residual interest in each REMIC.

*See "Material Federal Income Tax Consequences" in this prospectus supplement and in the prospectus.*

#### **ERISA Considerations**

The offered certificates (other than the Class A-R Certificates) may be purchased by a pension or other benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended, or Section 4975 of the Internal Revenue Code of 1986, as amended, or by an entity investing the assets of such a benefit plan, so long as certain conditions are met.

*See "ERISA Considerations" in this prospectus supplement and in the prospectus.*

#### **Legal Investment**

The senior certificates and the Class M Certificates will be mortgage related securities for purposes of the Secondary Mortgage Market Enhancement Act of 1984 as long as they are rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization. The Class B-1 and Class B-2 Certificates will not be rated in one of the two highest rating categories by a nationally recognized statistical rating organization, and therefore, will not be mortgage related securities for purposes of that Act.

*See "Legal Investment" in the prospectus.*

## Risk Factors

**The following information, which you should carefully consider, identifies significant sources of risk associated with an investment in the certificates. You should also carefully consider the information under “Risk Factors” beginning on page 5 in the prospectus.**

### **Your Yield Will Be Affected By Prepayments**

Borrowers may, at their option, prepay their mortgage loans in whole or in part at any time. We cannot predict the rate at which borrowers will repay their mortgage loans. A prepayment of a mortgage loan, however, will result in a prepayment on the certificates.

The rate and timing of prepayment of the mortgage loans will affect the yields to maturity and weighted average lives of the certificates. Any reinvestment risks from faster or slower prepayments of mortgage loans will be borne entirely by the holders of the certificates.

- If you purchase principal only certificates or you purchase your certificates at a discount and principal is repaid slower than you anticipate, then your yield may be lower than you anticipate.
- If you purchase notional amount certificates or you purchase your certificates at a premium and principal is repaid faster than you anticipate, then your yield may be lower than you anticipate.
- If you purchase notional amount certificates and principal is repaid faster than you anticipate, you may lose your initial investment.
- Approximately 7.83% and 4.59% of the mortgage loans in loan group 1 and loan group 2, respectively, by aggregate stated principal balance of the mortgage loans in that loan group as of the cut-off date, require the mortgagor to pay a charge if the mortgagor prepays the mortgage loan during periods ranging from one year to five years after the mortgage loan was originated. A prepayment charge may discourage a mortgagor from prepaying the mortgage loan during the applicable period. Prepayment charges will be distributed to the Class P Certificates and will not be available to the holders of other classes of certificates.

*See “Yield, Prepayment and Maturity Considerations” in this prospectus supplement for a description of factors that may influence the rate and timing of prepayments on the mortgage loans.*

**Your Yield May Be Affected By The Interest-Only Feature Of Some Of The Mortgage Loans**

Some of the mortgage loans in loan group 1 and loan group 2 require monthly payments of only accrued interest for a substantial period of time after origination. During the interest-only period, less principal may be available for distribution to certificateholders than otherwise would be the case. In addition, these mortgage loans may have a higher risk of default after the interest-only period due to the larger outstanding balances and the increased monthly payment necessary to amortize fully the mortgage loan.

During the interest-only period, these mortgage loans may be less likely to prepay since the perceived benefits from refinancing may be less than if the mortgage loans were fully amortizing. As the interest-only period approaches its end, however, these mortgage loans may be more likely to be refinanced in order to avoid higher monthly payments necessary to fully amortize the mortgage loans. Investors should consider the fact that during their interest only periods, the monthly payments due on these mortgage loans only cover the current interest due on those mortgage loans. As a result, the monthly payment on an interest only loan with the same interest rate and monthly payment as a mortgage loan that is fully amortizing as of its first payment date would support a higher principal balance than that of the fully amortizing mortgage loan.

**The Yields On The LIBOR Certificates Will Be Affected By The Level Of LIBOR**

The pass-through rates on the Class 1-A-1 and Class 1-A-7 Certificates will be based on LIBOR plus a margin, subject to a cap. The pass-through rate on the Class 1-A-2 Certificates will be based on a fixed rate minus LIBOR. The yields on the LIBOR Certificates will be affected by the level of LIBOR. If the level of LIBOR is different than the level you expect, then your yields on the LIBOR Certificates may be lower than you expect. The pass-through rate on the Class 1-A-2 Certificates may be as little as 0%.

*See "Description of the Certificates — Interest" and "Yield, Prepayment and Maturity Considerations" in this prospectus supplement for more information.*

**Your Yield Will Be Affected By How Distributions Are Allocated To The Certificates**

The timing of principal payments on the certificates will be affected by a number of factors, including:

- the extent of prepayments on the mortgage loans in the related loan group, in the case of the senior certificates, and on all of the mortgage loans, in the case of the subordinated certificates,
- how payments of principal are allocated among the classes of certificates as specified on page S-58,



- whether the master servicer exercises its right, in its sole discretion, to terminate the trust fund,
- the rate and timing of payment defaults and losses on the mortgage loans in the related loan group, in the case of the senior certificates, and on all of the mortgage loans, in the case of the subordinated certificates, and
- repurchases of mortgage loans in the related loan group, in the case of the senior certificates, and all of the mortgage loans, in the case of the subordinated certificates, for material breaches of representations and warranties.

Since distributions on the certificates are dependent upon the payments on the applicable mortgage loans, we cannot guarantee the amount of any particular payment or the amount of time that will elapse before the trust fund is terminated.

*See “Description of the Certificates — Principal,” and “ — Optional Termination” in this prospectus supplement for a description of the manner in which principal will be paid to the certificates. See “The Mortgage Pool — Assignment of the Mortgage Loans” in this prospectus supplement for more information regarding the repurchase or substitution of mortgage loans.*

**Credit Enhancement May Not Be Sufficient To Protect Senior Certificates From Losses**

The certificates are not insured by any financial guaranty insurance policy. The subordination features are intended to enhance the likelihood that senior certificateholders will receive regular payments of interest and principal.

**Subordination.** Credit enhancement will be provided for the certificates, first, by the right of the holders of certificates to receive payments of principal before the classes subordinated to them and, second, by the allocation of realized losses to subordinated classes in the reverse order of their priority of payment. This form of credit enhancement uses collections on the mortgage loans otherwise payable to holders of subordinated classes to pay amounts due on more senior classes. Collections otherwise payable to subordinated classes comprise the sole source of funds from which this type of credit enhancement is provided. Realized losses are allocated first, to the subordinated certificates in the reverse order of their priority of payment, beginning with the subordinated certificates then outstanding with the lowest payment priority, in each case until the principal amount of each class of subordinated certificates has been reduced to zero. Accordingly, if the aggregate principal balance of each subordinated class were to be reduced to zero, delinquencies and defaults on the mortgage loans would reduce the amount of funds available for monthly distributions to holders of the

related senior certificates. However, realized losses in loan group 1 that would otherwise be allocated to the Class 1-A-6 and Class 1-A-7 Certificates will instead be allocated to the Class 1-A-9 and Class 1-A-8 Certificates, respectively. Investors in the Class 1-A-6 Certificates should note that the original class certificate balance of the Class 1-A-9 Certificates is only \$708,000, while the original class certificate balance of the Class 1-A-6 Certificates is \$16,973,000. Investors in the Class 1-A-7 Certificates should note that the original class certificate balance of the Class 1-A-8 Certificates is only \$4,000,000, while the original class certificate balance of the Class 1-A-7 Certificates is \$25,000,000. Among the subordinated certificates, the Class M Certificates are the least subordinated, that is, they have the highest payment priority. The payment priority for the other subordinated certificates is in numerical order.

*See "Description of the Certificates — Allocation of Losses" in this prospectus supplement and "Credit Enhancement — Subordination" in this prospectus supplement and in the prospectus.*

**All Realized Losses Will Be Allocated First To Subordinated Certificates**

Previous securitization trusts formed by the depositor allocated portions of some losses, such as special hazard losses, bankruptcy losses and fraud losses in excess of the amounts set forth in the related prospectus supplement, proportionately to each class of certificates instead of first to the subordinated certificates. All realized losses with respect to the mortgage loans to be conveyed to the securitization trust described in this prospectus supplement will be allocated first to the subordinated certificates.

*See "Description of the Certificates — Allocation of Losses" in this prospectus supplement and "Credit Enhancement — Subordination" in this prospectus supplement and in the prospectus.*

**Certain Interest Shortfalls Will Be Allocated To The Certificates**

When a borrower makes a full or partial prepayment on a mortgage loan, the amount of interest which the borrower is required to pay may be less than the amount of interest certificateholders would otherwise be entitled to receive with respect to the mortgage loan. The master servicer is required to reduce the master servicing fee to offset this shortfall, but the reduction for any distribution date is limited to an amount equal to the product of one-twelfth of 0.125% and the aggregate stated principal balance of the mortgage loans in such loan group as of the first day of the prior month. If the aggregate amount of interest shortfalls resulting from prepayments exceeds the amount of the reduction in the master servicing fee, the interest entitlement for each related class of certificates will be reduced proportionately by the amount of this excess.

In addition, your certificates may be subject to certain shortfalls in interest collections arising from the application of the Servicemembers Civil Relief Act or similar state laws (referred to in this prospectus supplement as the Relief Act). The Relief Act provides relief to borrowers who enter active military service and to borrowers in reserve status who are called to active duty after the origination of their mortgage loan. The Relief Act provides generally that these borrowers may not be charged interest on a mortgage loan in excess of 6% per annum during the period of the borrower's active duty. These shortfalls are not required to be paid by the borrower at any future time, will not be offset by a reduction to the master servicing fee and will reduce accrued interest on each related class of certificates on a pro rata basis. In addition, the Relief Act imposes certain limitations that would impair the master servicer's ability to foreclose on an affected mortgage loan during the borrower's period of active service and, under some circumstances, during an additional period thereafter.

*See "Description of the Certificates — Principal" in this prospectus supplement.*

**Certificates May Not Be  
Appropriate For Some  
Investors**

The offered certificates may not be an appropriate investment for investors who do not have sufficient resources or expertise to evaluate the particular characteristics of each applicable class of offered certificates. This may be the case because, among other things:

- The yield to maturity of offered certificates purchased at a price other than par will be sensitive to the uncertain rate and timing of principal prepayments on the mortgage loans in the related loan group in the case of the senior certificates, and in both of the loan groups in the case of the subordinated certificates;
- The rate of principal distributions on and the weighted average lives of the offered certificates will be sensitive to the uncertain rate and timing of principal prepayments on the mortgage loans in the related loan group in the case of the senior certificates, and in both of the loan groups, in the case of the subordinated certificates, and the priority of principal distributions among the classes of certificates. Accordingly, the offered certificates may be an inappropriate investment if you require a distribution of a particular amount of principal on a specific date or an otherwise predictable stream of distributions;

- You may not be able to reinvest distributions on an offered certificate (which, in general, are expected to be greater during periods of relatively low interest rates) at a rate at least as high as the pass-through rate applicable to your certificate; or
- A secondary market for the offered certificates may not develop or provide certificateholders with liquidity of investment.

**The Class 1-A-1 and Class 1-A-7 Certificates Involve Counterparty Risk**

Although the Class 1-A-1 and Class 1-A-7 Certificates may receive the related yield supplement amount when LIBOR exceeds 4.80%, collections on the mortgage loans cannot support these payments. Payments of these amounts are *solely* dependent upon the performance of the corridor contract counterparty under the corridor contract. The likelihood of receipt of these amounts is not covered by the ratings of the Class 1-A-1 and Class 1-A-7 Certificates. Thus, the payment of these amounts involves counterparty risk.

*See “Description of the Certificates — The Corridor Contract” in this prospectus supplement.*

**Seasoned Mortgage Loans**

Most of the mortgage loans in loan group 2 were previously included in securitizations of the depositor and were acquired upon exercise of the related optional termination right of the master servicer. As a result, the loan ages of those mortgage loans are substantially greater than those of the mortgage loans in the other loan group. Generally, well seasoned mortgage loans are believed to be less likely to prepay due to refinancing and are more likely to default than newly originated mortgage loans. However, the mortgage rates on the loan group 2 mortgage loans generally are higher than current mortgage rates which suggests that those mortgage loans may be more likely to prepay due to refinancing. In any case, the prepayment and default experience on the loan group 2 mortgage loans will likely differ from that on the other mortgage loans. Since the subordinated certificates evidence an interest in all of the mortgage loans, the prepayment and default experience on those certificates will reflect a combination of the differing prepayment and default experience on all of the mortgage loans.

**Geographic Concentration Increases Risk That Certificate Yields Could Be Impaired**

The tables titled “Geographic Distribution of Mortgaged Properties” in this prospectus supplement under the heading “The Mortgage Pool” specify the geographic concentrations, including California, of the mortgaged properties securing the mortgage loans in each loan group. Property in California may be

more susceptible than homes located in other parts of the country to some types of uninsurable hazards, such as earthquakes, floods, mudslides and other natural disasters. In addition,

- Economic conditions in California (which may or may not affect real property values) may affect the ability of borrowers to repay their loans on time; and
- Declines in the California residential real estate market may reduce the values of properties located in California, which would result in an increase in the loan-to-value ratios.

Any increase in the market value of properties located in California would reduce the loan-to-value ratios and could, therefore, make alternative sources of financing available to the borrowers at lower interest rates, which could result in an increased rate of prepayment of the mortgage loans.

### **Impact Of World Events**

The economic impact of the United States' military operations in Iraq, Afghanistan and other parts of the world, as well as the possibility of terrorist attacks domestically or abroad, is uncertain, but could have a material effect on general economic conditions, consumer confidence, and market liquidity. No assurance can be given as to the effect of these events on consumer confidence and the performance of the mortgage loans. Any adverse impact resulting from these events would be borne by the holders of the certificates. United States military operations may also increase the likelihood of shortfalls under the Relief Act.

### **You May Have Difficulty Reselling Certificates**

No market for any of the certificates will exist before they are issued. The underwriter intends to make a secondary market in the classes of offered certificates purchased by it, but the underwriter has no obligation to do so. We cannot assure you that a secondary market will develop or, if it develops, that it will continue. Consequently, you may not be able to sell your certificates readily or at prices that will enable you to realize your desired yield. The market values of the certificates are likely to fluctuate; these fluctuations may be significant and could result in significant losses to you.

The secondary markets for mortgage backed securities have experienced periods of illiquidity and can be expected to do so in the future. Illiquidity can have a severely adverse effect on the prices of securities that are especially sensitive to prepayment, credit, or interest rate risk, or that have been structured to meet the investment requirements of limited categories of investors.

**Some of the statements contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus consist of forward-looking statements relating to future economic performance or projections and other financial items. These statements can be identified by the use of forward-looking words such as “may,” “will,” “should,” “expects,” “believes,” “anticipates,” “estimates,” or other comparable words. Forward-looking statements are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include, among others, general economic and business conditions, regulatory initiatives and compliance with governmental regulations, customer preferences and various other matters, many of which are beyond our control. Because we cannot predict the future, what actually happens may be very different from what we predict in our forward-looking statements.**

## **The Mortgage Pool**

### **General**

The depositor, CWALT, Inc., will purchase the mortgage loans in the mortgage pool from Countrywide Home Loans, Inc. and one or more other sellers affiliated with Countrywide Financial Corporation (each of which is referred to in this prospectus supplement as a seller and together they are referred to as the sellers) pursuant to a pooling and servicing agreement dated as of June 1, 2005 among the sellers, Countrywide Home Loans Servicing LP, as master servicer, the depositor and The Bank of New York, as trustee, and will cause the mortgage loans to be assigned to the trustee for the benefit of the holders of the certificates. In this prospectus supplement, mortgage loans in loan group 1 are referred to as the group 1 mortgage loans and mortgage loans in loan group 2 are referred to as the group 2 mortgage loans, and together they are referred to as the mortgage loans.

Under the pooling and servicing agreement, Countrywide Home Loans will make certain representations, warranties and covenants to the depositor relating to, among other things, the due execution and enforceability of the pooling and servicing agreement and certain characteristics of the mortgage loans. In addition, each of the sellers will represent and warrant that, prior to the sale of the related mortgage loans to the depositor, the applicable seller had good title to the mortgage loans sold by it. Subject to the limitations described in the next sentence and under “— Assignment of the Mortgage Loans,” Countrywide Home Loans (or the related seller, in the case of the representation regarding good title) will be obligated to repurchase or substitute a similar mortgage loan for any mortgage loan as to which there exists deficient documentation or as to which there has been an uncured breach of any representation or warranty relating to the characteristics of the mortgage loans that materially and adversely affects the interests of the certificateholders in that mortgage loan. Countrywide Home Loans will represent and warrant to the depositor in the pooling and servicing agreement that the mortgage loans were selected from among the outstanding one- to four-family mortgage loans in Countrywide Home Loans’ portfolio as to which the representations and warranties set forth in the pooling and servicing agreement can be made and that the selection was not made in a manner intended to affect the interests of the certificateholders adversely. See “Mortgage Loan Program — Representations by Sellers; Repurchases” in the prospectus. Under the pooling and servicing agreement, the depositor will assign all its right, title and interest in the representations, warranties and covenants (including the sellers’ repurchase or substitution obligation) to the trustee for the benefit of the certificateholders. The depositor will make no representations or warranties with respect to the mortgage loans and will have no obligation to repurchase or substitute mortgage loans with deficient documentation or which are otherwise defective. The sellers are selling the mortgage loans without recourse and will have no obligation with respect to the certificates in their respective capacities as sellers other than the repurchase or substitution obligation described above. The obligations of the master servicer with respect to the certificates are limited to the master servicer’s contractual servicing obligations under the pooling and servicing agreement.

The depositor believes that the information set forth in this prospectus supplement regarding the Mortgage Loans as of the cut-off date is representative of the characteristics of the mortgage loans that will be delivered on the closing date. However, certain Mortgage Loans may prepay or may be determined not to meet

the eligibility requirements for inclusion in the final mortgage pool. A limited number of mortgage loans may be added to or substituted for the mortgage loans described in this prospectus supplement, although any addition or substitution will not result in a material difference in the mortgage pool on the closing date. As a result, the cut-off date information regarding the actual mortgage loans delivered on the closing date will vary somewhat from the cut-off date information regarding the mortgage loans presented in this prospectus supplement.

As of the cut-off date, the aggregate of the Stated Principal Balances of the Mortgage Loans was approximately \$234,856,849 (which is referred to as the “Cut-off Date Pool Principal Balance”). These mortgage loans have been divided into two groups of mortgage loans — loan group 1, which had a principal balance as of the cut-off date of approximately \$176,803,928 and loan group 2, which had a principal balance as of the cut-off date of approximately \$58,052,921. Substantially all the Mortgage Loans in loan group 1 have original terms to maturity of 30 years. All of the Mortgage Loans in loan group 2 have original terms to maturity of 15 years. Approximately 25.79% and 96.74% of the Mortgage Loans in loan group 1 and loan group 2, respectively, in each case, by aggregate Stated Principal Balance of the Mortgage Loans in the related loan group as of the cut-off date, were originated by Countrywide Home Loans, Inc.

With the exception of 182 Mortgage Loans in loan group 1 representing approximately 49.38% of the aggregate Stated Principal Balance of the Mortgage Loans in that loan group as of the cut-off date, all of the mortgage loans will provide for the amortization of the amount financed over a series of substantially equal monthly payments. The terms of the remaining mortgage loans only require the related mortgagor to pay interest on the principal balance of the mortgage loan for the first ten years or the first fifteen years after its origination, but require that the entire principal balance of the mortgage loan be fully amortized over the related remaining term of the mortgage loan following such interest only period. All of the mortgage loans will provide that payments are due on the first day of each month (the “Due Date”).

Scheduled monthly payments made by the mortgagors on the mortgage loans (referred to as scheduled payments) either earlier or later than their scheduled Due Dates will not affect the amortization schedule or the relative application of the payments to principal and interest. Except for approximately 7.83% and 4.59% of the Mortgage Loans in loan group 1 and loan group 2, respectively, by aggregate Stated Principal Balance of the Mortgage Loans in that loan group as of the cut-off date, the mortgagors may prepay their mortgage loans at any time without charges. The holders of the Class P Certificates will be entitled to all prepayment charges received on the mortgage loans, and those amounts will not be available for distribution on the other classes of certificates. Under certain circumstances, as described in the pooling and servicing agreement, the master servicer may waive the payment of any otherwise applicable prepayment charges. Investors should conduct their own analysis of the effect, if any, that the prepayment charges, and decisions by the master servicer with respect to the waiver thereof, may have on the prepayment performance of the mortgage loans. The depositor makes no representation as to the effect that the prepayment charges, and decisions by the master servicer with respect to the waiver thereof, may have on the prepayment performance of the mortgage loans.

The earliest date of origination and the earliest and latest stated maturity date of any mortgage loan in each loan group is as follows:

	<u>Earliest First Payment Date</u>	<u>Earliest Stated Maturity Date</u>	<u>Latest Stated Maturity Date</u>
Loan Group 1	August 1, 2003	May 1, 2025	June 1, 2035
Loan Group 2	April 1, 1993	March 1, 2008	September 1, 2017

As of the cut-off date, no mortgage loan in either loan group was delinquent more than 30 days.

As of the cut-off date, no mortgage loan in either loan group was subject to a buydown agreement.

No mortgage loan in either loan group provides for deferred interest or negative amortization.

No mortgage loans in either loan group had a Loan-to-Value Ratio at origination or on the closing date of more than 95.00%. Generally, each mortgage loan with a Loan-to-Value Ratio at origination of greater than 80% will be covered by a primary mortgage guaranty insurance policy issued by a mortgage insurance company acceptable to Fannie Mae or Freddie Mac. The policy provides coverage in an amount equal to a specified percentage times the sum of the remaining principal balance of the related mortgage loan, the accrued interest thereon and the related foreclosure expenses. The specified coverage percentage for mortgage loans with terms to maturity of between 25 and 30 years is 12% for Loan-to-Value Ratios between 80.01% and 85.00%, 25% for Loan-to-Value Ratios between 85.01% and 90.00%, 30% for Loan-to-Value Ratios between 90.01% and 95.00% and 35% for Loan-to-Value Ratios between 95.01% and 100%. The specified coverage percentage for mortgage loans with terms to maturity of up to 20 years ranges from 6% to 12% for Loan-to-Value Ratios between 80.01 to 85.00%; from 12% to 20% for Loan-to-Value Ratios between 85.01% to 90.00% and 20% to 25% for Loan-to-Value Ratios between 90.01% to 95.00%. The required coverage percentage of mortgage insurance is determined by the type, term and Loan-to-Value Ratio of the mortgage loan and may also vary based on occupancy type. However, under certain circumstances, the specified coverage level may vary from the foregoing. With respect to 1 mortgage loan, that will be identified on the mortgage loan schedule, in loan group 1, the lender (rather than the borrower) acquired the primary mortgage guaranty insurance and charged the related borrower an interest premium. Except for these lender acquired mortgage insurance mortgage loans, no primary mortgage guaranty insurance policy will be required with respect to any mortgage loan if maintaining the policy is prohibited by applicable law or after the date on which the related Loan-to-Value Ratio is 80% or less or, based on a new appraisal, the principal balance of the mortgage loan represents 80% or less of the new appraised value. The primary mortgage guaranty insurance policy will be maintained for the life of the lender acquired mortgage insurance mortgage loans, unless otherwise provided in the mortgage note or otherwise prohibited by law.

The “Loan-to-Value Ratio” of a mortgage loan at any given time is a fraction, expressed as a percentage, the numerator of which is the principal balance of the related mortgage loan at the date of determination and the denominator of which is,

- in the case of a purchase, the lesser of the selling price of the mortgaged property or its appraised value at the time of sale, or
- in the case of a refinance, the appraised value of the mortgaged property at the time of the refinance, except in the case of a mortgage loan underwritten pursuant to Countrywide Home Loans’ Streamlined Documentation Program as described under “—Underwriting Process.”

With respect to mortgage loans originated pursuant to the Streamlined Documentation Program,

- if the loan-to-value ratio at the time of the origination of the mortgage loan being refinanced was 80% or less and the loan amount of the new loan being originated is \$650,000 or less, then the “Loan-to-Value Ratio” will be the ratio of the principal amount of the new mortgage loan being originated divided by the appraised value of the related mortgaged property at the time of the origination of the mortgage loan being refinanced, as reconfirmed by Countrywide Home Loans using an automated property valuation system; or
- if the loan-to-value ratio at the time of the origination of the mortgage loan being refinanced was greater than 80% or the loan amount of the new loan being originated is greater than \$650,000, then the “Loan-to-Value Ratio” will be the ratio of the principal amount of the new mortgage loan being originated divided by the appraised value of the related mortgaged property as determined by an appraisal obtained by Countrywide Home Loans at the time of the origination of the new mortgage loan. See “— Underwriting Process” in this prospectus supplement.

No assurance can be given that the value of any mortgaged property has remained or will remain at the level that existed on the appraisal or sales date. If residential real estate values generally or in a particular geographic area



decline, the Loan-to-Value Ratios might not be a reliable indicator of the rates of delinquencies, foreclosures and losses that could occur with respect to the mortgage loans.

The following information sets forth in tabular format information as to the mortgage loans in loan group 1 and loan group 2 as of the cut-off date. Other than with respect to rates of interest, percentages (approximate) are stated in each case by aggregate Stated Principal Balance of the mortgage loans in loan group 1 and loan group 2 as of the cut-off date. The sum in any column of the following tables may not equal the indicated value due to rounding. In addition, each weighted average FICO credit score set forth below has been calculated without regard to any mortgage loan for which the FICO credit score is not available.

## Loan Group 1

### Mortgage Rates<sup>(1)</sup>

Range of Mortgage Rates (%)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding(\$)	Percent of Mortgage Loans in Loan Group 1	Average Principal Balance Outstanding (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Remaining Term to Maturity (Months)	Weighted Average FICO Credit Score	Weighted Average Original Loan-to-Value Ratio (%)
5.001 – 5.500 .....	12	\$ 4,667,167	2.64%	388,931	5.460	356	726	72.7
5.501 – 6.000 .....	203	86,687,351	49.03	427,031	5.885	357	729	70.6
6.001 – 6.500 .....	179	74,195,836	41.97	414,502	6.265	356	718	75.2
6.501 – 7.000 .....	27	10,895,108	6.16	403,523	6.722	357	709	75.4
7.001 – 7.500 .....	1	358,466	0.20	358,466	7.375	351	799	95.0
<b>Total</b> .....	<b>422</b>	<b>\$ 176,803,928</b>	<b>100.00%</b>	<b>418,967</b>	<b>6.088</b>	<b>356</b>	<b>724</b>	<b>72.9</b>

(1) The lender acquired mortgage insurance mortgage loans are shown in the preceding table at the mortgage rates inclusive of the interest premium charge by the related lenders. As of the cut-off date, the weighted average mortgage rate of the mortgage loans in loan group 1 (net of such premiums) was approximately 6.087% per annum. Without the adjustment, the weighted average mortgage rate of the mortgage loans in loan group 1 was approximately 6.088% per annum.

### Current Mortgage Loan Principal Balances<sup>(1)</sup>

Range of Current Mortgage Loan Principal Balances (\$)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding(\$)	Percent of Mortgage Loans in Loan Group 1	Average Principal Balance Outstanding (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Remaining Term to Maturity (Months)	Weighted Average FICO Credit Score	Weighted Average Original Loan-to-Value Ratio (%)
100,000.01 – 150,000.00 .....	15	\$ 1,983,629	1.12%	132,242	6.140	356	730	76.1
150,000.01 – 200,000.00 .....	34	6,203,269	3.51	182,449	6.094	356	718	73.6
200,000.01 – 250,000.00 .....	42	9,498,529	5.37	226,155	6.134	354	715	76.2
250,000.01 – 300,000.00 .....	32	8,768,610	4.96	274,019	6.082	356	732	75.2
300,000.01 – 350,000.00 .....	32	10,451,652	5.91	326,614	6.043	357	708	73.7
350,000.01 – 400,000.00 .....	72	27,170,282	15.37	377,365	6.129	357	714	74.7
400,000.01 – 450,000.00 .....	45	19,265,579	10.90	428,124	6.104	357	726	74.3
450,000.01 – 500,000.00 .....	35	16,682,080	9.44	476,631	6.049	357	723	72.2
500,000.01 – 550,000.00 .....	35	18,487,292	10.46	528,208	6.050	357	715	74.8
550,000.01 – 600,000.00 .....	19	10,999,306	6.22	578,911	5.959	357	737	74.9
600,000.01 – 650,000.00 .....	25	15,931,488	9.01	637,260	6.089	358	729	74.0
650,000.01 – 700,000.00 .....	7	4,782,654	2.71	683,236	5.982	358	730	65.9
700,000.01 – 750,000.00 .....	6	4,310,759	2.44	718,460	6.165	340	774	70.6
750,000.01 – 1,000,000.00 .....	18	16,088,170	9.10	893,787	6.190	358	736	65.3
1,000,000.01 – 1,500,000.00 .....	5	6,180,628	3.50	1,236,126	6.055	359	708	65.7
<b>Total</b> .....	<b>422</b>	<b>\$ 176,803,928</b>	<b>100.00%</b>	<b>418,967</b>	<b>6.088</b>	<b>356</b>	<b>724</b>	<b>72.9</b>

(1) As of the cut-off date, the average current mortgage loan principal balance of the Mortgage Loans in loan group 1 was approximately \$418,967.

### FICO Credit Scores<sup>(1)</sup>

Range of FICO Credit Scores	Number of Mortgage Loans	Aggregate Principal Balance Outstanding(\$)	Percent of Mortgage Loans in Loan Group 1	Average Principal Balance Outstanding (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Remaining Term to Maturity (Months)	Weighted Average FICO Credit Score	Weighted Average Original Loan-to-Value Ratio (%)
601 - 620.....	4	\$ 1,551,140	0.88%	387,785	6.127	359	620	73.0
621 - 640.....	14	5,132,352	2.90	366,597	6.220	358	630	74.3
641 - 660.....	15	5,838,940	3.30	389,263	6.136	354	650	71.2
661 - 680.....	36	16,605,745	9.39	461,271	6.076	357	670	72.6
681 - 700.....	58	22,487,069	12.72	387,708	6.183	357	691	75.2
701 - 720.....	86	35,919,705	20.32	417,671	6.073	357	711	71.2
721 - 740.....	76	29,603,049	16.74	389,514	6.090	357	730	73.3
741 - 760.....	45	17,668,547	9.99	392,634	6.151	357	751	75.3
761 - 780.....	42	21,527,070	12.18	512,549	6.049	358	771	69.5
781 - 800.....	36	16,108,837	9.11	447,468	5.924	356	791	74.5
801 - 820.....	10	4,361,473	2.47	436,147	6.064	339	806	74.7
Total.....	422	\$176,803,928	100.00%	418,967	6.088	356	724	72.9

(1) As of the cut-off date, the weighted average FICO Credit Score of the mortgagors related to the Mortgage Loans in loan group 1 was approximately 724.

