

income tax purposes. However, because different criteria are used to determine the non-tax accounting characterization of the transaction, the Transferor intends to treat this transaction as a sale of an interest in the principal balances of the mortgage loans for financial accounting purposes.

In general, whether for U.S. federal income tax purposes a transaction constitutes a sale of property or a loan, the repayment of which is secured by property, is a question of fact, the resolution of which is based upon the economic substance of the transaction rather than its form or the manner in which it is labeled. While the Internal Revenue Service and the courts have set forth several factors to be taken into account in determining whether the substance of a transaction is a sale of property or a secured loan, the primary factor in making this determination is whether the transferee has assumed the risk of loss or other economic burdens relating to the property and has obtained the benefits of ownership thereof. Tax Counsel has analyzed and relied on several factors in reaching its opinion that the weight of the benefits and burdens of ownership of the mortgage loans has been retained by the transferor and has not been transferred to the Certificate Owners.

In some instances, courts have held that a taxpayer is bound by the particular form it has chosen for a transaction, even if the substance of the transaction does not accord with its form. Tax Counsel has advised that the rationale of those cases will not apply to this transaction, because the form of the transaction as reflected in the operative provisions of the documents either accords with the characterization of the Certificates as debt or otherwise makes the rationale of those cases inapplicable to this situation.

#### **Taxation of Interest Income of Certificate Owners**

Assuming that the Certificate Owners are holders of debt obligations for U.S. federal income tax purposes, the Certificates generally will be taxable as Debt Securities. See "Material Federal Income Tax Consequences" in the Prospectus.

While it is not anticipated that the Certificates will be issued at a greater than de minimis discount, under Treasury regulations (the "OID Regulations") it is possible that the Certificates could nevertheless be deemed to have been issued with original issue discount ("OID") if the interest were not treated as "unconditionally payable" under the OID Regulations. If such regulations were to apply, all of the taxable income to be recognized with respect to the Certificates would be includible in income of Certificate Owners as OID, but would not be includible again when the interest is actually received. See "Material Federal Income Tax Consequences — Taxation of Debt Securities; Interest and Acquisition Discount" in the Prospectus for a discussion of the application of the OID rules if the Certificates are in fact issued at a greater than de minimis discount or are treated as having been issued with OID under the OID Regulations. For purposes of calculating OID, it is likely that the Certificates will be treated as Pay-Through Securities.

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#### **Possible Classification of the Certificates as a Partnership or Association Taxable as a Corporation**

The opinion of Tax Counsel is not binding on the courts or the IRS. It is possible that the IRS could assert that, for purposes of the Code, the transaction contemplated by this Prospectus Supplement and the accompanying Prospectus with respect to the Certificates constitutes a sale of the mortgage loans (or an interest therein) to the Certificate Owners and that the proper classification of the legal relationship between the transferor and the Certificate Owners resulting from this transaction is that of a partnership, a publicly traded partnership treated as a corporation, or an association taxable as a corporation. Since Tax Counsel has advised that the Certificates will be treated as indebtedness in the hands of the Certificateholders for U.S. federal income tax purposes, the transferor will not attempt to comply with U.S. federal income tax reporting requirements applicable to partnerships or corporations.

If it were determined that this transaction created an entity classified as a corporation (including a publicly traded partnership taxable as a corporation), the trust fund would be subject to U.S. federal income tax at corporate income tax rates on the income it derives from the mortgage loans, which would reduce the amounts available for distribution to the Certificate Owners. Cash distributions to the Certificate Owners generally would be treated as dividends for tax purposes to the extent of such corporation's earnings and profits.

If the transaction were treated as creating a partnership between the Certificate Owners and the transferor, the partnership itself would not be subject to U.S. federal income tax (unless it were to be characterized as a publicly traded partnership taxable as a corporation); rather, the transferor and each Certificate Owner would be taxed individually on their respective distributive shares of the partnership's income, gain, loss, deductions and credits. The amount and timing of items of income and deductions of the Certificate Owner could differ if the Certificates were held to constitute partnership interests rather than indebtedness. Assuming that all of the provisions of the pooling and servicing agreement, as in effect on the date of the issuance, are complied with, it is the opinion of Tax Counsel that the trust fund will not be treated as either an association or a partnership taxable as a corporation or as a taxable mortgage pool.

#### **Possible Classification as a Taxable Mortgage Pool**

In relevant part, Section 7701(i) of the Code provides that any entity (or a portion of an entity) that is a "taxable mortgage pool" will be classified as a taxable corporation and will not be permitted to file a consolidated U.S. federal income tax return with another corporation. Any entity (or a portion of any entity) will be a taxable mortgage pool if (i) substantially all of its assets consist of debt instruments, more than 50% of which are real estate mortgages, (ii) the entity is the obligor under debt obligations with two or more maturities, and (iii) under the terms of the entity's debt obligations (or an underlying arrangement), payments on such debt obligations bear a relationship to the debt instruments held by the entity.

RFJN\_EX 18\_00000173

Assuming that all of the provisions of the pooling and servicing agreement, as in effect on the date of issuance, are complied with, Tax Counsel is of the opinion that neither the trust fund nor any portion of the trust fund will be a taxable mortgage pool under Section 7701(i) of the Code because payments on each loan group support only one class of indebtedness.

The opinion of Tax Counsel is not binding on the IRS or the courts. If the IRS were to contend successfully (or future regulations were to provide) that the arrangement created by the pooling and servicing agreement is a taxable mortgage pool, such arrangement would be subject to U.S. federal corporate income tax on its taxable income generated by ownership of the mortgage loans. Such a tax might reduce amounts available for distributions to Certificate Owners. The amount of such a tax would depend upon whether distributions to Certificate Owners would be deductible as interest expense in computing the taxable income of such an arrangement as a taxable mortgage pool.

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## Foreign Investors

In general, subject to certain exceptions, interest (including OID) paid on a Certificate to a nonresident alien individual, foreign corporation or other non-United States person is not subject to U.S. federal income tax, provided that such interest is not effectively connected with a trade or business of the recipient in the United States and the Certificate Owner provides the required foreign person information certification. See "Material Federal Income Tax Consequences — Tax Treatment of Foreign Investors" in the Prospectus.

Interest paid (or accrued) to a Certificateholder who is a non-U.S. Person will be considered "portfolio interest," and generally will not be subject to United States federal income tax and withholding tax, provided, that (i) the interest is not effectively connected with the conduct of a trade or business within the United States by the non-U.S. Person, (ii) the non-U.S. Person provides the trust fund or other person who is otherwise required to withhold U.S. tax with respect to the Certificate with an appropriate statement (on Form W-8 or other similar form), signed under penalties of perjury, certifying that the beneficial owner of the Certificate is a foreign person and providing that non-U.S. person's name and address. If a Certificate is held through a securities clearing organization or certain other financial institutions, the organization or institution may provide the relevant signed statement to the withholding agent; in that case, however, the signed statement must be accompanied by a Form W-8 or substitute form provided by the non-U.S. Person that owns that interest in the mortgage loan. If such interest does not constitute portfolio interest, then it will be subject to U.S. federal income and withholding tax at a rate of 30%, unless reduced or eliminated pursuant to an applicable tax treaty and the non-U.S. Person provides the Trust Fund, or an organization or financial institution described above, with an appropriate statement (e.g., a Form 1001), signed under penalties of perjury, to that effect.

Final regulations dealing with backup withholding and information reporting on income paid to foreign persons and related matters (the "New Withholding Regulations") were published in the Federal Register on October 14, 1997. In general, the New Withholding Regulations do not significantly alter the substantive withholding and information reporting requirements, but do unify current certification procedures and forms and clarify reliance standards. The New Withholding Regulations generally affect payments made after December 31, 2000, subject to certain transition rules. *The discussion set forth above does not take the New Withholding Regulations into account. Prospective non-U.S. Persons who own interests in mortgage loans are strongly urged to consult their own tax advisor with respect to the New Withholding Regulations.*

If the interests of the Certificate Owners were deemed to be partnership interests, the partnership would be required, on a quarterly basis, to pay withholding tax equal to the product, for each foreign partner, of such foreign partner's distributive share of "effectively connected" income of the partnership multiplied by the highest rate of tax applicable to that foreign partner. In addition, a corporate foreign partner would be subject to branch profits tax. Each non-foreign partner would be required to certify to the partnership that it is not a foreign person. The tax withheld from each foreign partner would be credited against such foreign partner's U.S. income tax liability.

In addition, the interest paid on Certificates could be subject to a 30% withholding tax (or lower treaty rate) either because the interest on the mortgage loans does not appear to satisfy the requirements to be treated as "portfolio interest" under the Code, or because, even if such mortgage loan interest were to be treated as portfolio interest, interest payments on the Certificates could be treated as "guaranteed payments" within the meaning of the partnership provisions of the Code.

If the trust fund were taxable as a corporation, distributions to foreign persons, to the extent treated as dividends, would generally be subject to withholding at the rate of 30%, unless such rate were reduced by an applicable tax treaty.

## Backup Withholding

Certain Certificate Owners may be subject to backup withholding at the rate of 31% with respect to interest paid on the Certificates if the Certificate Owner, upon issuance, fails to supply the trustee or his broker with his taxpayer identification number, furnish an incorrect taxpayer identification number, fail to report interest, dividends, or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fail to provide the Trustee or his broker with a certified statement, under penalty of perjury, that he is not subject to backup withholding.

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RFJN\_EX 18\_00000174

The trustee will be required to report annually to the IRS, and to each Certificateholder of record, the amount of interest paid (and OID accrued, if any) on the Certificates (and the amount of interest withheld for U.S. federal income taxes, if any) for each calendar year, except as to exempt holders (generally, holders that are corporations, certain tax-exempt organizations or nonresident aliens who provide certification as to their status as nonresidents). As long as the only "certificateholder" of record is Cede & Co., as nominee for DTC, Certificate Owners and the IRS will receive tax and other information including the amount of interest paid on the Certificates owned from Participants and Indirect Participants rather than from the trustee. (The trustee, however, will respond to requests for necessary information to enable Participants, Indirect Participants and certain other persons to complete their reports.) Each non-exempt Certificate Owner will be required to provide, under penalty of perjury, a certificate on IRS Form W-9 containing his or her name, address, correct federal taxpayer identification number and a statement that he or she is not subject to backup withholding. Should a nonexempt Certificate Owner fail to provide the required certification, the Participants or Indirect Participants (or the Paying Agent) will be required to withhold 31% of the interest (and principal) otherwise payable to the holder, and remit the withheld amount to the IRS as a credit against the holder's federal income tax liability.

As previously mentioned, the New Withholding Regulations were published in the Federal Register on October 14, 1997 and generally affect payments made after December 31, 2000, subject to certain transition rules. *The discussion set forth above does not take the New Withholding Regulations into account. Prospective non-U.S. Persons who own Regular Certificates are strongly urged to consult their own tax advisor with respect to the New Withholding Regulations.*

## STATE TAXES

The depositor makes no representations regarding the tax consequences of purchase, ownership or disposition of the Certificates under the tax laws of any state. Investors considering an investment in the Certificates should consult their own tax advisors regarding such tax consequences.