### Documentation Program for Mortgage Loans

Type of Program	Number of Mortgage Loans	Aggregate Principal Balance Outstanding(\$)	Percent of Mortgage Loans in Loan Group 1	Average Principal Balance Outstanding (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Remaining Term to Maturity (Months)	Weighted Average FICO Credit Score	Weighted Average Original Loan-to-Value Ratio (%)
Reduced.....	162	\$ 71,045,599	40.18%	438,553	6.094	355	722	71.4
Full/Alternative.....	178	70,393,719	39.81	395,470	6.047	357	716	75.0
Preferred.....	48	24,473,566	13.84	509,866	6.152	359	750	72.2
Stated Income/Stated Asset.....	11	3,856,881	2.18	350,626	5.897	358	722	60.1
No Income/No Asset.....	9	2,734,991	1.55	303,888	6.694	356	739	74.9
FULL-DU (1).....	8	2,466,362	1.39	308,295	5.968	356	725	76.1
No Ratio.....	6	1,832,810	1.04	305,468	6.239	358	730	78.8
Total.....	422	\$ 176,803,928	100.00%	418,967	6.088	356	724	72.9

(1) Fannie Mae Desktop Underwriter is an automated underwriting system (AUS).

### Original Loan-to-Value Ratios<sup>(1)(2)</sup>

Range of Original Loan-to-Value Ratios (%)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding(\$)	Percent of Mortgage Loans in Loan Group 1	Average Principal Balance Outstanding (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Remaining Term to Maturity (Months)	Weighted Average FICO Credit Score	Weighted Average Original Loan-to-Value Ratio (%)
0.01 - 50.00.....	20	\$ 9,454,895	5.35%	472,745	5.957	357	731	40.2
50.01 - 55.00.....	10	4,420,805	2.50	442,080	5.887	355	726	53.6
55.01 - 60.00.....	17	8,125,430	4.60	477,966	6.115	357	711	57.9
60.01 - 65.00.....	24	11,634,385	6.58	484,766	6.004	357	726	63.5
65.01 - 70.00.....	46	20,982,271	11.87	456,136	6.034	353	726	68.8
70.01 - 75.00.....	59	27,268,404	15.42	462,176	6.072	357	719	73.4
75.01 - 80.00.....	224	88,880,666	50.27	396,789	6.123	357	725	79.6
80.01 - 85.00.....	4	1,163,117	0.66	290,779	6.369	351	703	84.3
85.01 - 90.00.....	12	2,976,362	1.68	248,030	6.130	356	707	89.4
90.01 - 95.00.....	6	1,897,592	1.07	316,265	6.536	353	724	94.4
Total.....	422	\$ 176,803,928	100.00%	418,967	6.088	356	724	72.9

(1) As of the cut-off date, the weighted average original Loan-to-Value Ratio of the Mortgage Loans in loan group 1 was approximately 72.89%.

(2) Does not take into account any secondary financing on the Mortgage Loans in loan group 1 that may exist at the time of origination.

**Geographic Distribution of Mortgaged Properties<sup>(1)</sup>**

State	Number of Mortgage Loans	Aggregate Principal Balance Outstanding(\$)	Percent of Mortgage Loans in Loan Group 1	Average Principal Balance Outstanding (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Remaining Term to Maturity (Months)	Weighted Average FICO Credit Score	Weighted Average Original Loan-to-Value Ratio (%)
Alaska.....	1	\$ 123,980	0.07%	123,980	6.125	358	723	79.0
Alabama.....	1	246,483	0.14	246,483	5.875	356	755	90.0
Arkansas.....	1	519,518	0.29	519,518	6.375	359	676	80.0
Arizona.....	16	6,474,901	3.66	404,681	6.129	353	720	73.2
California.....	146	69,909,722	39.54	478,834	6.073	358	724	71.2
Colorado.....	7	3,122,976	1.77	446,139	6.025	357	742	79.4
Connecticut.....	9	4,224,893	2.39	469,433	6.154	358	722	70.9
Florida.....	32	11,050,028	6.25	345,313	6.095	348	729	72.4
Georgia.....	5	1,741,307	0.98	348,261	6.289	357	688	77.5
Hawaii.....	2	2,147,280	1.21	1,073,640	6.039	358	750	69.4
Illinois.....	10	3,507,083	1.98	350,708	6.025	358	729	71.8
Indiana.....	1	190,726	0.11	190,726	6.000	354	753	80.0
Kentucky.....	2	718,320	0.41	359,160	6.441	356	705	82.5
Massachusetts.....	13	4,971,631	2.81	382,433	6.294	356	690	73.6
Maryland.....	18	6,888,311	3.90	382,684	6.232	357	732	78.7
Maine.....	1	191,335	0.11	191,335	6.750	359	703	76.6
Michigan.....	7	1,906,674	1.08	272,382	5.974	357	735	78.6
Minnesota.....	1	141,781	0.08	141,781	6.125	356	739	80.0
Missouri.....	1	493,750	0.28	493,750	6.500	360	774	79.0
Montana.....	3	1,506,337	0.85	502,112	5.988	357	753	77.5
North Carolina.....	4	1,730,961	0.98	432,740	6.247	355	699	82.7
New Hampshire.....	1	279,765	0.16	279,765	6.875	359	620	72.7
New Jersey.....	20	8,541,229	4.83	427,061	6.090	357	698	68.3
New Mexico.....	2	634,100	0.36	317,050	6.073	359	714	75.8
Nevada.....	11	4,534,777	2.56	412,252	6.011	358	700	68.0
New York.....	30	13,485,070	7.63	449,502	6.162	357	739	72.7
Ohio.....	10	4,588,849	2.60	458,885	5.724	350	741	72.3
Oregon.....	7	3,183,736	1.80	454,819	6.153	358	734	78.7
Pennsylvania.....	8	2,597,120	1.47	324,640	6.010	358	719	76.2
Rhode Island.....	3	932,759	0.53	310,920	6.071	359	716	77.3
South Carolina.....	3	404,546	0.23	134,849	6.307	358	721	72.9
Tennessee.....	3	548,354	0.31	182,785	6.062	357	708	80.0
Texas.....	13	4,038,263	2.28	310,636	6.123	357	729	79.2
Utah.....	4	2,148,897	1.22	537,224	6.021	358	706	66.8
Virginia.....	17	6,367,379	3.60	374,552	5.977	357	728	75.8
Washington.....	7	2,192,605	1.24	313,229	5.901	358	732	77.5
Wisconsin.....	2	518,481	0.29	259,241	5.875	357	737	80.0
<b>Total.....</b>	<b>422</b>	<b>\$176,803,928</b>	<b>100.00%</b>	<b>418,967</b>	<b>6.088</b>	<b>356</b>	<b>724</b>	<b>72.9</b>

(1) As of the cut-off date, no more than approximately 1.00% of the Mortgage Loans in loan group 1 were secured by mortgaged properties located in any one postal zip code area.

### Purpose of Mortgage Loans

Loan Purpose	Number of Mortgage Loans	Aggregate Principal Balance Outstanding(\$)	Percent of Mortgage Loans in Loan Group 1	Average Principal Balance Outstanding (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Remaining Term to Maturity (Months)	Weighted Average FICO Credit Score	Weighted Average Original Loan-to-Value Ratio (%)
Purchase .....	205	\$ 88,516,429	50.06%	431,787	6.104	356	734	76.8
Refinance (cash-out) .....	145	61,163,486	34.59	421,817	6.088	357	711	68.3
Refinance (non cash-out) .....	72	27,124,013	15.34	376,722	6.037	358	716	70.5
Total .....	422	\$ 176,803,928	100.00%	418,967	6.088	356	724	72.9

### Types of Mortgaged Properties

Property Type	Number of Mortgage Loans	Aggregate Principal Balance Outstanding(\$)	Percent of Mortgage Loans in Loan Group 1	Average Principal Balance Outstanding (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Remaining Term to Maturity (Months)	Weighted Average FICO Credit Score	Weighted Average Original Loan-to-Value Ratio (%)
Single Family Residence.....	294	\$ 124,909,871	70.65%	424,864	6.087	357	721	72.6
Planned Unit Development .....	78	33,520,976	18.96	429,756	6.077	356	723	74.2
2-4 Family Residence.....	24	9,163,592	5.18	381,816	6.218	356	743	72.6
Low Rise Condominium .....	25	8,214,760	4.65	328,590	6.038	347	738	75.9
High Rise Condominium .....	1	994,729	0.56	994,729	5.750	355	775	47.6
Total.....	422	\$ 176,803,928	100.00%	418,967	6.088	356	724	72.9

### Occupancy Types<sup>(1)</sup>

Occupancy Type	Number of Mortgage Loans	Aggregate Principal Balance Outstanding(\$)	Percent of Mortgage Loans in Loan Group 1	Average Principal Balance Outstanding (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Remaining Term to Maturity (Months)	Weighted Average FICO Credit Score	Weighted Average Original Loan-to-Value Ratio (%)
Primary Residence .....	355	\$ 157,029,231	88.82%	442,336	6.091	357	721	72.4
Investment Property .....	53	13,239,187	7.49	249,796	6.054	354	740	77.2
Secondary Residence .....	14	6,535,510	3.70	466,822	6.091	357	747	75.3
Total .....	422	\$ 176,803,928	100.00%	418,967	6.088	356	724	72.9

(1) Based upon representations of the related borrowers at the time of origination.

### Remaining Terms to Maturity<sup>(1)</sup>

Remaining Term to Maturity (Months)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding(\$)	Percent of Mortgage Loans in Loan Group 1	Average Principal Balance Outstanding (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Remaining Term to Maturity (Months)	Weighted Average FICO Credit Score	Weighted Average Original Loan-to-Value Ratio (%)
360	24	\$ 12,796,372	7.24%	533,182	6.175	360	737	71.0
359	110	47,623,380	26.94	432,940	6.227	359	722	74.1
358	98	43,483,660	24.59	443,711	6.075	358	721	72.5
357	73	28,004,695	15.84	383,626	6.002	357	709	73.1
356	43	18,267,362	10.33	424,822	5.988	356	726	72.0
355	26	10,634,162	6.01	409,006	5.897	355	732	68.5
354	14	3,226,676	1.83	230,477	5.946	354	738	83.2
353	5	2,578,287	1.46	515,657	5.978	353	723	75.4
352	3	1,109,067	0.63	369,689	6.064	352	762	78.7
351	5	1,578,662	0.89	315,732	6.348	351	759	75.6
349	3	863,639	0.49	287,880	6.260	349	762	69.6
348	3	1,214,558	0.69	404,853	5.647	348	788	60.3
347	2	579,871	0.33	289,936	5.807	347	778	73.7
345	3	612,666	0.35	204,222	6.486	345	748	78.5
343	1	382,076	0.22	382,076	6.750	343	656	95.0
342	1	490,166	0.28	490,166	5.725	342	671	52.4
340	1	402,252	0.23	402,252	6.000	340	643	79.8
339	1	387,657	0.22	387,657	5.625	339	795	73.5
338	3	1,140,771	0.65	380,257	6.057	338	695	75.4
333	1	484,562	0.27	484,562	5.525	333	710	70.6
253	1	726,937	0.41	726,937	6.365	253	806	70.0
239	1	216,450	0.12	216,450	6.125	239	728	80.0
Total	422	\$176,803,928	100.00%	418,967	6.088	356	724	72.9

(1) As of the cut-off date, the weighted average remaining term to maturity of the Mortgage Loans in loan group 1 was approximately 356 months.

## Loan Group 2

### Mortgage Rates<sup>(1)</sup>

Range of Mortgage Rates (%)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Mortgage Loans in Loan Group 2	Average Principal Balance Outstanding (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Remaining Term to Maturity (Months)	Weighted Average FICO Credit Score	Weighted Average Original Loan-to-Value Ratio (%)
5.501 - 6.000 .....	15	\$ 6,443,649	11.10%	429,577	5.961	137	772	57.1
6.001 - 6.500 .....	102	39,192,077	67.51	384,236	6.288	136	746	62.5
6.501 - 7.000 .....	34	11,008,963	18.96	323,793	6.820	129	732	65.8
7.001 - 7.500 .....	7	1,408,233	2.43	201,176	7.220	98	738	70.9
Total .....	158	\$ 58,052,921	100.00%	367,424	6.375	134	746	62.7

(1) The lender acquired mortgage insurance mortgage loans are shown in the preceding table at the mortgage rates inclusive of the interest premium charge by the related lenders. As of the cut-off date, the weighted average mortgage rate of the mortgage loans in loan group 2 (net of such premiums) was approximately 6.375% per annum. Without the adjustment, the weighted average mortgage rate of the mortgage loans in loan group 2 was approximately 6.375% per annum.

### Current Mortgage Loan Principal Balances<sup>(1)</sup>

Range of Current Mortgage Loan Principal Balances (\$)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Mortgage Loans in Loan Group 2	Average Principal Balance Outstanding (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Remaining Term to Maturity (Months)	Weighted Average FICO Credit Score	Weighted Average Original Loan-to-Value Ratio (%)
0.00 - 50,000.00 .....	2	\$ 60,923	0.10%	30,462	6.967	11	761	57.1
50,000.01 - 100,000.00 .....	6	429,481	0.74	71,580	6.902	24	759	66.5
100,000.01 - 150,000.00 .....	9	1,119,533	1.93	124,393	7.042	34	781	69.8
250,000.01 - 300,000.00 .....	14	3,880,975	6.69	277,213	6.247	117	745	61.2
300,000.01 - 350,000.00 .....	45	14,868,149	25.61	330,403	6.373	138	747	63.6
350,000.01 - 400,000.00 .....	32	11,940,941	20.57	373,154	6.346	138	744	62.1
400,000.01 - 450,000.00 .....	19	8,079,014	13.92	425,211	6.396	140	743	64.3
450,000.01 - 500,000.00 .....	9	4,234,256	7.29	470,473	6.351	136	762	66.2
500,000.01 - 550,000.00 .....	6	3,053,342	5.26	508,890	6.188	140	747	61.7
550,000.01 - 600,000.00 .....	10	5,628,528	9.70	562,853	6.412	142	736	64.7
650,000.01 - 700,000.00 .....	2	1,387,306	2.39	693,653	6.125	125	791	45.6
750,000.01 - 1,000,000.00 .....	4	3,370,474	5.81	842,618	6.530	141	726	56.6
Total .....	158	\$ 58,052,921	100.00%	367,424	6.375	134	746	62.7

(1) As of the cut-off date, the average current mortgage loan principal balance of the mortgage loans in loan group 2 was approximately \$367,424.

**FICO Credit Scores<sup>(1)(2)</sup>**

Range of FICO Credit Scores	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Mortgage Loans in Loan Group 2	Average Principal Balance Outstanding (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Remaining Term to Maturity (Months)	Weighted Average FICO Credit Score	Weighted Average Original Loan-to-Value Ratio (%)
541 - 560.....	1	\$ 413,054	0.71%	413,054	6.250	136	558	78.8
561 - 580.....	1	370,329	0.64	370,329	7.000	146	579	70.0
621 - 640.....	2	920,624	1.59	460,312	6.574	143	630	76.0
641 - 660.....	7	2,209,824	3.81	315,689	6.611	135	651	68.8
661 - 680.....	3	1,300,795	2.24	433,598	6.250	141	669	69.1
681 - 700.....	17	5,899,365	10.16	347,021	6.410	137	689	65.5
701 - 720.....	12	5,301,192	9.13	441,766	6.397	140	710	61.6
721 - 740.....	13	4,762,584	8.20	366,353	6.346	134	733	59.9
741 - 760.....	21	9,021,454	15.54	429,593	6.377	140	751	61.5
761 - 780.....	29	9,872,587	17.01	340,434	6.402	128	771	61.0
781 - 800.....	37	13,002,608	22.40	351,422	6.339	129	790	62.4
801 - 820.....	15	4,978,505	8.58	331,900	6.234	134	806	61.4
Total.....	158	\$ 58,052,921	100.00%	367,424	6.375	134	746	62.7

(1) As of the cut-off date, the weighted average FICO Credit Score of the mortgagors related to the mortgage loans in loan group 2 was approximately 746

(2) As of the cut-off date, all seasoned loans have an updated FICO Credit Score.

**Documentation Program for Mortgage Loans**

Type of Program	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Mortgage Loans in Loan Group 2	Average Principal Balance Outstanding (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Remaining Term to Maturity (Months)	Weighted Average FICO Credit Score	Weighted Average Original Loan-to-Value Ratio (%)
Full/Alternative .....	87	\$ 36,314,587	62.55%	417,409	6.360	136	748	61.8
Preferred .....	45	16,435,467	28.31	365,233	6.358	138	741	64.4
Streamlined.....	8	2,846,016	4.90	355,752	6.211	133	747	59.3
No Income/No Asset.....	16	1,749,549	3.01	109,347	7.011	52	778	67.1
No Ratio .....	1	370,329	0.64	370,329	7.000	146	579	70.0
Reduced.....	1	336,974	0.58	336,974	6.250	138	792	80.0
Total.....	158	\$ 58,052,921	100.00%	367,424	6.375	134	746	62.7

**Original Loan-to-Value Ratios<sup>(1)(2)(3)</sup>**

Range of Original Loan-to-Value Ratios (%)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Mortgage Loans in Loan Group 2	Average Principal Balance Outstanding (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Remaining Term to Maturity (Months)	Weighted Average FICO Credit Score	Weighted Average Original Loan-to-Value Ratio (%)
0.01 - 50.00.....	25	\$ 9,905,779	17.06%	396,231	6.282	134	756	41.1
50.01 - 55.00.....	13	4,637,924	7.99	356,763	6.259	140	749	52.2
55.01 - 60.00.....	20	9,069,208	15.62	453,460	6.316	138	742	57.9
60.01 - 65.00.....	18	6,373,251	10.98	354,070	6.376	132	763	63.0
65.01 - 70.00.....	30	10,451,147	18.00	348,372	6.571	131	751	68.1
70.01 - 75.00.....	23	7,106,002	12.24	308,957	6.378	129	740	73.5
75.01 - 80.00.....	28	10,188,114	17.55	363,861	6.354	136	730	79.0
80.01 - 85.00.....	1	321,495	0.55	321,495	6.875	138	696	84.4
Total.....	158	\$ 58,052,921	100.00%	367,424	6.375	134	746	62.7

(1) As of the cut-off date, the weighted average original Loan-to-Value Ratio of the mortgage loans in loan group 2 was approximately 62.73%.

(2) Does not take into account any secondary financing on the mortgage loans in loan group 2 that may exist at the time of origination.

(3) To the extent that the Loan-to-Value Ratio of any mortgage loan either is not determined by the closing date or exceeds 100%, that mortgage loan will not be included in the trust fund.



### Geographic Distribution of Mortgaged Properties<sup>(1)</sup>

State	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Mortgage Loans in Loan Group 2	Average Principal Balance Outstanding (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Remaining Term to Maturity (Months)	Weighted Average FICO Credit Score	Weighted Average Original Loan-to-Value Ratio (%)
Alabama	2	\$ 1,033,648	1.78%	516,824	6.250	138	794	66.6
Arizona	3	1,154,444	1.99	384,815	6.557	135	776	47.7
California	56	19,160,791	33.01	342,157	6.351	130	750	59.8
Colorado	1	322,454	0.56	322,454	6.250	146	700	77.6
Florida	9	4,169,596	7.18	463,288	6.575	140	741	65.4
Georgia	3	1,619,809	2.79	539,936	6.616	137	703	56.0
Iowa	1	312,725	0.54	312,725	6.125	88	797	78.8
Illinois	1	356,967	0.61	356,967	6.375	139	804	68.2
Indiana	1	299,870	0.52	299,870	6.125	133	731	74.2
Louisiana	3	1,132,000	1.95	377,333	6.134	138	765	77.0
Massachusetts	4	1,437,285	2.48	359,321	6.367	136	802	56.7
Maryland	3	990,486	1.71	330,162	6.832	136	749	70.7
Michigan	4	1,405,615	2.42	351,404	6.331	131	709	70.0
North Carolina	1	336,974	0.58	336,974	6.250	138	792	80.0
Nebraska	1	262,986	0.45	262,986	6.000	110	795	62.7
New Jersey	12	3,535,314	6.09	294,609	6.511	128	737	64.2
New Mexico	2	962,660	1.66	481,330	6.327	142	776	55.5
Nevada	2	917,577	1.58	458,788	6.250	139	752	57.4
New York	17	5,839,972	10.06	343,528	6.547	137	740	65.5
Ohio	1	463,513	0.80	463,513	6.250	139	662	79.4
Oklahoma	1	556,546	0.96	556,546	6.000	142	759	76.5
Pennsylvania	7	2,901,874	5.00	414,553	6.141	142	750	58.4
South Carolina	2	785,949	1.35	392,974	6.250	140	756	64.9
Tennessee	5	2,276,718	3.92	455,344	6.093	142	721	56.6
Texas	9	3,335,896	5.75	370,655	6.267	135	744	71.4
Utah	1	436,673	0.75	436,673	6.375	139	790	64.4
Virginia	4	1,150,196	1.98	287,549	6.368	135	722	55.8
Washington	1	340,450	0.59	340,450	7.000	117	765	70.0
Wisconsin	1	553,931	0.95	553,931	6.250	138	659	59.8
Total	158	\$ 58,052,921	100.00%	367,424	6.375	134	746	62.7

(1) As of the cut-off date, no more than approximately 2.81% of the mortgage loans in loan group 2 were secured by mortgaged properties located in any one postal zip code area.

### Purpose of Mortgage Loans

Loan Purpose	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Mortgage Loans in Loan Group 2	Average Principal Balance Outstanding (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Remaining Term to Maturity (Months)	Weighted Average FICO Credit Score	Weighted Average Original Loan-to-Value Ratio (%)
Refinance (non cash-out)	95	\$ 37,617,090	64.80%	395,969	6.337	135	745	60.6
Purchase	39	10,521,133	18.12	269,773	6.465	124	750	69.5
Refinance (cash-out)	24	9,914,698	17.08	413,112	6.427	140	748	63.7
Total	158	\$ 58,052,921	100.00%	367,424	6.375	134	746	62.7

### Types of Mortgaged Properties

Property Type	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Mortgage Loans in Loan Group 2	Average Principal Balance Outstanding (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Remaining Term to Maturity (Months)	Weighted Average FICO Credit Score	Weighted Average Original Loan-to-Value Ratio (%)
Single-Family Residence .....	130	\$ 46,987,126	80.94%	361,439	6.380	133	744	62.8
Planned Unit Development .....	25	10,136,150	17.46	405,446	6.356	138	757	61.8
Condominium .....	2	616,572	1.06	308,286	6.250	116	741	61.0
Manufactured Housing (1) .....	1	313,073	0.54	313,073	6.500	145	790	79.7
<b>Total .....</b>	<b>158</b>	<b>\$ 58,052,921</b>	<b>100.00%</b>	<b>367,424</b>	<b>6.375</b>	<b>134</b>	<b>746</b>	<b>62.7</b>

(1) Treated as real property.

### Occupancy Types<sup>(1)</sup>

Occupancy Type	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Mortgage Loans in Loan Group 2	Average Principal Balance Outstanding (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Remaining Term to Maturity (Months)	Weighted Average FICO Credit Score	Weighted Average Original Loan-to-Value Ratio (%)
Primary Residence .....	145	\$ 52,549,460	90.52%	362,410	6.362	133	746	62.1
Secondary Residence .....	12	5,153,194	8.88	429,433	6.485	140	751	68.0
Investment Property .....	1	350,266	0.60	350,266	6.750	145	649	75.0
<b>Total .....</b>	<b>158</b>	<b>\$ 58,052,921</b>	<b>100.00%</b>	<b>367,424</b>	<b>6.375</b>	<b>134</b>	<b>746</b>	<b>62.7</b>

(1) Based upon representations of the related borrowers at the time of origination.

### Remaining Terms to Maturity(1)

Remaining Term to Maturity (Months)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Mortgage Loans in Loan Group 2	Average Principal Balance Outstanding (\$)	Weighted Average Mortgage Rate (%)	Weighted Average Remaining Term to Maturity (Months)	Weighted Average FICO Credit Score	Weighted Average Original Loan-to-Value Ratio (%)
147	6	\$ 2,198,957	3.79%	366,493	6.051	147	761	68.4
146	13	5,002,216	8.62	384,786	6.347	146	714	65.7
145	12	4,833,435	8.33	402,786	6.335	145	747	64.4
144	12	5,630,518	9.70	469,210	6.450	144	736	61.7
143	4	1,633,463	2.81	408,366	6.447	143	732	62.7
142	2	898,043	1.55	449,021	6.143	142	771	66.0
141	3	1,271,404	2.19	423,801	6.166	141	766	64.6
140	2	915,087	1.58	457,544	6.924	140	749	70.2
139	26	10,633,146	18.32	408,967	6.435	139	755	63.0
138	17	7,540,035	12.99	443,531	6.314	138	732	62.1
137	2	912,954	1.57	456,477	6.527	137	708	61.5
136	5	1,899,355	3.27	379,871	6.359	136	714	52.7
134	2	785,855	1.35	392,927	6.600	134	756	55.7
133	3	1,107,548	1.91	369,183	6.369	133	733	64.6
132	5	2,016,302	3.47	403,260	6.233	132	767	60.9
131	6	2,240,863	3.86	373,477	6.241	131	760	62.7
130	2	724,424	1.25	362,212	6.599	130	792	61.8
129	1	297,495	0.51	297,495	6.375	129	692	69.8
128	2	730,319	1.26	365,160	6.177	128	777	73.3
127	2	627,016	1.08	313,508	6.250	127	770	47.8
119	1	272,459	0.47	272,459	6.250	119	759	65.6
117	1	340,450	0.59	340,450	7.000	117	765	70.0
115	2	669,021	1.15	334,510	6.301	115	780	60.4
112	1	692,297	1.19	692,297	6.000	112	799	24.0
110	2	529,225	0.91	264,613	6.063	110	792	56.0
109	1	311,985	0.54	311,985	6.250	109	738	63.2
104	1	254,778	0.44	254,778	6.500	104	646	46.2
102	1	252,539	0.44	252,539	6.250	102	802	71.8
95	1	267,179	0.46	267,179	6.625	95	767	60.6
92	1	391,778	0.67	391,778	6.500	92	787	72.8
88	1	312,725	0.54	312,725	6.125	88	797	78.8
84	1	250,113	0.43	250,113	6.250	84	690	64.2
36	3	379,983	0.65	126,661	7.337	36	791	70.0
35	1	141,335	0.24	141,335	7.000	35	779	68.2
34	2	268,825	0.46	134,412	6.933	34	769	65.0
33	1	110,005	0.19	110,005	7.125	33	754	74.2
32	1	117,176	0.20	117,176	7.000	32	808	71.4
31	1	102,209	0.18	102,209	6.250	31	779	77.3
30	1	91,227	0.16	91,227	7.000	30	726	51.2
29	1	57,636	0.10	57,636	7.000	29	651	80.0
25	2	156,967	0.27	78,483	6.732	25	778	67.8
21	1	65,164	0.11	65,164	7.000	21	800	67.6
13	2	103,251	0.18	51,626	7.000	13	803	63.3
4	1	16,159	0.03	16,159	6.875	4	693	74.1
<b>Total</b>	<b>158</b>	<b>\$ 58,052,921</b>	<b>100.00%</b>	<b>367,424</b>	<b>6.375</b>	<b>134</b>	<b>746</b>	<b>62.7</b>

(1) As of the cut-off date, the weighted average remaining term to maturity of the mortgage loans in loan group 2 was approximately 134 months.

## Assignment of the Mortgage Loans

Pursuant to the pooling and servicing agreement, on the closing date, the depositor will sell, transfer, assign, set over and otherwise convey without recourse to the trustee in trust for the benefit of the certificateholders all right, title and interest of the depositor in and to each Mortgage Loan and all right, title and interest in and to all other assets included in Alternative Loan Trust 2005-J7, including all principal and interest received on or with respect to the Mortgage Loans, but not any principal and interest due on or before the cut-off date.

In connection with the transfer and assignment of a mortgage loan, the depositor will deliver or cause to be delivered to the trustee, or a custodian for the trustee, the mortgage file, which contains among other things, the original mortgage note (and any modification or amendment to it) endorsed in blank without recourse, except that the depositor may deliver or cause to be delivered a lost note affidavit in lieu of any original mortgage note that has been lost, the original instrument creating a first lien on the related mortgaged property with evidence of recording indicated thereon, an assignment in recordable form of the mortgage, the title policy with respect to the related mortgaged property and, if applicable, all recorded intervening assignments of the mortgage and any riders or modifications to the mortgage note and mortgage (except for any documents not returned from the public recording office, which will be delivered to the trustee as soon as the same is available to the depositor). With respect to up to 50% of the Mortgage Loans in each loan group, the depositor may deliver all or a portion of each related mortgage file to the trustee not later than thirty days after the closing date. Assignments of the mortgage loans to the trustee (or its nominee) will be recorded in the appropriate public office for real property records, except in states such as California where in the opinion of counsel recording is not required to protect the trustee's interests in the mortgage loan against the claim of any subsequent transferee or any successor to or creditor of the depositor or any seller.

The trustee will review each mortgage file relating to the Mortgage Loans within 90 days of the closing date (or promptly after the trustee's receipt of any document permitted to be delivered after the closing date), and if any document in a mortgage file is found to be missing or defective in a material respect and Countrywide Home Loans does not cure the defect within 90 days of notice of the defect from the trustee (or within such longer period not to exceed 720 days after the closing date as provided in the pooling and servicing agreement in the case of missing documents not returned from the public recording office), Countrywide Home Loans will be obligated to repurchase the related mortgage loan from the trust fund. Rather than repurchase the mortgage loan as provided above, Countrywide Home Loans may remove the mortgage loan (referred to as a deleted mortgage loan) from the trust fund and substitute in its place another mortgage loan (referred to as a replacement mortgage loan); however, such a 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 trustee to the effect that such a substitution will not disqualify any REMIC or result in a prohibited transaction tax under the Code. Any replacement mortgage loan generally will, on the date of substitution, among other characteristics set forth in the pooling and servicing agreement,

- have a principal balance, after deduction of all scheduled payments due in the month of substitution, not in excess of, and not more than 10% less than, the Stated Principal Balance of the deleted mortgage loan (the amount of any shortfall to be deposited by Countrywide Home Loans in the Certificate Account and held for distribution to the certificateholders on the related Distribution Date (referred to as a "Substitution Adjustment Amount")),
- have a mortgage rate not lower than, and not more than 1% per annum higher than, that of the deleted mortgage loan,
- have a Loan-to-Value Ratio not higher than that of the deleted mortgage loan,

- have a remaining term to maturity not greater than, and not more than one year less than, that of the deleted mortgage loan, and
- comply with all of the representations and warranties set forth in the pooling and servicing agreement as of the date of substitution.

This cure, repurchase or substitution obligation constitutes the sole remedy available to certificateholders or the trustee for omission of, or a material defect in, a mortgage loan document.

Notwithstanding the foregoing, in lieu of providing the duly executed assignment of the mortgage to the trustee and the original recorded assignment or assignments of the mortgage together with all interim recorded assignments of such mortgage, above, the depositor may at its discretion provide evidence that the related mortgage is held through the MERS<sup>®</sup> System. In addition, the mortgages for some or all of the mortgage loans in the trust fund that are not already held through the MERS<sup>®</sup> System may, at the discretion of the master servicer, in the future be held through the MERS<sup>®</sup> System. For any mortgage held through the MERS<sup>®</sup> System, the mortgage is recorded in the name of Mortgage Electronic Registration Systems, Inc., or MERS, as nominee for the owner of the mortgage loan, and subsequent assignments of the mortgage were, or in the future may be, at the discretion of the master servicer, registered electronically through the MERS<sup>®</sup> System. For each of these mortgage loans, MERS serves as mortgagee of record on the mortgage solely as a nominee in an administrative capacity on behalf of the trustee, and does not have any interest in the mortgage loan.

#### **Underwriting Process – Countrywide Home Loans, Inc.**

##### *General*

Approximately 25.79% and 96.74% of the Mortgage Loans in loan group 1 and loan group 2, respectively, in each case by aggregate Stated Principal Balance of the Mortgage Loans in such loan group as of the cut-off date were originated by Countrywide Home Loans, Inc. (“Countrywide Home Loans”) or acquired by Countrywide Home Loans in accordance with its credit appraisal and underwriting standards. Most of the mortgage loans in loan group 2 are seasoned collateral. The underwriting guidelines in effect at the time these mortgage loans were originated are similar to the following guidelines. The underwriting guidelines for the newly originated collateral appear after the seasoned collateral underwriting guidelines.

#### **Underwriting Guidelines – Seasoned Collateral**

##### *General*

A portion of the mortgage loans in the trust fund consists of seasoned collateral previously originated or acquired by Countrywide Home Loans in accordance with credit, appraisal and underwriting standards acceptable to Countrywide Home Loans. Countrywide Home Loans’ underwriting standards are applied in accordance with applicable federal and state laws and regulations. Except as otherwise provided herein, the underwriting procedures are consistent with those identified under “Mortgage Loan Program—Underwriting Process” in the Prospectus.

In certain cases, including with respect to mortgage loans originated through a loan correspondent or mortgage broker, the data used by Countrywide Home Loans to complete the underwriting analysis may be obtained by a third party. In such instances, the initial determination as to whether a mortgage loan complies with Countrywide Home Loans’ underwriting guidelines may be made by an independent company hired to perform underwriting services on behalf of Countrywide Home Loans, the loan

correspondent or mortgage broker. In addition, under certain circumstances, Countrywide Home Loans may acquire mortgage loans from approved correspondent lenders under a program pursuant to which Countrywide Home Loans delegates to the correspondent the obligation to underwrite the mortgage loans to Countrywide Home Loans' standards. Under these circumstances, the underwriting of a mortgage loan may not have been reviewed by Countrywide prior to acquisition of the mortgage loan and the correspondent represents that Countrywide Home Loans' underwriting standards have been met. After purchasing mortgage loans under such circumstances, Countrywide Home Loans conducts a quality control review of a sample of such mortgage loans.

Countrywide Home Loans' underwriting standards are applied by or on behalf of Countrywide Home Loans to evaluate the prospective borrower's credit standing and repayment ability and the value and adequacy of the mortgaged property as collateral. Under such standards, a prospective borrower must generally demonstrate that the ratio of the borrower's monthly housing expenses (including principal and interest on the proposed mortgage loan and, as applicable, the related monthly portion of property taxes, hazard insurance and mortgage insurance) to the borrower's monthly gross income and the ratio of total monthly debt to the monthly gross income (the "debt-to-income" ratios) are within certain limits. If the prospective borrower has applied for an adjustable rate loan and the Loan-to-Value Ratio is less than or equal to 75%, the interest component of the monthly housing expense is calculated based on the initial loan interest rate; if the Loan-to-Value Ratio exceeds 75%, the interest component of the monthly housing expense calculation is based on the maximum possible interest rate payable in the second year of the mortgage loan. The maximum acceptable debt-to-income ratio, which is determined on a loan-by-loan basis varies depending on a number of underwriting criteria, including the Loan-to-Value Ratio, loan purpose, loan amount and credit history of the borrower. In addition to meeting the debt-to-income ratio guidelines, each prospective borrower is required to have sufficient cash resources to pay the down payment and closing costs. Certain exceptions to Countrywide Home Loans' underwriting guidelines are made in the event that compensating factors are demonstrated by a prospective borrower.

The nature of the information which a borrower is required to disclose and whether such information is verified depends, in part, on the documentation program used in the origination process. In general under the Full Documentation Loan Program (the "Full Documentation Program"), each prospective borrower is required to complete an application which includes information with respect to the applicant's assets, liabilities, income, credit history, employment history and other personal information. Self-employed individuals are generally required to submit their two most recent federal income tax returns. The underwriter generally verifies the information contained in the application relating to employment, income, assets or mortgages.

Under certain circumstances, a prospective borrower may be eligible for a loan approval process which limits or eliminates Countrywide Home Loans' standard disclosure and/or verification requirements. Countrywide Home Loans offers the following documentation programs as alternatives to its Full Documentation Program: an Alternative Documentation Loan Program (the "Alternative Documentation Program"), a Reduced Documentation Loan Program (the "Reduced Documentation Program"), a No Income/No Asset Documentation Loan Program (the "No Income/No Asset Documentation Program") and a Streamlined Documentation Loan Program (the "Streamlined Documentation Program").

Countrywide Home Loans obtains a credit report relating to the applicant from a credit reporting company. The credit report typically contains information relating to such matters as credit history with local and national merchants and lenders, installment debt payments and any record of defaults, bankruptcy, dispossession, suits or judgments. All adverse information in the credit report is required to be explained by the prospective borrower to the satisfaction of the lending officer.

Except with respect to its Streamlined Documentation Program (as further described below), Countrywide Home Loans obtains appraisals from independent appraisers or appraisal services for properties that are to secure mortgage loans. Such appraisers inspect and appraise the proposed mortgaged property and verify that such property is in acceptable condition. Following each appraisal, the appraiser prepares a report which includes a market data analysis based on recent sales of comparable homes in the area and, when deemed appropriate, a replacement cost analysis based on the current cost of constructing a similar home. All appraisals are required to conform to FNMA or FHLMC appraisal standards then in effect. Every independent appraisal is reviewed by a Countrywide underwriter before the loan is approved.

Countrywide Home Loans requires title insurance on all of its mortgage loans secured by first liens on real property. Countrywide Home Loans also requires that fire and extended coverage casualty insurance be maintained on the mortgaged property in an amount at least equal to the principal balance of the related single-family mortgage loan or the replacement cost of the mortgaged property, whichever is less.

In addition to Countrywide Home Loans' standard underwriting guidelines (the "Standard Underwriting Guidelines"), which are consistent in many respects with the guidelines applied to mortgage loans purchased by FNMA and FHLMC, Countrywide Home Loans uses underwriting guidelines featuring expanded criteria (the "Expanded Underwriting Guidelines"). The Standard Underwriting Guidelines and the Expanded Underwriting Guidelines are described further below.

#### *Standard Underwriting Guidelines*

Countrywide Home Loans' Standard Underwriting Guidelines generally allow Loan-to-Value Ratios at origination of up to 95% for purchase money or rate and term refinance mortgage loans, with original principal balances of up to \$300,000, up to 90% for mortgage loans with original principal balances of up to \$400,000, up to 85% for mortgage loans with original principal balances of up to \$500,000, up to 80% for mortgage loans with original principal balances of up to \$650,000, up to 75% for mortgage loans with original principal balances of up to \$750,000 and up to 70% for mortgage loans with original principal balances of up to \$1,000,000.

For cash-out refinance mortgage loans with original principal balances of up to \$650,000, Countrywide Home Loans' Standard Underwriting Guidelines generally allow Loan-to-Value Ratios at origination of up to 75%. The maximum "cash-out" amount permitted is \$150,000 and is based in part on the original Loan-to-Value Ratio of the related mortgage loan. As used herein, a refinance mortgage loan is classified as a cash-out refinance mortgage loan by Countrywide Home Loans if the borrower retains greater than 1.0% of the entire amount of the proceeds from the refinancing of the existing loan.

Under its Standard Underwriting Guidelines, Countrywide Home Loans generally permits a debt-to-income ratio based on the borrower's monthly housing expenses of up to 33% and a debt-to-income ratio based on the borrower's total monthly debt of up to 38%.

In connection with the Standard Underwriting Guidelines, Countrywide Home Loans originates or acquires mortgage loans under the Full Documentation Program, the Alternative Documentation Program, the Reduced Documentation Program or the Streamlined Documentation Program.

The Alternative Documentation Program permits a borrower to provide W-2 forms instead of tax returns covering the most recent two years, permits bank statements in lieu of verification of deposits and permits alternative methods of employment verification. Mortgage loans which have been originated under the Alternative Documentation Program may be eligible for sale to FNMA or FHLMC.

Under the Reduced Documentation Program, certain underwriting documentation concerning income and employment verification is waived. Countrywide Home Loans obtains from a prospective borrower either a verification of deposit or bank statements for the two-month period immediately prior to the date of the mortgage loan application. Since information relating to a prospective borrower's income and employment is not verified, such borrower's debt-to-income ratios are calculated based on the information provided by the borrower in the mortgage loan application. The maximum Loan-to-Value Ratio (including secondary financing) ranges up to 70%.

The Streamlined Documentation Program is available for borrowers who are refinancing an existing Countrywide Home Loans mortgage loan provided that, among other things, such mortgage loan has not been more than 30 days delinquent in payment during the previous twelve-month period. Under the Streamlined Documentation Program, appraisals are obtained only if the loan being refinanced had a Loan-to-Value Ratio at the time of origination in excess of 75% (or 70% in the case of mortgaged properties located in California). In addition, under the Streamlined Documentation Program, a credit report is obtained but only a limited credit review is conducted, no income or asset verification is required, and telephonic verification of employment is permitted. The maximum Loan-to-Value Ratio under the Streamlined Documentation Program ranges up to 90%.

#### *Expanded Underwriting Guidelines*

Mortgage loans which are underwritten pursuant to the Expanded Underwriting Guidelines may have higher Loan-to-Value Ratios, higher loan amounts and different documentation requirements than those associated with the Standard Underwriting Guidelines. The Expanded Underwriting Guidelines also permit higher debt-to-income ratios than mortgage loans underwritten pursuant to the Standard Underwriting Guidelines.

Countrywide Home Loans' Expanded Underwriting Guidelines generally allow Loan-to-Value Ratios at origination of up to 95% for purchase money or rate and term refinance mortgage loans with original principal balances of up to \$300,000, up to 90% for mortgage loans with original principal balances of up to \$400,000, up to 85% for mortgage loans with original principal balances of up to \$500,000, up to 80% for mortgage loans with original principal balances of up to \$650,000, up to 70% for mortgage loans with original principal balances of up to \$750,000, up to 65% for mortgage loans with original principal balances of up to \$1,000,000 and up to 70% for mortgage loans with original principal balances of up to \$3,000,000.

For cash-out refinance mortgage loans with original principal balances of up to \$3,000,000, Countrywide Home Loans' Expanded Underwriting Guidelines generally allow Loan-to-Value Ratios at origination of up to 90%. The maximum "cash-out" amount permitted is \$600,000 and is based in part on the original Loan-to-Value Ratio of the related mortgage loan.

Under its Expanded Underwriting Guidelines, Countrywide Home Loans generally permits a debt-to-income ratio based on the borrower's monthly housing expenses of up to 36% and a debt-to-income ratio based on the borrower's total monthly debt of up to 40%; provided, however, that if the Loan-to-Value Ratio exceeds 80%, such maximum permitted debt-to-income ratios are 33% and 38%, respectively.

In connection with the Expanded Underwriting Guidelines, Countrywide Home Loans originates or acquires mortgage loans under the Full Documentation Program, the Alternative Documentation Program, the Reduced Documentation Loan Program and the No Income/No Asset Documentation Program. The No Income/No Asset Documentation Program is not available under the Standard Underwriting Guidelines.



The same documentation and verification requirements apply to mortgage loans documented under the Alternative Documentation Program regardless of whether the loan has been underwritten under the Expanded Underwriting Guidelines or the Standard Underwriting Guidelines. However, under the Alternative Documentation Program, mortgage loans that have been underwritten pursuant to the Expanded Underwriting Guidelines may have higher loan balances and Loan-to-Value ratios than those permitted under the Standard Underwriting Guidelines.

Similarly, the same documentation and verification requirements, apply to mortgage loans documented under the Reduced Documentation Program regardless of whether the loan has been underwritten under the Expanded Underwriting Guidelines or the Standard Underwriting Guidelines. However, under the Reduced Documentation Program, higher loan balances and Loan-to-Value Ratios are permitted for mortgage loans underwritten pursuant to the Expanded Underwriting Guidelines than those permitted under the Standard Underwriting Guidelines. The maximum Loan-to-Value Ratio (including secondary financing) ranges up to 90%. With respect to certain mortgage loans originated under the Reduced Documentation Program, the borrower is not required to disclose any income information, and accordingly debt-to-income ratios are not calculated or included in the underwriting analysis. With respect to such mortgage loans, the maximum Loan-to-Value Ratio (including secondary financing) ranges up to 80%.

Under the No Income/No Asset Documentation Program, no documentation relating to a prospective borrower's income, employment or assets is required and therefore debt-to-income ratios are not calculated or included in the underwriting analysis. This program is limited to borrowers with excellent credit histories. Under the No Income/No Asset Documentation Program, the maximum Loan-to-Value Ratio (including secondary financing) ranges up to 75%. Mortgage loans originated under the No Income/No Asset Documentation Program are not eligible for sale to FNMA or FHLMC.

Under the Expanded Underwriting Guidelines, Countrywide Home Loans may also provide mortgage loans to borrowers who are not U.S. citizens, including permanent and non-permanent residents. The borrower is required to have a valid U.S. social security number or a certificate of foreign status (IRS form W-8). The borrower's income and assets must be verified under the Full Documentation Program or the Alternative Documentation Program. The maximum Loan-to-Value Ratio (including secondary financing) is 80%.

## **Underwriting Guidelines – Newly Originated Collateral**

### *General*

A portion of the mortgage loans in the trust fund will have been originated or acquired by Countrywide Home Loans in accordance with its credit, appraisal and underwriting standards. Countrywide Home Loans' underwriting standards are applied in accordance with applicable federal and state laws and regulations. Except as otherwise provided in this prospectus supplement, the underwriting procedures are consistent with those identified under "Mortgage Loan Program — Underwriting Process" in the prospectus.

As part of its evaluation of potential borrowers, Countrywide Home Loans generally requires a description of income. If required by its underwriting guidelines, Countrywide Home Loans obtains employment verification providing current and historical income information and/or a telephonic employment confirmation. Such employment verification may be obtained, either through analysis of the prospective borrower's recent pay stub and/or W-2 forms for the most recent two years, relevant portions of the most recent two years' tax returns, or from the prospective borrower's employer, wherein the employer reports the length of employment and current salary with that organization. Self-employed

prospective borrowers generally are required to submit relevant portions of their federal tax returns for the past two years.

In assessing a prospective borrower's creditworthiness, Countrywide Home Loans may use FICO Credit Scores. "FICO Credit Scores" are statistical credit scores designed to assess a borrower's creditworthiness and likelihood to default on a consumer obligation over a two-year period based on a borrower's credit history. FICO Credit Scores were not developed to predict the likelihood of default on mortgage loans and, accordingly, may not be indicative of the ability of a mortgagor to repay its mortgage loan. FICO Credit Scores range from approximately 250 to approximately 900, with higher scores indicating an individual with a more favorable credit history compared to an individual with a lower score. Under Countrywide Home Loans' underwriting guidelines, borrowers possessing higher FICO Credit Scores, which indicate a more favorable credit history, and who give Countrywide Home Loans the right to obtain the tax returns they filed for the preceding two years may be eligible for Countrywide Home Loans' processing program (the "Preferred Processing Program"). Approximately 13.08% and 28.31% of the Mortgage Loans in loan group 1 and loan group 2, respectively, by aggregate Stated Principal Balance of the Mortgage Loans in that loan group as of the cut-off date, have been underwritten pursuant to Countrywide Home Loans' Preferred Processing Program. Countrywide Home Loans may waive some documentation requirements for mortgage loans originated under the Preferred Processing Program.

Periodically the data used by Countrywide Home Loans to complete the underwriting analysis may be obtained by a third party, particularly for mortgage loans originated through a loan correspondent or mortgage broker. In those instances, the initial determination as to whether a mortgage loan complies with Countrywide Home Loans' underwriting guidelines may be made by an independent company hired to perform underwriting services on behalf of Countrywide Home Loans, the loan correspondent or mortgage broker. In addition, Countrywide Home Loans may acquire mortgage loans from approved correspondent lenders under a program pursuant to which Countrywide Home Loans delegates to the correspondent the obligation to underwrite the mortgage loans to Countrywide Home Loans' standards. Under these circumstances, the underwriting of a mortgage loan may not have been reviewed by Countrywide Home Loans before acquisition of the mortgage loan and the correspondent represents that Countrywide Home Loans' underwriting standards have been met. After purchasing mortgage loans under those circumstances, Countrywide Home Loans conducts a quality control review of a sample of the mortgage loans. The number of loans reviewed in the quality control process varies based on a variety of factors, including Countrywide Home Loans' prior experience with the correspondent lender and the results of the quality control review process itself.

Countrywide Home Loans' underwriting standards are applied by or on behalf of Countrywide Home Loans to evaluate the prospective borrower's credit standing and repayment ability and the value and adequacy of the mortgaged property as collateral. Under those standards, a prospective borrower must generally demonstrate that the ratio of the borrower's monthly housing expenses (including principal and interest on the proposed mortgage loan and, as applicable, the related monthly portion of property taxes, hazard insurance and mortgage insurance) to the borrower's monthly gross income and the ratio of total monthly debt to the monthly gross income (the "debt-to-income" ratios) are within acceptable limits. The maximum acceptable debt-to-income ratio, which is determined on a loan-by-loan basis varies depending on a number of underwriting criteria, including the Loan-to-Value Ratio, loan purpose, loan amount and credit history of the borrower. In addition to meeting the debt-to-income ratio guidelines, each prospective borrower is required to have sufficient cash resources to pay the down payment and closing costs. Exceptions to Countrywide Home Loans' underwriting guidelines may be made if compensating factors are demonstrated by a prospective borrower.

Countrywide Home Loans may provide secondary financing to a mortgagor contemporaneously with the origination of a mortgage loan, subject to the following limitations: the Loan-to-Value Ratio of the senior (i.e., first) lien may not exceed 80% and the combined Loan-to-Value Ratio may not exceed 100%. Countrywide Home Loans' underwriting guidelines do not prohibit or otherwise restrict a mortgagor from obtaining secondary financing from lenders other than Countrywide Home Loans, whether at origination of the mortgage loan or thereafter.

The nature of the information that a borrower is required to disclose and whether the information is verified depends, in part, on the documentation program used in the origination process. In general under the Full Documentation Loan Program (the "Full Documentation Program"), each prospective borrower is required to complete an application which includes information with respect to the applicant's assets, liabilities, income, credit history, employment history and other personal information. Self-employed individuals are generally required to submit their two most recent federal income tax returns. Under the Full Documentation Program, the underwriter verifies the information contained in the application relating to employment, income, assets or mortgages.

A prospective borrower may be eligible for a loan approval process that limits or eliminates Countrywide Home Loans' standard disclosure or verification requirements or both. Countrywide Home Loans offers the following documentation programs as alternatives to its Full Documentation Program: an Alternative Documentation Loan Program (the "Alternative Documentation Program"), a Reduced Documentation Loan Program (the "Reduced Documentation Program"), a CLUES Plus Documentation Loan Program (the "CLUES Plus Documentation Program"), a No Income/No Asset Documentation Loan Program (the "No Income/No Asset Documentation Program"), a Stated Income/Stated Asset Documentation Loan Program (the "Stated Income/Stated Asset Documentation Program") and a Streamlined Documentation Loan Program (the "Streamlined Documentation Program").

For all mortgage loans originated or acquired by Countrywide Home Loans, Countrywide Home Loans obtains a credit report relating to the applicant from a credit reporting company. The credit report typically contains information relating to such matters as credit history with local and national merchants and lenders, installment debt payments and any record of defaults, bankruptcy, dispossession, suits or judgments. All adverse information in the credit report is required to be explained by the prospective borrower to the satisfaction of the lending officer.

Except with respect to mortgage loans originated pursuant to its Streamlined Documentation Program, Countrywide Home Loans obtains appraisals from independent appraisers or appraisal services for properties that are to secure mortgage loans. The appraisers inspect and appraise the proposed mortgaged property and verify that the property is in acceptable condition. Following each appraisal, the appraiser prepares a report which includes a market data analysis based on recent sales of comparable homes in the area and, when deemed appropriate, a replacement cost analysis based on the current cost of constructing a similar home. All appraisals are required to conform to Fannie Mae or Freddie Mac appraisal standards then in effect.

Countrywide Home Loans requires title insurance on all of its mortgage loans secured by first liens on real property. Countrywide Home Loans also requires that fire and extended coverage casualty insurance be maintained on the mortgaged property in an amount at least equal to the principal balance of the related single-family mortgage loan or the replacement cost of the mortgaged property, whichever is less.

In addition to Countrywide Home Loans' standard underwriting guidelines (the "Standard Underwriting Guidelines"), which are consistent in many respects with the guidelines applied to mortgage loans purchased by Fannie Mae and Freddie Mac, Countrywide Home Loans uses underwriting

guidelines featuring expanded criteria (the “Expanded Underwriting Guidelines”). The Standard Underwriting Guidelines and the Expanded Underwriting Guidelines are described further under the next two headings.

#### *Standard Underwriting Guidelines*

Countrywide Home Loans’ Standard Underwriting Guidelines for mortgage loans with non-conforming original principal balances generally allow Loan-to-Value Ratios at origination of up to 95% for purchase money or rate and term refinance mortgage loans with original principal balances of up to \$400,000, up to 90% for mortgage loans with original principal balances of up to \$650,000, up to 75% for mortgage loans with original principal balances of up to \$1,000,000, up to 65% for mortgage loans with original principal balances of up to \$1,500,000, and up to 60% for mortgage loans with original principal balances of up to \$2,000,000.

For cash-out refinance mortgage loans, Countrywide Home Loans’ Standard Underwriting Guidelines for mortgage loans with non-conforming original principal balances generally allow Loan-to-Value Ratios at origination of up to 75% and original principal balances ranging up to \$650,000. The maximum “cash-out” amount permitted is \$200,000 and is based in part on the original Loan-to-Value Ratio of the related mortgage loan. As used in this prospectus supplement, a refinance mortgage loan is classified as a cash-out refinance mortgage loan by Countrywide Home Loans if the borrower retains an amount greater than the lesser of 2% of the entire amount of the proceeds from the refinancing of the existing loan, or \$2,000.

Countrywide Home Loans’ Standard Underwriting Guidelines for conforming balance mortgage loans generally allow Loan-to-Value Ratios at origination on owner occupied properties of up to 95% on 1 unit properties with principal balances up to \$359,650 (\$539,475 in Alaska and Hawaii) and 2 unit properties with principal balances up to \$460,400 (\$690,600 in Alaska and Hawaii) and up to 80% on 3 unit properties with principal balances of up to \$556,500 (\$834,750 in Alaska and Hawaii) and 4 unit properties with principal balances of up to \$691,600 (\$1,037,400 in Alaska and Hawaii). On second homes, Countrywide Home Loans’ Standard Underwriting Guidelines for conforming balance mortgage loans generally allow Loan-to-Value Ratios at origination of up to 95% on 1 unit properties with principal balances up to \$359,650 (\$539,475 in Alaska and Hawaii). Countrywide Home Loans’ Standard Underwriting Guidelines for conforming balance mortgage loans generally allow Loan-to-Value Ratios at origination on investment properties of up to 90% on 1 unit properties with principal balances up to \$359,650 (\$539,475 in Alaska and Hawaii) and 2 unit properties with principal balances up to \$460,400 (\$690,600 in Alaska and Hawaii) and up to 75% on 3 unit properties with principal balances of up to \$556,500 (\$834,750 in Alaska and Hawaii) and 4 unit properties with principal balances of up to \$691,600 (\$1,037,400 in Alaska and Hawaii).

Under its Standard Underwriting Guidelines, Countrywide Home Loans generally permits a debt-to-income ratio based on the borrower’s monthly housing expenses of up to 33% and a debt-to-income ratio based on the borrower’s total monthly debt of up to 38%.

In connection with the Standard Underwriting Guidelines, Countrywide Home Loans originates or acquires mortgage loans under the Full Documentation Program, the Alternative Documentation Program, the Reduced Documentation Program, the CLUES Plus Documentation Program or the Streamlined Documentation Program.

The Alternative Documentation Program permits a borrower to provide W-2 forms instead of tax returns covering the most recent two years, permits bank statements in lieu of verification of deposits and permits alternative methods of employment verification.

Under the Reduced Documentation Program, some underwriting documentation concerning income, employment and asset verification is waived. Countrywide Home Loans obtains from a prospective borrower either a verification of deposit or bank statements for the two-month period immediately before the date of the mortgage loan application or verbal verification of employment. Since information relating to a prospective borrower's income and employment is not verified, the borrower's debt-to-income ratios are calculated based on the information provided by the borrower in the mortgage loan application. The maximum Loan-to-Value Ratio, including secondary financing, ranges up to 75%.

The CLUES Plus Documentation Program permits the verification of employment by alternative means, if necessary, including verbal verification of employment or reviewing paycheck stubs covering the pay period immediately prior to the date of the mortgage loan application. To verify the borrower's assets and the sufficiency of the borrower's funds for closing, Countrywide Home Loans obtains deposit or bank account statements from each prospective borrower for the month immediately prior to the date of the mortgage loan application. Under the CLUES Plus Documentation Program, the maximum Loan-to-Value Ratio is 75% and property values may be based on appraisals comprising only interior and exterior inspections. Cash-out refinances and investor properties are not permitted under the CLUES Plus Documentation Program.

The Streamlined Documentation Program is available for borrowers who are refinancing an existing mortgage loan that was originated or acquired by Countrywide Home Loans provided that, among other things, the mortgage loan has not been more than 30 days delinquent in payment during the previous twelve-month period. Under the Streamlined Documentation Program, appraisals are obtained only if the loan amount of the loan being refinanced had a Loan-to-Value Ratio at the time of origination in excess of 80% or if the loan amount of the new loan being originated is greater than \$650,000. In addition, under the Streamlined Documentation Program, a credit report is obtained but only a limited credit review is conducted, no income or asset verification is required, and telephonic verification of employment is permitted. The maximum Loan-to-Value Ratio under the Streamlined Documentation Program ranges up to 95%.

#### *Expanded Underwriting Guidelines*

Mortgage loans which are underwritten pursuant to the Expanded Underwriting Guidelines may have higher Loan-to-Value Ratios, higher loan amounts and different documentation requirements than those associated with the Standard Underwriting Guidelines. The Expanded Underwriting Guidelines also permit higher debt-to-income ratios than mortgage loans underwritten pursuant to the Standard Underwriting Guidelines.

Countrywide Home Loans' Expanded Underwriting Guidelines for mortgage loans with non-conforming original principal balances generally allow Loan-to-Value Ratios at origination of up to 95% for purchase money or rate and term refinance mortgage loans with original principal balances of up to \$400,000, up to 90% for mortgage loans with original principal balances of up to \$650,000, up to 80% for mortgage loans with original principal balances of up to \$1,000,000, up to 75% for mortgage loans with original principal balances of up to \$1,500,000 and up to 70% for mortgage loans with original principal balances of up to \$3,000,000. Under certain circumstances, however, Countrywide Home Loans' Expanded Underwriting Guidelines allow for Loan-to-Value Ratios of up to 100% for purchase money mortgage loans with original principal balances of up to \$375,000.

For cash-out refinance mortgage loans, Countrywide Home Loans' Expanded Underwriting Guidelines for mortgage loans with non-conforming original principal balances generally allow Loan-to-Value Ratios at origination of up to 90% and original principal balances ranging up to \$1,500,000. The

maximum “cash-out” amount permitted is \$400,000 and is based in part on the original Loan-to-Value Ratio of the related mortgage loan.

Countrywide Home Loans’ Expanded Underwriting Guidelines for conforming balance mortgage loans generally allow Loan-to-Value Ratios at origination on owner occupied properties of up to 100% on 1 unit properties with principal balances up to \$359,650 (\$539,475 in Alaska and Hawaii) and 2 unit properties with principal balances up to \$460,400 (\$690,600 in Alaska and Hawaii) and up to 85% on 3 unit properties with principal balances of up to \$556,500 (\$834,750 in Alaska and Hawaii) and 4 unit properties with principal balances of up to \$691,600 (\$1,037,400 in Alaska and Hawaii). On second homes, Countrywide Home Loans’ Expanded Underwriting Guidelines for conforming balance mortgage loans generally allow Loan-to-Value Ratios at origination of up to 95% on 1 unit properties with principal balances up to \$359,650 (\$539,475 in Alaska and Hawaii). Countrywide Home Loans’ Expanded Underwriting Guidelines for conforming balance mortgage loans generally allow Loan-to-Value Ratios at origination on investment properties of up to 90% on 1 unit properties with principal balances up to \$359,650 (\$539,475 in Alaska and Hawaii) and 2 unit properties with principal balances up to \$460,400 (\$690,600 in Alaska and Hawaii) and up to 85% on 3 unit properties with principal balances of up to \$556,500 (\$834,750 in Alaska and Hawaii) and 4 unit properties with principal balances of up to \$691,600 (\$1,037,400 in Alaska and Hawaii).

Under its Expanded Underwriting Guidelines, Countrywide Home Loans generally permits a debt-to-income ratio based on the borrower’s monthly housing expenses of up to 36% and a debt-to-income ratio based on the borrower’s total monthly debt of up to 40%; provided, however, that if the Loan-to-Value Ratio exceeds 80%, the maximum permitted debt-to-income ratios are 33% and 38%, respectively.

In connection with the Expanded Underwriting Guidelines, Countrywide Home Loans originates or acquires mortgage loans under the Full Documentation Program, the Alternative Documentation Program, the Reduced Documentation Loan Program, the No Income/No Asset Documentation Program and the Stated Income/Stated Asset Documentation Program. Neither the No Income/No Asset Documentation Program nor the Stated Income/Stated Asset Documentation Program is available under the Standard Underwriting Guidelines.

The same documentation and verification requirements apply to mortgage loans documented under the Alternative Documentation Program regardless of whether the loan has been underwritten under the Expanded Underwriting Guidelines or the Standard Underwriting Guidelines. However, under the Alternative Documentation Program, mortgage loans that have been underwritten pursuant to the Expanded Underwriting Guidelines may have higher loan balances and Loan-to-Value Ratios than those permitted under the Standard Underwriting Guidelines.

Similarly, the same documentation and verification requirements apply to mortgage loans documented under the Reduced Documentation Program regardless of whether the loan has been underwritten under the Expanded Underwriting Guidelines or the Standard Underwriting Guidelines. However, under the Reduced Documentation Program, higher loan balances and Loan-to-Value Ratios are permitted for mortgage loans underwritten pursuant to the Expanded Underwriting Guidelines than those permitted under the Standard Underwriting Guidelines. The maximum Loan-to-Value Ratio, including secondary financing, ranges up to 90%. The borrower is not required to disclose any income information for some mortgage loans originated under the Reduced Documentation Program, and accordingly debt-to-income ratios are not calculated or included in the underwriting analysis. The maximum Loan-to-Value Ratio, including secondary financing, for those mortgage loans ranges up to 85%.