*All investors should consult their own tax advisors regarding the federal, state, local or foreign income tax consequences of the purchase, ownership and disposition of the certificates.*

## ERISA CONSIDERATIONS

[The fiduciary of any pension or other employee benefit plan (a "Plan") which proposes to cause such Plan to acquire any of the Certificates should consult with its counsel with respect to the potential consequences under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code, of the Plan's acquisition and ownership of such Certificates. See "ERISA Considerations" in the Prospectus.

Section 406 of ERISA prohibits "parties in interest" with respect to an employee benefit plan subject to ERISA from engaging in certain transactions involving such plan and its assets unless a statutory, regulatory or administrative exemption applies to the transaction. Section 4975 of the Code imposes certain excise taxes on prohibited transactions involving "disqualified persons" and employee benefit plans or other arrangements (including, but not limited to, individual retirement accounts) described under that Section (together with employee benefit plans subject to ERISA, "Plans"); ERISA authorizes the imposition of civil penalties for prohibited transactions involving Plans not subject to the requirements of Section 4975 of the Code.

Certain employee benefit plans, including governmental plans and certain church plans, are not subject to ERISA's requirements. Accordingly, assets of such plans may be invested in the Certificates without regard to the ERISA considerations described herein and in the prospectus, subject to the provisions of other applicable federal and state law. Any such plan that is qualified and exempt from taxation under Sections 401(a) and 501(a) of the Code may nonetheless be subject to the prohibited transaction rules set forth in Section 503 of the Code.

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Except as noted above, investments by Plans are subject to 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 Certificates should consider, among other factors, the extreme sensitivity of the investment to the rate of principal payments (including prepayments) on the mortgage loans.

In Prohibited Transaction Exemption 83-1 (the "Exemption"), the Department of Labor ("DOL") exempted from ERISA's prohibited transaction rules certain transactions relating to the operation of residential mortgage pool investment trusts and the purchase, sale and holding of "mortgage pool pass-through certificates" in the initial issuance of such certificates.

The Exemption permits, subject to certain conditions, transactions that might otherwise be prohibited between Plans and "parties in interest" with respect to those Plans related to the origination, maintenance and termination of mortgage pools consisting of mortgage loans secured by first or second mortgages or deeds of trust on single-family residential property, and the acquisition and holding of certain mortgage pool pass-through certificates representing an interest in such mortgage pools by Plans.

RFJN\_EX 18\_00000175

If the general conditions of the Exemption are satisfied, investments by a Plan in certificates that represent interests in a mortgage pool consisting of mortgage loans representing loans for single family homes ("Single Family Certificates") will be exempt from the prohibitions of ERISA Sections 406(a) and 407 (relating generally to transactions with "parties in interest" who are not fiduciaries) if the Plan purchases the Single Family Certificates at no more than fair market value and the Certificates are not subordinated to the other Certificates issued by the same pool, and will be exempt from the prohibitions of ERISA Sections 406(b)(1) and (2) (relating generally to transactions with fiduciaries) if, in addition, the purchase is approved by an independent fiduciary, no sales commission is paid to the pool sponsor, a Plan does not purchase more than twenty-five percent (25%) of all Single Family Certificates and at least fifty percent (50%) of all Single Family Certificates are purchased by persons independent of the pool sponsor or pool trustee.

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

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

Section 406 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), prohibit "parties in interest" with respect to an employee benefit plan subject to ERISA from engaging in certain transactions involving such Plan and its assets unless a statutory, regulatory or administrative exemption applies to the transaction. Section 4975 of the Code imposes certain excise taxes on prohibited transactions involving "disqualified persons" and employee benefit plans or other arrangements (including, but not limited to, individual retirement accounts) described under that Section (collectively with employee benefit plans subject to ERISA, "plans"); ERISA authorizes the imposition of civil penalties for prohibited transactions involving Plans not covered under Section 4975 of the Code. Any Plan fiduciary which proposes to cause a Plan to acquire the Offered Certificates should consult with its counsel with respect to the potential consequences under ERISA and the Code of the Plan's acquisition and ownership of such Certificates. See "ERISA Considerations" in the Prospectus.

Certain employee benefit plans, including governmental plans and certain church plans, are not subject to ERISA's requirements. Accordingly, assets of such plans may be invested in the Offered Certificates without regard to the ERISA considerations described herein and in the Prospectus, subject to the provisions of other applicable federal and state law. Any such plan which is qualified and exempt from taxation under Sections 401(a) and 501(a) of the Code may nonetheless be subject to the prohibited transaction rules set forth in Section 503 of the Code.

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Except as noted above, investments by Plans are subject to 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 which decides to invest the assets of a Plan in the Class [ ] Certificates should consider, among other factors, the extreme sensitivity of the investments to the rate of principal rate of principal payments (including prepayments) on the Mortgage Loans.

The U.S. Department of Labor has granted to [Underwriter] an administrative exemption (Prohibited Transaction Exemption[ ]; Exemption Application No.[ ], Fed. Reg. [ ] ([ ]) (the "Exemption") from certain 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 certificates in pass-through trusts that consist of certain receivables, loans and other obligations and the servicing, operation and management of such asset-backed pass-through trusts; provided that the conditions and requirements of the Exemption are met. The Exemption will apply to the acquisition, holding and resale of the Certificates by a Plan provided that certain conditions 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 believed that the Exemption will apply to the acquisition and holding of the Certificates by Plans and that all conditions of the Exemption other than those within the control of the investors will be met.

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

#### LEGAL INVESTMENT CONSIDERATIONS

Although, as a condition to their issuance, the Class [ ] Certificates will be rated in the highest rating category of each of the Rating Agencies, the Class [ ] Certificates will not constitute "mortgage related securities" for purposes of the Secondary Mortgage Market Enhancement Act of 1984 ("SMMEA"), because not all of the mortgages securing the mortgage loans are first mortgages. Accordingly, many institutions with legal authority to invest in comparably rated securities based on first mortgage loans may not be legally authorized to invest in the Class [ ] Certificates, which because

RFJN\_EX 18\_00000176



they evidence interests in a pool that includes junior mortgage loans are not “mortgage related securities” under SMMEA. See “Legal Investment” in the Prospectus.

## UNDERWRITING

Subject to the terms and conditions set forth in the underwriting agreement, dated [ ], 200[ ], between the depositor and [ ] (“[ ]”), which is an affiliate of the depositor, the seller and the master servicer), the depositor has agreed to sell to [ ], and [ ] has agreed to purchase from the depositor, the Class [ ] Certificates.

In the underwriting agreement, [ ] has agreed, subject to the terms and conditions set forth therein, to purchase all the Certificates offered hereby if any of the Certificates are purchased.

The depositor has been advised by [ ] that it proposes initially to offer the Class [ ] Certificates to the public in Europe and the United States at the offering price set forth on the cover page hereof and to certain dealers at such price less a discount not in excess of [ ]% of the Certificate denominations. [ ] may allow and such dealers may realow a discount not in excess of [ ]% of the Certificate denominations to certain other dealers. After the initial public offering, the public offering price, such concessions and such discounts may be changed.

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Until the distribution of the Class [ ] Certificates is completed, rules of the Securities and Exchange Commission may limit the ability of [ ] and certain selling group members to bid for and purchase the Class [ ] Certificates. As an exception to these rules, [ ] is permitted to engage in certain transactions that stabilize the price of the Class [ ] Certificates. Such transactions consist of bids or purchases for the purposes of pegging, fixing or maintaining the price of the Class [ ] Certificates.

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

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

The underwriting agreement provides that the depositor will indemnify [ ] against certain civil liabilities, including liabilities under the Act.

After the initial distribution of the Certificates offered hereby, this prospectus and prospectus supplement may be used by FTN Financial Securities Corp., an affiliate of the depositor, the seller and the master servicer, in connection with market making transactions in such Certificates. FTN Financial Securities Corp. may act as principal or agent in these transactions. These transactions will be at market prices at the time of sale and not at the prices of the initial offering.

## LEGAL MATTERS

Certain legal matters with respect to the Certificates will be passed upon for the Depositor by Andrews Kurth LLP, Dallas, Texas. [ ], will pass upon certain legal matters on behalf of the underwriters.

## EXPERTS

[The consolidated financial statements of the Certificate Insurer, [Certificate Insurer] and subsidiaries, as of [month] [day], [year] and [year] and for each of the years in the [number]-year period ended [month] [day], [year], are incorporated by reference herein and in the registration statement in reliance upon the report of [ ], independent certified public accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.]

## RATINGS

It is a condition to the issuance of the Class [ ] Certificates that they be rated [ ] by [Rating Agency] and [ ] by [Rating Agency] (each a “Rating Agency”).

A securities rating addresses the likelihood of the receipt by Certificateholders of distributions on the mortgage loans. The rating takes into consideration the characteristics of the mortgage loans and the structural and legal aspects associated with the Certificates. The ratings on the Certificates do not, however, constitute statements regarding the likelihood or frequency of prepayments on the mortgage loans or the possibility that Certificateholders might realize a lower than anticipated yield. The ratings on the Certificates do not address the likelihood of the receipt by Certificateholders of Basis Risk Carryforward.

RFJN\_EX 18\_00000177

The ratings assigned to the Class [ ] Certificates will depend primarily upon the financial strength of the Certificate Insurer. Any reduction in a rating assigned to the financial strength of the Certificate Insurer below the ratings initially assigned to the Certificates may result in a reduction of one or more of the ratings assigned to the Certificates.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization. Each securities rating should be evaluated independently of similar ratings on different securities.

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

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The information in this Prospectus is not complete and may be changed. We may not sell these securities until the Registration Statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION; DATED MAY 23, 2005**

**PROSPECTUS SUPPLEMENT**

(To Prospectus dated \_\_\_\_\_)

\$[\_\_\_\_\_]

*(Approximate)*

**First Tennessee Bank National Association**

*Seller and Master Servicer*

First Horizon Home Equity Loan Trust 200[ ]-[ ]

*Issuer*

Revolving Home Equity Loan Asset-Backed Notes, Series 200[ ]-[ ]

**Distributions payable monthly commencing in \_\_\_\_\_**

**Class [ ] Notes**

You should carefully consider the risk factors beginning on page S-[ ] of this prospectus supplement and on page [ ] of the accompanying prospectus.

**The Notes**

The Class [ ] [and Class [ ]] Notes have [an] original principal balance[s] of \$[\_\_\_\_\_] [and \$[\_\_\_\_\_] , respectively, each] subject to a permitted variance of plus or minus [10] %.

**The Trust Fund**

The trust fund will own a pool consisting of [two] loan groups of home equity revolving credit line loans made or to be made in the future under certain home equity revolving credit line loan agreements. The loans will be secured by first or second deeds of trust or mortgages on one- to four-family residential properties and will bear interest at rates that adjust based on the prime rate. [The trust fund will also initially include funds from the sale of the notes in excess of the cut-off date principal balances. These excess funds are expected to be used to acquire additional home equity revolving credit line loans after the cut-off date. The Class [ ] Notes will represent an interest in loan group [ ] only.]

RFJN\_EX 18\_00000180

**[The Policy]**

Note Insurer will issue an irrevocable and unconditional note guaranty insurance policy which will guarantee certain payments to noteholders.]