Under the No Income/No Asset Documentation Program, no documentation relating to a prospective borrower's income, employment or assets is required and therefore debt-to-income ratios are not calculated or included in the underwriting analysis, or if the documentation or calculations are included in a mortgage loan file, they are not taken into account for purposes of the underwriting analysis. This program is limited to borrowers with excellent credit histories. Under the No Income/No Asset Documentation Program, the maximum Loan-to-Value Ratio, including secondary financing, ranges up to 95%. Mortgage loans originated under the No Income/No Asset Documentation Program are generally eligible for sale to Fannie Mae or Freddie Mac.

Under the Stated Income/Stated Asset Documentation Program, the mortgage loan application is reviewed to determine that the stated income is reasonable for the borrower's employment and that the stated assets are consistent with the borrower's income. The Stated Income/Stated Asset Documentation Program permits maximum Loan-to-Value Ratios up to 90%. Mortgage loans originated under the Stated Income/Stated Asset Documentation Program are generally eligible for sale to Fannie Mae or Freddie Mac.

Under the Expanded Underwriting Guidelines, Countrywide Home Loans may also provide mortgage loans to borrowers who are not U.S. citizens, including permanent and non-permanent residents. The borrower is required to have a valid U.S. social security number or a certificate of foreign status (IRS form W-8). The borrower's income and assets must be verified under the Full Documentation Program or the Alternative Documentation Program. The maximum Loan-to-Value Ratio, including secondary financing, is 80%.

#### **Underwriting Process – GreenPoint Mortgage Funding, Inc.**

##### *General*

Approximately 24.85% of the mortgage loans in loan group 1, by aggregate Stated Principal Balance of the mortgage loans in that loan group as of the cut-off date, were originated or acquired in the ordinary course of business by GreenPoint Mortgage Funding, Inc. ("GreenPoint") generally in accordance with the underwriting guidelines described in this prospectus supplement (the "GreenPoint Underwriting Guidelines").

##### *Underwriting Standards*

GreenPoint, an indirect wholly-owned subsidiary of North Fork Bancorporation, Inc., is engaged in the mortgage banking business, which consists of the origination, acquisition, sale and servicing of residential mortgage loans secured primarily by one-to four-unit family residences, and the purchase and sale of mortgage servicing rights. GreenPoint originates loans through a nationwide network of production branches. Loans are originated primarily through GreenPoint's wholesale division, through a network of independent mortgage loan brokers approved by GreenPoint and through its retail lending division and correspondent lending division.

GreenPoint's executive offices are located at 100 Wood Hollow Drive, Novato, California, 94945.

The GreenPoint Underwriting Guidelines are generally not as strict as Fannie Mae or Freddie Mac guidelines. Generally, the GreenPoint Underwriting Guidelines are applied to evaluate the prospective borrower's credit standing and repayment ability and the value and adequacy of the mortgaged property as collateral. Based on these and other factors, GreenPoint will determine the level of

documentation to be provided by the prospective borrower. Exceptions to the GreenPoint Underwriting Guidelines are permitted where compensating factors are present.

In determining whether a prospective borrower has sufficient monthly income available to meet the borrower's monthly obligation on the proposed mortgage loan and monthly housing expenses and other financial obligations, GreenPoint generally considers, when required by the applicable documentation program, the ratio of those amounts to the proposed borrower's monthly gross income. These ratios vary depending on a number of underwriting criteria, including loan-to-value ratios and are determined on a loan-by-loan basis.

GreenPoint acquires or originates many mortgage loans under "limited documentation" or "no documentation" programs. Under the limited documentation programs, more emphasis is placed on the value and adequacy of the mortgaged property as collateral, credit history and other assets of the borrower, than on verified income of the borrower. Mortgage loans underwritten under this type of program are generally limited to borrowers with credit histories that demonstrate an established ability to repay indebtedness in a timely fashion, and certain credit underwriting documentation concerning income or income verification and/or employment verification is waived. Mortgage loans originated and acquired with limited documentation programs include cash-out refinance loans, super-jumbo mortgage loans and mortgage loans secured by investor-owned properties. Permitted maximum loan-to-value ratios (including secondary financing) under limited documentation programs are generally more restrictive than mortgage loans originated with full documentation or alternative documentation requirements. Under no documentation programs, income ratios for the prospective borrower are not calculated. Emphasis is placed on the value and adequacy of the mortgaged property as collateral and the credit history of the prospective borrower, rather than on verified income and assets of the borrower. Documentation concerning income, employment verification and asset verification is waived and income ratios are not calculated. Mortgage loans underwritten under no documentation programs are generally limited to borrowers with favorable credit histories and who satisfy other standards for limited documentation programs.

### **Flagstar Bank, FSB**

Approximately 14.08% of the mortgage loans in loan group 1, by aggregate Stated Principal Balance of the mortgage loans in that loan group as of the cut-off date, were originated or acquired in the ordinary course of business by Flagstar Bank, FSB ("Flagstar").

## **Servicing of Mortgage Loans**

### **General**

The master servicer will master service all of the mortgage loans in accordance with the terms set forth in the pooling and servicing agreement. The master servicer may perform any of its obligations under the pooling and servicing agreement through one or more subservicers, which may include Countrywide Home Loans. Set forth below are the direct servicers as of the date of this prospectus supplement of the mortgage loans in each loan group by aggregate Stated Principal Balance of the mortgage loans in that loan group as of the cut-off date:



<b>Primary Servicer</b>	<b>Loan Group</b>	<b>% of Mortgage Loans in that Loan Group</b>
Citimortgage Incorporated	2	2.46%
Countrywide Home Loans Servicing LP	1	91.12%
	2	97.54%
GMAC Mortgage Corporation	1	2.19%
IndyMac Bank, F.S.B.	1	2.47%
National City Mortgage Co.	1	0.20%
Third Federal Savings & Loan Association	1	4.01%

### **Countrywide Home Loans Servicing LP**

Countrywide Home Loans Servicing LP (“Countrywide Servicing”) will act as master servicer of the mortgage loans. The principal executive offices of Countrywide Servicing are located at 7105 Corporate Drive, Plano, TX 75024. Countrywide Servicing is a Texas limited partnership directly owned by Countrywide GP, Inc. and Countrywide LP, Inc., each a Nevada corporation and a direct wholly owned subsidiary of Countrywide Home Loans, Inc., a New York corporation (“Countrywide Home Loans”). Countrywide Home Loans is a direct wholly owned subsidiary of Countrywide Financial Corporation, a Delaware corporation (“Countrywide Financial”). Countrywide GP, Inc. owns a 0.1% interest in Countrywide Servicing and is the general partner. Countrywide LP, Inc. owns a 99.9% interest in Countrywide Servicing and is a limited partner.

Countrywide Home Loans established Countrywide Servicing in February 2000 to service Countrywide Home Loans originated mortgage loans that would otherwise have been serviced by Countrywide Home Loans. In January and February 2001, Countrywide Home Loans transferred to Countrywide Servicing all of its rights and obligations relating to mortgage loans serviced on behalf of Fannie Mae and Freddie Mac, respectively. In October 2001, Countrywide Home Loans transferred to Countrywide Servicing all of its rights and obligations to the bulk of its non-agency loan servicing portfolio, including with respect to those mortgage loans formerly serviced by Countrywide Home Loans and securitized by the depositor or by CWMBBS, Inc, an affiliate of the depositor. While Countrywide Home Loans expects to continue to directly service a portion of its loan portfolio, it is expected that the servicing rights for most newly originated Countrywide Home Loans product will be transferred to Countrywide Servicing upon sale or securitization of the related mortgage loans. Countrywide Servicing is engaged in the business of servicing mortgage loans and will not originate or acquire loans, an activity that will continue to be performed by Countrywide Home Loans. In addition to acquiring mortgage servicing rights from Countrywide Home Loans, it is expected that Countrywide Servicing will service mortgage loans for non-Countrywide affiliated parties as well as subservice mortgage loans on behalf of other master servicers.

In connection with the establishment of Countrywide Servicing, certain employees of Countrywide Home Loans became employees of Countrywide Servicing. Countrywide Servicing has engaged Countrywide Home Loans as a subservicer to perform certain loan servicing activities on its behalf.

Countrywide Servicing is an approved mortgage loan servicer for Fannie Mae, Freddie Mac, Ginnie Mae, HUD and VA and is licensed to service mortgage loans in those states where a license is required. Its loan servicing activities are guaranteed by Countrywide Financial and Countrywide Home Loans (when required by the owner of the mortgage loans). As of March 31, 2005, Countrywide Servicing had a net worth of approximately \$13.2 billion.

## **Countrywide Home Loans**

Countrywide Home Loans is engaged primarily in the mortgage banking business, and as such, originates, purchases, sells and services (either directly or through subsidiaries) mortgage loans. Countrywide Home Loans originates mortgage loans through a retail branch system and through mortgage loan brokers and correspondents nationwide. Countrywide Home Loans' mortgage loans are principally first-lien, fixed or adjustable rate mortgage loans secured by single-family residences. References in the remainder of this prospectus supplement to Countrywide Home Loans should be read to include Countrywide Home Loans, and its consolidated subsidiaries, including Countrywide Servicing.

The principal executive offices of Countrywide Home Loans are located at 4500 Park Granada, Calabasas, California 91302.

Countrywide Home Loans services substantially all of the mortgage loans it originates or acquires. In addition, Countrywide Home Loans has purchased in bulk the rights to service mortgage loans originated by other lenders. Countrywide Home Loans has in the past and may in the future sell to other mortgage bankers a portion of its portfolio of loan servicing rights. As of March 31, 2005, Countrywide Home Loans provided servicing for approximately \$893.405 billion aggregate principal amount of mortgage loans, substantially all of which are being serviced for unaffiliated persons.

## **Mortgage Loan Production**

The following table sets forth, by number and dollar amount of mortgage loans, Countrywide Home Loans' residential mortgage loan production for the periods indicated.

**Consolidated Mortgage Loan Production**

	Year Ended	Ten Months	Years Ended			Three Months
	February 28, 2001	Ended December 31, 2001	2002	December 31, 2003	2004	Ended March 31, 2005
	(Dollars in millions, except average loan amount)					
<b>Conventional Conforming Loans</b>						
Number of Loans.....	240,608	504,975	999,448	1,517,743	846,395	146,123
Volume of Loans.....	\$ 34,434	\$ 76,432	\$ 150,110	\$ 235,868	\$ 138,845	\$ 30,197
Percent of Total Dollar Volume .....	50.0%	61.7%	59.6%	54.2%	38.2%	33.0%
<b>Conventional Non-conforming Loans</b>						
Number of Loans.....	86,600	137,593	277,626	554,571	509,711	164,314
Volume of Loans.....	\$ 11,394	\$ 22,209	\$ 61,627	\$ 136,664	\$ 140,580	\$ 40,543
Percent of Total Dollar Volume .....	16.5%	17.9%	24.5%	31.4%	38.7%	44.3%
<b>FHA/VA Loans</b>						
Number of Loans.....	118,673	118,734	157,626	196,063	105,562	16,676
Volume of Loans.....	\$ 13,075	\$ 14,109	\$ 19,093	\$ 24,402	\$ 13,247	\$ 2,137
Percent of Total Dollar Volume .....	18.9%	11.4%	7.6%	5.6%	3.6%	2.3%
<b>Prime Home Equity Loans</b>						
Number of Loans.....	119,045	164,503	316,049	453,817	587,046	148,168
Volume of Loans.....	\$ 4,660	\$ 5,639	\$ 11,650	\$ 18,103	\$ 30,893	\$ 8,763
Percent of Total Dollar Volume .....	6.8%	4.5%	4.6%	4.2%	8.5%	9.6%
<b>Nonprime Mortgage Loans</b>						
Number of Loans.....	51,706	43,359	63,195	124,205	250,030	63,032
Volume of Loans.....	\$ 5,360	\$ 5,580	\$ 9,421	\$ 19,827	\$ 39,441	\$ 9,820
Percent of Total Dollar Volume .....	7.8%	4.5%	3.7%	4.6%	11.0%	10.8%
<b>Total Loans</b>						
Number of Loans.....	616,632	969,164	1,813,944	2,846,399	2,298,744	538,313
Volume of Loans.....	\$ 68,923	\$ 123,969	\$ 251,901	\$ 434,864	\$ 363,006	\$ 91,460
Average Loan Amount .....	\$ 112,000	\$ 128,000	\$ 139,000	\$ 153,000	\$ 158,000	\$ 170,000
Non-Purchase Transactions(1) .....	33%	63%	66%	72%	51%	55%
Adjustable-Rate Loans(1) .....	14%	12%	14%	21%	52%	54%

(1) Percentage of total loan production based on dollar volume.

**Foreclosure, Delinquency and Loss Experience**

Historically, a variety of factors, including the appreciation of real estate values, have limited Countrywide Home Loans' loss and delinquency experience on its portfolio of serviced mortgage loans. There can be no assurance that factors beyond the control of Countrywide Home Loans, such as national or local economic conditions or downturns in the real estate markets of its lending areas, will not result in increased rates of delinquencies and foreclosure losses in the future.

A general deterioration of the real estate market in regions where the mortgaged properties are located may result in increases in delinquencies of loans secured by real estate, slower absorption rates of real estate into the market and lower sales prices for real estate. A general weakening of the economy may result in decreases in the financial strength of borrowers and decreases in the value of collateral serving as security for loans. If the real estate market and economy were to decline, Countrywide Home Loans may experience an increase in delinquencies on the loans it services and higher net losses on liquidated loans.

The following table summarizes the delinquency, foreclosure and loss experience, respectively, on the dates indicated, of the mortgage loans originated or acquired by Countrywide Home Loans, serviced or master serviced by Countrywide Home Loans and securitized in Alternative Loan Trusts by the depositor or by CWMBBS, Inc., an affiliate of the depositor. The delinquency, foreclosure and loss percentages may be affected by the size and relative lack of seasoning in this portion of the servicing portfolio which increased from approximately \$2.247 billion at February 28, 2001, to approximately \$5.083 billion at December 31, 2001, to approximately \$9.862 billion at December 31, 2002, to approximately \$14.733 billion at December 31, 2003, to approximately \$31.063 billion at December 31,

2004, and to approximately \$41.068 billion at March 31, 2005. Accordingly, the information should not be considered as a basis for assessing the likelihood, amount or severity of delinquency or losses on the mortgage loans and no assurances can be given that the foreclosure, delinquency and loss experience presented in the following table will be indicative of the actual experience on the mortgage loans (totals may not add due to rounding):

	At February 28,		At December 31,			At March 31,
	2001	2001	2002	2003	2004	2005
<b>Delinquent Mortgage Loans and Pending Foreclosures at</b>						
Period End:						
30-59 days.....	2.28%	2.92%	3.08%	2.63%	1.89%	1.53%
60-89 days.....	0.51	0.65	0.86	0.72	0.39	0.29
90 days or more (excluding pending foreclosures).....	0.19	0.21	0.45	0.53	0.35	0.27
Total delinquencies.....	<u>2.97%</u>	<u>3.77%</u>	<u>4.39%</u>	<u>3.87%</u>	<u>2.63%</u>	<u>2.10%</u>
Foreclosures pending.....	<u>0.47%</u>	<u>0.43%</u>	<u>0.45%</u>	<u>0.91%</u>	<u>0.28%</u>	<u>0.26%</u>
Total delinquencies and foreclosures pending.....	<u>3.44%</u>	<u>4.21%</u>	<u>4.84%</u>	<u>4.78%</u>	<u>2.91%</u>	<u>2.36%</u>
Net Gains/(Losses) on liquidated loans(1).....	\$(374,332)	\$(1,057,748)	\$(5,372,415)	\$(9,334,817)	\$(20,017,873)	\$(6,136,040)
Percentage of Net Gains/(Losses) on liquidated loans(1)(2).....	(0.017)%	(0.021)%	(0.054)%	(0.063)%	(0.064)%	(0.015)%
Percentage of Net Gains/(Losses) on liquidated loans (based on average outstanding principal balance)(1).....	(0.018)%	(0.021)%	(0.057)%	(0.064)%	(0.072)%	(0.017)%

(1) "Net Gains/(Losses)" are actual gains or losses incurred on liquidated properties that are calculated as net liquidation proceeds less book value (excluding loan purchase premium or discount).

(2) Based upon the total principal balance of the mortgage loans outstanding on the last day of the indicated period.

### **Servicing Compensation and Payment of Expenses**

The Expense Fees with respect to the mortgage pool are payable out of the interest payments on each mortgage loan. The Expense Fee Rate for the mortgage loans in all the loan groups varies from mortgage loan to mortgage loan. As of the cut-off date, the weighted average Expense Fee Rate for the mortgage loans in loan group 1 and loan group 2 will be a per annum rate equal to 0.215% and 0.210%, respectively. The Expense Fees consist of (a) the master servicing fee payable to the master servicer in respect of its master servicing activities, (b) fees payable to the trustee in respect of its activities as trustee under the pooling and servicing agreement and (c) lender-paid mortgage insurance premiums, if any. The Master Servicing Fee Rate for each Mortgage Loan in loan group 1 and loan group 2 is either 0.200% or 0.250%, respectively, per annum. As of the cut-off date, the weighted average Master Servicing Fee Rate for the Mortgage Loans in loan group 1 and loan group 2 is 0.204% and 0.201% per annum, respectively, in each case by aggregate Stated Principal Balance of the Mortgage Loans in that loan group as of the cut-off date. The master servicer is obligated to pay some but not all ongoing expenses associated with the trust fund and incurred by the master servicer in connection with its responsibilities under the pooling and servicing agreement and those amounts will be paid by the master servicer out of the master servicing fee. The amount of the master servicing fee is subject to adjustment with respect to prepaid mortgage loans, as described under "— Adjustment to Servicing Compensation in Connection with Certain Prepaid Mortgage Loans." The master servicer is also entitled to receive, as additional servicing compensation,

all late payment fees, assumption fees and other similar charges and all reinvestment income earned on amounts on deposit in the Certificate Account and Distribution Account.

The net mortgage rate of a mortgage loan is its mortgage rate (net of the premium for any lender paid mortgage insurance) less the sum of the master servicing fee and the trustee fee on the mortgage loan (expressed as a per annum percentage of its Stated Principal Balance).

#### **Adjustment to Servicing Compensation in Connection with Certain Prepaid Mortgage Loans**

When a borrower prepays a mortgage loan between Due Dates, the borrower is required to pay interest on the amount prepaid only to the date of prepayment and not thereafter. Except with respect to the month of the cut-off date, with respect to the mortgage loans directly serviced by Countrywide Servicing as set forth in the table under “— General” above), principal prepayments by borrowers received by Countrywide Servicing from the first day through the fifteenth day of a calendar month will be distributed to certificateholders on the Distribution Date in the same month in which the prepayments on these mortgage loans are received and, accordingly, no shortfall in the amount of interest to be distributed to certificateholders with respect to the prepaid mortgage loans results. Conversely, principal prepayments on these mortgage loans received by Countrywide Servicing from the sixteenth day (or, in the case of the first Distribution Date, from June 1, 2005) through the last day of a calendar month and principal prepayments on the mortgage loans not directly serviced by Countrywide Servicing as set in the table under “— General” above), will be distributed to certificateholders on the Distribution Date in the month following the month of receipt and, accordingly, a shortfall in the amount of interest to be distributed to certificateholders with respect to the prepaid mortgage loans would result. Pursuant to the pooling and servicing agreement, the master servicing fee for any month will be reduced, but not by more than an amount equal to the product of one-twelfth of 0.125% and the aggregate Stated Principal Balance of the mortgage loans in such loan group as of the first day of the prior month (“Compensating Interest”), by an amount sufficient to pass through to certificateholders the full amount of interest to which they would be entitled for each prepaid mortgage loan on the related Distribution Date.

If shortfalls in interest as a result of prepayments in any Prepayment Period exceed the Compensating Interest for the related Distribution Date, the amount of interest distributed to certificateholders will be reduced by the amount of the excess.

#### **Advances**

Subject to the following limitations, the master servicer will be required to advance before each Distribution Date, from its own funds or funds in the Certificate Account that do not constitute Available Funds for that Distribution Date, an amount equal to the aggregate of payments of principal and interest on the mortgage loans (net of the master servicing fee) which were due on the related Due Date and which were delinquent on the related Determination Date, together with an amount equivalent to interest on each mortgage loan as to which the related mortgaged property has been acquired by the trust fund through foreclosure or deed-in-lieu of foreclosure. The “Determination Date” is the 22nd day of each month or, if that day is not a business day, the preceding business day; provided that the Determination Date in each month will be at least two business days before the related Distribution Date.

Advances are intended to maintain a regular flow of scheduled interest and principal payments on the certificates rather than to guarantee or insure against losses. The master servicer is obligated to make advances with respect to delinquent payments of principal or interest on each mortgage loan to the extent that the advances are, in its reasonable judgment, recoverable from future payments and collections or insurance payments or proceeds of liquidation of the related mortgage loan. If the master servicer determines on any Determination Date to make an advance, the advance will be included with the

distribution to certificateholders on the related Distribution Date. Any failure by the master servicer to make a deposit in the Certificate Account as required under the pooling and servicing agreement, including any failure to make an advance, will constitute an event of default under the pooling and servicing agreement if the failure remains unremedied for five days after written notice of the event of default. If the master servicer is terminated as a result of the occurrence of an event of default, the trustee or the successor master servicer will be obligated to make any advance, in accordance with the terms of the pooling and servicing agreement.

### **Certain Modifications and Refinancings**

The master servicer may modify any mortgage loan provided that the master servicer purchases the mortgage loan from the trust fund immediately following the modification. A mortgage loan may not be modified unless the modification includes a change in the interest rate on the related mortgage loan to approximately a prevailing market rate. Any purchase of a mortgage loan subject to a modification will be for a price equal to 100% of the Stated Principal Balance of that mortgage loan, plus accrued and unpaid interest on the mortgage loan up to the next Due Date at the applicable net mortgage rate, net of any unreimbursed advances of principal and interest on the mortgage loan made by the master servicer. The master servicer will deposit the purchase price in the Certificate Account within one business day of the purchase of that mortgage loan. Purchases of mortgage loans may occur when prevailing interest rates are below the interest rates on the mortgage loans and mortgagors request modifications as an alternative to refinancings. The master servicer will indemnify the trust fund against liability for any prohibited transactions taxes and related interest, additions or penalties incurred by any REMIC as a result of any modification or purchase.

### **Description of the Certificates**

#### **General**

The certificates will be issued pursuant to the pooling and servicing agreement. The following summaries of the material terms pursuant to which the certificates will be issued do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the provisions of the pooling and servicing agreement. When particular provisions or terms used in the pooling and servicing agreement are referred to, the actual provisions (including definitions of terms) are incorporated by reference. The certificates represent obligations of the trust fund only and do not represent an interest in or obligation of CWALT, Inc., Countrywide Home Loans, Inc. (or any other seller), Countrywide Home Loans Servicing LP or any of their affiliates.

The Mortgage Pass-Through Certificates, Series 2005-17 will consist of the Class 1-A-1, Class 1-A-2, Class 1-A-3, Class 1-A-4, Class 1-A-5, Class 1-A-6, Class 1-A-7, Class 1-A-8, Class 1-A-9, Class 2-A-1, Class X-A, Class X-B, Class PO-A, Class PO-B and Class A-R Certificates (all of which are together referred to as senior certificates) and the Class M, Class B-1, Class B-2, Class B-3, Class B-4 and Class B-5 Certificates (all of which are referred to as subordinated certificates). Only the classes of certificates listed on the cover page (all of which are referred to in this prospectus supplement as the offered certificates) are offered by this prospectus supplement. The Class P, Class B-3, Class B-4 and Class B-5 Certificates (all of which are referred to as private certificates) are not offered by this prospectus supplement. Their initial Class Certificate Balances are expected to be approximately \$100, \$939,500, \$704,600 and \$704,582, respectively and the pass-through rate for each class of private certificates (other than the Class P Certificates) will be calculated as described in this prospectus supplement under “—Interest” below. The Class P Certificates will not bear interest. The Class P Certificates will be entitled to all prepayment charges received in respect of the mortgage loans and such amounts will not be available for distribution to the holders of the offered certificates and the other

private certificates. The classes of offered certificates will have the respective initial Class Certificate Balances or initial notional amounts and pass-through rates set forth on the cover page hereof or as described below in this prospectus supplement. The initial Class Certificate Balances and initial notional amounts may vary in the aggregate by plus or minus 5%.

The “Class Certificate Balance” of any class of certificates (other than the notional amount certificates) as of any Distribution Date is the initial Class Certificate Balance of the class *reduced* by the sum of:

- all amounts previously distributed to holders of certificates of the class as payments of principal,
- the amount of Realized Losses allocated to the class, and
- in the case of any class of subordinated certificates, any amounts allocated to the class in reduction of its Class Certificate Balance in respect of payments of Class PO Deferred Amounts, as described under “— Allocation of Losses”;

provided, however, that the Class Certificate Balance of each class of certificates to which Realized Losses have been allocated will be increased, sequentially in the order of payment priority, by the amount of Subsequent Recoveries on the mortgage loans in a loan group distributed as principal to any related class of certificates, but not by more than the amount of Realized Losses previously allocated to reduce the Class Certificate Balance of such class of certificates. See “Application of Liquidation Proceeds” in the prospectus.

In addition, the Class Certificate Balance of the class of subordinated certificates then outstanding with the lowest distribution priority will be reduced if and to the extent that the aggregate of the Class Certificate Balances of all classes of certificates, following all distributions and the allocation of Realized Losses on any Distribution Date exceeds the pool principal balance as of the Due Date occurring in the month of the Distribution Date (after giving effect to principal prepayments received in the related prepayment period). The notional amount certificates do not have principal balances and are not entitled to any distributions in respect of principal of the mortgage loans.

The senior certificates will have an initial aggregate Class Certificate Balance of approximately \$225,461,165 and will evidence in the aggregate an initial beneficial ownership interest of approximately 96.00% in the trust fund. The Class M, Class B-1, Class B-2, Class B-3, Class B-4 and Class B-5 Certificates will each evidence in the aggregate an initial beneficial ownership interest of approximately 1.90%, 0.70%, 0.40%, 0.40%, 0.30% and 0.30%, respectively, in the trust fund.

The Class A-R, Class B-3, Class B-4 and Class B-5 Certificates will be issued in fully registered certificated form. All of the remaining classes of certificates will be represented by book-entry certificates. The book-entry certificates will be issuable in book-entry form only. The Class A-R Certificates will be issued in a denomination of \$100.

### **Senior Certificate Groups**

The Class 1-A-1, Class 1-A-2, Class 1-A-3, Class 1-A-4, Class 1-A-5, Class 1-A-6, Class 1-A-7, Class 1-A-8, Class 1-A-9 and Class A-R Certificates and the Class X-A and Class PO-A Certificates are sometimes referred to in this prospectus supplement as the “group 1 senior certificates,” and the Class 2-A-1, Class X-B and Class PO-B Certificates are sometimes referred to in this prospectus supplement as the “group 2 senior certificates”. The group 1 senior certificates and the group 2 senior certificates are

each sometimes referred to as a “senior certificate group” and relate to loan group 1 and loan group 2, respectively. The Class PO-A and Class PO-B Certificates are each sometimes referred to as a “PO Class.”

### **Notional Amount Certificates**

The Class 1-A-2, Class X-A and Class X-B Certificates are notional amount certificates.

The notional amount of the Class 1-A-2 Certificates for any Distribution Date will be equal to the aggregate Class Certificate Balance of the Class 1-A-1 and Class 1-A-7 Certificates immediately prior to such Distribution Date. The initial notional amount of the Class 1-A-2 Certificates is approximately \$105,000,000 (subject to the permitted variance described in this prospectus supplement).

The notional amount of the Class X-A Certificate for any Distribution Date will be equal to the aggregate Stated Principal Balance of the Non-Discount mortgage loans in loan group 1 as of the Due Date in the preceding calendar month (after giving effect to prepayments received in the Prepayment Period related to that preceding Due Date). The notional amount of the Class X-A Certificate as of the closing date is expected to be approximately \$162,010,921.

The notional amount of the Class X-B Certificates for any Distribution Date will be equal to the aggregate Stated Principal Balance of the Non-Discount mortgage loans in loan group 2 as of the Due Date in the preceding calendar month (after giving effect to prepayments received in the Prepayment Period related to that preceding Due Date). The notional amount of the Class X-B Certificates as of the closing date is expected to be approximately \$44,900,565.

### **Book-Entry Certificates**

The offered certificates, other than the Class A-R Certificates, will be issued as book-entry certificates. Each class of book-entry certificates will be issued as one or more certificates which equal the aggregate initial Class Certificate Balance of each class of certificates and which will be held by a depository, initially a nominee of The Depository Trust Company. Beneficial interests in the book-entry certificates will be held indirectly by investors through the book-entry facilities of the depository as described in this prospectus supplement. Investors may hold the beneficial interests in the book-entry certificates (other than the Class 1-A-3 Certificates) in minimum denominations representing an original principal amount or notional amount of \$25,000 and in integral multiples of \$1,000 in excess thereof. Investors may hold the beneficial interests in the Class 1-A-3 Certificates in minimum denominations representing an original principal amount of \$1,000 and in integral multiples of \$1,000 in excess thereof. One investor of each class of book-entry certificates may hold a beneficial interest therein that is not an integral multiple of \$1,000. The depositor has been informed by the depository that its nominee will be CEDE & Co. Accordingly, CEDE is expected to be the holder of record of the book-entry certificates. Except as described in the prospectus under “Description of the Certificates — Book-Entry Certificates,” no beneficial owner acquiring a book-entry certificate will be entitled to receive a physical certificate representing the certificate.

Unless and until definitive certificates are issued, it is anticipated that the only certificateholder of the book-entry certificates will be CEDE, as nominee of the depository. Beneficial owners of the book-entry certificates will not be certificateholders, as that term is used in the pooling and servicing agreement. Beneficial owners are only permitted to exercise the rights of certificateholders indirectly through financial intermediaries and the depository. Monthly and annual reports on the trust fund provided to CEDE, as nominee of the depository, may be made available to beneficial owners upon request, in accordance with the rules, regulations and procedures creating and affecting the depository,



and to the financial intermediaries to whose depository accounts the book-entry certificates of the beneficial owners are credited.

For a description of the procedures generally applicable to the book-entry certificates, see “Description of the Certificates — Book-Entry Certificates” in the prospectus.

Although The Depository Trust Company has agreed to the foregoing procedures in order to facilitate transfers of certificates among participants of The Depository Trust Company, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

### **Determination of LIBOR**

The Class 1-A-1, Class 1-A-2 and Class 1-A-7 Certificates (we sometimes refer to these classes of certificates as the LIBOR Certificates) will bear interest during their initial interest accrual period at the applicable initial pass-through rates set forth in the table under “— Interest” below, and during each interest accrual period thereafter at the applicable rate determined as described in the table under “— Interest” below.

LIBOR applicable to an interest accrual period for the LIBOR Certificates will be determined on the second business day prior to the commencement of the interest accrual period applicable to those LIBOR Certificates (a “LIBOR Determination Date”). On each LIBOR Determination Date, the trustee, as calculation agent, will establish LIBOR for the related interest accrual period on the basis of the British Bankers’ Association (“BBA”) “interest settlement rate” for one-month deposits in the U.S. dollars as found on Telerate Page 3750 as of 11:00 a.m. London time on each LIBOR Determination Date. Interest settlement rates currently are based on rates quoted by sixteen BBA designated banks as being, in the view of such banks, the offered rate at which deposits are being quoted to prime banks in the London interbank market. Such interest settlement rates are calculated by eliminating the four highest rates and the four lowest rates, averaging the eight remaining rates, carrying the result (expressed as a percentage) out to six decimal places, and rounding to five decimal places. “Telerate Page 3750” means the display page currently so designated on the Moneyline Telerate Service (or such other page as may replace that page on that service for the purpose of displaying comparable rates or prices).