**[NOTE INSURER LOGO]**

The SEC and state securities regulators have not approved or disapproved of these securities or determined if this prospectus supplement or the prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

[Underwriter] will purchase the notes from the depositor on a firm commitment basis and will offer the notes subject to prior sale and subject to its right to reject orders in whole or in part. The notes will be issued in book-entry form on or about [ ], 200[ ] and will be offered in the United States [and Europe].

**[UNDERWRITER]**

[ ], 200[ ]

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***Important notice about information presented in this  
prospectus supplement and the accompanying prospectus:***

We provide information to you about the notes offered by this prospectus supplement in two separate documents that progressively provide more detail: (1) the accompanying prospectus, which provides general information, some of which may not apply to your notes, and (2) this prospectus supplement, which describes the specific terms of your notes.

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

We are not offering the notes in any state where the offer is not permitted. We do not claim that the information in this prospectus supplement and prospectus is accurate as of any date other than the dates stated on their respective covers.

We include cross-references in this prospectus supplement and the accompanying prospectus to captions in these materials where you can find further related discussions. The following table of contents and the table of contents included in the accompanying prospectus provide the pages on which these captions are located.

After the initial distribution of the notes offered hereby, this prospectus and prospectus supplement may be used by FTN Financial Securities Corp., an affiliate of the depositor, the seller and the master servicer, in connection with market making transactions in the notes. FTN Financial Securities Corp. may act as principal or agent in these transactions. These transactions will be at market prices at the time of sale and not at the prices of the initial offering. Certain information in this prospectus supplement will be updated from time to time.

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## 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 notes, read carefully this entire document and the accompanying prospectus.

### Trust Fund

First Horizon Home Equity Loan Trust 200[ ]-[ ] is a [grantor] [business] trust formed under the laws of the State of [New York] [Delaware]. The trust fund will own a pool of home equity revolving credit line loans made or to be made in the future under certain home equity revolving credit line loan agreements. The loans will be secured by first or second deeds of trust or mortgages on one- to four-family residential properties and will bear interest at rates that adjust based on the prime rate. We sometimes refer to these loans as home equity loans or mortgage loans. [The original principal balance of the notes will exceed the aggregate cut-off date principal balances of the home equity loans initially transferred to the trust fund. Funds in an amount equal to this excess are expected to be used to acquire future home equity loans that are not included in the cut-off date pool. Until they are so used, they will be held in the trust fund.]

We will be dividing the mortgage loans in the trust fund into [two] groups. Each will be referred to as a loan group. The repayment of the Class [ ] Notes will be secured by a security interest in loan group [ ] and the repayment of the Class [ ] Notes will be secured by a security interest in loan group [ ]. Likewise, holders of Class [ ] Notes will receive payments from collections on mortgage loans in loan group [ ] and holders of Class [ ] Notes will receive payments from collections on mortgage loans in loan group [ ].

### The Offered Notes

First Horizon Home Equity Loan Trust 200[ ]-[ ] will issue [ ] classes of Revolving Home Equity Loan Asset Backed Notes and a transferor's interest. Only the Class [ ] Notes are offered by this prospectus supplement.]

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## Other Notes

First Horizon Home Equity Loan Trust 200[ ]-[ ] is also issuing the Class [ ] Notes and the transferor's interest. As described in this prospectus supplement, except for limited cross-collateralization, the Class [ ] Notes are not supported by the mortgage loans in loan group [ ], the group that supports the offered notes. A portion of the transferor's interest is subordinated in right of payment to the payment of the notes. Information regarding the Class [ ] Notes and the transferor's interest is included in this prospectus supplement chiefly to provide you with a better understanding of the Class [ ] Notes.]

## Depositor

First Horizon Asset Securities Inc. Its address is 4000 Horizon Way, Irving, Texas 75063 and its telephone number is (214) 441-4000.

See "The Depositor" in the prospectus.

## Seller and Master Servicer

[First Tennessee Bank National Association.]

See "The Master Servicer" in this prospectus supplement.

## Indenture Trustee

[Name of Indenture Trustee].

## Owner Trustee

[Name of Owner Trustee].

## [Note Insurer

Note Insurer, will insure the [Class [ ]] Notes as described in this prospectus supplement.

See "The Note Insurer" in this prospectus supplement.]

## Indenture

The notes will be issued under an indenture between the owner trustee and the indenture trustee.

## Cut-off Date

[ ], 200[ ].

## Closing Date

On or about [ ], 200[ ].

## Distribution Dates

The indenture trustee will make distributions on the [ ]th day of each calendar month beginning in [ ] 200[ ]. If the [ ]th day of a month is not a business day, then payments will be made on the next business day after the [ ]th day of the month.

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## Record Date

The [last] day preceding a distribution date or, if the notes are no longer book-entry notes, the last day of the month preceding a distribution date.

## Denominations

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[The Class [ ] Notes will be issued in minimum denominations of] \$[25,000] and multiples of \$[1,000] in excess of that.

## Registration of Notes

The [Class [ ]] Notes will initially be issued in book-entry form. [Persons acquiring beneficial ownership interests in the [Class [ ]] Notes may elect to hold their beneficial interests through The Depository Trust Company, in the United States, or Clearstream, Luxembourg or the Euroclear System, in Europe.]

See “Description of Notes — Book-Entry Notes” in this prospectus supplement.

## The Mortgage Loans

### General

The mortgage loans are revolving lines of credit. During the applicable draw period, each borrower may borrow additional amounts from time to time up to the maximum amount of that borrower’s line of credit. If borrowed amounts are repaid, they can again be borrowed.

The pool balance equals the aggregate of the principal balances of all mortgage loans in [both] loan groups. The loan group balance of a loan group equals the aggregate of the principal balances of all mortgage loans in that loan group. The principal balance of a mortgage loan (other than a liquidated mortgage loan) on any day is equal to its cut-off date principal balance, plus any additional borrowings on that mortgage loan, minus all collections credited against the principal balance of that mortgage loan before that day. Once a mortgage loan is finally liquidated, its principal balance will be zero.

### Loan Rate

Interest on each mortgage loan is payable monthly and computed on the related daily outstanding principal balance for each day in the billing cycle. The loan rate is a variable rate per annum equal to the sum of the highest prime rate published in the Money Rates table of The Wall Street Journal as of the first business day of each calendar month and a margin. The loan rate is subject to applicable usury limits and certain maximum rates. Loan rates are adjusted monthly on the first business day of the calendar month preceding the due date. The due date for each mortgage loan is the fifteenth day of each month.

### Principal Payments

Each home equity loan features a draw period during which the loan may be drawn on, immediately followed by a repayment period during which the loan must be repaid. In general, home equity loans with [ ]-year draw periods have [ ]-year repayment periods. These [ ]-year draw periods are generally extendible for an additional [ ] years with the approval of the master servicer.

### Statistics

The statistical information presented in this prospectus supplement concerning the pool of mortgage loans does not reflect all of the mortgage loans that will be included in the pool on the closing date. Instead, this statistical information relates to statistical calculation loan groups that include the number and principal balances only of mortgage loans originated by the seller through the statistic calculation date and included in the applicable loan group. The aggregate principal balance of each statistic calculation loan group as of the statistic calculation date is the statistic calculation loan group balance. The statistic calculation date is [ ], 200[ ].

Unless otherwise noted, all statistical percentages in this prospectus supplement are measured by the aggregate principal balance of the applicable statistic calculation loan group on the statistic calculation date.

See “Description of the Mortgage Loans” in this prospectus supplement for additional information concerning the statistic calculation pool and the mortgage loans in general.

#### Summary of Loans in Statistic Calculation Loan Group [ ] (As of Statistic Calculation Date)

Loan Group [ ] Statistic Calculation Date Balance: \$ [ ]  
Weighted Average Combined Loan-to-Value Ratio: [ ] %  
Weighted Average Margin: [ ] %  
Range of Principal Balances: \$[ ] to \$[ ]  
Average Principal Balance: \$[ ]  
Range of Credit Limits: \$[ ] to \$[ ]  
Average Credit Limit: \$[ ]  
Origination Period: [ ] through [ ]

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Range of Loan Rates: [ ]% to [ ]%  
 Weighted Average Loan Rate: [ ]%  
 Weighted Average Maximum Loan Rate: [ ]%  
 Weighted Average Minimum Loan Rate: [ ]%  
 Maximum Credit Utilization Rate: [ ]%  
 Average Credit Utilization Rate: [ ]%  
 Weighted Average Credit Utilization Rate: [ ]%  
 Percentage of Pool Secured by 1st liens: [ ]%  
 Percentage of Pool Secured by 2nd liens: [ ]%  
 Weighted Average Second Mortgage Ratio: [ ]%  
 Percentage with Mortgaged Properties in: [ ]%  
     [ ]: [ ]%  
     [ ]: [ ]%  
     [ ]: [ ]%  
     [ ]: [ ]%  
     [ ]: [ ]%

Range of Remaining Term to Scheduled Maturity: [ ] months to [ ] months  
 Weighted Average Remaining Term to Scheduled Maturity: [ ] months  
 Percentage Single Family Residences: [ ]%  
 Percent Owner Occupied: [ ]%

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[Summary of Loans in Statistic Calculation Loan Group [ ] (As of Statistic Calculation Date)]

Loan Group [ ] Statistic Calculation Date Balance: \$ [ ]  
 Weighted Average Combined Loan-to-Value Ratio: [ ]%  
 Weighted Average Margin: [ ]%  
 Range of Principal Balances: \$ [ ] to \$ [ ]  
 Average Principal Balance: \$ [ ]  
 Range of Credit Limits: \$ [ ] to \$ [ ]  
 Average Credit Limit: \$ [ ]  
 Origination Period: [ ] through [ ]  
 Range of Loan Rates: [ ]% to [ ]%  
 Weighted Average Loan Rate: [ ]%  
 Weighted Average Maximum Loan Rate: [ ]%  
 Weighted Average Minimum Loan Rate: [ ]%  
 Maximum Credit Utilization Rate: [ ]%  
 Average Credit Utilization Rate: [ ]%  
 Weighted Average Credit Utilization Rate: [ ]%  
 Percentage of Pool Secured by 1st liens: [ ]%  
 Percentage of Pool Secured by 2nd liens: [ ]%  
 Weighted Average Second Mortgage Ratio: [ ]%  
 Percentage with Mortgaged Properties in: [ ]%  
     [ ]: [ ]%  
     [ ]: [ ]%  
     [ ]: [ ]%  
     [ ]: [ ]%  
     [ ]: [ ]%

Range of Remaining Term to Scheduled Maturity: [ ] months to [ ] months  
 Weighted Average Remaining Term to Scheduled Maturity: [ ] months  
 Percentage Single Family Residences: [ ]%  
 Percent Owner Occupied: [ ]%

The [Class [ ]] Notes

	Per \$1,000 of Notes	Total
Price to Public	\$ [ ]	\$ [ ]
Underwriting Discount	\$ [ ]	\$ [ ]
Proceeds, before expenses, to the Depositor	\$ [ ]	\$ [ ]

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#### *Note Rate*

[Class [ ] Notes]

The note rate on the Class [ ] Notes may change from distribution date to distribution date. On any distribution date the note rate for the [Class [ ]] Notes will equal the least of: LIBOR plus [ ]% per annum, the weighted average of the loan rates on the mortgage loans in loan group [ ] minus certain fees, expenses and minimum spread requirements, and [ ]% per annum. However, on any distribution date for which the note rate for the Class [ ] Notes has been determined in accordance with the weighted average of the net loan rates on the mortgage loans in loan group [ ], the excess of the lesser of A. [ ]% per annum and B. LIBOR + [ ]% per annum over the note rate will be paid (with interest at the rate of LIBOR + [ ]% per annum, but not at a rate in excess of [ ]% per annum) on the Class [ ] Notes on future distribution dates to the extent that funds are available in the priority described in this prospectus supplement.

[Class [ ] Notes]

The note rate on the Class [ ] Notes may change from distribution date to distribution date. On any distribution date the note rate for the Class [ ] Notes will equal the least of: LIBOR plus [ ]% per annum, the weighted average of the loan rates on the mortgage loans in loan group [ ] minus certain fees, expenses and minimum spread requirements, and [ ]% per annum.

However, on any distribution date for which the note rate for the Class [ ] Notes has been determined in accordance with the weighted average of the net loan rates on the mortgage loans in loan group [ ], the excess of the lesser of A. [ ]% per annum and B. LIBOR + [ ]% per annum over the note rate will be paid (with interest at the rate of LIBOR + [ ]% per annum, but not at a rate in excess of [ ]% per annum) on the Class [ ] Notes on future distribution dates to the extent that funds are available in the priority described in this prospectus supplement.]

See “Description of the Notes — Distributions on the Notes — Application of Interest Collections” in this prospectus supplement.

#### *Interest Period*

For each distribution date and class of notes, the period beginning on the prior distribution date (or in the case of the first distribution date, beginning on the closing date) and ending on the day before the applicable distribution date. The indenture trustee will calculate interest based on the actual number of days in the interest period and a year assumed to consist of 360 days.

#### *Note Principal Balance*

The original principal balance of either class of notes may be reduced or increased by not more than [10]% depending on the aggregate principal balance of the mortgage loans in the related loan group actually delivered on the closing date.

#### *Principal*

The amount of principal distributed on a class of notes on a distribution date will depend on whether the distribution date occurs during the managed amortization period or the rapid amortization period. The managed amortization period begins on the closing date and ends on the earlier of the distribution date in [ ] and the existence of a rapid amortization event. The rapid amortization period begins on the first distribution date after the end of the managed amortization period.

See “Description of Notes— Distributions on the Notes — Distributions of Principal Collections” in this prospectus supplement.

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#### **[Prefunding Account]**

On the closing date approximately \$[ ] will be deposited into a prefunding account [for loan group [ ] and approximately \$[ ] will be deposited into a prefunding account for loan group [ ], each] held as a part of the trust fund. These funds represent the excess of the original principal balance of the Class [ ] [and Class [ ]] Notes [as applicable,] over the cut-off date principal balance of the mortgage loans in [their related] loan group [ ] initially transferred to the trust fund. These funds are expected to be used through [ ] to acquire future home equity loans that are not included in the cut-off date pool. Any future home equity loans acquired by the trust fund after the cut-off date will have been underwritten using generally the same guidelines as were used to select the initial mortgage loans in the trust fund, and the trust fund will have the benefit of substantially the same representations and warranties covering the initial mortgage loans in the trust fund. The seller and master servicer will not exercise any discretion in the selection of the future home equity loans to be acquired by the trust fund. The selection will be made by a mechanical procedure on a first-in, first-out basis. The purchase of these future home equity loans is in addition to the ongoing purchase of additional balances during the managed amortization period with the proceeds of principal repayments received on the trust fund's mortgage loan portfolio. Any funds remaining in the prefunding account[s] on [ ] will be used to prepay the [Class

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[ ] [related class of] Notes on the first distribution date.]

## **Termination**

The trust fund will terminate on the distribution date following the later of (a) payment in full of all amounts owing to [the note insurer and][any third party credit enhancer] and (b) the earliest of the distribution date on which the principal balance of [both] classes of notes have been reduced to zero, the final payment or other liquidation of the last mortgage loan in the trust fund, the optional transfer of the mortgage loans to the owner of the transferor interest, as described below, and the distribution date in [ ].

The mortgage loans in the trust fund will be subject to optional transfer to the owner of the transferor interest on any distribution date on or after which the combined principal balance of both classes of notes is reduced to any amount less than or equal to 10% of the original combined principal balance of the notes and all amounts due and owing to the note insurer and] [any third party credit enhancer][, including any unreimbursed draws on the policy ][and any third party enhancement], together with interest on those amounts, have been paid as provided [either] [in the insurance agreement under which the policy is issued] [or in accordance with any third party credit enhancement].

See “Description of the Indenture — Termination; Retirement of the Notes” in this prospectus supplement and “The Agreements — Termination; Optional Termination” in the prospectus.

## **Credit Enhancement**

### *General*

The trust fund includes various mechanisms that are intended to protect noteholders against losses on the mortgage loans.

### *Excess Interest*

The indenture trustee will distribute certain interest collections on the mortgage loans in each loan group to cover losses that would otherwise be allocated to the notes related to that loan group, and to the extent described in this prospectus supplement, to the notes related to the other loan group.

### *Limited Subordination of Transferor Interest*

The sum of the amounts by which the loan group balance of each loan group in the trust fund exceeds the principal balance of its related notes is the transferor interest. Initially, the transferor interest will be \$0. The transferor interest is expected to grow as interest collections in excess of trustee fees, [amounts due the note insurer,] interest accrued on the notes and certain loss amounts due on the notes are applied as principal distributions on the notes, thereby creating overcollateralization of the notes. For each loan group, once the required level of overcollateralization is reached, the acceleration feature for the related class of notes will cease, unless it is necessary to maintain the required level of overcollateralization. The transferor interest is also the mechanism that absorbs changes in the principal amount of mortgage loans in a loan group due to new borrowings and repayments. In certain circumstances, amounts that would be distributed on the transferor interest will instead be distributed on the notes. First Tennessee Bank National Association (or one of its affiliates) will be the owner of the transferor interest on the closing date.

See “Description of the Notes — Limited Subordination of Transferor Interest” in this prospectus supplement.

### *Policy*

The policy will irrevocably and unconditionally guarantee on each distribution date to the indenture trustee for the benefit of the noteholders the full and complete payment of the guaranteed distributions consisting of the guaranteed principal distribution amount with respect to the notes for the distribution date, and accrued and unpaid interest due on the notes.

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The effect of the policy is to guarantee the timely payment of interest on, and the ultimate payment of the principal amount of, the notes. The policy does not cover payment of basis risk carryforward.

In addition, the policy will guarantee the payment of the outstanding note principal balance on the distribution date in [ ] (after giving effect to all other amounts distributable and allocable to principal on that distribution date).

IN THE ABSENCE OF PAYMENTS UNDER THE POLICY, NOTEHOLDERS WILL DIRECTLY BEAR THE CREDIT AND OTHER RISKS ASSOCIATED WITH THEIR PERCENTAGE INTEREST IN THE TRUST FUND.

See “Description of the Indenture — The Policy” in this prospectus supplement.

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The indenture will allow for limited cross-collateralization, in that certain excess cashflows from either loan group on any distribution date will be applied to the funding of certain deficiencies in interest and principal on the notes related to the other loan group.]

#### *[Reserve Fund]*

On the closing date, an account will be set up in the name of the indenture trustee on behalf of the noteholders, but will not be funded. Once the required level of overcollateralization for a loan group has been reached, excess cashflow from that loan group may be deposited in the reserve fund on future distribution dates until the amount reaches a specified level. Amounts in the reserve fund may be used to cover shortfalls in amounts required to be distributed as interest to either Class of Class [ ] Notes or to cover losses on the mortgage loans in either loan group.]

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

Subject to the qualifications described under “Material Federal Income Tax Consequences” in this prospectus supplement, Andrews Kurth LLP, special tax counsel to the depositor, is of the opinion that, under existing law, a note will be treated as a debt instrument for federal income tax purposes as of the closing date. Furthermore, special tax counsel to the depositor is of the opinion that neither the trust fund nor any portion of the trust fund will be treated as either an association or a publicly traded partnership taxable as a corporation or as a taxable mortgage pool.

See “Material Federal Income Tax Consequences” in this prospectus supplement and in the prospectus for additional information concerning the application of federal income tax laws.

#### **ERISA Considerations**

Generally, the notes may be purchased by a pension or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974 or Section 4975 of the Internal Revenue Code of 1986, or by an entity investing the assets of an employee benefit plan, so long as certain conditions are met. A fiduciary of an employee benefit plan or an individual retirement account must determine that the purchase of a note is consistent with its fiduciary duties under applicable law and does not result in a nonexempt prohibited transaction under applicable law.

See “ERISA Considerations” in this prospectus supplement and in the prospectus.

#### **Legal Investment Considerations**

The [Class [ ]] Notes will not constitute mortgage related securities for purposes of the Secondary Mortgage Market Enhancement Act of 1984, because not all of the mortgages securing the loans are first mortgages. Accordingly, many institutions with legal authority to invest in comparably rated securities based solely on first mortgages may not be legally authorized to invest in the [Class [ ]] Notes.

See “Legal Investment” in the prospectus.

#### **Note Rating**

The notes will not be offered unless they are each rated [ ] by [Rating Agency] and [ ] by [Rating Agency] 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 and “Risk Factors — Rating of Securities” in the prospectus.

*[remainder of page intentionally left blank]*

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#### **RISK FACTORS**

*The following information, which you should carefully consider, identifies known material sources of risk associated with an investment in the notes. You should also carefully consider the information under “Risk Factors” in the prospectus.*

##### *You may have difficulty selling your notes*

The underwriter intends to make a secondary market in the notes purchased by it, but 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

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notes readily or at prices that will enable you to realize your desired yield. The market values of the notes are likely to fluctuate; these fluctuations may be significant and could result in significant losses to you.

The secondary markets for asset 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.

*Cash flow disruptions could cause payment delays and losses*

Substantial delays could result while liquidating delinquent mortgage loans. [Resulting shortfalls in distributions to noteholders could occur if the note insurer were unable to perform its obligations under the policy.] Further, liquidation expenses (such as legal fees, real estate taxes, and maintenance and preservation expenses) will reduce the security for the related mortgage loans and in turn reduce the proceeds payable to noteholders. [If any of the mortgaged properties fail to provide adequate security for the related mortgage loans, you could experience a loss if the note insurer were unable to perform its obligations under the policy.]

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*Yield and reinvestment may be adversely affected by unpredictability of prepayments*

During the period that a borrower may borrow money under the borrower's line of credit, the borrower may make monthly payments only for the accrued interest or may also repay some or all of the amount previously borrowed. In addition, borrowers may borrow additional amounts up to the maximum amounts of their lines of credit. As a result, the amount each loan group receives in any month (and in turn the amount distributed to the holders of the related class of notes) may change significantly. Even during the repayment period, borrowers generally may prepay their mortgage loans at any time without penalty. However, prepayments on loans secured by property in California and certain other jurisdictions may be subject to account termination fees during the first five years after origination of the loan. Generally, revolving home equity loans are not viewed by borrowers as permanent financing. The mortgage loans may be repaid at faster rates than traditional mortgage loans. The trust fund's prepayment experience may be affected by a wide variety of factors, including: general economic conditions, interest rates, the availability of alternative financing and homeowner mobility.