If on any LIBOR Determination Date, the calculation agent is unable to calculate LIBOR in accordance with the method set forth in the immediately preceding paragraph, LIBOR for the next interest accrual period for the LIBOR Certificates will be calculated in accordance with the method described in the prospectus under “Description of the Certificates — Indices Applicable to Floating Rate and Inverse Floating Rate Classes — LIBOR.” If on the initial LIBOR Determination Date, the calculation agent is required but unable to determine LIBOR in the manner provided in the prospectus, LIBOR for the next interest accrual period will be 3.30%.

### **Payments on Mortgage Loans; Accounts**

On or before the closing date, the master servicer will establish an account (the “Certificate Account”), which will be maintained in trust for the benefit of the certificateholders. The Certificate Account will be established by the master servicer initially at Treasury Bank, N.A., which is an affiliate of the depositor, the sellers and the master servicer. The master servicer will deposit or cause to be deposited in the Certificate Account all amounts required to be deposited therein, within two business days after receipt (or, on a daily basis, if the long-term credit rating of Countrywide Home Loans has been reduced below the rating specified in the pooling and servicing agreement). Funds credited to the Certificate Account may be invested for the benefit and at the risk of the master servicer in permitted

investments, as defined in the pooling and servicing agreement, that are scheduled to mature on or before the business day preceding the next Distribution Date. On or before the business day immediately preceding each Distribution Date, the master servicer will withdraw from the Certificate Account the amount of Available Funds for each loan group and will deposit the Available Funds in an account established and maintained with the trustee on behalf of the certificateholders (the “Distribution Account”). The holders of the Class P Certificates will be entitled to all prepayment charges received on the mortgage loans and such amounts will not be available for distribution to the holders of the other certificates.

### **Distributions**

Distributions on the certificates will be made by the trustee on the 25th day of each month or, if that day is not a business day, on the first business day thereafter, commencing in July 2005 (each, a “Distribution Date”), to the persons in whose names the certificates are registered at the close of business on the last business day of the month preceding the month of the Distribution Date.

Distributions on each Distribution Date will be made by check mailed to the address of the person entitled to it as it appears on the applicable certificate register or, in the case of a certificateholder who holds 100% of a class of certificates or who holds certificates with an aggregate initial certificate balance of \$1,000,000 or more or who holds a notional amount certificate and who has so notified the trustee in writing in accordance with the pooling and servicing agreement, by wire transfer in immediately available funds to the account of the certificateholder at a bank or other depository institution having appropriate wire transfer facilities; provided, however, that the final distribution in retirement of the certificates will be made only upon presentment and surrender of the certificates at the Corporate Trust Office of the trustee.

### **Priority of Distributions Among Certificates**

As more fully described in this prospectus supplement, distributions on the group 1 senior certificates and the group 2 senior certificates will be made on each Distribution Date primarily from Available Funds of the related loan group for such Distribution Date, and, in certain circumstances, from any Available Funds from the other loan group remaining after distributions to the senior certificates related to such other loan group. Distributions on the subordinated certificates will be based on any remaining Available Funds for both of the loan groups for such Distribution Date, in each case after giving effect to distributions on all classes of senior certificates as described in the preceding sentence and payments in respect of Class PO Deferred Amounts. These distributions will be made in the following order of priority:

- to interest on each interest-bearing class of senior certificates relating to each loan group, pro rata, based on their respective interest distribution amounts;
- to principal of the classes of senior certificates relating to each loan group then entitled to receive distributions of principal, in the order and subject to the priorities set forth under “Description of the Certificates — Principal,” in this prospectus supplement, in each case in an aggregate amount up to the maximum amount of principal to be distributed on the classes on the Distribution Date;
- to any Class PO Deferred Amounts with respect to the applicable PO Class, but only from amounts that would otherwise be distributed on the Distribution Date as principal of the subordinated certificates;

- to interest on and then principal of each class of subordinated certificates, in the numerical class designations, beginning with the Class M Certificates, in each of the limitations set forth under “Description of the Certificates — Interest” and in this prospectus supplement.

“Available Funds” for a loan group for any Distribution Date will be equal to *the sum of*:

- all scheduled installments of interest (net of the related Expense Fees and premiums in respect of lender paid primary mortgage insurance on a mortgage loan) and principal due on the mortgage loans in that loan group on the Due Date in the month in which the Distribution Date occurs and received before the related Determination Date, together with any advances with respect to them;
- all proceeds of any primary mortgage guaranty insurance policies and any other insurance policies with respect to the mortgage loans in that loan group, to the extent the proceeds are not applied to the restoration of the related mortgaged property or released to the mortgagor in accordance with the master servicer’s normal servicing procedures and all other cash amounts received and retained in connection with (a) the liquidation of defaulted mortgage loans in that loan group, by foreclosure or otherwise during the calendar month preceding the month of the Distribution Date (in each case, net of unreimbursed expenses incurred in connection with a liquidation or foreclosure and unreimbursed advances, if any) and (b) any Subsequent Recoveries with respect to mortgage loans in that loan group;
- all partial or full prepayments with respect to mortgage loans in that loan group received during the related Prepayment Period together with interest paid in connection with the prepayment, other than certain excess amounts and the Compensating Interest; and
- amounts received with respect to the Distribution Date as the Substitution Adjustment Amount or purchase price in respect of a deleted mortgage loan or a mortgage loan in that loan group repurchased by a seller or the master servicer as of the Distribution Date,

*reduced by* amounts in reimbursement for advances previously made and other amounts as to which the master servicer is entitled to be reimbursed from the Certificate Account pursuant to the pooling and servicing agreement.

## Interest

The classes of offered certificates will have the respective pass-through rates set forth on the cover page hereof or described below.

Each class of LIBOR Certificates will bear interest during its initial interest accrual period at the Initial Pass-Through Rate set forth below, and will bear interest during each interest accrual period thereafter, subject to the applicable Maximum and Minimum Pass-Through Rates, at the per annum rate determined by reference to LIBOR as described below:

<u>Class</u>	<u>Initial Pass-Through Rate</u>	<u>Maximum/Minimum Pass-Through Rate</u>	<u>Formula for Calculation of Class Pass-Through Rate</u>
Class 1-A-1 .....	4.00%	5.50% / 0.70%	LIBOR + 0.70%
Class 1-A-2 .....	1.50%	4.80% / 0.00%	4.80% - LIBOR
Class 1-A-7 .....	4.00%	5.50% / 0.70%	LIBOR + 0.70%

The pass-through rate for the Class X-A Certificates for the Interest Accrual Period for any Distribution Date will be equal to the excess of (a) the weighted average of the net mortgage rates of the Non-Discount mortgage loans in loan group 1, weighted on the basis of the Stated Principal Balances thereof as of the Due Date in the preceding calendar month (after giving effect to prepayments received in the Prepayment Period related to such prior Due Date), over (b) 5.50%. The pass-through rate for the Class X-A Certificates for the Interest Accrual Period for the first Distribution Date is expected to be approximately 0.421% per annum.

The pass-through rate for the Class X-B Certificates for the Interest Accrual Period for any Distribution Date will be equal to the excess of (a) the weighted average of the net mortgage rates of the Non-Discount mortgage loans in loan group 2, weighted on the basis of the Stated Principal Balances thereof as of the Due Date in the preceding calendar month (after giving effect to prepayments received in the Prepayment Period related to such prior Due Date), over (b) 6.00%. The pass-through rate for the Class X-B Certificates for the Interest Accrual Period for the first Distribution Date is expected to be approximately 0.262% per annum.

The pass-through rate for each class of subordinated certificates for the Interest Accrual Period related to any Distribution Date will be a per annum rate equal to *the sum of*:

- 5.50% multiplied by the excess of the loan group 1 principal balance as of the Due Date in the month preceding the calendar month of that Distribution Date (after giving effect to prepayments received in the Prepayment Period related to such prior Due Date) over the aggregate of the Class Certificate Balances of the group 1 senior certificates immediately prior to that Distribution Date, and
- 6.00% multiplied by the excess of the loan group 2 principal balance as of the Due Date in the month preceding the calendar month of that Distribution Date (after giving effect to prepayments received in the Prepayment Period related to such prior Due Date) over the aggregate of the Class Certificate Balances of the group 2 senior certificates immediately prior to that Distribution Date,

*divided by* the aggregate of the Class Certificate Balances of the subordinated certificates immediately prior to that Distribution Date. The pass-through rate for each class of subordinated certificates for the first Interest Accrual Period will be approximately 5.624% per annum.

On each Distribution Date, to the extent of funds available therefor, each interest-bearing class of certificates will be entitled to receive an amount allocable to interest for the related interest accrual period. This “interest distribution amount” for any interest-bearing class will be equal to the sum of (a) interest at the applicable pass-through rate on the related Class Certificate Balance or notional amount, as the case may be, immediately prior to the applicable Distribution Date and (b) the sum of the amounts, if any, by which the amount described in clause (a) above on each prior Distribution Date exceeded the amount actually distributed as interest on the prior Distribution Dates and not subsequently distributed (which are called unpaid interest amounts). The PO Classes are principal only certificates and will not bear interest.

For each Distribution Date, on or prior to the Corridor Contract Termination Date, on which LIBOR exceeds 4.80%, in addition to the interest distribution amount described above, the Class 1-A-1 and Class 1-A-7 Certificates will also be entitled to receive the related yield supplement amount from payments allocated to the trustee with respect to the Corridor Contract.

With respect to each Distribution Date for all of the interest-bearing certificates (other than the LIBOR Certificates), the interest accrual period will be the calendar month preceding the month of the Distribution Date. The interest accrual period for the LIBOR Certificates will be the one-month period commencing on the 25th day of the month before the month in which that Distribution Date occurs and ending on the 24th day of the month in which the Distribution Date occurs. Each interest accrual period will be deemed to consist of 30 days. Interest will be calculated and payable on the basis of a 360-day year divided into twelve 30-day months.

The interest entitlement described above for each class of certificates for any Distribution Date will be reduced by the amount of “Net Interest Shortfalls” experienced by (a) the related loan group, with respect to the senior certificates (other than the related PO Class) and (b) each of the loan groups, with respect to the subordinated certificates. With respect to any Distribution Date and loan group, the “Net Interest Shortfall” is equal to

- any net prepayment interest shortfalls for that loan group and Distribution Date, and
- the amount of interest that would otherwise have been received with respect to any mortgage loan in that loan group that was the subject of a Relief Act Reduction or a Debt Service Reduction.

Net Interest Shortfalls for a loan group on any Distribution Date will be allocated *pro rata* among all interest-bearing classes of the related senior certificates and the classes subordinated certificates on such Distribution Date, based on the amount of interest each such class of certificates would otherwise be entitled to receive (or, in the case of the subordinated certificates, be deemed to be entitled to receive based on each subordinated class’ share of the Assumed Balance, as described more fully below) on such Distribution Date, in each case before taking into account any reduction in such amounts from such Net Interest Shortfalls.

For purposes of allocating Net Interest Shortfalls for a loan group to the subordinated certificates on any Distribution Date, the amount of interest each class of subordinated certificates would otherwise be deemed to be entitled to receive from Available Funds for that loan group on the Distribution Date will be equal to an amount of interest at the pass-through rate on a balance equal to that class’ *pro rata* share (based on their respective Class Certificate Balances) of the Assumed Balance for that Distribution Date. The Assumed Balance for a Distribution Date and loan group is equal to the Subordinated Percentage for that Distribution Date relating to that loan group of the aggregate of the applicable Non-PO Percentage of the Stated Principal Balance of each mortgage loan in such loan group as of the Due Date occurring in the month prior to the month of that Distribution Date (after giving effect to prepayments received in the Prepayment Period related to such Due Date); provided, however, on any Distribution Date after the second Senior Termination Date, Net Interest Shortfalls will be allocated to the subordinated certificates based on the amount of interest each such class of certificates would otherwise be entitled to receive on that Distribution Date.

A “Relief Act Reduction” is a reduction in the amount of the monthly interest payment on a mortgage loan pursuant to the Servicemembers Civil Relief Act or similar state laws. See “Certain Legal Aspects of the Mortgage Loans — Servicemembers Civil Relief Act” in the prospectus. With respect to any Distribution Date, a net prepayment interest shortfall for a loan group is the amount by which the aggregate of prepayment interest shortfalls experienced by the mortgage loans in that loan group exceeds the sum of (x) the Compensating Interest for that loan group and Distribution Date and (y) the excess, if any, of the Compensating Interest for the other loan group over the prepayment interest shortfalls for that loan group. A prepayment interest shortfall is the amount by which interest paid by a borrower in connection with a prepayment of principal on a mortgage loan during the portion of the related

Prepayment Period occurring in the calendar month preceding the month of the Distribution Date is less than one month's interest at the related mortgage rate, net of the related Master Servicing Fee Rate, on the Stated Principal Balance of the mortgage loan. Each class' pro rata share of the Net Interest Shortfalls will be based on the amount of interest the class otherwise would have been entitled to receive on the Distribution Date.

If on a particular Distribution Date, Available Funds for a loan group in the Certificate Account applied in the order described above under "— Priority of Distributions Among Certificates" are not sufficient to make a full distribution of the interest entitlement on the certificates related to that loan group, interest will be distributed on each class of certificates of equal priority based on the amount of interest it would otherwise have been entitled to receive in the absence of the shortfall. Any unpaid interest amount will be carried forward and added to the amount holders of each class of certificates will be entitled to receive on the next Distribution Date. A shortfall could occur, for example, if losses realized on the mortgage loans in a loan group were exceptionally high or were concentrated in a particular month. Any unpaid interest amount so carried forward will not bear interest.

### **The Corridor Contract**

Countrywide Home Loans has entered into an interest rate corridor transaction. The Class 1-A-1 and Class 1-A-7 Certificates will have the benefit of an interest rate corridor contract (the "Corridor Contract") with JPMorgan Chase Bank, N.A. ("JPMorgan" or the "Corridor Contract Counterparty"), as evidenced by a Confirmation that will be assigned to the trustee on behalf of the trust fund on the closing date.

Pursuant to the Corridor Contract, the terms of an ISDA Master Agreement were incorporated into the Confirmation of the Corridor Contract, as if such an ISDA Master Agreement had been executed by the trustee and the Corridor Contract Counterparty on the date that the Corridor Contract was executed. The Corridor Contract is also subject to certain ISDA definitions, as published by the International Swaps and Derivatives Association, Inc. On the closing date, Countrywide Home Loans will assign its rights under the Corridor Contract to The Bank of New York, as corridor contract administrator (in such capacity, the "Corridor Contract Administrator"), and Countrywide Home Loans, the Corridor Contract Administrator and the Trustee will enter into a corridor contract administration agreement (the "Corridor Contract Administration Agreement") pursuant to which the Corridor Contract Administrator will allocate any payments received under the Corridor Contract between the Trustee and Countrywide Home Loans as described below.

On or prior to the Corridor Contract Termination Date, amounts (if any) received under the Corridor Contract by the Corridor Contract Administrator and allocated to the trustee for the benefit of the trust fund in respect of the Corridor Contract will be used to pay the Class 1-A-1 Yield Supplement Amount and Class 1-A-7 Yield Supplement Amount, as described below under "— The Corridor Reserve Fund." Amounts received on the Corridor Contract will not be available to make interest distributions or pay the yield supplement amounts on any class of certificates other than the Class 1-A-1 and Class 1-A-7 Certificates.

With respect to the Corridor Contract and any Distribution Date on or prior to the Corridor Contract Termination Date, the amount payable by the Corridor Contract Counterparty under the Corridor Contract will equal the product of (i) the excess, if any, of (x) the lesser of (A) One-Month LIBOR (as determined by the Corridor Contract Counterparty) and (B) 8.80%, over (y) 4.80% and (ii) the lesser of (x) the Corridor Contract Notional Balance for such Distribution Date and (y) the aggregate Class Certificate Balance of the Class 1-A-1 and Class 1-A-7 Certificates immediately prior to such Distribution Date divided by 12.

The "Corridor Contract Notional Balance" is as described in the following table:

<b>Month of Distribution Date</b>	<b>Corridor Contract Notional Balance (\$)</b>	<b>Month of Distribution Date</b>	<b>Corridor Contract Notional Balance (\$)</b>
July 2005	105,000,000.00	June 2009	21,269,919.84
August 2005	103,570,444.95	July 2009	20,200,144.19
September 2005	101,987,219.32	August 2009	19,156,308.41
October 2005	100,253,894.53	September 2009	18,137,926.67
November 2005	98,374,393.56	October 2009	17,144,522.24
December 2005	96,353,077.67	November 2009	16,175,627.26
January 2006	94,194,734.57	December 2009	15,230,782.61
February 2006	91,916,679.05	January 2010	14,309,537.75
March 2006	89,523,920.79	February 2010	13,411,450.55
April 2006	87,025,539.51	March 2010	12,536,087.11
May 2006	84,500,568.28	April 2010	11,683,021.66
June 2006	82,028,543.34	May 2010	10,851,836.37
July 2006	79,608,682.88	June 2010	10,042,121.21
August 2006	77,240,012.37	July 2010	9,253,473.81
September 2006	74,921,575.40	August 2010	8,619,497.20
October 2006	72,652,433.38	September 2010	8,005,013.72
November 2006	70,431,665.21	October 2010	7,409,647.27
December 2006	68,258,366.92	November 2010	6,833,028.83
January 2007	66,131,651.38	December 2010	6,274,796.32
February 2007	64,050,648.00	January 2011	5,734,594.49
March 2007	62,014,502.37	February 2011	5,212,074.76
April 2007	60,022,376.03	March 2011	4,706,895.14
May 2007	58,073,446.12	April 2011	4,218,720.07
June 2007	56,166,905.09	May 2011	3,747,220.31
July 2007	54,301,960.47	June 2011	3,292,072.84
August 2007	52,477,834.54	July 2011	2,852,960.70
September 2007	50,693,764.05	August 2011	2,471,265.43
October 2007	48,949,000.00	September 2011	2,104,425.57
November 2007	47,242,807.33	October 2011	1,752,147.31
December 2007	45,574,464.68	November 2011	1,414,142.41
January 2008	43,943,264.13	December 2011	1,090,128.14
February 2008	42,348,510.97	January 2012	779,827.18
March 2008	40,789,523.42	February 2012	482,967.46
April 2008	39,265,632.42	March 2012	199,282.13
May 2008	37,776,181.37		
June 2008	36,320,525.92		
July 2008	34,898,033.72		
August 2008	33,508,084.23		
September 2008	32,150,068.47		
October 2008	30,823,388.80		
November 2008	29,527,458.76		
December 2008	28,261,702.79		
January 2009	27,025,556.09		
February 2009	25,818,464.38		
March 2009	24,639,883.73		
April 2009	23,489,280.34		
May 2009	22,366,130.40		

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The Corridor Contract is scheduled to remain in effect up to and including the Distribution Date in March 2012 (the “Corridor Contract Termination Date”).

The Corridor Contract will be subject to early termination only in limited circumstances. Such circumstances generally include certain insolvency or bankruptcy events in relation to the Corridor Contract Counterparty, the Corridor Contract Administrator or the trust fund, the failure by the Corridor Contract Counterparty (within three business days after notice of such failure is received by the Corridor Contract Counterparty) to make a payment due under the Corridor Contract, the failure by the Corridor Contract Counterparty, the Corridor Contract Administrator or the trustee (within 30 days after notice of such failure is received) to perform any other agreement made by it under the Corridor Contract, and such Corridor Contract becoming illegal or subject to certain kinds of taxation.

If the Corridor Contract is terminated early, the Corridor Contract Counterparty may owe a termination payment, payable in a lump sum. Any termination payment will be allocated by the Corridor Contract Administrator between the trustee and Countrywide Home Loans, based on, with respect to the trustee, a fraction, the numerator of which is the lesser of (x) the Corridor Contract Notional Balance at the time of termination and (y) the aggregate Class Certificate Balance of the related class of certificates at the time of termination, and the denominator of which is the Corridor Contract Notional Balance at the time of termination, and with respect to Countrywide Home Loans, a fraction, the numerator of which is the excess, if any, of (x) the Corridor Contract Notional Balance at the time of termination over (y) the aggregate Class Certificate Balance of the Class 1-A-1 and Class 1-A-7 Certificates at the time of termination, and the denominator of which is the Corridor Contract Notional Balance at the time of termination. The portion of any termination payment that is allocated to the trust fund will be deposited by the trustee in the Corridor Reserve Fund and applied on future Distribution Dates to pay any Yield Supplement Amount on the Class 1-A-1 and Class 1-A-7 Certificates, until the Corridor Contract Termination Date. However, if such termination occurs, there can be no assurance that any such termination payment will be paid to the trustee.

Moody’s and S&P rate JPMorgan’s long-term, unsecured, unsubordinated debt obligations “Aa2” and “AA-”, respectively.

The offered certificates do not represent an obligation of the Corridor Contract Counterparty or the Corridor Contract Administrator. The holders of the offered certificates are not parties to or beneficiaries under the Corridor Contract or the Corridor Contract Administration Agreement and will not have any right to proceed directly against the Corridor Contract Counterparty in respect of its obligations under the Corridor Contract or against the Corridor Contract Administrator in respect of its obligations under the Corridor Contract Administration Agreement.

### **The Corridor Reserve Fund**

The Pooling and Servicing Agreement will establish an account (the “Corridor Reserve Fund”), which will be held in trust by the trustee on behalf of the holders of the Class 1-A-1 and Class 1-A-7 Certificates. On the Closing Date, the depositor will deposit or cause to be deposited \$1,000 in the Corridor Reserve Fund. The Corridor Reserve Fund will not be an asset of any REMIC.

On each Distribution Date, the trustee will deposit in the Corridor Reserve Fund any amounts received in respect of the Corridor Contract for the related interest accrual period. On each Distribution Date, such amounts received in respect of the Corridor Contract will first be distributed concurrently to the Class 1-A-1 and Class 1-A-7 Certificates to the extent necessary to pay the applicable Yield



Supplement Amount, pro rata based on their respective Class Certificate Balances. On the Distribution Date immediately following the earlier of (i) the Corridor Contract Termination Date and (ii) the date on which the Class Certificate Balances of the Class 1-A-1 and Class 1-A-7 Certificates have been reduced to zero, all amounts remaining in the Corridor Reserve Fund will be distributed to Countrywide Securities Corporation.

For any Distribution Date, on or prior to the Corridor Contract Termination Date, on which LIBOR exceeds 4.80%, the related Yield Supplement Amount will equal interest for the related interest accrual period on the Class Certificate Balance of the applicable class of certificates immediately prior to such Distribution Date at a rate equal to the excess of (i) the lesser of LIBOR and 8.80% over (ii) 4.80%.

### Principal

All payments and other amounts received in respect of principal of the mortgage loans in a loan group will be allocated between the related PO Class and the related senior certificates (other than the related PO Class and the related notional amount certificates) and the subordinated certificates, in each case based on the applicable PO Percentage and the applicable Non-PO Percentage, respectively, of those amounts.

The Non-PO Percentage with respect to any mortgage loan in each loan group with a net mortgage rate less than the percentage indicated below (each a “Discount mortgage loan”) will be determined as follows:

<u>Discount Mortgage Loan in Loan Group</u>	<u>Net Mortgage Rate for Mortgage Loan</u>	<u>Non-PO Percentage</u>
1	Less than 5.50%	net mortgage rate <i>divided by 5.50%</i>
2	Less than 6.00%	net mortgage rate <i>divided by 6.00%</i>

The Non-PO Percentage with respect to any mortgage loan in each loan group with a net mortgage rate equal to or greater than the percentage indicated below (each a “Non-Discount mortgage loan”) will be 100%.

<u>Non-Discount Mortgage Loan in Loan Group</u>	<u>Net Mortgage Rate for Mortgage Loan</u>
1	Greater than or equal to 5.50%
2	Greater than or equal to 6.00%

The PO Percentage with respect to any Discount mortgage loan in each loan group will be equal to the amount described below:

<u>Discount Mortgage Loan in Loan Group</u>	<u>PO Percentage of Discount Mortgage Loan</u>
1	(5.50% — net mortgage rate) <i>divided by 5.50%</i>
2	(6.00% — net mortgage rate) <i>divided by 6.00%</i>

The PO Percentage with respect to any Non-Discount mortgage loan in each loan group will be 0%.

*Non-PO Formula Principal Amount.* On each Distribution Date, the Non-PO Formula Principal Amount for each loan group will be distributed as principal with respect to the related classes of senior certificates (other than the related PO Class and the notional amount certificates) in an amount up to the Senior Principal Distribution Amount for such loan group and as principal of the subordinated certificates, as a portion of the Subordinated Principal Distribution Amount.

The “Non-PO Formula Principal Amount” for any Distribution Date and loan group will equal the sum of:

- (i) the sum of the applicable Non-PO Percentage of
  - (a) all monthly payments of principal due on each mortgage loan in that loan group on the related Due Date,
  - (b) the principal portion of the purchase price of each mortgage loan in that loan group that was repurchased by a seller or another person pursuant to the pooling and servicing agreement as of the Distribution Date,
  - (c) the Substitution Adjustment Amount in connection with any deleted mortgage loan in that loan group received with respect to the Distribution Date,
  - (d) any insurance proceeds or liquidation proceeds allocable to recoveries of principal of mortgage loans in that loan group that are not yet Liquidated Mortgage Loans received during the calendar month preceding the month of the Distribution Date,
  - (e) with respect to each mortgage loan in that loan group that became a Liquidated Mortgage Loan during the calendar month preceding the month of the Distribution Date, the amount of the liquidation proceeds allocable to principal received with respect to the mortgage loan, and
  - (f) all partial and full principal prepayments by borrowers on the mortgage loans in that loan group received during the related Prepayment Period;
- (ii) (A) any Subsequent Recoveries on the mortgage loans in that loan group received during the calendar month preceding the month of the Distribution Date, or (B) with respect to Subsequent Recoveries attributable to a Discount mortgage loan in that loan group which incurred a Realized Loss after the Senior Credit Support Depletion Date, the Non-PO Percentage of any Subsequent Recoveries received during the calendar month preceding the month of such Distribution Date.

*Senior Principal Distribution Amount.* On each Distribution Date, the Non-PO Formula Principal Amount related to each loan group, in each case up to the amount of the related Senior Principal Distribution Amount for the Distribution Date, will be distributed as principal to the following classes of senior certificates, in the following order of priority:

### **Distributions with respect to Loan Group 1**

- sequentially, in the following order of priority:
  - (1) to the Class A-R Certificates, until its Class Certificate Balance is reduced to zero;
  - (2) concurrently, to the Class 1-A-6 and Class 1-A-9 Certificates, pro rata, the Priority Amount, until their respective Class Certificate Balances are reduced to zero;
  - (3) up to \$1,000 on each Distribution Date, concurrently, to the Class 1-A-1, Class 1-A-7 and Class 1-A-8 Certificates, pro rata, until their respective Class Certificate Balances are reduced to zero;
  - (4) up to \$310,000 on each Distribution Date, sequentially, to the Class 1-A-3 and Class 1-A-4 Certificates, in that order, in each case until its Class Certificate Balance is reduced to zero;
  - (5) concurrently, to the Class 1-A-1, Class 1-A-7 and Class 1-A-8 Certificates, pro rata, until their respective Class Certificate Balances are reduced to zero;
  - (6) sequentially, to the Class 1-A-3 and Class 1-A-4 Certificates, in that order, in each case until its Class Certificate Balance is reduced to zero;
  - (7) to the Class 1-A-5 Certificates, until its Class Certificate Balance is reduced to zero; and
  - (8) concurrently, to the Class 1-A-6 and Class 1-A-9 Certificates, pro rata, without regard to the Priority Amount, until their respective Class Certificate Balances are reduced to zero.

### **Distributions with respect to Loan Group 2**

- to the Class 2-A-1 Certificates, until its Class Certificate Balance is reduced to zero.

Notwithstanding the foregoing, on each Distribution Date on and after the Senior Credit Support Depletion Date, the Non-PO Formula Principal Amount for loan group 1 will be distributed, concurrently, as principal of the related classes of senior certificates (other than the notional amount certificates and the related PO Class), pro rata, in accordance with their respective Class Certificate Balances immediately before that Distribution Date.

The capitalized terms used herein shall have the following meanings:

“Priority Amount” for any Distribution Date will equal the sum of (i) the product of (A) the Scheduled Principal Distribution Amount for loan group 1, (B) the Shift Percentage and (C) the Priority Percentage and (ii) the product of (A) the Unscheduled Principal Distribution Amount for loan group 1, (B) the Shift Percentage and (C) the Priority Percentage.

“Priority Percentage” for any Distribution Date will equal the percentage equivalent of a fraction, the numerator of which is the aggregate Class Certificate Balance of the Class 1-A-6 and Class 1-A-9 Certificates immediately prior to such Distribution Date, and the denominator of which is equal to the

aggregate of the applicable Non-PO Percentage of the Stated Principal Balance of each mortgage loan in loan group 1 as of the Due Date in the month preceding the month of that Distribution date (after giving effect to prepayments received in the Prepayment Period relating to that preceding Due Date).

“Scheduled Principal Distribution Amount” for any Distribution Date and loan group will equal the Non-PO Percentage of all amounts described in subclauses (a) through (d) of clause (i) of the definition of Non-PO Formula Principal Amount for such Distribution Date.

“Unscheduled Principal Distribution Amount” for any Distribution Date and loan group will equal the sum of (i) with respect to each mortgage loan that became a Liquidated Mortgage Loan during the calendar month preceding the month of such Distribution Date, the applicable Non-PO Percentage of the Liquidation Proceeds allocable to principal received with respect to such mortgage loan and (ii) the applicable Non-PO Percentage of the amount described in subclause (f) of clause (i) of the definition of Non-PO Formula Principal Amount for such Distribution Date and (iii) any Subsequent Recoveries described in clause (ii) of the definition of Non-PO Formula Principal Amount for such Distribution Date.

“Shift Percentage” for any Distribution Date occurring during the five years beginning on the first Distribution Date will equal 0%. Thereafter, the Shift Percentage for any Distribution Date occurring on or after the fifth anniversary of the first Distribution Date will be as follows: for any Distribution Date in the first year thereafter, 30%; for any Distribution Date in the second year thereafter, 40%; for any Distribution Date in the third year thereafter, 60%; for any Distribution Date in the fourth year thereafter, 80%; and for any Distribution Date thereafter, 100%.

“Due Date” means, with respect to a mortgage loan, the day of the calendar month on which scheduled payments are due on that mortgage loan. With respect to any Distribution Date, the related Due Date is the first day of the calendar month in which that Distribution Date occurs.

“Prepayment Period” means for any Distribution Date and related Due Date (a) with respect to the mortgage loans directly serviced by Countrywide Servicing, the period from the sixteenth day of the calendar month immediately preceding the month in which the Distribution Date occurs (or in the case of the first Distribution Date, from June 1, 2005) through the fifteenth day of the following calendar month and (b) with respect to the remaining mortgage loans, the calendar month immediately preceding the month in which the Distribution Date occurs.