In addition, substantially all of the mortgage loans contain due-on-sale provisions and the master servicer intends to enforce those provisions unless doing so is not permitted by applicable law or the master servicer permits the purchaser of the mortgaged property in question to assume the mortgage loan in a manner consistent with reasonable commercial practice. See "Description of the Notes" in this prospectus supplement and "Legal Aspects of the Loans — Due-on-Sale Clauses" in the prospectus for a description of certain provisions of the credit line agreements that may affect the prepayment experience on the mortgage loans.

The yield to maturity and weighted average life of your notes will be affected primarily by the rate and timing of repayments and prepayments on the mortgage loans in your loan group as compared with the creation and amount of additional balances and the realization of liquidation loss amounts.

You bear the reinvestment risks resulting from a faster or slower rate of principal payments than you expected. [You also bear the reinvestment risk if by [ ] all of the funds in the prefunding account[s] have not been used to acquire future home equity loans, which would result in a prepayment of [each class of] [the Class [ ]] Notes in an amount equal to the amount remaining in [its related] [the] prefunding account on that date.] See "Maturity and Prepayment Considerations" in this prospectus supplement and "Yield and Prepayment Considerations" in the prospectus.

*Withdrawal or downgrading of initial ratings will affect the*

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*value of the notes*

The rating of the notes will depend primarily on an assessment by the rating agencies of the mortgage loans (and upon the financial strength of the note insurer. Any reduction in a rating assigned to the financial strength of the note insurer may result in a reduction in the rating of the notes). A reduction in the rating assigned to the notes probably would reduce the market value of the notes and may affect your ability to sell them.

The rating by each of the rating agencies of the notes is not a recommendation to purchase, hold or sell the notes since that rating does not address the market price or suitability for a particular investor. The rating agencies may reduce or withdraw the ratings on the notes at any time they deem appropriate. In general, the ratings address credit risk and do not address the likelihood of prepayments.

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*Junior lien priority could result in payment delay or loss*

The mortgage loans are secured by mortgages that generally are second mortgages. The master servicer has the power under certain circumstances to consent to a new mortgage lien on the mortgaged property having priority over the mortgage loan in the trust fund. Mortgage loans secured by second mortgages are entitled to proceeds that remain from the sale of the related mortgaged property after any related senior mortgage loan and prior statutory liens have been satisfied. If the remaining proceeds are insufficient to satisfy the mortgage loans secured by second mortgages and prior liens in the aggregate [and the note insurer is unable to perform its obligations under the policy], you will bear the risk of delay in distributions while any deficiency judgment against the borrower is sought and the risk of loss if the deficiency judgment cannot be obtained or is not realized on.

See "Legal Aspects of the Loans" in the prospectus.

*Trust fund may be unsecured creditor under certain mortgage loans since mortgage loan assignments not recorded*

Although the mortgage notes relating to the mortgage loans will be delivered to the indenture trustee within [30] days of the closing date [(or within 30 days after receipt by the trust fund, with respect to the future home equity loans)], assignments of mortgage loans to the indenture trustee will only be recorded in those states specified by the rating agencies where recording is required in order to protect the indenture trustee's interest in the related mortgage loan or to perfect a first priority security interest in favor of the indenture trustee in the related mortgage loan if a court were to recharacterize the sale of the mortgage loans as a financing.

In certain states in which the mortgage properties are located, failure to record the assignments of the related mortgages to the indenture trustee will have the result of making the sale of the mortgage loans potentially ineffective against any creditors of the seller who may have been fraudulently or inadvertently induced to rely on the mortgage loans as assets of the seller or any purchaser of a mortgage loan who had no notice of the prior conveyance to the trust fund if the purchaser perfects his interest in the mortgage loan by taking possession of the related documents or other evidence of indebtedness or otherwise.

In those events, the trust fund would be an unsecured creditor of the seller.

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*Developments in [California] could have disproportionate effect on the pool of mortgage loans due to geographic concentration of mortgaged properties*

Approximately [ ] % of the mortgage loans in statistic calculation loan group [ ] and

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approximately [ ]% of the mortgage loans in statistic calculation loan group [ ] are secured by mortgaged properties located in the State of [California]. After the statistic calculation date, the geographic concentration could change because of the addition or removal of mortgage loans, prepayments or the creation of additional balances. Property in [California] may be more susceptible than homes located in other parts of the country to certain 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; 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; and 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.

See “Servicing of Mortgage Loans — Management’s Discussion and Analysis of Delinquency and Foreclosure Trends.”

*Master servicer has ability to change the terms of the mortgage loans*

The master servicer may agree to changes in the terms of a credit line agreement if the changes do not materially and adversely affect the interest of the related noteholders[, any third party credit enhancer] [or the note insurer,] and are consistent with prudent business practice.

In addition, the master servicer, within certain limitations, may increase the credit limit related to a mortgage loan or reduce the loan rate for a mortgage loan. Any increase in the credit limit related to a mortgage loan would increase the combined loan-to-value ratio of that mortgage loan and, accordingly, would increase the risk of the related class of notes’ investment in the mortgage loan. In addition, any reduction in the loan rate of a mortgage loan would reduce the related loan group’s excess cash flow available to absorb losses.

*Your return could be adversely affected by delinquent mortgage loans*

The trust fund may include mortgage loans that are 59 or fewer days delinquent as of [ ] (the cut-off date for the pool of mortgage loans). We expect that the principal balance of mortgage loans that are between 30 days and 59 days delinquent as of the cut-off date will not exceed approximately \$[ ]. Mortgage loans that are already delinquent may increase the risk that the trust fund will experience a loss if the investor interest collections are not sufficient to cover the investor loss amounts for any distribution date, amounts intended to provide protection for the notes that are otherwise payable to the owner of the transferor interest have been exhausted [and the note insurer fails to perform its obligations under the policy].

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*Effect of loan rates on the notes*

The notes accrue interest at a rate based on the one-month LIBOR index plus a specified margin, but are subject to a cap [based in part on the interest rates on the mortgage loans].

The mortgage loans have interest rates that are based on the prime rate, and have periodic and maximum limitations on adjustments to the loan rate. As a result, the notes may accrue less interest than they would accrue if the note rate were based solely on the LIBOR index plus the specified margin.

A variety of factors could limit the note rate. Some of these factors are described below: Each note rate adjusts [monthly] while the loan rates on the mortgage loans may adjust less frequently. Consequently, the loan rates may limit increases in one or both note rates for extended periods in a rising interest rate environment.

The prime rate may respond to different economic and market factors than LIBOR and thus may increase or decrease at different times. As a result, the loan rates could decline

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while LIBOR is stable or rising. And although both the loan rates and LIBOR may either decline or increase during the same period, the loan rates could decline more rapidly or increase more slowly than LIBOR. These factors may adversely affect the yield to maturity on the notes.

For a discussion of additional risks pertaining to the notes, see “Risk Factors” in the prospectus.

*[Certain rights may be affected by the issuance of [two] classes of notes secured by a single trust fund*

The ability to declare an event of master servicing termination under the sale and servicing agreement or an event of default under the indenture, or to amend the sale and servicing agreement or the indenture rests with [the note insurer and] the holders of specified percentages of the notes in both groups. [In addition, under certain circumstances the third party credit enhancer will have those rights as they relate to the Class [ ] Notes.] As a result you may have less ability to control certain actions than you would have had if only a single class of notes had been issued.]

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*The effects of terrorist attacks and military action are not determinable*

The effects that possible future terrorist attacks or other incidents and related military action, or the military action by United States forces in Iraq and other regions, may have on the performance of the mortgage loans or on the values of the related mortgaged properties cannot be determined at this time. Investors should consider the possible effects of such incidents on delinquency, default and prepayment experience of the mortgage loans. Federal agencies and non-government lenders have and may continue to defer, reduce or forgive payments and delay foreclosure proceedings in respect of loans to borrowers affected in some way by future attacks or other incidents and the related military action.

The current deployment of U.S. military reservists and members of the National Guard and any further such deployments may significantly increase the proportion of loans whose interest rates are reduced by application of the Servicemembers Civil Relief Act (the “Relief Act”). The Relief Act provides, generally, that a borrower who is covered by the Relief Act may not be charged interest on the related mortgage loan in excess of 6% annually during the period of the borrower’s active duty. Under the Military Reservist Relief Act, which is a California statute, under certain circumstances, California residents called into active duty with the reserves can delay payments on mortgage loans for a period not to exceed 180 days, beginning with the order to active duty and ending 30 days after release. Interest payable to holders of the certificates will be reduced by any reductions in the amount of interest not collectible as a result of the application of such Acts. These shortfalls are not required to be paid by the borrower at any future time. Neither the seller, the depositor or the master servicer is required to advance these shortfalls as delinquent payments, and such shortfalls are not covered by any form of credit enhancement on the certificates. Any reductions resulting from such Acts will be allocated *pro rata* among the senior certificates and the subordinated certificates.

In addition, legislation granting similar loan payment relief to certain persons not covered by the Relief Act has been proposed and may be enacted in various states.

## FORWARD LOOKING STATEMENTS

*Some 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.*

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## THE TRUST

### General

First Horizon Home Equity Loan Trust 200[ ]-[ ] is a [grantor] [statutory] trust formed under the laws of the State of [New York] [Delaware] under the Trust Agreement, dated [ ], 200[ ], between First Horizon Asset Securities Inc., as depositor, and [Name of owner trustee], as owner trustee, to do the transactions described in this prospectus supplement. After its formation, the trust will not engage in any activity other than acquiring, holding and managing the mortgage loans and the other assets of the trust and their proceeds, issuing the Notes and the transferor's interest, making payments on the Notes and the transferor's interest, and engaging in other activities that are appropriate in connection these activities.

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The trust's principal offices are located in [ ] in care of [Name of owner trustee], as owner trustee, at its address below.

### Trust Assets

The property of the trust will generally consist of: the principal balance of each mortgage loan as of the cut-off date (referred to as the cut-off date principal balance), plus any new advances made on it under the applicable credit line agreement during the life of the trust fund ("Additional Balances"); collections on the mortgage loans received after the cut-off date (exclusive of payments of accrued interest due on or before the cut-off date); mortgaged properties relating to the mortgage loans that are acquired by foreclosure or deed in lieu of foreclosure; the collection account for the Notes (excluding its net earnings); [the Prefunding Account[s] [and the similar account for loan group 1] and any additional loans purchased with their proceeds;] [the Reserve Fund (excluding its net earnings);] [the Policy] and any further credit enhancement for the Notes; and an assignment of the depositor's rights under the purchase agreement.

The assets of the trust comprising loan group [ ], the related collection account, [the related Prefunding Account, the Reserve Fund,] [the Policy,] and the depositor's rights under the agreement under which it purchased the mortgage loans will be pledged to the indenture trustee as security for the Class [ ] Notes under the indenture. [The assets of the trust comprising loan group [ ], the related collection account, [the related Prefunding Account, the Reserve Fund,] [the Policy,] and the depositor's rights under the agreement under which it purchased the mortgage loans will be pledged to the indenture trustee as security for the Class [ ] Notes under the indenture.]