The “Senior Principal Distribution Amount” for any Distribution Date and loan group will equal the sum of

- the related Senior Percentage of the applicable Non-PO Percentage of all amounts described in subclauses (a) through (d) of clause (i) of the definition of “Non-PO Formula Principal Amount” for that loan group and Distribution Date,
- for each mortgage loan in that loan group that became a Liquidated Mortgage Loan during the calendar month preceding the month of the Distribution Date, the lesser of
  - the related Senior Percentage of the applicable Non-PO Percentage of the Stated Principal Balance of the mortgage loan, and
  - the related Senior Prepayment Percentage of the applicable Non-PO Percentage of the amount of the liquidation proceeds allocable to principal received on the mortgage loan, and

- the sum of
  - the related Senior Prepayment Percentage of the applicable Non-PO Percentage of amounts described in subclause (f) of clause (i) of the definition of Non-PO Formula Principal Amount for that loan group and Distribution Date, and
  - the related Senior Prepayment Percentage of any Subsequent Recoveries described in clause (ii) of the definition of Non-PO Formula Principal Amount for that loan group and Distribution Date;

provided, however, that on any Distribution Date after the senior termination date, the Senior Principal Distribution Amount for the remaining senior certificates will be calculated pursuant to the above formula based on all the mortgage loans in the mortgage pool, as opposed to the mortgage loans in the related loan group.

“Stated Principal Balance” means for any mortgage loan and Due Date, the unpaid principal balance of the mortgage loan as of that Due Date, as specified in its amortization schedule at that time (before any adjustment to the amortization schedule for any moratorium or similar waiver or grace period), after giving effect to (i) any previous partial principal prepayments and the payment of principal due on that Due Date, irrespective of any delinquency in payment by the related mortgagor, and (ii) liquidation proceeds allocable to principal received in the prior calendar month and prepayments of principal received through the last day of the related Prepayment Period, in each case with respect to that mortgage loan. The pool principal balance equals the aggregate of the Stated Principal Balances of the mortgage loans. The loan group principal balance with respect to either loan group equals the aggregate of the Stated Principal Balances of the mortgage loans in that loan group.

The “Senior Percentage” of a senior certificate group and Distribution Date is the percentage equivalent of a fraction, not to exceed 100%, the numerator of which is the aggregate of the Class Certificate Balances of each class of senior certificates of such senior certificate group (other than the related PO Class and the notional amount certificates) immediately before the Distribution Date and the denominator of which is the aggregate of the applicable Non-PO Percentage of the Stated Principal Balance of each mortgage loan in the related loan group as of the Due Date in the month preceding the month of that Distribution Date (after giving effect to prepayments received in the Prepayment Period related to that preceding Due Date); provided, however, that on any Distribution Date after the senior termination date, the Senior Percentage of the remaining senior certificate group is the percentage equivalent of a fraction, the numerator of which is the aggregate of the Class Certificate Balances of each class of senior certificates (other than the related PO Class and the notional amount certificates) of such remaining senior certificate group immediately prior to such date and the denominator of which is the aggregate of the Class Certificate Balances of all classes of certificates (other than the PO Classes and the notional amount certificates) immediately prior to such Distribution Date. For any Distribution Date on and prior to the senior termination date, the Subordinated Percentage for the portion of the subordinated certificates relating to a loan group will be calculated as the difference between 100% and the Senior Percentage of the senior certificate group relating to that loan group on such Distribution Date. After the senior termination date, the Subordinated Percentage will represent the entire interest of the subordinated certificates in the mortgage pool and will be calculated as the difference between 100% and the Senior Percentage for such Distribution Date.

The “Senior Prepayment Percentage” of a senior certificate group for any Distribution Date occurring during the five years beginning on the first Distribution Date will equal 100%. Thereafter, each Senior Prepayment Percentage will be subject to gradual reduction as described in the following paragraph. This disproportionate allocation of unscheduled payments of principal will have the effect of

accelerating the amortization of the senior certificates (other than the related PO Class and the notional amount certificates) which receive these unscheduled payments of principal while, in the absence of Realized Losses, increasing the interest in the mortgage loans of the applicable loan group evidenced by the subordinated certificates. Increasing the respective interest of the subordinated certificates relative to that of the senior certificates is intended to preserve the availability of the subordination provided by the subordinated certificates. The "Subordinated Prepayment Percentage" for a loan group as of any Distribution Date will be calculated as the difference between 100% and the related Senior Prepayment Percentage.

The Senior Prepayment Percentage of a senior certificate group for any Distribution Date occurring on or after the fifth anniversary of the first Distribution Date will be as follows: for any Distribution Date in the first year thereafter, the related Senior Percentage plus 70% of the related Subordinated Percentage for the Distribution Date; for any Distribution Date in the second year thereafter, the related Senior Percentage plus 60% of the related Subordinated Percentage for the Distribution Date; for any Distribution Date in the third year thereafter, the related Senior Percentage plus 40% of the related Subordinated Percentage for the Distribution Date; for any Distribution Date in the fourth year thereafter, the related Senior Percentage plus 20% of the related Subordinated Percentage for the Distribution Date; and for any Distribution Date thereafter, the related Senior Percentage for the Distribution Date (unless on any Distribution Date the Senior Percentage of a senior certificate group exceeds the initial Senior Percentage of such senior certificate group, in which case the Senior Prepayment Percentage for each senior certificate group for that Distribution Date will once again equal 100%).

Notwithstanding the foregoing, no decrease in the Senior Prepayment Percentage for either loan group will occur unless both of the step down conditions listed below are satisfied with respect to each loan group:

- the outstanding principal balance of all mortgage loans in a loan group delinquent 60 days or more (including mortgage loans in foreclosure, real estate owned by the trust fund and mortgage loans the mortgagors of which are in bankruptcy) (averaged over the preceding six month period), as a percentage of (a) if such date is on or prior to the senior termination date, the Subordinated Percentage for such loan group of the aggregate of the applicable Non-PO Percentage of the aggregate Stated Principal Balances of the mortgage loans in that loan group or (b) if such date is after the senior termination date, the aggregate Class Certificate Balance of the subordinated certificates, is less than 50%, and
- cumulative Realized Losses on the mortgage loans in each loan group do not exceed
- commencing with the Distribution Date on the fifth anniversary of the first Distribution Date, 30% of (i) if such date is on or prior to the senior termination date, the Subordinated Percentage for that loan group of the aggregate of the applicable Non-PO Percentage of the Stated Principal Balances of the mortgage loans in that loan group, in each case as of the cut-off date or (ii) if such date is after the senior termination date, the aggregate of the principal balances of the subordinated certificates as of the closing date (in either case, the "original subordinate principal balance"),
- commencing with the Distribution Date on the sixth anniversary of the first Distribution Date, 35% of the original subordinate principal balance,
- commencing with the Distribution Date on the seventh anniversary of the first Distribution Date, 40% of the original subordinate principal balance,

- commencing with the Distribution Date on the eighth anniversary of the first Distribution Date, 45% of the original subordinate principal balance, and
- commencing with the Distribution Date on the ninth anniversary of the first Distribution Date, 50% of the original subordinate principal balance.

The Senior Termination Date for a senior certificate group is the date on which the aggregate Class Certificate Balance of the senior certificates of such senior certificate group (other than the related PO Class) is reduced to zero.

If on any Distribution Date the allocation to the class or classes of senior certificates (other than the related PO Class) then entitled to distributions of principal of full and partial principal prepayments and other amounts in the percentage required above would reduce the outstanding Class Certificate Balance of the class or classes below zero, the distribution to the class or classes of certificates of the related Senior Prepayment Percentage of those amounts for the Distribution Date will be limited to the percentage necessary to reduce the related Class Certificate Balance(s) to zero.

*Cross-Collateralization.* If on any Distribution Date the aggregate Class Certificate Balance of the senior certificates of a senior certificate group, other than the related PO Class, after giving effect to distributions to be made on that Distribution Date, is greater than the Non-PO Pool Balance for that loan group (any such group, an “Undercollateralized Group”), all amounts otherwise distributable as principal to the subordinated certificates (or, following the Senior Credit Support Depletion Date, the amounts described in the following sentence) will be distributed as principal to the senior certificates of that Undercollateralized Group, other than the related PO Class, until the aggregate Class Certificate Balance of the senior certificates, other than the related PO Class, of the Undercollateralized Group equals the Non-PO Pool Balance for that loan group (such distribution, an “Undercollateralization Distribution”). If the senior certificates, other than the related PO Class, of a senior certificate group constitute an Undercollateralized Group on any Distribution Date following the Senior Credit Support Depletion Date, Undercollateralization Distributions will be made from the excess of the Available Funds for the other loan group remaining after all required amounts for that Distribution Date have been distributed to the senior certificates, other than the related PO Class, of that senior certificate group.

Except as provided otherwise in the preceding paragraph, the subordinated certificates will not receive distributions of principal until each Undercollateralized Group is no longer undercollateralized.

The “Non-PO Pool Balance” for either loan group and Due Date is equal to the excess, if any, of (x) the aggregate Stated Principal Balance of all mortgage loans in the related loan group over (y) the sum of the PO Percentage of the Stated Principal Balance of each Discount mortgage loan in that loan group.

All distributions described in this “Cross-Collateralization” section will be made in accordance with the priorities set forth under “Distributions on the Certificates — Principal — Senior Principal Distribution Amount” above and “— Subordinated Principal Distribution Amount” below.

*Subordinated Principal Distribution Amount.* On each Distribution Date and with respect to both loan groups, to the extent of Available Funds therefor, the Non-PO Formula Principal Amount for each loan group, up to the amount of the Subordinated Principal Distribution Amount for each loan group for the Distribution Date, will be distributed as principal of the subordinated certificates. Except as provided in the next paragraph, each class of subordinated certificates will be entitled to receive its *pro rata* share of the Subordinated Principal Distribution Amount from both loan groups (based on its respective Class Certificate Balance), in each case to the extent of the amount available from Available Funds from both loan groups for distribution of principal. Distributions of principal of the subordinated certificates will be

made sequentially to the classes of subordinated certificates in the order of their numerical class designations, beginning with the Class M Certificates, until their respective Class Certificate Balances are reduced to zero.

With respect to each class of subordinated certificates (other than the class of subordinated certificates then outstanding with the highest priority of distribution), if on any Distribution Date the sum of the related Class Subordination Percentages of such class and all classes of subordinated certificates which have higher numerical class designations than the class (the “Applicable Credit Support Percentage”) is less than the Applicable Credit Support Percentage for such class on the date of issuance of the certificates (the “Original Applicable Credit Support Percentage”), no distribution of partial principal prepayments and principal prepayments in full from either loan group will be made to any of those classes (the “Restricted Classes”) and the amount of partial principal prepayments and principal prepayments in full otherwise distributable to the Restricted Classes will be allocated among the remaining classes of subordinated certificates, pro rata, based upon their respective Class Certificate Balances, and distributed in the sequential order described above.

The “Class Subordination Percentage” with respect to any Distribution Date and each class of subordinated certificates, will equal the fraction (expressed as a percentage) the numerator of which is the Class Certificate Balance of the class of subordinated certificates immediately before the Distribution Date and the denominator of which is the aggregate of the Class Certificate Balances of all classes of certificates immediately before the Distribution Date.

On the date of issuance of the certificates, the characteristics of the certificates listed below are expected to be as follows:

	Beneficial Interest in Trust Fund	Initial Credit Enhancement Level	Original Applicable Credit Support Percentage
Senior Certificates.....	96.00%	4.00%	N/A
Class M .....	1.90%	2.10%	4.00%
Class B-1 .....	0.70%	1.40%	2.10%
Class B-2 .....	0.40%	1.00%	1.40%
Class B-3 .....	0.40%	0.60%	1.00%
Class B-4 .....	0.30%	0.30%	0.60%
Class B-5 .....	0.30%	0.00%	0.30%

For purposes of calculating the Applicable Credit Support Percentages of subordinated certificates, the Class M Certificates will be considered to have a lower numerical class designation than each other class of subordinated certificates.

The “Subordinated Principal Distribution Amount” for each loan group and any Distribution Date will equal the sum of

- the related Subordinated Percentage for that loan group of the applicable Non-PO Percentage of all amounts described in subclauses (a) through (d) of clause (i) of the definition of “Non-PO Formula Principal Amount” for that loan group and that Distribution Date,
- for each mortgage loan in that loan group that became a Liquidated Mortgage Loan during the calendar month preceding the month of the Distribution Date, the applicable Non-PO Percentage of the remaining liquidation proceeds allocable to principal received on the



mortgage loan, after application of the amounts pursuant to the second bulleted item of the definition of Senior Principal Distribution Amount up to the related Subordinated Percentage of the applicable Non-PO Percentage of the Stated Principal Balance of the mortgage loan,

- the related Subordinated Prepayment Percentage for that loan group of the applicable Non-PO Percentage of the amounts described in subclause (f) of clause (i) of the definition of Non-PO Formula Principal Amount for the Distribution Date, and
- the related Subordinated Prepayment Percentage of any Subsequent Recoveries described in clause (ii) of the definition of Non-PO Formula Principal Amount for that loan group and Distribution Date,
- reduced by the amount of any payments in respect of related Class PO Deferred Amounts on the related Distribution Date.

On any Distribution Date after the Senior Termination Date, the Subordinated Principal Distribution Amount will not be calculated by loan group but will equal the amount calculated pursuant to the formula set forth above based on the applicable Subordinated Percentage or Subordinated Prepayment Percentage, as applicable, for the subordinated certificates for such Distribution Date with respect to all of the mortgage loans in the mortgage pool as opposed to the mortgage loans in the related loan group.

*Residual Certificates.* The Class A-R Certificates (also referred to the “Residual Certificates”) will remain outstanding for so long as the trust fund shall exist, whether or not they are receiving current distributions of principal or interest. In addition to distributions of interest and principal as described above, on each Distribution Date, the holders of the Residual Certificates will be entitled to receive certain amounts as described in the pooling and servicing agreement and any Available Funds for either loan group remaining after payment of interest on and principal of the senior certificates and Class PO Deferred Amounts on the related PO Class and interest on and principal of the subordinated certificates, as described above. It is not anticipated that there will be any significant amounts remaining for that distribution.

*Class PO Principal Distribution Amount.* On each Distribution Date, distributions of principal of each PO Class will be made in an amount equal to the lesser of (x) the related PO Formula Principal Amount for the Distribution Date and class and (y) the product of

- Available Funds for the related loan group remaining after distribution of interest on the senior certificates in the related senior certificate group, and
- a fraction, the numerator of which is the related PO Formula Principal Amount and the denominator of which is the sum of that PO Formula Principal Amount and the related Senior Principal Distribution Amount.

If the Class PO Principal Distribution Amount on a Distribution Date is calculated as provided in clause (y) above, principal distributions to holders of the related senior certificates (other than the notional amount certificates and the related PO Class) will be in an amount equal to the product of Available Funds for that loan group remaining after distribution of interest on the related senior certificate group and a fraction, the numerator of which is the related Senior Principal Distribution Amount and the denominator of which is the sum of that Senior Principal Distribution Amount and the related PO Formula Principal Amount.

The “PO Formula Principal Amount” for any Distribution Date and related PO Class will equal the sum of

- the sum of the applicable PO Percentage of
  - all monthly payments of principal due on each mortgage loan in the related loan group on the related Due Date,
  - the principal portion of the purchase price of each mortgage loan in that loan group that was repurchased by the related seller or another person pursuant to the pooling and servicing agreement as of the Distribution Date,
  - the Substitution Adjustment Amount in connection with any deleted mortgage loan in that loan group received for the Distribution Date,
  - any insurance proceeds or liquidation proceeds allocable to recoveries of principal of mortgage loans in that loan group that are not yet Liquidated Mortgage Loans received during the calendar month preceding the month of the Distribution Date,
  - for each mortgage loan in that loan group that became a Liquidated Mortgage Loan during the calendar month preceding the month of the Distribution Date, the amount of liquidation proceeds allocable to principal received on the mortgage loan,
  - all partial and full principal prepayments by borrowers on the mortgage loans in that loan group received during the related Prepayment Period,
- with respect to Subsequent Recoveries attributable to a Discount mortgage loan in that loan group which incurred a Realized Loss on any mortgage loan after the Senior Credit Support Depletion Date, the PO Percentage of any Subsequent Recoveries received during the calendar month preceding the month of such Distribution Date.

#### **Allocation of Losses**

On each Distribution Date, the applicable PO Percentage of any Realized Loss on a Discount mortgage loan in a loan group will be allocated to the related PO Class until the class certificate balance thereof is reduced to zero. The amount of any Realized Loss allocated to a PO Class on or before the Senior Credit Support Depletion Date will be treated as a Class PO Deferred Amount. To the extent funds are available on the Distribution Date or on any future Distribution Date from amounts that would otherwise be allocable from Available Funds of both of the loan groups for the Subordinated Principal Distribution Amount, Class PO Deferred Amounts will be paid on the PO Classes before distributions of principal of the subordinated certificates. Any distribution of Available Funds in a loan group in respect of unpaid Class PO Deferred Amounts will not further reduce the Class Certificate Balance of the related PO Class. The Class PO Deferred Amounts will not bear interest. The Class Certificate Balance of the subordinated certificates then outstanding with the highest numerical class designation will be reduced by the amount of any payments in respect of Class PO Deferred Amounts. After the Senior Credit Support Depletion Date, no new Class PO Deferred Amounts will be created.

For purposes of allocating losses on the mortgage loans in either loan group to the subordinated certificates, the Class M Certificates will be considered to have a lower numerical class designation than each other class of subordinated certificates.

The Senior Credit Support Depletion Date is the date on which the Class Certificate Balance of each class of subordinated certificates has been reduced to zero.

On each Distribution Date, the applicable Non-PO Percentage of any Realized Loss on the mortgage loans in a loan group will be allocated first to the subordinated certificates, in the reverse order of their numerical class designations (beginning with the subordinated certificates then outstanding with the highest numerical class designation), in each case until the Class Certificate Balance of the respective class of certificates has been reduced to zero, and then to the senior certificates of the related senior certificate group (other than the related PO Class and the notional amount certificates) *pro rata*, based upon their respective Class Certificate Balances, except that the Non-PO Percentage of any Realized Losses on the mortgage loans in loan group 1 that would otherwise be allocated to the Class 1-A-6 and Class 1-A-7 Certificates will instead be allocated to the Class 1-A-9 and Class 1-A-8 Certificates, respectively, until their respective Class Certificate Balance are reduced to zero.

Because principal distributions are paid to some classes of certificates (other than the PO Classes and the notional amount certificates) before other classes of certificates, holders of the certificates that are entitled to receive principal later bear a greater risk of being allocated Realized Losses on the mortgage loans than holders of classes that are entitled to receive principal earlier.

In general, a “Realized Loss” means, for a Liquidated Mortgage Loan, the amount by which the remaining unpaid principal balance of the mortgage loan exceeds the amount of liquidation proceeds applied to the principal balance of the related mortgage loan. See “Credit Enhancement — Subordination” in this prospectus supplement and in the prospectus.

A “Liquidated Mortgage Loan” is a defaulted mortgage loan as to which the master servicer has determined that all recoverable liquidation and insurance proceeds have been received.

“Subsequent Recoveries” are unexpected recoveries, net of reimbursable expenses, with respect to a Liquidated Mortgage Loan that resulted in a Realized Loss in a month prior to the month of receipt of such recoveries.

### **Reports to Certificateholders**

The trustee may, at its option, make the information described in the prospectus under “Description of the Certificates – Reports to Certificateholders” available to certificateholders on the trustee’s website. Assistance in using the trustee’s internet website can be obtained by calling the trustee’s customer service desk at (800) 254-2826.

### **Structuring Assumptions**

Unless otherwise specified, the information in the tables in this prospectus supplement has been prepared on the basis of the following assumed characteristics of the mortgage loans and the following additional assumptions, which combined are the structuring assumptions:

- loan group 1 consists of seven mortgage loans with the following characteristics:

<b>Principal Balance (\$)</b>	<b>Mortgage Rate (%)</b>	<b>Net Mortgage Rate (%)</b>	<b>Original Term to Maturity (In Months)</b>	<b>Remaining Term to Maturity (In Months)</b>	<b>Remaining Interest-Only Term to Maturity (In Months)</b>	<b>Loan Age (In Months)</b>
216,450.00	6.125000000	5.916000000	240	239	119	1
81,886,003.04	6.1126498027	5.9036498027	360	358	118	2
3,196,433.13	6.0219320312	5.7629320312	360	356	176	4
1,330,366.18	5.625000000	5.416000000	360	357	117	3
683,197.95	5.6221088083	5.3631088083	360	356	176	4
12,779,441.76	5.5837539608	5.3447786058	360	353	N/A	6
76,712,035.49	6.1605078451	5.9457632826	360	356	N/A	3

- loan group 2 consists of two mortgage loans with the following characteristics:

<b>Principal Balance (\$)</b>	<b>Mortgage Rate (%)</b>	<b>Net Mortgage Rate (%)</b>	<b>Original Term to Maturity (In Months)</b>	<b>Remaining Term to Maturity (In Months)</b>	<b>Remaining Interest-Only Term to Maturity (In Months)</b>	<b>Loan Age (In Months)</b>
13,152,355.86	6.0447337984	5.8357337984	180	136	N/A	38
44,900,565.38	6.4722239799	6.2616356414	180	133	N/A	42

- the mortgage loans prepay at the specified constant percentages of the applicable Prepayment Assumption,
- no defaults in the payment by mortgagors of principal of and interest on the mortgage loans are experienced,
- scheduled payments on the mortgage loans in each loan group are received on the first day of each month commencing in the calendar month following the closing date and are computed before giving effect to prepayments received on the last day of the prior month,
- prepayments are allocated as described in this prospectus supplement without giving effect to loss and delinquency tests,
- there are no Net Interest Shortfalls and prepayments represent prepayments in full of individual mortgage loans and are received on the last day of each month, commencing in the calendar month of the closing date,
- the scheduled monthly payment for each mortgage loan (except for the interest-only mortgage loans, during their interest-only periods), has been calculated such that each mortgage loan will amortize in amounts sufficient to repay the current balance of the mortgage loan by its respective remaining term to maturity,
- any mortgage loan with a remaining interest-only term greater than zero does not amortize during the remaining interest-only term. At the end of the remaining interest-only term, any such mortgage loan will amortize in amounts sufficient to repay the current balance of any mortgage loan over the remaining term to maturity calculated at the expiration of the remaining interest-only term,
- the Net Mortgage Rate is equal to the Mortgage Rate minus the sum of the master servicing fee and the trustee fee, and where applicable, amounts in respect of lender paid primary mortgage insurance on a mortgage loan,

- the initial Class Certificate Balance or initial notional amount as applicable, of each class of certificates is as set forth on the cover page hereof or as described under “Description of the Certificates—General” or “—Notional Amount Certificates”, as applicable in this prospectus supplement,
- interest accrues on each interest-bearing class of certificates at the applicable interest rate set forth on the cover page hereof or as described in this prospectus supplement,
- distributions in respect of the certificates are received in cash on the 25th day of each month commencing in the calendar month following the closing date,
- the closing date of the sale of the certificates is June 30, 2005,
- the Class P Certificates have an initial Class Certificate Balance of \$0.00,
- no seller is required to repurchase or substitute for any mortgage loan,
- the master servicer does not exercise the option to repurchase the mortgage loans described under “— Optional Purchase of Defaulted Loans” and “— Optional Termination,” and
- no class of certificates becomes a Restricted Class.

Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used in this prospectus supplement assumes a constant prepayment rate (“CPR”) or an assumed rate of prepayment each month of the then outstanding principal balance of a pool of new mortgage loans. With respect to loan group 1, a 100% prepayment assumption (a “Prepayment Assumption”) assumes a CPR of 8.0% per annum of the then outstanding principal balance of the applicable mortgage loans in loan group 1, in the first month of the life of the mortgage loans and an additional approximately 1.0909090909% (precisely 12%/11) per annum in the second through eleventh months. Beginning in the twelfth month and in each month thereafter during the life of the mortgage loans, a 100% Prepayment Assumption assumes a CPR of 20.0% per annum each month. With respect to loan group 2, a 100% Prepayment Assumption assumes 35% CPR. A 0% Prepayment Assumption assumes no prepayments.

There is no assurance that prepayments will occur at any of the Prepayment Assumption rates or at any other constant rate.

While it is assumed that each of the mortgage loans prepays at the specified constant percentages of the Prepayment Assumption, this is not likely to be the case. Moreover, discrepancies may exist between the characteristics of the actual mortgage loans which will be delivered to the trustee and characteristics of the mortgage loans used in preparing the tables.

### **Optional Purchase of Defaulted Loans**

The master servicer may, at its option, but subject to the conditions set forth in the pooling and servicing agreement, purchase from the trust fund any mortgage loan which is delinquent in payment by 151 days or more. Any purchase shall be at a price equal to 100% of the Stated Principal Balance of the mortgage loan plus accrued interest on it at the applicable mortgage rate from the date through which interest was last paid by the related mortgagor or advanced (and not reimbursed) to the first day of the month in which the amount is to be distributed.

## **Optional Termination**

The master servicer will have the right to repurchase all remaining mortgage loans and foreclosed or otherwise repossessed properties in the mortgage pool and thereby effect early retirement of the certificates, subject to the pool principal balance of the mortgage loans and foreclosed or otherwise repossessed properties at the time of repurchase being less than or equal to 10% of the aggregate Stated Principal Balance of the Mortgage Loans as of the cut-off date. If the master servicer exercises the option, the purchase price distributed with respect to each certificate will be 100% of its then outstanding principal balance plus any Class PO Deferred Amounts in the case of the PO Classes and, in the case of an interest-bearing certificate, any unpaid accrued interest thereon at the applicable pass-through rate, in each case subject to reduction as provided in the pooling and servicing agreement if the purchase price is based in part on the appraised value of any foreclosed or otherwise repossessed properties and the appraised value is less than the Stated Principal Balance of the related mortgage loans. Distributions on the certificates in respect of any optional termination will first be paid to the senior certificates and then to the subordinated certificates. The proceeds from any optional termination distribution may not be sufficient to distribute the full amount to which each class of certificates is entitled if the purchase price is based in part on the appraised value of any foreclosed or otherwise repossessed property and the appraised value is less than the Stated Principal Balance of the related mortgage loan.

## **The Trustee**

The Bank of New York will be the trustee under the pooling and servicing agreement. The depositor and the master servicer may maintain other banking relationships in the ordinary course of business with The Bank of New York. Offered certificates may be surrendered at the Corporate Trust Office of the trustee located at 101 Barclay Street, 8W, New York, New York 10286, Attention: Corporate Trust Administration or at any other address the trustee designates from time to time.

## **Restrictions on Transfer of the Class A-R Certificates**

The Class A-R Certificates will be subject to the restrictions on transfer described in the prospectus under “Material Federal Income Tax Consequences — REMIC Certificates — b. Residual Certificates — Tax-Related Restrictions on Transfers of Residual Certificates — Disqualified Organizations”, “— Noneconomic Residual Certificates” and “— Foreign Investors.” The Class A-R Certificates (in addition to other ERISA- restricted classes of certificates, as described in the pooling and servicing agreement) may not be acquired by a Plan. See “ERISA Considerations” in this prospectus supplement. Each Class A-R Certificate will contain a legend describing the foregoing restrictions.

## **Yield, Prepayment and Maturity Considerations**

### **General**

The effective yield to the holders of each interest-bearing class of certificates (other than the LIBOR Certificates) will be lower than the yield otherwise produced by the applicable rate at which interest is passed through to the holders and the purchase price of the certificates because monthly distributions will not be payable to the holders until the 25th day (or, if that day is not a business day, the following business day) of the month following the month in which interest accrues on the mortgage loans (without any additional distribution of interest or earnings on them for the delay).

Delinquencies on the mortgage loans that are not advanced by or on behalf of the master servicer (because amounts, if advanced, would be nonrecoverable) will adversely affect the yield on the related certificates. Because of the priority of distributions, shortfalls resulting from delinquencies not so

advanced will be borne first by the subordinated certificates, in the reverse order of their numerical class designations and then by the senior certificates of the senior certificate groups to which the shortfall relates *pro rata*. If, as a result of the shortfalls, the aggregate of the Class Certificate Balances of all classes of certificates exceeds the pool principal balance, the Class Certificate Balance of the class of subordinated certificates then outstanding with the highest numerical class designation will be reduced by the amount of the excess.

Net Interest Shortfalls will adversely affect the yields of the offered certificates. All losses initially will be borne by the subordinated certificates, in the reverse order of their numerical class designations (either directly or through distributions in respect of Class PO Deferred Amounts on the related PO Class). Moreover, since the Subordinated Principal Distribution Amount for each Distribution Date will be reduced by the amount of any distributions on the Distribution Date in respect of Class PO Deferred Amounts, the amount distributable as principal on each Distribution Date to each class of subordinated certificates then entitled to a distribution of principal will be less than it otherwise would be in the absence of the Class PO Deferred Amounts. As a result, the yields on the offered certificates will depend on the rate and timing of Realized Losses.

For purposes of allocating losses and shortfalls resulting from delinquencies to the subordinated certificates, the Class M Certificates will be considered to have a lower numerical class designation than each other class of subordinated certificates.

### **Prepayment Considerations and Risks**

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 to the rate and timing of payments of principal on the mortgage loans. The rate of principal payments on the mortgage loans will in turn be affected by the amortization schedules of the mortgage loans 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 sellers or master servicer. Except for 35 Mortgage Loans in loan group 1 and 6 mortgage loans in loan group 2 which have a prepayment charge if the related mortgagor prepays such mortgage loan during a period ranging from six months to five years after origination, the mortgage loans may be prepaid by the mortgagors at any time without a prepayment charge. Because certain of the mortgage loans contain prepayment charges, the rate of principal prepayments may be less than the rate of principal prepayments for mortgage loans that did not have prepayment penalties. The holders of the Class P Certificates will be entitled to all prepayment penalties received on the mortgage loans, and those amounts will not be available for distribution on the other classes of certificates. Under certain circumstances, as described in the pooling and servicing agreement, the master servicer may waive the payment of any otherwise applicable prepayment penalty. Investors should conduct their own analysis of the effect, if any, that the prepayment penalties, and decisions by the master servicer with respect to the waiver thereof, may have on the prepayment performance of the mortgage loans. In addition, 182 Mortgage Loans in loan group 1 do not provide for any payments of principal for the first five or ten years following their origination. These mortgage loans may involve a greater degree of risk because, if the related mortgagor defaults, the outstanding principal balance of that mortgage loan will be higher than for an amortizing mortgage loan. During their interest-only periods, these mortgage loans may be less likely to prepay as the interest-only feature may reduce the perceived benefits of refinancing due to the smaller monthly payment. However, as an interest-only mortgage loan approaches the end of its interest-only period, it may be more likely to be prepaid, even if market interest rates at the time are only slightly higher or lower than the interest rate on the interest-only mortgage loans as the related borrowers seek to avoid increases in their respective monthly mortgage payment. The mortgage loans are subject to the “due-on-sale” provisions included therein. See “The Mortgage Pool” in this prospectus supplement.