A substantial portion of the economic interest in the mortgage loans, and consequently the trust, is related to the repayment of the Notes and subject to the lien of the indenture. All of the remaining interest in the mortgage loans in the trust fund will be represented by a single transferor interest that will be owned by the transferor.

The transferor has the right to sell or pledge the transferor interest at any time, if the Rating Agencies have notified the transferor and the indenture trustee in writing that the action will not result in the reduction or withdrawal of the ratings assigned to the Notes [without regard to the Policy] [or any other third party credit enhancements], and certain other conditions specified in the trust agreement are satisfied.

The owner trustee and any of its affiliates may hold Notes in their own names or as pledgees. To meet the legal requirements of certain jurisdictions, the owner trustee may appoint co-trustees or separate trustees of any part of the trust fund under the trust agreement. All rights and obligations conferred or imposed on the owner trustee by the sale and servicing agreement and the trust agreement will be conferred or imposed on any separate trustee or co-trustee. In any jurisdiction in which the owner trustee or indenture trustee is incompetent or unqualified to perform any act, the separate trustee or co-trustee will perform the act solely at the direction of the owner trustee.

The owner trustee may resign at any time, in which event the master servicer must appoint a successor [acceptable to the Note Insurer]. The master servicer may also remove the owner trustee if it ceases to be eligible to continue as such under the trust agreement or becomes legally unable to act or becomes insolvent. Any resignation or removal of the owner trustee and appointment of a successor will not become effective until acceptance of the appointment by the successor.

### Duties of the Owner Trustee

The owner trustee will make no representations as to the validity or sufficiency of the trust agreement, the Notes, or of any mortgage loans or related documents, and will not be accountable for the use or application by the depositor or the master servicer of any funds paid to the depositor or the master servicer on the Notes, or the mortgage loans, or the investment of any monies by the master servicer before being deposited into the collection accounts. The owner trustee will be required to perform only those duties specifically required of it under the trust agreement. Generally, those duties will be limited to the receipt of the various certificates, reports or other instruments required to be furnished to the owner trustee under the trust agreement, in which case it will only be required to examine them to determine whether they conform to the requirements of the trust agreement.

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## Certain Activities

The Trust Fund will not borrow money, make loans, invest in securities for the purpose of exercising control, underwrite securities, except as provided in the trust agreement, engage in the purchase and sale (or turnover) of investments, offer securities in exchange for property (except the Notes for the mortgage loans), or repurchase or otherwise reacquire its securities. See "Description of the Sale and Servicing Agreement — Evidence as to Compliance" above for information regarding reports as to the compliance by the master servicer with the sale and servicing agreement.

## Termination

The trust created by the trust agreement shall terminate upon the final distribution of all moneys or other property or proceeds of the trust or at the time the assignor of mortgage loans to the depositor becomes insolvent.

## The Owner Trustee

[Name of owner trustee] will act as the owner trustee under the trust agreement. [Name of owner trustee] is a [ ] banking corporation and its principal officers are located at [ ], [ ].

## [THE NOTE INSURER]

The following information in this section has been provided by Note Insurer (the "Note Insurer"). Accordingly, none of the depositor, the seller and master servicer[, any third party credit enhancer] or the underwriter makes any representation as to the accuracy and completeness of the information in this section.

[Description of Note Insurer, including financial information]]

## THE MASTER SERVICER

### General

[First Tennessee Bank National Association ("First Tennessee") will service the mortgage loans consisting of [adjustable] rate home equity revolving credit line loans made or to be made in the future under the sale and servicing agreement. The mortgage loans will be secured by either first or second deeds of trust or mortgages on the residential properties that are one- to four-family properties, condominiums and planned unit developments.

First Tennessee may perform any of its obligations under the sale and servicing agreement dated as of [ ], 200[ ] among First Horizon Asset Securities Inc., as depositor, First Tennessee, as seller and master servicer [Name of third party enhancer, if any] and [Name of owner trustee], as owner trustee, through one or more subservicers. Notwithstanding any subservicing arrangement, the master servicer will remain liable for its servicing obligations under the sale and servicing agreement as if the master servicer alone were servicing the mortgage loans. As of the Closing Date, the master servicer will service the mortgage loans without subservicing arrangements.]

### The Master Servicer

[First Tennessee, a national banking association, will act as master servicer for the mortgage loans under the sale and servicing agreement. First Tennessee is an indirect wholly owned subsidiary of First Tennessee National Corporation, a Tennessee corporation. First Tennessee National Corporation, headquartered in Memphis, Tennessee, is a national, diversified financial services institution, and one of the fifty largest bank holding companies in the United States. Through its principal subsidiary, First Tennessee, and other subsidiaries, it provides banking and other financial services to its customers through various regional and national lines of business.

First Tennessee's mortgage loan servicing portfolio consists primarily of first and second lien, fixed or adjustable rate mortgage loans secured by single-family residences. First Tennessee began servicing home equity lines of credit in [ ]. At [ ], 200[ ] First Tennessee provided servicing for approximately \$[ ] aggregate principal amount of mortgage loans, substantially all of which are being serviced for unaffiliated persons. At [ ], First Tennessee provided servicing for approximately \$[ ] aggregate principal amount of first and second lien mortgage loans originated under its home equity lines of credit program.

The principal executive offices of First Tennessee are located at 165 Madison Avenue, Memphis, Tennessee 38103. Its telephone number is (800) 364-7662. First Tennessee conducts operations from its headquarters in Memphis, Tennessee.]

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## [THE HOME EQUITY LOAN PROGRAM]

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## Underwriting Procedures Relating to Home Equity Loans

[The following is a description of the underwriting procedures customarily employed by the seller with respect to home equity loans. The underwriting process is intended to assess the applicant's credit standing and repayment ability, and the value and adequacy of the real property security as collateral for the proposed loan. Exceptions to the seller's underwriting guidelines will be made when compensating factors are present. These factors include the borrower's employment stability, favorable credit history, equity in the related property and the nature of the underlying first mortgage loan.

Each applicant for a home equity loan must complete an application that lists the applicant's assets, liabilities, income, and employment history and other demographic and personal information. If information in the loan application demonstrates that the applicant has sufficient income and there is sufficient equity in the real property to justify making a home equity loan, the seller will conduct a further credit investigation of the applicant. This investigation includes obtaining and reviewing an independent credit bureau report on the credit history of the applicant to evaluate the applicant's ability and willingness to repay. The credit report typically contains information relating to matters such as credit history with local merchants and lenders, installment and revolving debt payments and any record of delinquencies, defaults, bankruptcy, collateral repossessions, suits or judgments.

The seller may originate or acquire mortgage loans in accordance with alternative sets of underwriting criteria under an Alternative Documentation Loan Program, a Reduced Documentation Loan Program or a Streamlined Documentation Loan Program. Generally, Alternative Documentation Programs permit a borrower to provide pay stubs and W-2 forms covering the most recent two years, in lieu of obtaining a Verification of Employment. Reduced Documentation Programs place more emphasis on property underwriting than on credit underwriting. Thus, certain credit underwriting documentation concerning income and employment verification is waived. Reduced Documentation Programs require applicants to list their assets and also permit applicants to submit bank statements in lieu of verifications of deposits. Only self-employed borrowers with credit histories that demonstrate an established ability to repay indebtedness in a timely fashion are eligible for Reduced Documentation Programs. Streamlined Documentation programs may be available for first-lien borrowers in good standing with the seller. A Streamlined Documentation Loan Program may be available for borrowers who have recently purchased or refinanced (rate/term) with the seller if they have not been 30 days delinquent in payment during the previous twelve month period. Under a Streamlined Documentation Program, the value of the mortgaged property that was used in conjunction with obtaining the first lien from the seller is used in lieu of a new appraisal and later used to determine the combined loan-to-value ratios for the new home equity line of credit. In most instances, the maximum loan amount is limited to \$30,000. In addition, a credit review is conducted, however no debt ratio calculation, income documentation or asset verification is required. A telephonic verification of employment is required before loan closing.

Full appraisals are generally performed on all home equity loans that at origination had a credit limit greater than \$100,000. These appraisals are determined on the basis of a seller-approved, independent third-party, fee-based appraisal completed on forms approved by Fannie Mae or Freddie Mac. For certain home equity loans that had at origination a credit limit less than or equal to \$100,000, a drive-by evaluation is generally completed by a state licensed, independent third-party, professional appraiser on forms approved by either Fannie Mae or Freddie Mac. The drive-by evaluation is an exterior examination of the premises by the appraiser to determine that the property is in good condition. The appraisal is based on various factors, including the market value of comparable homes and the cost of replacing the improvements, and generally must have been made not earlier than 180 days before the date of origination of the mortgage loan. For certain home equity loans with credit limits less than or equal to \$100,000, First Tennessee may have the related mortgaged property appraised electronically. Electronic appraisals use commercially-available home price indices and will only be completed on mortgaged properties where First Tennessee also services the first mortgage. The minimum and maximum loan amounts for home equity loans are generally \$7,500 and \$500,000, respectively. Borrowers may draw under the home equity loans in minimum amounts of \$250 and maximum amounts up to the remaining available credit, in each case after giving effect to all prior draws and payments on the credit line.

After obtaining all applicable employment, credit and property information, the seller generally uses a debt-to-income ratio to assist in determining whether the prospective borrower has sufficient monthly income available to support the payments on the home equity loan in addition to any senior mortgage loan payments (including any escrows for property taxes and hazard insurance premiums) and other monthly credit obligations. The "debt-to-income ratio" is the ratio of the borrower's total monthly credit obligations (assuming the mortgage loan interest rate is based on the applicable fully indexed interest rate) to the borrower's gross monthly income. Based on this, the maximum monthly debt-to-income ratio is 45%. Variations in the monthly debt-to-income ratios limits are permitted based on compensating factors. The seller currently offers home equity loan products that allow maximum combined loan-to-value ratios up to 100%.

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It is generally the seller's policy to require a title search or limited coverage policy before it makes a home equity loan for amounts less than or equal to \$100,000. In addition, if the home equity loan has a maximum draw amount of more than \$100,000, the seller requires that the borrower obtain an ALTA policy, or other assurance of title customary in the relevant jurisdiction. In addition, ALTA title policies are generally obtained in situations where the property is on leased land or there has been a change in title or the home equity loan is in first lien position.]

## SERVICING OF THE MORTGAGE LOANS

[The master servicer has established standard policies for the servicing and collection of the home equity loans. Servicing includes, but is not limited to, the collection and aggregation of payments relating to the mortgage loans; the supervision of delinquent mortgage loans, loss mitigation efforts, foreclosure proceedings and, if applicable, the disposition of the mortgaged properties; and the preparation of tax related information in connection with the mortgage loans.

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Billing statements are mailed monthly by the master servicer. The statements detail all debits and credits and specify the minimum payment due and the available credit line. Notice of changes in the applicable loan rate are provided by the master servicer to the mortgagor with the monthly statements. All payments are due by the fifteenth day of the month.

The general policy of the master servicer is to initiate foreclosure in the underlying property for a mortgage loan after the loan is 60 days or more delinquent and satisfactory arrangements cannot be made with the mortgagor; or if a notice of default on a senior lien is received by the master servicer.

Foreclosure proceedings may be terminated if the delinquency is cured. Mortgage loans to borrowers in bankruptcy proceedings may be restructured in accordance with law and with a view to maximizing recovery on the loans, including any deficiencies.

Once foreclosure is initiated by the master servicer, a foreclosure tracking system is used to monitor the progress of the proceedings. The system includes state specific parameters to monitor whether proceedings are progressing within the time frame typical for the state in which the property is located. During the foreclosure proceeding, the master servicer determines the amount of the foreclosure bid and whether to liquidate the loan.

After foreclosure, if the home equity loan is secured by a first mortgage lien, the master servicer may liquidate the mortgaged property and charge off the home equity loan balance that was not recovered through liquidation proceeds. If the mortgaged property was subject to a senior lien, the master servicer will either directly manage the foreclosure sale of the property and satisfy the lien at the time of sale or take other action deemed necessary to protect the interest in the mortgaged property. If in the judgment of the master servicer, the cost of maintaining or purchasing the senior lien position exceeds the economic benefit of the action, the master servicer will generally charge off the entire home equity loan and may seek a money judgment against the borrower.

Servicing and charge-off policies and collection practices may change over time in accordance with, among other things, the master servicer's business judgment, changes in the portfolio and applicable laws and regulations.]

#### Foreclosure and Delinquency Experience

The tables on the following page summarize the delinquency and foreclosure experience, respectively, on the dates indicated, of home equity revolving credit line loans serviced by the master servicer. The delinquency and foreclosure percentages may be affected by the size and relative lack of seasoning of the servicing portfolio because many of such loans were not outstanding long enough to give rise to some or all of the periods of delinquency indicated in the chart below. 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 and delinquency experience presented in the table below will be indicative of such experience on the mortgage loans.

For the purposes of the following table, the period of delinquency is based on the number of days payments are contractually past due.

Certain total percentages and dollar amounts may not equal the sum of the percentages and dollar amounts indicated in the columns due to differences in rounding.

*[remainder of page intentionally left blank]*

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#### Delinquency and Foreclosure Experience of First Tennessee's Home Equity Revolving Credit Line Loan Portfolio

As of December 31,

{ }				{ }				{ }			
No. of Loans	% of Loans	Principal Balance(\$)	% of Balance	No. of Loans	% of Loans	Principal Balance(\$)	% of Balance	No. of Loans	% of Loans	Principal Balance(\$)	% of Balance

Total Portfolio

Period of Delinquency

30-59 Days

60-89 Days

90 Days or more

Foreclosures Pending

Total Delinquencies

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	As of [     ]			
	No. of Loans	% of Loans	Principal Balance(\$)	% of Balance
Total Portfolio				
Period of Delinquency				
30-59 Days				
60-89 Days				
90 Days or more				
Foreclosures Pending				
Total Delinquencies				

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## Management's Discussion and Analysis of Delinquency and Foreclosure Trends

For the master servicer's total portfolio, mortgage loan delinquencies generally have decreased since December 31, 2001. Although these decreases may be due to a variety of factors, the master servicer believes the amount of turnover and decreased seasoning in the master servicer's servicing portfolio are contributing factors to the decreases in these categories. There can be no assurance that factors beyond the control of the master servicer, such as national or local economic conditions or downturns in the residential real estate market will not result in increased rates of mortgage loan delinquencies and foreclosure losses in the future.

If the residential real estate market should experience an overall decline in property values such that the outstanding balances of the mortgage loans, and any secondary financing on the mortgaged properties by a lender, become equal to or greater than the value of the mortgaged properties, the actual rates of delinquencies, foreclosures and losses could be significantly higher than the rates indicated in the tables above. To the extent that such losses occur in connection with the mortgage loans and are not otherwise covered by the forms of credit enhancement described in this prospectus supplement, they will be passed through as losses on the related certificates and such losses will be borne by the related certificateholders.

## DESCRIPTION OF THE MORTGAGE LOANS

### General

[Certain statistical information concerning the pool of mortgage loans is illustrated below (the pool is referred to as the "Statistic Calculation Pool" and each mortgage loan is referred to as a "Statistic Calculation Pool Mortgage Loan"). The mortgage pool will be divided into [two] groups of mortgage loans (each is referred to as a loan group) — loan group [ ] and loan group [ ]. The repayment of the Class [ ] Notes will be secured by a security interest in loan group [ ] only [and the repayment of the Class [ ] Notes will be secured by a security interest in loan group [ ].] [Loan group [ ] information is included chiefly to provide a better understanding about the trust fund.] A detailed description of the mortgage loans actually delivered (the "Detailed Description") will be available to purchasers of the Notes at or before, and will be filed on Form 8-K with the Securities and Exchange Commission after delivery of the Notes. The Detailed Description will specify the aggregate of the principal balances of the mortgage loans included in the trust fund as of the cut-off date and will also include, among other things, the following information regarding the mortgage loans: the outstanding principal balances of the mortgage loans as of [ ], 200[ ] (the cut-off date) [or the related transfer date], the lien priorities of the mortgage loans, the loan rates borne by the mortgage loans as of the cut-off date, the combined loan-to-value ratios of the mortgage loans, the remaining term to scheduled maturity of the mortgage loans, the type of properties securing the mortgage loans, the geographical distribution of the mortgage loans by state and the credit limits and credit limit utilization rates of the mortgage loans as of the cut-off date.

[The Detailed Description speaks as of the cut-off date and consequently does not include any Subsequent Home Equity Loans purchased with the funds in the prefunding accounts.] The mortgage loans will have been originated in accordance with credit line agreements and will be secured by mortgages or deeds of trust. The mortgages and deeds of trust are either first or second mortgages or deeds of trust on mortgaged properties expected to be located in [49 states and the District of Columbia] as of the cut-off date. The mortgaged properties securing the mortgage loans will consist of residential properties that are one- to four-family properties. See "— Mortgage Loan Terms" below.

Information regarding the Statistic Calculation Pool Mortgage Loans as of [ ], 200[ ] (the "Statistic Calculation Date") can be found on the tables on pages S-[ ] through S-[ ].

### Mortgage Loan Terms

[General. A borrower may access a mortgage loan by writing a check in a minimum amount of \$[ ]. The mortgage loans bear interest at a variable rate that changes monthly on the first business day of the related month with changes in the applicable index rate. The Statistic Calculation Pool Mortgage Loans are subject to a maximum per annum interest rate ranging from [ ]% to [ ]% per annum, subject to applicable usury limitations. See

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"Legal Aspects of the Loans — Applicability of Usury Laws" in the prospectus. The daily periodic rate on the mortgage loans (i.e., the loan rate) is the sum of the index rate plus the applicable margin, divided by 365 days. The margin generally ranges between [ ]% and [ ]%. The index rate is based on the highest "prime rate" published in the "Money Rates" table of The Wall Street Journal as of the first business day of each calendar month.

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The second mortgage ratio for a mortgage loan in a second lien position is the credit limit for the related mortgage loan divided by the sum of the credit limit and the outstanding principal balance of any mortgage loan senior to the related mortgage loan as of the date of related loan application. The weighted average second mortgage loan ratio for the Loan Group [ ] Statistic Calculation Pool Mortgage Loans was approximately [ ]%. The weighted average second mortgage ratio for the Loan Group [ ] Statistic Calculation Pool Mortgage Loans was approximately [ ]%.

First Tennessee generally offers introductory loan rates on its home equity lines of credit. The introductory rate applies to payments made during the [first three months or first six months] after origination. After the introductory period, the loan rate will adjust to the index rate plus the applicable margin.

In general, the home equity loans may be drawn on during a draw period of [five] years. Home equity loans with a draw period of [five] years (which generally may be extendible for an additional [five] years, with First Tennessee's approval) constitute approximately [ ]% of the Loan Group [ ] Statistic Calculation Pool Mortgage Loans and approximately [ ]% of the Loan Group [ ] Statistic Calculation Pool Mortgage Loans, each by Statistic Calculation Date Principal Balance. These loans are generally subject to a [fifteen] year repayment period following the end of the draw period. During this repayment period, the outstanding principal balance of the loan will be paid in monthly installments equal to [1/180] of the outstanding principal balance at the end of the draw period.

The minimum payment due during the draw period will be equal to the finance charges accrued on the outstanding principal balance of the home equity loan during the related billing period, any past due finance charges and any other charges owed. The minimum payment due during the repayment period will be equal to the sum of the finance charges accrued on the outstanding principal balance of the mortgage loan during the related billing period, any amounts past due, any other charges owed and the principal payment described above.

The principal balance of a mortgage loan (other than a Liquidated Mortgage Loan) on any day is equal to its principal balance as of the cut-off date for the mortgage loans purchased on the Closing Date [and as of the relevant date for the future home equity loans] plus any Additional Balances for the mortgage loan, minus all collections credited against the principal balance of the mortgage loan in accordance with the related credit line agreement before the relevant day.

The principal balance of a Liquidated Mortgage Loan after final recovery of related liquidation proceeds shall be zero.

#### *Difference between Statistic Calculation Pool and Cut-off Date Pool*

The statistical information presented in this prospectus supplement for each loan group reflects the mortgage loans originated by the seller through the Statistic Calculation Date, and is based on the number and the principal balances of the mortgage loans in each loan group as of the Statistic Calculation Date. The depositor expects that the actual pool as of the Closing Date will represent approximately \$[ ] aggregate principal balance of mortgage loans. Loan group [ ], which has a Statistic Calculation Date Principal Balance of approximately \$[ ], is expected to have a cut-off date principal balance of approximately \$[ ]. Loan group [ ], which has a Statistic Calculation Date Principal Balance of approximately \$[ ], is expected to have a cut-off date principal balance of \$[ ]. [The trust also will include approximately \$[ ] for loan group [ ] and \$[ ] for loan group [ ] in the relevant prefunding accounts that may be applied to the purchase of additional mortgage loans as described below.] The [initial] mortgage loans to be included in the cut-off date pool will represent mortgage loans originated by the seller on or before the cut-off date and sold by the seller to the depositor, and by the depositor to the trust fund, on the Closing Date. In addition, with respect to the Statistic Calculation Pool Mortgage Loans, as to which statistical information is presented in this prospectus supplement, some amortization will occur and some Additional Balances may be created before the cut-off date. Moreover, certain Statistic Calculation Pool Mortgage Loans may prepay in full or may be determined not to meet the eligibility requirements for the final cut-off date pool and as a result may not be included in the cut-off date pool. As a result of the foregoing, the statistical distribution of characteristics as of the cut-off date for the cut-off date mortgage loan pool will vary from the statistical distribution of characteristics of each Statistic Calculation Loan Group as presented in this prospectus supplement, although the variance will not be material. If the seller does not, as of the cut-off date, have the full amount of mortgage loans that the depositor expects to purchase from the seller and sell to the trust fund on the cut-off date (i.e. approximately \$[ ] aggregate principal balance of mortgage loans), the depositor may reduce the size of the offering. Likewise, if the seller has more mortgage loans than anticipated, the depositor may increase the size of the offering. The original principal amount of either class of Notes may not decrease or increase by more than [10]%. [For each loan group, the excess of the original principal balance of the related Notes over the cut-off date principal balance of that loan group will be deposited into an account (the account for loan group [ ], the "Prefunding Account"). These funds are expected to be used to acquire future home equity loans not in the cut-off date pool (these loans for loan group [ ], the "Subsequent Home Equity Loans"). Consequently, the statistical distribution characteristics of loan group [ ] after the addition of Subsequent Home Equity Loans will vary from that of both the loan group [ ] cut-off date mortgage loan pool and the Loan Group [ ] Statistical Calculation Pool Mortgage Loans. Any funds remaining in the Prefunding Account on [ ] will be used to prepay the Class [ ] Notes on the first distribution date].