Prepayments, liquidations and purchases of the mortgage loans in a loan group will result in distributions on the offered certificates related to that loan group of principal amounts which would otherwise be distributed over the remaining terms of these mortgage loans. This includes any optional purchase by the master servicer of a defaulted mortgage loan and any optional repurchase of the remaining mortgage loans in both of the loan groups in connection with the termination of the trust fund, in each case as described in this prospectus supplement. 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 the rate of payment of principal of the mortgage loans or the rate of principal prepayments. The extent to which the yield to maturity of a class of offered certificates may vary from the anticipated yield will depend upon the degree to which the offered certificate is purchased at a discount or premium, and the degree to which the timing of payments thereon is sensitive to prepayments, liquidations and purchases of the mortgage loans in that loan group. Further, an investor should consider the risk that, in the case of the PO Classes and any other offered certificate purchased at a discount, a slower than anticipated rate of principal payments (including prepayments) on the mortgage loans in that loan group could result in an actual yield to the investor that is lower than the anticipated yield and, in the case of the notional amount certificates and any other offered certificate purchased at a premium, a faster than anticipated rate of principal payments could result in an actual yield to the investor that is lower than the anticipated yield. Investors in the notional amount certificates should carefully consider the risk that a rapid rate of principal payments on the Non-Discount mortgage loans in the related loan group could result in the failure of the investors to recover their initial investments.

The rate of principal payments (including prepayments) on pools of mortgage loans may vary significantly over time and may be influenced by a variety of economic, geographic, social and other factors, including changes in mortgagors' housing needs, job transfers, unemployment, mortgagors' net equity in the mortgaged properties, servicing decisions, as well as the characteristics of the mortgage loans included in the mortgage pool as described under "The Mortgage Pool — General" and "— Underwriting Process" in this prospectus supplement. In addition, Countrywide Home Loans' Streamlined Documentation Program may affect the rate of prepayments on the mortgage loans. In general, if prevailing interest rates were to fall significantly below the mortgage rates on the mortgage loans, the mortgage loans could be subject to higher prepayment rates than if prevailing interest rates were to remain at or above the mortgage rates on the mortgage loans. Conversely, if prevailing interest rates were to rise significantly, the rate of prepayments on the mortgage loans would generally be expected to decrease. No assurances can be given as to the rate of prepayments on the mortgage loans in stable or changing interest rate environments. Furthermore, with respect to up to 50% of the mortgage loans in each loan group, the depositor may deliver all or a portion of each related mortgage file to the trustee after the closing date. Should Countrywide Home Loans or any other seller fail to deliver all or a portion of any mortgage files to the depositor or other designee of the depositor or, at the depositor's direction, to the trustee, within that period, Countrywide Home Loans will be required to use its best efforts to deliver a replacement mortgage loan for the related delayed delivery mortgage loan or repurchase the related delayed delivery mortgage loan. Any repurchases pursuant to this provision would also have the effect of accelerating the rate of prepayments on the mortgage loans.

As described under "Description of the Certificates — Principal" in this prospectus supplement, the Senior Prepayment Percentage of the applicable Non-PO Percentage of all principal prepayments on the mortgage loans in a loan group will be initially distributed to the classes of related senior certificates (other than the notional amount certificates and the related PO Class) then entitled to receive principal prepayment distributions. This may result in all (or a disproportionate percentage) of the principal prepayments being distributed to holders of the classes of senior certificates and none (or less than their *pro rata* share) of the principal prepayments being distributed to holders of the subordinated certificates during the periods of time described in the definition of each "Senior Prepayment Percentage." The Class



1-A-6 and Class 1-A-9 Certificates generally will not receive principal distributions for the first five years after the closing date.

The yields on the subordinated certificates will reflect a combination of prepayment experience on the mortgage loans in both loan groups. Since the mortgage loans in each loan group may exhibit different prepayment behavior either simultaneously or over time, it will be more difficult to estimate the possible prepayment experience on and the resulting effects on the yields to maturity of those certificates.

The timing of changes in the rate of prepayments on the mortgage loans may significantly affect an investor's actual yield to maturity, even if the average rate of principal payments is consistent with an investor's expectation. In general, the earlier a prepayment of principal on the mortgage loans, the greater the effect on an investor's yield to maturity. The effect on an investor's yield as a result of principal payments occurring at a rate higher (or lower) than the rate anticipated by the investor during the period immediately following the issuance of the offered certificates may not be offset by a subsequent like decrease (or increase) in the rate of principal payments.

The tables in this "Yield, Prepayment and Maturity Considerations" section indicate the sensitivity of the pre-tax corporate bond equivalent yields to maturity of the illustrated classes of certificates to various constant percentages of the applicable Prepayment Assumption and, in the case of the Inverse Floating Rate Certificates, to various levels of LIBOR. The yields set forth in the tables were calculated by determining the monthly discount rates that, when applied to the assumed streams of cash flows to be paid on the applicable classes of certificates, would cause the discounted present value of the assumed streams of cash flows to equal the assumed aggregate purchase prices of the applicable classes and converting the monthly rates to corporate bond equivalent rates. Those calculations do not take into account variations that may occur in the interest rates at which investors may be able to reinvest funds received by them as distributions on the certificates and consequently do not purport to reflect the return on any investment in any class of certificates when the reinvestment rates are considered.

**Sensitivity of the Inverse Floating Rate Certificates**

The yield to investors in the Class 1-A-2 Certificates (we sometimes refer to this class as "Inverse Floating Rate Certificates") will be very sensitive to the level of LIBOR and the rate and timing of principal payments (including prepayments) of the mortgage loans in the related loan group, which can be prepaid at any time. As indicated in the table below, an increasing level of prepayments and/or LIBOR will have a negative effect on the yields to investors in the Inverse Floating Rate Certificates.

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

The following table was prepared on the basis of the structuring assumptions and the assumptions that (i) the interest rates applicable to the Inverse Floating Rate Certificates for each applicable interest accrual period, subsequent to their initial interest accrual period, will be based on the indicated level of LIBOR and (ii) the purchase prices of the Inverse Floating Rate Certificates (expressed as a percentage of its initial notional amount) is as follows:

<u>Class</u>	<u>Price*</u>
Class 1-A-2 .....	1.50%

\* The price does not include accrued interest. Accrued interest has been added to the price in calculating the yields set forth in the tables below.

**Sensitivity of the Class 1-A-2 Certificates to Prepayments and LIBOR  
(Pre-Tax Yield to Maturity)**

<b>LIBOR</b>	<b>Percentage of the Prepayment Assumption</b>				
	<b>0%</b>	<b>50%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>
2.30%.....	223.7%	202.7%	173.8%	140.2%	101.8%
3.30%.....	123.2%	105.3%	79.2%	46.4%	10.0%
4.30%.....	37.5%	23.0%	(8.3)%	(46.4)%	(82.1)%
4.80% and above.....	**	**	**	**	**

\*\* Less than (99.9)%

It is highly unlikely that all of the mortgage loans in loan group 1 will have the characteristics assumed or that those mortgage loans will prepay at the same rate until maturity or that all of those mortgage loans will prepay at the same rate or time. In addition, there can be no assurance that LIBOR will correspond to the levels shown herein and it is highly unlikely that the level of LIBOR will remain constant. As a result of these factors, the pre-tax yield on the Inverse Floating Rate Certificates is likely to differ from those shown in the tables above, even if all of the mortgage loans in loan group 1 prepay at the indicated percentages of the Prepayment Assumption and LIBOR is at the indicated level. No representation is made as to the actual rate of principal payments on the mortgage loans in loan group 1, the level of LIBOR for any period or over the life of the Inverse Floating Rate Certificates or as to the yield on the Inverse Floating Rate Certificates. Investors must make their own decisions as to the appropriate combinations of prepayment assumptions and assumptions regarding the level of LIBOR to be used in deciding whether to purchase the Inverse Floating Rate Certificates.

**Sensitivity of the Class X-A and Class X-B Certificates**

As indicated in the following table, the yields to investors in the Class X-A and Class X-B Certificates will be sensitive to the rate of principal payments (including prepayments) on the Non-Discount mortgage loans in the related loan group (particularly those with high net mortgage rates), which generally can be prepaid at any time. On the basis of the structuring assumptions and prices below, the yields to maturity on the Class X-A and Class X-B Certificates would be approximately 0% if prepayments of the Non-Discount mortgage loans in the related loan group were to occur at a constant rate of approximately 146% and 122% of the Prepayment Assumption, respectively. If the actual prepayment rate of the Non-Discount mortgage loans in the related loan group were to exceed the foregoing levels for as little as one month while equaling the levels for the remaining months, the investors in the Class X-A and Class X-B Certificates would not fully recoup their initial investments.

As described under “Description of the Certificates — General,” the pass-through rates of the Class X-A and Class X-B Certificates in effect from time to time are calculated by reference to the net mortgage rates of the Non-Discount mortgage loans in the related loan group. The Non-Discount mortgage loans in the related loan group will have higher net mortgage rates (and higher mortgage rates) than the other mortgage loans in that loan group. In general, mortgage loans with higher mortgage rates tend to prepay at higher rates than mortgage loans with relatively lower mortgage rates in response to a given change in market interest rates. As a result, the Non-Discount mortgage loans in a loan group may prepay at higher rates, thereby reducing the related pass-through rate and related notional amount of the Class X-A and Class X-B Certificates, as applicable.

The information set forth in the following table has been prepared on the basis of the structuring assumptions and on the assumption that the respective purchase prices of the Class X-A and Class X-B Certificates (expressed as percentages of their respective initial notional amounts) are as follows:

Class	Price*
Class X-A.....	1.25%
Class X-B.....	0.40%

\* The prices do not include accrued interest. Accrued interest has been added to each such price in calculating the yields set forth in the tables below.

**Sensitivity of the Class X-A and Class X-B Certificates  
to Prepayments  
(Pre-tax Yields to Maturity)**

Class	Percentage of Prepayment Assumption				
	0%	50%	100%	150%	200%
Class X-A.....	34.3%	23.2%	11.5%	(0.9)%	(14.2)%
Class X-B.....	61.2%	38.2%	12.6%	(17.0)%	(53.0)%

It is unlikely that the Non-Discount mortgage loans in either loan group will have the precise characteristics described in this prospectus supplement or that the Non-Discount mortgage loans in either loan group will all prepay at the same rate until maturity or that all of the Non-Discount mortgage loans in either loan group will prepay at the same rate or time. As a result of these factors, the pre-tax yields on the Class X-A and Class X-B Certificates are likely to differ from those shown in the tables above, even if all of the Non-Discount mortgage loans in the related loan group prepay at the indicated percentages of the applicable Prepayment Assumption. No representation is made as to the actual rate of principal payments on the Non-Discount mortgage loans in either loan group for any period or over the lives of the Class X-A and Class X-B Certificates or as to the yields on those Certificates. Investors must make their own decisions as to the appropriate prepayment assumptions to be used in deciding whether to purchase the Class X-A and Class X-B Certificates.

**Sensitivity of the Principal Only Certificates**

**The Principal Only Certificates will be “principal only” certificates and will not bear interest. As indicated in the following table, a lower than anticipated rate of principal payments (including prepayments) on the Discount mortgage loans in the applicable loan group or loan groups will have a negative effect on the yield to investors in the Class PO-A and Class PO-B Certificates.**

As described above under “Description of the Certificates — Principal” in this prospectus supplement, the Class PO Principal Distribution Amount is calculated by reference to the principal payments (including prepayments) on the Discount mortgage loans in each loan group. The Discount mortgage loans in each loan group will have lower net mortgage rates (and lower mortgage rates) than the other mortgage loans in that loan group. In general, mortgage loans with higher mortgage rates tend to prepay at higher rates than mortgage loans with relatively lower mortgage rates in response to a given change in market interest rates. As a result, the Discount mortgage loans in each loan group may prepay at lower rates, thereby reducing the rate of payment of principal and the resulting yield of the related PO Class.

The information set forth in the following table has been prepared on the basis of the structuring assumption and on the assumption that the aggregate purchase prices of the Class PO-A and Class PO-B Certificates (expressed as percentages of their respective initial Class Certificate Balances) are as follows:

<b>Class</b>	<b>Price</b>
Class PO-A.....	75.0%
Class PO-B.....	85.0%

**Sensitivity of the Principal Only Certificates to Prepayments  
(Pre-tax Yield to Maturity)**

<b>Class</b>	<b>Percentage of Prepayment Assumption</b>				
	<b>0%</b>	<b>50%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>
Class PO-A.....	1.6%	4.2%	7.9%	12.1%	16.9%
Class PO-B.....	2.6%	5.2%	9.1%	14.5%	22.7%

It is unlikely that the Discount mortgage loans in either loan group will have the precise characteristics described in this prospectus supplement or that the Discount mortgage loans in either loan group will all prepay at the same rate until maturity or that the Discount mortgage loans in either loan group will prepay at the same rate or time. As a result of these factors, the pre-tax yields on the Class PO-A and Class PO-B Certificates are likely to differ from those shown in the table above, even if all of the Discount mortgage loans in the applicable loan groups prepay at the indicated percentages of the applicable Prepayment Assumption. No representation is made as to the actual rate of principal payments on the Discount mortgage loans in either loan group for any period or over the lives of the Class PO-A and Class PO-B Certificates or as to the yield on the Class PO-A and Class PO-B Certificates. Investors must make their own decisions as to the appropriate prepayment assumptions to be used in deciding whether to purchase the Class PO-A and Class PO-B Certificates.

**Additional Information**

The depositor intends to file additional yield tables and other computational materials with respect to one or more classes of offered certificates with the Securities and Exchange Commission in a report on Form 8-K. The tables and materials were prepared by the underwriter at the request of prospective investors, based on assumptions provided by, and satisfying their special requirements. The tables and assumptions may be based on assumptions that differ from the structuring assumptions. Accordingly, the tables and other materials may not be relevant to or appropriate for investors other than those specifically requesting them.

**Weighted Average Lives of the Offered Certificates**

The weighted average life of an offered certificate is determined by (a) multiplying the amount of the net reduction, if any, of the Class Certificate Balance or notional amount, as applicable, of the certificate on each Distribution Date by the number of years from the date of issuance to the Distribution Date, (b) summing the results and (c) dividing the sum by the aggregate amount of the net reductions in Class Certificate Balance or notional amount, as applicable, of the certificate referred to in clause (a).

For a discussion of the factors which may influence the rate of payments (including prepayments) of the mortgage loans, see “— Prepayment Considerations and Risks” in this prospectus supplement and “Yield and Prepayment Considerations” in the prospectus.

In general, the weighted average lives of the offered certificates will be shortened if the level of prepayments of principal of the mortgage loans in the related loan group increases. However, the weighted average lives of the offered certificates will depend upon a variety of other factors, including the timing of changes in such rate of principal payments, the priority sequence of distributions of principal of the related classes of certificates and the distribution of the amount available for distribution of principal to the related classes of senior certificates (other than the notional amount certificates and the related PO Class) in accordance with the rules governing the priorities of payment among the related classes of senior certificates set forth in this prospectus supplement. See “Description of the Certificates — Principal” in this prospectus supplement.

The interaction of the foregoing factors may have different effects on various classes of offered certificates and the effects on any class may vary at different times during the life of the class. Accordingly, no assurance can be given as to the weighted average life of any class of offered certificates. Further, to the extent the prices of the offered certificates represent discounts or premiums to their respective initial Class Certificate Balances or initial notional amounts, as the case may be, variability in the weighted average lives of the classes of offered certificates will result in variability in the related yields to maturity. For an example of how the weighted average lives of the classes of offered certificates may be affected at various constant percentages of the applicable Prepayment Assumption, see the Decrement Tables under the next heading.

#### **Decrement Tables**

The following tables indicate the percentages of the initial Class Certificate Balances or initial notional amounts of the classes of offered certificates (other than the Class X-A and Class X-B Certificates) that would be outstanding after each of the dates shown at various constant percentages of the Prepayment Assumption and the corresponding weighted average lives of the classes. The tables have been prepared on the basis of the structuring assumptions. It is not likely that the mortgage loans will have the precise characteristics described in this prospectus supplement or all of the mortgage loans will prepay at the constant percentages of the Prepayment Assumption specified in the tables or at any other constant rate. Moreover, the diverse remaining terms to maturity of the mortgage loans could produce slower or faster principal distributions than indicated in the tables, which have been prepared using the specified constant percentages of the Prepayment Assumption even if the remaining term to maturity of the mortgage loans is consistent with the remaining terms to maturity of the mortgage loans specified in the structuring assumptions.

**Percent of Initial Class Certificate Balances Outstanding\***

<u>Distribution Date</u>	Class 1-A-1, Class 1-A-2 <sup>†</sup> , Class 1-A-7 and Class 1-A-8					Class 1-A-3				
	Percentage of Prepayment Assumption					Percentage of Prepayment Assumption				
	0%	50%	100%	150%	200%	0%	50%	100%	150%	200%
Initial .....	100	100	100	100	100	100	100	100	100	100
June 2006.....	100	89	76	62	49	96	86	86	86	86
June 2007.....	100	77	52	29	9	92	71	71	71	71
June 2008.....	100	66	33	7	0	87	57	57	57	0
June 2009.....	100	57	19	0	0	82	42	42	11	0
June 2010.....	100	49	9	0	0	77	28	28	0	0
June 2011.....	100	43	3	0	0	72	14	14	0	0
June 2012.....	100	39	0	0	0	66	0	0	0	0
June 2013.....	100	35	0	0	0	60	0	0	0	0
June 2014.....	100	33	0	0	0	54	0	0	0	0
June 2015.....	100	32	0	0	0	47	0	0	0	0
June 2016.....	100	30	0	0	0	33	0	0	0	0
June 2017.....	100	26	0	0	0	18	0	0	0	0
June 2018.....	99	22	0	0	0	4	0	0	0	0
June 2019.....	99	19	0	0	0	0	0	0	0	0
June 2020.....	98	16	0	0	0	0	0	0	0	0
June 2021.....	97	13	0	0	0	0	0	0	0	0
June 2022.....	95	11	0	0	0	0	0	0	0	0
June 2023.....	90	9	0	0	0	0	0	0	0	0
June 2024.....	84	7	0	0	0	0	0	0	0	0
June 2025.....	78	6	0	0	0	0	0	0	0	0
June 2026.....	72	4	0	0	0	0	0	0	0	0
June 2027.....	65	3	0	0	0	0	0	0	0	0
June 2028.....	58	2	0	0	0	0	0	0	0	0
June 2029.....	51	1	0	0	0	0	0	0	0	0
June 2030.....	43	0	0	0	0	0	0	0	0	0
June 2031.....	34	0	0	0	0	0	0	0	0	0
June 2032.....	25	0	0	0	0	0	0	0	0	0
June 2033.....	15	0	0	0	0	0	0	0	0	0
June 2034.....	5	0	0	0	0	0	0	0	0	0
June 2035.....	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (in years)** .....	23.6	7.4	2.4	1.5	1.1	8.4	3.5	3.5	2.8	2.2

\* Rounded to the nearest whole percentage.

\*\* Determined as specified under “Weighted Average Lives of the Offered Certificates” herein.

† In the case of the Class 1-A-2 Certificates, the decrement table indicates the percentage of their initial notional amount outstanding.

**Percent of Initial Class Certificate Balances Outstanding\***

<u>Distribution Date</u>	<u>Class 1-A-4</u>					<u>Class 1-A-5</u>				
	<u>Percentage of Prepayment Assumption</u>					<u>Percentage of Prepayment Assumption</u>				
	<u>0%</u>	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>	<u>0%</u>	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
Initial .....	100	100	100	100	100	100	100	100	100	100
June 2006.....	100	100	100	100	100	100	100	100	100	100
June 2007.....	100	100	100	100	100	100	100	100	100	100
June 2008.....	100	100	100	100	100	100	100	100	100	100
June 2009.....	100	100	100	100	0	100	100	100	100	6
June 2010.....	100	100	100	23	0	100	100	100	100	0
June 2011.....	100	100	100	0	0	100	100	100	0	0
June 2012.....	100	99	93	0	0	100	100	100	0	0
June 2013.....	100	72	57	0	0	100	100	100	0	0
June 2014.....	100	45	36	0	0	100	100	100	0	0
June 2015.....	100	18	24	0	0	100	100	100	0	0
June 2016.....	100	0	14	0	0	100	100	100	0	0
June 2017.....	100	0	6	0	0	100	100	100	0	0
June 2018.....	100	0	0	0	0	100	100	98	0	0
June 2019.....	80	0	0	0	0	100	100	76	0	0
June 2020.....	53	0	0	0	0	100	100	58	0	0
June 2021.....	26	0	0	0	0	100	100	44	0	0
June 2022.....	0	0	0	0	0	100	100	34	0	0
June 2023.....	0	0	0	0	0	100	100	26	0	0
June 2024.....	0	0	0	0	0	100	100	19	0	0
June 2025.....	0	0	0	0	0	100	100	14	0	0
June 2026.....	0	0	0	0	0	100	100	11	0	0
June 2027.....	0	0	0	0	0	100	100	8	0	0
June 2028.....	0	0	0	0	0	100	100	6	0	0
June 2029.....	0	0	0	0	0	100	100	4	0	0
June 2030.....	0	0	0	0	0	100	99	3	0	0
June 2031.....	0	0	0	0	0	100	73	2	0	0
June 2032.....	0	0	0	0	0	100	49	1	0	0
June 2033.....	0	0	0	0	0	100	29	1	0	0
June 2034.....	0	0	0	0	0	100	11	0	0	0
June 2035.....	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (in years)** .....	15.1	8.8	8.8	4.7	3.4	29.7	27.1	16.5	5.7	3.9

\* Rounded to the nearest whole percentage.

\*\* Determined as specified under “Weighted Average Lives of the Offered Certificates” herein.

**Percent of Initial Class Certificate Balances Outstanding\***

Distribution Date	Class 1-A-6 and Class 1-A-9					Class 2-A-1				
	Percentage of Prepayment Assumption					Percentage of Prepayment Assumption				
	0%	50%	100%	150%	200%	0%	50%	100%	150%	200%
Initial .....	100	100	100	100	100	100	100	100	100	100
June 2006.....	100	100	100	100	100	94	77	59	42	25
June 2007.....	100	100	100	100	100	87	58	35	17	5
June 2008.....	100	100	100	100	100	80	43	19	6	0
June 2009.....	100	100	100	100	100	72	32	10	1	0
June 2010.....	100	100	100	100	45	64	23	5	0	0
June 2011.....	100	97	93	86	17	55	16	2	0	0
June 2012.....	99	92	85	54	3	46	11	1	0	0
June 2013.....	99	86	74	34	0	36	7	0	0	0
June 2014.....	98	79	61	22	0	25	4	0	0	0
June 2015.....	97	70	48	16	0	14	2	0	0	0
June 2016.....	94	61	38	11	0	2	0	0	0	0
June 2017.....	91	53	29	7	0	0	0	0	0	0
June 2018.....	88	47	23	5	0	0	0	0	0	0
June 2019.....	85	40	18	3	0	0	0	0	0	0
June 2020.....	82	35	13	2	0	0	0	0	0	0
June 2021.....	78	30	10	1	0	0	0	0	0	0
June 2022.....	75	26	8	1	0	0	0	0	0	0
June 2023.....	71	22	6	1	0	0	0	0	0	0
June 2024.....	66	19	4	0	0	0	0	0	0	0
June 2025.....	62	16	3	0	0	0	0	0	0	0
June 2026.....	57	13	2	0	0	0	0	0	0	0
June 2027.....	52	11	2	0	0	0	0	0	0	0
June 2028.....	47	9	1	0	0	0	0	0	0	0
June 2029.....	41	7	1	0	0	0	0	0	0	0
June 2030.....	35	5	1	0	0	0	0	0	0	0
June 2031.....	28	4	0	0	0	0	0	0	0	0
June 2032.....	21	3	0	0	0	0	0	0	0	0
June 2033.....	14	2	0	0	0	0	0	0	0	0
June 2034.....	6	1	0	0	0	0	0	0	0	0
June 2035.....	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (in years)** .....	21.4	13.8	10.7	8.0	5.1	6.2	3.2	1.8	1.1	0.7

\* Rounded to the nearest whole percentage.

\*\* Determined as specified under “Weighted Average Lives of the Offered Certificates” herein.



**Percent of Initial Class Certificate Balances Outstanding\***

<b>Distribution Date</b>	<b>Class PO-A</b>					<b>Class PO-B</b>				
	<b>Percentage of Prepayment Assumption</b>					<b>Percentage of Prepayment Assumption</b>				
	<b>0%</b>	<b>50%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>0%</b>	<b>50%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>
Initial .....	100	100	100	100	100	100	100	100	100	100
June 2006.....	99	90	80	71	62	94	77	61	44	28
June 2007.....	97	80	64	49	37	87	59	37	20	8
June 2008.....	96	71	50	34	22	80	45	22	9	2
June 2009.....	95	63	39	23	13	72	33	13	4	1
June 2010.....	93	55	31	16	8	64	25	7	2	0
June 2011.....	91	49	24	11	4	56	18	4	1	0
June 2012.....	90	43	19	8	3	46	12	2	0	0
June 2013.....	88	38	15	5	2	37	8	1	0	0
June 2014.....	86	34	12	4	1	27	5	1	0	0
June 2015.....	84	29	9	2	1	16	2	0	0	0
June 2016.....	81	26	7	2	0	4	0	0	0	0
June 2017.....	79	22	6	1	0	0	0	0	0	0
June 2018.....	76	20	4	1	0	0	0	0	0	0
June 2019.....	74	17	3	1	0	0	0	0	0	0
June 2020.....	71	15	3	0	0	0	0	0	0	0
June 2021.....	67	13	2	0	0	0	0	0	0	0
June 2022.....	64	11	1	0	0	0	0	0	0	0
June 2023.....	60	9	1	0	0	0	0	0	0	0
June 2024.....	56	8	1	0	0	0	0	0	0	0
June 2025.....	52	6	1	0	0	0	0	0	0	0
June 2026.....	48	5	0	0	0	0	0	0	0	0
June 2027.....	43	4	0	0	0	0	0	0	0	0
June 2028.....	39	3	0	0	0	0	0	0	0	0
June 2029.....	33	3	0	0	0	0	0	0	0	0
June 2030.....	28	2	0	0	0	0	0	0	0	0
June 2031.....	22	1	0	0	0	0	0	0	0	0
June 2032.....	16	1	0	0	0	0	0	0	0	0
June 2033.....	10	1	0	0	0	0	0	0	0	0
June 2034.....	3	0	0	0	0	0	0	0	0	0
June 2035.....	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (in years)** .....	18.9	7.7	4.3	2.8	2.0	6.3	3.3	2.0	1.3	0.8

\* Rounded to the nearest whole percentage.

\*\* Determined as specified under “Weighted Average Lives of the Offered Certificates” herein.

**Percent of Initial Class Certificate Balances Outstanding\***

<u>Distribution Date</u>	<u>Class A-R</u>					<u>Class M, Class B-1 and Class B-2</u>				
	<u>Percentage of Prepayment Assumption</u>					<u>Percentage of Prepayment Assumption</u>				
	<u>0%</u>	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>	<u>0%</u>	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
Initial .....	100	100	100	100	100	100	100	100	100	100
June 2006.....	0	0	0	0	0	98	98	98	98	98
June 2007.....	0	0	0	0	0	96	96	96	96	96
June 2008.....	0	0	0	0	0	93	93	93	93	87
June 2009.....	0	0	0	0	0	91	91	91	91	77
June 2010.....	0	0	0	0	0	88	88	88	82	74
June 2011.....	0	0	0	0	0	86	83	79	69	62
June 2012.....	0	0	0	0	0	83	76	69	57	50
June 2013.....	0	0	0	0	0	79	68	58	45	33
June 2014.....	0	0	0	0	0	76	60	46	33	20
June 2015.....	0	0	0	0	0	72	52	35	23	12
June 2016.....	0	0	0	0	0	67	44	27	16	7
June 2017.....	0	0	0	0	0	65	38	21	11	4
June 2018.....	0	0	0	0	0	63	33	16	7	2
June 2019.....	0	0	0	0	0	61	29	13	5	1
June 2020.....	0	0	0	0	0	58	25	10	3	1
June 2021.....	0	0	0	0	0	56	21	7	2	0
June 2022.....	0	0	0	0	0	53	18	6	1	0
June 2023.....	0	0	0	0	0	50	16	4	1	0
June 2024.....	0	0	0	0	0	47	13	3	1	0
June 2025.....	0	0	0	0	0	44	11	2	0	0
June 2026.....	0	0	0	0	0	41	9	2	0	0
June 2027.....	0	0	0	0	0	37	8	1	0	0
June 2028.....	0	0	0	0	0	33	6	1	0	0
June 2029.....	0	0	0	0	0	29	5	1	0	0
June 2030.....	0	0	0	0	0	25	4	0	0	0
June 2031.....	0	0	0	0	0	20	3	0	0	0
June 2032.....	0	0	0	0	0	15	2	0	0	0
June 2033.....	0	0	0	0	0	10	1	0	0	0
June 2034.....	0	0	0	0	0	4	0	0	0	0
June 2035.....	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (in years)** .....	0.1	0.1	0.1	0.1	0.1	16.9	11.4	9.2	7.9	6.8

\* Rounded to the nearest whole percentage.

\*\* Determined as specified under “Weighted Average Lives of the Offered Certificates” herein.

## **Last Scheduled Distribution Date**

The Last Scheduled Distribution Date for the group 1 senior certificates and the subordinated certificates is the Distribution Date in July 2035, which is the Distribution Date occurring in the month following the month in which the latest stated maturity for any loan group 1 mortgage loan occurs. The Last Scheduled Distribution Date for the group 2 senior certificates is the Distribution Date in October 2017, which is the Distribution Date occurring in the month following the month in which the latest stated maturity for any loan group 2 mortgage loan occurs. Since the rate of distributions in reduction of the Class Certificate Balance or notional amount of each class of offered certificates will depend on the rate of payment (including prepayments) of the related mortgage loans, the Class Certificate Balance or notional amount of any class could be reduced to zero significantly earlier or later than the Last Scheduled Distribution Date. The rate of payments on the mortgage loans will depend on their particular characteristics, as well as on prevailing interest rates from time to time and other economic factors, and no assurance can be given as to the actual payment experience of the mortgage loans. See “Yield, Prepayment and Maturity Considerations — Prepayment Considerations and Risks” and “— Weighted Average Lives of the Offered Certificates” in this prospectus supplement and “Yield and Prepayment Considerations” in the prospectus.

## **The Subordinated Certificates**

The weighted average life of, and the yield to maturity on, the subordinated certificates, in increasing order of their numerical class designation, will be progressively more sensitive to the rate and timing of mortgagor defaults and the severity of ensuing losses on the mortgage loans in both of the loan groups. In particular, the rate and timing of mortgagor defaults and the severity of ensuing losses on the mortgage loans may be affected by the characteristics of the mortgage loans included in the mortgage pool as described under “The Mortgage Pool — General” and “— Underwriting Process” in this prospectus supplement. If the actual rate and severity of losses on the mortgage loans is higher than those assumed by a holder of a subordinated certificate, the actual yield to maturity of the certificate may be lower than the yield expected by the holder based on the holder’s assumptions. The timing of losses on mortgage loans will also affect an investor’s actual yield to maturity, even if the rate of defaults and severity of losses over the life of the mortgage pool are consistent with an investor’s expectations. In general, the earlier a loss occurs, the greater the effect on an investor’s yield to maturity. Realized Losses on the mortgage loans will reduce the Class Certificate Balances of the applicable class of subordinated certificates to the extent of any losses allocated to it (as described under “Description of the Certificates — Allocation of Losses” in this prospectus supplement), without the receipt of cash attributable to the reduction. In addition, shortfalls in cash available for distributions on the subordinated certificates will result in a reduction in the Class Certificate Balance of the class of subordinated certificates then outstanding with the highest numerical class designation if and to the extent that the aggregate of the Class Certificate Balances of all classes of certificates, following all distributions and the allocation of Realized Losses on a Distribution Date, exceeds the pool principal balance as of the Due Date occurring in the month of the Distribution Date (after giving effect to principal prepayments received in the related Prepayment Period). This result may be more likely due to the multiple loan group structure and the provisions requiring Undercollateralized Distributions. As a result of the reductions, less interest will accrue on the class of subordinated certificates than otherwise would be the case. The yield to maturity of the subordinated certificates will also be affected by the disproportionate allocation of principal prepayments to the senior certificates, Net Interest Shortfalls, other cash shortfalls in Available Funds and distribution of funds to PO Classes otherwise available for distribution on the subordinated certificates to the extent of reimbursement for Class PO Deferred Amounts. See “Description of the Certificates — Allocation of Losses” in this prospectus supplement.

If on any Distribution Date, the Applicable Credit Support Percentage for any class of subordinated certificates (other than the class of subordinated certificates then outstanding with the highest priority of distribution) is less than its Original Applicable Credit Support Percentage, all partial principal prepayments and principal prepayments in full available for distribution on the subordinated certificates will be allocated solely to that class and all other classes of subordinated certificates with lower numerical class designations, thereby accelerating their amortization relative to that of the Restricted Classes and reducing the weighted average lives of the classes of subordinated certificates receiving the distributions. Accelerating the amortization of the classes of subordinated certificates with lower numerical class designations relative to the other classes of subordinated certificates is intended to preserve the availability of the subordination provided by the other classes.

For purposes of allocating losses and prepayments to the subordinated certificates, the Class M Certificates will be considered to have a lower numerical class designation than each other class of subordinated certificates.

### **Credit Enhancement**

#### **Subordination**

Any Realized Losses on the mortgage loans in loan group 1 that would otherwise be allocated to the Class 1-A-6 and Class 1-A-7 Certificates will instead be allocated to the Class 1-A-9 and Class 1-A-8 Certificates, respectively.

The rights of the holders of the subordinated certificates to receive distributions with respect to the mortgage loans will be subordinated to the rights of the holders of the senior certificates and the rights of the holders of each class of subordinated certificates to receive the distributions will be further subordinated to the rights of the class or classes of subordinated certificates with lower numerical class designations, in each case only to the extent described in this prospectus supplement. The subordination of the subordinated certificates to the senior certificates, the subordination of the classes of subordinated certificates to the classes of subordinated certificates with higher numerical class designations to those with lower numerical class designations is intended to increase the likelihood of receipt, respectively, by the senior certificateholders and the holders of subordinated certificates with lower numerical class designations of the maximum amount to which they are entitled on any Distribution Date and to provide the holders protection against Realized Losses. The applicable Non-PO Percentage of Realized Losses will be allocated to the class of subordinated certificates then outstanding with the highest numerical class designation. In addition, the Class Certificate Balance of the class of subordinated certificates (in the same reverse order as Realized Losses) will be reduced by the amount of distributions on the PO Classes in reimbursement for Class PO Deferred Amounts.

### **Use Of Proceeds**

We expect the proceeds to the depositor from the sale of the offered certificates (other than the PO Classes) to be approximately \$237,598,554, plus accrued interest, before deducting issuance expenses payable by the depositor. The depositor will apply the net proceeds from the sale of these classes of certificates against the purchase price of the Mortgage Loans.

### **Material Federal Income Tax Consequences**

For federal income tax purposes, the trust fund (exclusive of the Corridor Contract and the Reserve Fund) will consist of one or more REMICs in a tiered structure. The senior certificates and the subordinated certificates (together, excluding the Class A-R Certificate, the "Regular Certificates") will

be treated as REMIC Regular Interests (exclusive of the right of the Class 1-A-1 and Class 1-A-7 Certificates (the “Benefited Regular Certificates”) to receive Yield Supplement Amounts) in a REMIC. The Residual Certificates will represent the beneficial ownership of the residual interest in each REMIC. Holders of Benefited Regular Certificates must allocate the purchase price for their Benefited Regular Certificates between the REMIC Regular Interest component and the Yield Supplement component.

Upon the issuance of the Certificates, Thacher Proffitt & Wood LLP (“Tax Counsel”), will deliver its opinion concluding, assuming compliance with the Pooling and Servicing Agreement, for federal income tax purposes, that each REMIC created under the Pooling and Servicing Agreement will qualify as a REMIC within the meaning of Section 860D of the Internal Revenue Code of 1986, as amended (the “Code”), and that the Regular Certificates will represent regular interests in a REMIC. Moreover, Tax Counsel will deliver an opinion concluding that the interests of the holders of the Benefited Regular Certificates with respect to Yield Supplement Amounts will represent, for federal income tax purposes, contractual rights coupled with regular interests within the meaning of Treasury regulations §1.860G-2(i).

### **Taxation of the Regular Certificates and the REMIC Regular Interest component of the Benefited Regular Certificates**

The Regular Certificates (and the REMIC Regular Interest components of the Benefited Regular Certificates) will be treated as debt instruments issued by the a REMIC for federal income tax purposes. Income on the Regular Certificates (and the REMIC Regular Interest components of the Benefited Regular Certificates) must be reported under an accrual method of accounting. Under an accrual method of accounting, interest income may be required to be included in a holder’s gross income in advance of the holder’s actual receipt of that interest income.

The Class 1-A-2, Class X-A, Class X-B, Class PO-A and Class PO-B will be and the other Classes of Offered Certificates may be treated for federal income tax purposes as having been issued with Original Issue Discount (“OID”). Although the tax treatment is not entirely certain, each notional amount certificate will be treated as having been issued with OID in an amount equal to the excess of (1) the sum of all expected payments on the certificate determined under the applicable prepayment assumption over (2) the price at which the certificate was issued. Although unclear, a holder of a notional amount certificate may be entitled to deduct a loss to the extent that its remaining basis exceeds the maximum amount of future payments to which the certificateholder would be entitled if there were no further prepayments of the mortgage loans. Certain other classes of Regular Certificates (including the REMIC Regular Interest components of the Benefited Regular Certificates) may also be treated as having been issued with OID. For purposes of determining the amount and rate of accrual of OID and market discount, the trust fund intends to assume that there will be prepayments on the mortgage loans in each loan group at a rate equal to 100% of the Prepayment Assumption. No representation is made that the mortgage loans will prepay at the foregoing rate or any other rate. See “Yield, Prepayment and Maturity Considerations” and “Material Federal Income Tax Consequences” in the prospectus. Computing accruals of OID in the manner described in the prospectus may (depending on the actual rate of prepayments during the accrual period) result in the accrual of negative amounts of OID on the certificates issued with OID in an accrual period. Holders will be entitled to offset negative accruals of OID only against future OID accruals on their certificates.

If the holders of any Regular Certificates are treated as acquiring their certificates (or REMIC Regular Interest components of Benefited Regular Certificates) at a premium, the holders are encouraged to consult their tax advisors regarding the election to amortize bond premium and the method to be employed. See “Material Federal Income Tax Consequences — REMIC Certificates — a. Regular Certificates” in the prospectus.

## **Disposition of Regular Certificates and REMIC Regular Interest components of Benefited Regular Certificates**

Assuming that the Regular Certificates are held as “capital assets” within the meaning of section 1221 of the Code, gain or loss on the disposition of the Certificates (and gain or loss on the disposition of the REMIC Regular Interest component of a Benefited Regular Certificate) should result in capital gain or loss. Such gain, however, will be treated as ordinary income, to the extent it does not exceed the excess (if any) of:

(1) the amount that would have been includible in the holder’s gross income with respect to the Regular Certificate (or REMIC Regular Interest component) had income thereon accrued at a rate equal to 110% of the applicable federal rate as defined in section 1274(d) of the Code determined as of the date of purchase of the Certificate

over

(2) the amount actually included in such holder’s income.

## **Tax Treatment For Certain Purposes**

As described more fully under “Material Federal Income Tax Consequences” in the prospectus, the Regular Certificates (and the REMIC Regular Interest components of the Benefited Regular Certificates) will represent “real estate assets” under Section 856(c)(5)(B) of the Code and qualifying assets under Section 7701(a)(19)(C) of the Code in the same proportion or greater that the assets of the trust fund will be so treated, and income on the Regular Certificates (and the REMIC Regular Interest components of the Benefited Regular Certificates) will represent “interest on obligations secured by mortgages on real property or on interests in real property” under Section 856(c) (3) (B) of the Code in the same proportion or greater that the income on the assets of the trust fund will be so treated. The Regular Certificates (except the Benefited Regular Certificates) will represent qualifying assets under Section 860G(a) (3) of the Code if acquired by a REMIC within the prescribed time periods of the Code.

## **Yield Supplement Amounts**

The following discussions assume that the rights of the holders of the Benefited Regular Certificates with respect to Yield Supplement Amounts will be treated as rights under a notional principal contract rather than as interests in a partnership for federal income tax purposes. If these rights and obligations were treated as representing interests in an entity taxable as a partnership for federal income tax purposes, then there could be different tax timing consequences to all such certificateholders and different withholding tax consequences on payments to certificateholders who are non-U.S. Persons. Prospective investors in the Benefited Regular Certificates should consult their tax advisors regarding their appropriate tax treatment.

## **The Rights of the Benefited Regular Certificates With Respect to Yield Supplement Amounts**

For tax information reporting purposes, the Trustee (1) will treat the Yield Supplement Amounts rights of the Benefited Regular Certificates as rights to receive payments under a notional principal contract (specifically, an interest rate corridor contract) and (2) anticipates assuming that these rights will have an insubstantial value relative to the value of the Regular Interest components of the Benefited Regular Certificates. The IRS could, however, successfully argue that the Yield Supplement component of the Benefited Regular Certificates has a greater value. Similarly, the Trustee could determine that the Yield Supplement component of the Benefited Regular Certificates has a greater value. In either case, the

REMIC Regular Interest component of the Benefited Regular Certificates could be viewed as having been issued with either an additional amount of OID (which could cause the total amount of discount to exceed a statutorily defined de minimis amount) or with less premium (which would reduce the amount of premium available to be used as an offset against interest income). See “Material Federal Income Tax Consequences — REMIC Certificates — a. Regular Certificates” in the Prospectus. In addition, the Yield Supplement component could be viewed as having been purchased at a higher cost. These changes could affect the timing and amount of income and deductions on the REMIC Regular Interest component and Yield Supplement component.

The portion of the overall purchase price of a Benefited Regular Certificate attributable to the Yield Supplement component must be amortized over the life of the Certificate, taking into account the declining balance of the related REMIC Regular Interest component. Treasury regulations concerning notional principal contracts provide alternative methods for amortizing the purchase price of an interest rate corridor contract. Under one method — the level yield constant interest method — the price paid for an interest rate cap agreement is amortized over the life of the cap as though it were the principal amount of a loan bearing interest at a reasonable rate. Holders are urged to consult their tax advisors concerning the methods that can be employed to amortize the portion of the purchase price paid for the Yield Supplement component of a Benefited Regular Certificate.

Any payments received by a holder of a Benefited Regular Certificate as Yield Supplement Amounts will be treated as periodic payments received under a notional principal contract. For any taxable year, to the extent the sum of the periodic payments received exceeds the amortization of the purchase price of the Yield Supplement component, such excess will be ordinary income. Conversely, to the extent the amortization of the purchase price exceeds the periodic payments, such excess will be allowable as an ordinary deduction. In the case of an individual, such deduction will be subject to the 2-percent floor imposed on miscellaneous itemized deductions under section 67 of the Code and may be subject to the overall limitation on itemized deductions imposed under section 68 of the Code. In addition, miscellaneous itemized deductions are not allowed for purposes of computing the alternative minimum tax.

### **Dispositions of the Yield Supplement Component**

Upon the sale, exchange, or other disposition of a Benefited Regular Certificate, the Benefited Regular Certificateholder must allocate the amount realized between the Regular Interest component and the Yield Supplement component based on the relative fair market values of those components at the time of sale. Assuming a Benefited Regular Certificate is held as a “capital asset” within the meaning of section 1221 of the Code, any gain or loss on the disposition of the Yield Supplement component should be capital gain or loss.

### **Tax Treatment For Certain Purposes**

The Yield Supplement components of the Benefited Regular Certificates will not qualify as assets described in Section 7701(a)(19)(C) of the Code or as real estate assets under Section 856(c)(5)(B) of the Code. In addition, because of the Yield Supplement component, holders of the Benefited Regular Certificates should consult with their tax advisors before resecuritizing those Certificates in a REMIC.

### **Integration**

Under certain specific conditions, debt instruments and interests in notional principal contracts may be integrated, for federal income tax purposes, into a single “synthetic” debt instrument. Benefited Regular Certificateholders should consult their tax advisors concerning the possibility and consequences

of integrating their interests in the REMIC Regular Interest components and Yield Supplement components.

### **Residual Certificates**

The holders of the Residual Certificates must include the taxable income of each REMIC in their federal taxable income. The resulting tax liability of the holders may exceed cash distributions to them during certain periods. All or a portion of the taxable income from a Residual Certificate recognized by a holder may be treated as “excess inclusion” income, which, with limited exceptions, cannot be reduced by deductions (including net operating losses) and in all cases, is subject to U.S. federal income tax.

In computing alternative minimum taxable income, the special rule providing that taxable income cannot be less than the sum of the taxpayer’s excess inclusions for the year does not apply. However, a taxpayer’s alternative minimum taxable income cannot be less than the sum of the taxpayer’s excess inclusions for the year. In addition, the amount of any alternative minimum tax net operating loss is determined without regard to any excess inclusions.

The Treasury Department has issued final regulations, effective May 11, 2004, which address the federal income tax treatment of “inducement fees” received by transferees of noneconomic REMIC residual interests. The final regulations require inducement fees to be included in income over a period reasonably related to the period in which the related REMIC residual interest is expected to generate taxable income or net loss allocable to the holder. The final regulations provide two safe harbor methods which permit transferees to include inducement fees in income either (i) in the same amounts and over the same period that the taxpayer uses for financial reporting purposes, provided that such period is not shorter than the period the REMIC is expected to generate taxable income or (ii) ratably over the remaining anticipated weighted average life of all the regular and residual interests issued by the REMIC, determined based on actual distributions projected as remaining to be made on such interests under the prepayment assumption. If the holder of a REMIC residual interest sells or otherwise disposes of the Residual Certificate, any unrecognized portion of the inducement fee must be taken into account at the time of the sale or disposition. The final regulations also provide that an inducement fee shall be treated as income from sources within the United States. In addition, the IRS has issued administrative guidance addressing the procedures by which transferees of noneconomic REMIC residual interests may obtain automatic consent from the IRS to change the method of accounting for REMIC inducement fee income to one of the safe harbor methods provided in these final regulations (including a change from one safe harbor method to the other safe harbor method). Prospective purchasers of the REMIC residual certificates should consult with their tax advisors regarding the effect of these final regulations and the related guidance regarding the procedures for obtaining automatic consent to change the method of accounting.

**Purchasers of a Residual Certificate are encouraged to consider carefully the tax consequences of an investment in Residual Certificates discussed in the prospectus and consult their tax advisors with respect to those consequences.** See “Material Federal Income Tax Consequences — REMIC Certificates — b. Residual Certificates” in the prospectus. In particular, prospective holders of Residual Certificates should consult their tax advisors regarding whether a Residual Certificate will be treated as a “noneconomic” residual interest, as a “tax avoidance potential” residual interest or as both. Among other things, holders of Noneconomic Residual Certificates should be aware of REMIC regulations that may affect their ability to transfer their Residual Certificates. See “Material Federal Income Tax Consequences — Tax-Related Restrictions on Transfers of Residual Certificates — Noneconomic Residual Certificates,” “Material Federal Income Tax Consequences — b. Residual Certificates — Mark to Market Rules,” “— Excess Inclusions” and “Material Federal Income Tax



Consequences — Tax Related Restrictions on Transfers of Residual Certificates — Foreign Investors” in the prospectus.

Additionally, for information regarding Prohibited Transactions and Treatment of Realized Losses, see “Material Federal Income Tax Consequences — Prohibited Transactions and Other Taxes” and “— REMIC Certificates — a. Regular Certificates — Treatment of Realized Losses” in the prospectus.

As a result of the Economic Growth and Tax Relief Reconciliation Act of 2001 (the “2001 Act”), limitations imposed by Section 68 of the Code on claiming itemized deductions will be phased-out commencing in 2006, which will affect individuals holding Residual Certificates. In addition, as a result of the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the “2003 Act”) the backup withholding rate has been reduced to 28%. Unless they are amended, these provisions of the 2001 Act and the 2003 Act will no longer apply for taxable years beginning after December 31, 2010. See “Material Federal Income Tax Consequences” in the prospectus. Investors are encouraged to consult their tax advisors with respect to both statutes.

#### **Other Taxes**

No representations are made regarding the tax consequences of the purchase, ownership or disposition of the certificates under any state, local or foreign tax law.

**All investors should consult their tax advisors regarding the federal, state, local or foreign tax consequences of purchasing, owning or disposing of the certificates.**

#### **ERISA Considerations**

Any fiduciary of an employee benefit or other plan or arrangement (such as an individual retirement account or Keogh plan) that is subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or to Section 4975 of the Code (a “Plan”), that proposes to cause the Plan to acquire any of the offered certificates (directly or indirectly through investment by an entity or account holding assets of the Plan) is encouraged to consult with its counsel with respect to the potential consequences of the Plan’s acquisition and ownership of the certificates under ERISA and Section 4975 of the Code. See “ERISA Considerations” in the prospectus. Section 406 of ERISA prohibits “parties in interest” with respect to an employee benefit plan subject to ERISA from engaging in various different types of transactions involving the Plan and its assets unless a statutory, regulatory or administrative exemption applies to the transaction. Section 4975 of the Code imposes excise taxes on prohibited transactions involving “disqualified persons” and Plans described under that Section. ERISA authorizes the imposition of civil penalties for prohibited transactions involving Plans not subject to the requirements of Section 4975 of the Code.

Some employee benefit plans, including governmental plans and some church plans, are not subject to ERISA’s requirements. Accordingly, assets of those plans may be invested in the offered certificates without regard to the ERISA considerations described in this prospectus supplement and in the prospectus, subject to the provisions of other applicable federal and state law. Any of those plans that is qualified and exempt from taxation under Sections 401(a) and 501(a) of the Code may be subject to the prohibited transaction rules set forth in Section 503 of the Code.

Investments by Plans or with assets of Plans that are subject to ERISA must satisfy ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that a Plan’s investments be made in accordance with the documents governing the Plan.

A fiduciary that decides to invest the assets of a Plan in the offered certificates should consider, among other factors, the extreme sensitivity of the investment to the rate of principal payments (including prepayments) on the mortgage loans. It is anticipated that the certificates will constitute “equity interests” for the purpose of the Plan Assets Regulation.

The U.S. Department of Labor has granted to the underwriter an administrative exemption (the “Exemption”) from some of the prohibited transaction rules of ERISA and the related excise tax provisions of Section 4975 of the Code with respect to the initial purchase, the holding and the subsequent resale by Plans of securities, including certificates, in pass-through trusts that consist of specified receivables, loans and other obligations that meet the conditions and requirements of the Exemption. The Exemption applies to mortgage loans such as the mortgage loans in the trust fund. The Exemption extends exemptive relief to certificates, including subordinated certificates, rated in the four highest generic rating categories in certain designated transactions when the conditions of the Exemption, including the requirement that an investing Plan be an “accredited investor” as defined in Rule 501(a)(1) of Regulation D under the Securities Act of 1933, as amended, are met.

For a general description of the Exemption and the conditions that must be satisfied for the Exemption to apply, see “ERISA Considerations” in the prospectus.

It is expected that the Exemption will apply to the acquisition and holding by Plans of the offered certificates (other than the Class A-R Certificates) and that all conditions of the Exemption other than those within the control of the investors will be met. In addition, as of the date hereof, there is no single mortgagor that is the obligor on five percent (5%) of the mortgage loans included in the trust fund by aggregate unamortized principal balance of the assets of the trust fund.

The rating of a certificate may change. If a class of certificates no longer has a rating of at least BBB- (or its equivalent) from at least one of S&P, Fitch, or Moody’s, certificates of that class will no longer be eligible for relief under the Exemption (although a Plan that had purchased the certificate when it had an investment-grade rating would not be required by the Exemption to dispose of it).

**Because the characteristics of the Class A-R Certificates may not meet the requirements of the Exemption, or any other issued exemption under ERISA, a Plan may have engaged in a prohibited transaction giving rise to excise taxes or civil penalties if it purchases and holds Class A-R Certificates. Consequently, transfers of the Class A-R Certificates (and of certificates of any class that, because of a change of rating, no longer satisfy the rating requirement of the Exemption) will not be registered by the trustee unless the trustee receives:**

- **a representation from the transferee of the certificate, acceptable to and in form and substance satisfactory to the trustee, that the transferee is not a Plan, or a person acting on behalf of a Plan or using a Plan’s assets to effect the transfer;**
- **a representation that the transferee is an insurance company which is purchasing the certificate with funds contained in an “insurance company general account” (as defined in Section V(e) of Prohibited Transaction Class Exemption 95-60 (“PTCE 95-60”)) and that the purchase and holding of the certificate satisfy the requirements of exemptive relief under Sections I and III of PTCE 95-60; or**
- **an opinion of counsel satisfactory to the trustee that the purchase and holding of the certificate by a Plan, or a person acting on behalf of a Plan or using a Plan’s assets, will not result in a non-exempt prohibited transaction under ERISA or Section 4975 of the**

**Code and will not subject the trustee or the master servicer to any obligation in addition to those undertaken in the pooling and servicing agreement.**

Prospective Plan investors are encouraged to consult with their legal advisors concerning the impact of ERISA and the Code, the effect of the Plan Assets Regulation and the applicability of the Exemption described in the prospectus, and the potential consequences in their specific circumstances, before making an investment in any of the offered certificates. Moreover, each Plan fiduciary is encouraged to determine whether, under the general fiduciary standards of investment prudence and diversification, an investment in any of the offered certificates is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio.

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

#### **Method Of Distribution**

Subject to the terms and conditions set forth in the underwriting agreement between the depositor and Countrywide Securities Corporation, an affiliate of the depositor, the sellers and the master servicer ("CSC" or the "underwriter"), the depositor has agreed to sell the offered certificates to the underwriter. CSC has agreed to purchase from the depositor the offered certificates (the "Underwritten Certificates").

Distribution of the Underwritten Certificates will be made by the underwriter from time to time in negotiated transactions or otherwise at varying prices to be determined at the time of sale. The underwriter may effect such transactions by selling the Underwritten Certificates to or through dealers and such dealers may receive from the underwriter, for which they act as agent, compensation in the form of underwriting discounts, concessions or commissions. The underwriter and any dealers that participate with the underwriter in the distribution of the Underwritten Certificates may be deemed to be underwriters, and any discounts, commissions or concessions received by them, and any profits on resale of the Underwritten Certificates purchased by them, may be deemed to be underwriting discounts and commissions under the Securities Act of 1933, as amended.

The depositor has been advised by the underwriter that it intends to make a market in the Underwritten Certificates purchased by it but the underwriter has no obligation to do so. There can be no assurance that a secondary market for the Underwritten Certificates will develop or, if it does develop, that it will continue or that it will provide certificateholders with a sufficient level of liquidity of investment.

The depositor has agreed to indemnify the underwriter against, or make contributions to the underwriter with respect to, liabilities, customarily indemnified against, including liabilities under the Securities Act of 1933, as amended.

#### **Legal Matters**

The validity of the certificates, including their material federal income tax consequences, will be passed upon for the depositor by Thacher Proffitt & Wood LLP, New York, New York. Certain legal matters will be passed upon for the underwriter by McKee Nelson LLP.

## Ratings

It is a condition to the issuance of the senior certificates, other than the Class 1-A-9 Certificates, that they be rated AAA by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and Aaa by Moody's Investors Service, Inc. ("Moody's"). It is a condition to the issuance of the Class 1-A-9 Certificates that they be rated AAA by S&P. It is a condition to the issuance of the Class M, Class B-1 and Class B-2 Certificates that they be rated at least AA, A, and BBB, respectively, by S&P. It is a condition to the issuance of the Class B-2 Certificates that they be rated at least Baa2, by Moody's.

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 the 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 the certificates, and the extent to which the payment stream on the mortgage pool is adequate to make the payments required by the certificates. The rating assigned by S&P to the notional amount certificates does not address whether investors will recoup their initial investment. The rating assigned by S&P to the Principal Only Certificates only addresses the return of its Class Certificate Balance. The rating assigned by S&P to the Class A-R Certificates only addresses the return of its Class Certificate Balance and interest thereon at its pass-through rate. The ratings assigned by S&P to the Senior Certificates do not address any payments made pursuant to the Corridor Contract.

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 the 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 the certificates, and the extent to which the payment stream on the mortgage pool is adequate to make the payments required by the certificates. The rating assigned by Moody's to the notional amount certificates does not address whether investors will recoup their initial investment. The rating assigned by Moody's to the Principal Only Certificates only addresses the return of its Class Certificate Balance. The rating assigned by Moody's to the Class A-R Certificates only addresses the return of its Class Certificate Balance and interest thereon at its pass-through rate. The rating assigned by Moody's to the Senior Certificates does not address any payments made pursuant to the Corridor Contract.

The ratings of the rating agencies listed above do not address the possibility that, as a result of principal prepayments, certificateholders may receive a lower than anticipated yield.

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

The depositor has not requested a rating of the offered certificates by any rating agency other than the rating agencies listed above; there can be no assurance, however, as to whether any other rating agency will rate the offered certificates or, if it does, what rating would be assigned by the other rating agency. The ratings assigned by the other rating agency to the offered certificates could be lower than the respective ratings assigned by the rating agencies listed above.

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## GLOBAL CLEARANCE, SETTLEMENT AND TAX DOCUMENTATION PROCEDURES

Except in certain limited circumstances, the offered certificates (other than the Residual Certificates) (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**”), Clearstream, Luxembourg or Euroclear. The Global Securities will be tradable as home market instruments in both the European and U.S. domestic markets. Initial settlement and all secondary trades will settle in same-day funds.

Secondary market trading between investors holding Global Securities through Clearstream, Luxembourg 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 mortgage pass-through certificate issues.

Secondary cross-market trading between Clearstream, Luxembourg or Euroclear and DTC Participants holding Certificates will be effected on a delivery-against-payment basis through the respective Depositories of Clearstream, Luxembourg 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, Clearstream, Luxembourg 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 mortgage pass-through certificate issues. Investor securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Investors electing to hold their Global Securities through Clearstream, Luxembourg 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 mortgage pass-through certificate issues in same-day funds.

*Trading between Clearstream, Luxembourg and/or Euroclear Participants.* Secondary market trading between Clearstream, Luxembourg Participants or Euroclear Participants will be settled using the procedures applicable to conventional Eurobonds in same-day funds.

*Trading between DTC Seller and Clearstream, Luxembourg or Euroclear Purchaser.* When Global Securities are to be transferred from the account of a DTC Participant to the account of a Clearstream, Luxembourg Participant or a Euroclear Participant, the purchaser will send instructions to Clearstream, Luxembourg or Euroclear through a Clearstream, Luxembourg Participant or Euroclear Participant at least one business day prior to settlement. Clearstream, Luxembourg 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 a 360-day year and the actual days in the related accrual period. 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 Clearstream, Luxembourg 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 Clearstream, Luxembourg or Euroclear cash debt will be valued instead as of the actual settlement date.

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

As an alternative, if Clearstream, Luxembourg or Euroclear has extended a line of credit to them, Clearstream, Luxembourg Participants or Euroclear Participants can elect not to preposition funds and allow that credit line to be drawn upon the finance settlement. Under this procedure, Clearstream, Luxembourg 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 Clearstream, Luxembourg 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 Clearstream, Luxembourg Participants or Euroclear Participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC Participants across-market transaction will settle no differently than a trade between two DTC Participants.

*Trading Between Clearstream, Luxembourg or Euroclear Seller and DTC Purchaser.* Due to time zone differences in their favor, Clearstream, Luxembourg 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 Clearstream, Luxembourg or Euroclear through a Clearstream, Luxembourg Participant or Euroclear Participant at least one business day prior to settlement. In these cases Clearstream, Luxembourg 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 the actual number of days in such accrual period and a year assumed to consist of 360 days. For transactions settling on the 31st of the month, payment will include interest accrued to and excluding the first day of the following month. The payment will then be reflected in the account of the Clearstream, Luxembourg Participant or Euroclear Participant the following day, and receipt of the cash proceeds in the Clearstream, Luxembourg Participant's or Euroclear Participant's account would be back-valued to the value date (which would be the preceding day, when settlement occurred in New York). Should the Clearstream, Luxembourg Participant or Euroclear Participant have a line of credit with its respective clearing system and elect to be in debt in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft incurred over that one-day period. If settlement is not completed on the intended value date (*i.e.*, the trade fails), receipt of the cash proceeds in the Clearstream, Luxembourg Participant's or Euroclear Participant's account would instead be valued as of the actual settlement date.

Finally, day traders that use Clearstream, Luxembourg or Euroclear and that purchase Global Securities from DTC Participants for delivery to Clearstream, Luxembourg Participants or Euroclear Participants should note that these trades would automatically fail on the sale side unless affirmative action were taken. At least three techniques should be readily available to eliminate this potential problem:

(a) borrowing through Clearstream, Luxembourg or Euroclear for one day (until the purchase side of the day trade is reflected in their Clearstream, Luxembourg 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 Clearstream, Luxembourg or Euroclear account in order to settle the sale side of the trade; or

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



value date for the sale to the Clearstream, Luxembourg Participant or Euroclear Participant.

### **Certain U.S. Federal Income Tax Documentation Requirements**

A beneficial owner of Global Securities holding securities through Clearstream, Luxembourg 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 or Reduced Rate for Non-U.S. Persons Resident in Treaty Countries (Form W-8BEN).* 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-8BEN Certificate of Foreign Status of Beneficial Owners for United States Tax Withholding. Non-U.S. Persons that are Certificate Owners residing in a country that has a tax treaty with the United States also can obtain an exemption or reduced tax rate (depending on the treaty terms) by filing Form W-8BEN. If the information shown on Form W-8BEN changes, a new Form W-8BEN must be filed within 30 days of such change.

*Exemption for Non-U.S. Persons with Effectively Connected Income (Form W-8ECI).* 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 W-8ECI Certificate of Foreign Person's Claim for Exemption from Withholding On Income Effectively Connected with the Conduct of a Trade or Business in the United States.

*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, 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-8BEN and Form W-8ECI are effective until the third succeeding calendar year from the date the form is signed.

The term “**U.S. Person**” means:

- (1) a citizen or resident of the United States;
- (2) a corporation or partnership (including an entity treated as a corporation or partnership for U.S. federal income tax purposes) organized in or under the laws of the United States, any State thereof or the District of Columbia;
- (3) an estate the income of which is includible in gross income for United States tax purposes, regardless of its source; or

(4) 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. Investors are advised to consult their own tax advisors for specific tax advice concerning their holding and disposing of the Global Securities.