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The sum of the columns below may not equal the total indicated for each loan group due to rounding. The following tables describe the Statistic Calculation Pool Mortgage Loans in each loan group and the related mortgaged properties based upon the Loan Group [ ] Statistic Calculation Pool or the Loan Group [ ] Statistic Calculation Pool, as applicable, as of the close of business on the Statistic Calculation Date:

The sum of the columns below may not equal the total indicated for each loan group due to rounding. The following tables describe the Statistic Calculation Pool Mortgage Loans in each loan group and the related mortgaged properties based upon the Loan Group [ ] Statistic Calculation Pool or the Loan Group [ ] Statistic Calculation Pool, as applicable, as of the close of business on the Statistic Calculation Date:

**LOAN GROUP [ ]  
PRINCIPAL BALANCES**

<b>Range of Principal Balances</b>	<b>Number of Mortgage Loans</b>	<b>Aggregate Unpaid Principal Balance</b>	<b>Percentage of Loan Group [ ] Statistic Calculation Date Aggregate Principal Balance</b>
\$ - \$		\$	%
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
Total		\$	100%

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The combined loan-to-value ratio in the following table is a fraction whose numerator is the sum of (i) the credit limit of the mortgage loans and (ii) any outstanding principal balances of mortgage loans senior or of equal priority to the mortgage loans (calculated generally at the date of origination of the mortgage loans) and whose denominator is the lesser of (i) the appraised value of the related mortgaged property as stated in loan files at the date of origination or (ii) in the case of a mortgaged property purchased within one year of the origination of the related mortgage loan, the purchase price of the mortgaged property.

**COMBINED LOAN-TO-VALUE RATIOS<sup>(1)</sup>**

<b>Range of Combined Loan-to-Value Ratios</b>	<b>Number of Mortgage Loans</b>	<b>Aggregate Unpaid Principal Balance</b>	<b>Percentage of Loan Group [ ] Statistic Calculation Date Aggregate Principal Balance</b>
Less than %		\$	%
-			
-			
-			
-			
-			
-			
-			
-			
-			

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Total	\$	100%
-------	----	------

The geographic location used for the above table is determined by the address of the mortgaged property securing the related mortgage loan.

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#### PROPERTY TYPE

Property Type	Number of Mortgage Loans	Aggregate Unpaid Principal Balance	Percentage of Loan Group [ ] Statistic Calculation Date Aggregate Principal Balance
Single Family		\$	%
PUD			
Lo Condo			
2 - 4 Units			
Total		\$	100%

#### LIEN PROPERTY

Lien Property	Number of Mortgage Loans	Aggregate Unpaid Principal Balance	Percentage of Loan Group [ ] Statistic Calculation Date Aggregate Principal Balance
1 <sup>st</sup> Liens		\$	%
2 <sup>nd</sup> Liens			
Total		\$	100%

#### MARGINS

Range of Margins	Number of Mortgage Loans	Aggregate Unpaid Principal Balance	Percentage of Loan Group [ ] Statistic Calculation Date Aggregate Principal Balance
%		\$	%
-			
-			
-			

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Total	\$	100%
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The credit limit utilization rates in the following table are determined by dividing the Loan Group [ ] Statistic Calculation Date Balance for the particular grouping by the aggregate of the credit limits of the related credit line agreements.

#### CREDIT LIMIT UTILIZATION RATES

Range of Credit Limit Utilization Rates	Number of Mortgage Loans	Aggregate Unpaid Principal Balance	Percentage of Loan Group [ ] Statistic Calculation Date Aggregate Principal Balance
%		\$	%
-			
-			
-			
-			
-			
-			
-			
Total		\$	100%

#### MAXIMUM RATES

Maximum Rates	Number of Mortgage Loans	Aggregate Unpaid Principal Balance	Percentage of Loan Group [ ] Statistic Calculation Date Aggregate Principal Balance
%		\$	%
Total		\$	100%

#### MONTHS REMAINING TO SCHEDULE MATURITY

Range of Months Remaining to Scheduled Maturity	Number of Mortgage Loans	Aggregate Unpaid Principal Balance	Percentage of Loan Group [ ] Statistic Calculation Date Aggregate Principal Balance
		\$	%
-			
-			
-			
Total		\$	0 100%

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Origination Year	Number of Mortgage Loans	Aggregate Unpaid Principal Balance	Percentage of Loan Group [ ] Statistic Calculation Date Aggregate Principal Balance
		\$	%
Total		\$	100%

<u>Number of Days Delinquent</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Unpaid Principal Balance</u>	<u>Percentage of Loan Group   ] Statistic Calculation Date Aggregate Principal Balance</u>
Current		\$	%
<b>Total</b>		\$	100%

Range of Credit Limit	Number of Mortgage Loans	Aggregate Unpaid Principal Balance	Percentage of Loan Group [ ] Statistic Calculation Date Aggregate Principal Balance
\$ - \$		\$	%
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
Total		\$ 0	100%

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<u>Range of Principal Balances</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Unpaid Principal Balance</u>	<u>Percentage of Loan Group [ ] Statistic Calculation Date Aggregate Principal Balance</u>
\$ - \$		\$	%

0241



**Total** **\$** **100%**

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### GEOGRAPHIC DISTRIBUTION

[illegible]



The credit limit utilization rates in the following table are determined by dividing the Loan Group [ ] Statistic Calculation Date Balance for the particular grouping by the aggregate of the credit limits of the related credit line agreements.

## CREDIT LIMIT UTILIZATION RATES

Range of Credit Limit Utilization Rates	Number of Mortgage Loans	Aggregate Unpaid Principal Balance	Percentage of Loan Group [ ] Statistic Calculation Date Aggregate Principal Balance
%		\$	%
-			
-			
-			
-			
-			
-			
-			
<b>Total</b>		\$	100%

## MAXIMUM RATES

Maximum Rates	Number of Mortgage Loans	Aggregate Unpaid Principal Balance	Percentage of Loan Group [ ] Statistic Calculation Date Aggregate Principal Balance
%		\$	%
<b>Total</b>		\$	100%

## MONTHS REMAINING TO SCHEDULE MATURITY

Range of Months Remaining to Scheduled Maturity	Number of Mortgage Loans	Aggregate Unpaid Principal Balance	Percentage of Loan Group [ ] Statistic Calculation Date Aggregate Principal Balance
-		\$	%
-			
-			
<b>Total</b>		\$	100%

The above table assumes that the draw period for Loan Group [ ] Statistic Calculation Pool Mortgage Loans with (a) five year draw periods and fifteen year repayment periods will be extended for an additional five years and (b) five year draw periods and ten year repayment periods will not be extended.

## ORIGINATION YEAR

Origination Year	Number of Mortgage Loans	Aggregate Unpaid Principal Balance	Percentage of Loan Group [ ] Statistic Calculation Date Aggregate Principal Balance
		\$	%
<b>Total</b>		\$	100%



## DELINQUENCY STATUS

<u>Number of Days Delinquent</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Unpaid Principal Balance</u>	<u>Percentage of Loan Group [ ] Statistic Calculation Date Aggregate Principal Balance</u>
Current		\$	%
<b>Total</b>		\$	100%

## CREDIT LIMITS

Range of Credit Limit	Number of Mortgage Loans	Aggregate Unpaid Principal Balance	Percentage of Loan Group [ ] Statistic Calculation Date Aggregate Principal Balance
\$ - \$		\$	%
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
\$ - \$			
Total		\$	100%

## Conveyance of Mortgage Loans

The obligation of the trust fund to purchase mortgage loans [for loan group [ ] ] on the Closing Date is subject to the following requirements[, any of which requirements may be waived or modified in any respect by the Note Insurer]: the mortgage loan may not be 60 or more days delinquent as of the Closing Date; the remaining term to stated maturity of the mortgage loan will not exceed [ ] months; the mortgage loan will be secured by a mortgage in a first or second lien position; the mortgage loan will not have a loan rate less than [ ] %; [ the mortgage loan will be otherwise acceptable to the Note Insurer;] following the purchase of the mortgage loan by the trust fund, the mortgage loans as of the Closing Date (a) will have a weighted average loan rate of at least [ ] %; (b) will have a weighted average remaining term to stated maturity of not more than [ ] months; (c) will have a weighted average combined loan-to-value ratio of not more than [ ] %; (d) will have no mortgage loan with a principal balance in excess of \$[ ]; (e) will have a concentration in any one state not in excess of [ ] %; and will have a concentration in any one zip code not in excess of [ ] %; (f) will have not more than [ ] % in aggregate principal balance of mortgage loans relating to non-owner occupied properties; and (g) will not have more than [ ] % in aggregate principal balance of mortgage loans that were appraised electronically, the mortgage loan shall have a combined loan-to-value ratio not in excess of [ ] %; the mortgage loan will have a credit limit between \$[ ] and \$[ ]; the mortgage loan will have a margin between [ ] % and [ ] %; and the mortgage loan will comply with the representations and warranties in the sale and servicing agreement.

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[The trust fund may acquire Subsequent Home Equity Loans through [ ] [that will be included in loan group [ ]] so long as they conform to the criteria listed above. Each Subsequent Home Equity Loan will have been underwritten substantially in accordance with the criteria described under “The Home Equity Loan Program — Underwriting Procedures Relating to Home Equity Loans.” Subsequent Home Equity Loans will be purchased using amounts on deposit in the Prefunding Account[s] at a cash purchase price of [100%] of their principal balance on a designated cut-off date before [ ]. The amount paid from the Prefunding Account[s] for Subsequent Home Equity Loans will not include accrued interest. Following each purchase of Subsequent Home Equity Loans [for a loan group], the aggregate principal balance of [the relevant] loan group [ ] will increase by an amount equal to the aggregate principal balance of the Subsequent Home Equity Loans so acquired and the amount in the Prefunding Account will decrease accordingly.

Any conveyance of Subsequent Home Equity Loans is subject to various conditions including: that they satisfy substantially the same loan representations and warranties as the initial home equity loans; that they were identified by means of a selection process reasonably believed not to be

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adverse to the interests of the holders of the Notes [and the Note Insurer]; that the trust fund receive opinions of counsel [acceptable to the Note Insurer] and the indenture trustee with respect to the validity of the conveyance of the Subsequent Home Equity Loans; and that as of their cut-off date, each Subsequent Home Equity Loan satisfied the eligibility requirements that the mortgage loans had to satisfy on the closing date.

No discretion will be exercised in the selection of the Subsequent Home Equity Loans to be acquired by the trust fund. They will all be mortgage loans that had been applied for by the related borrowers before the cut-off date, but that were not included in the cut-off date pool. The exact mortgage loans to be acquired will be determined on a first-in, first-out basis. Mortgage loans otherwise meeting the eligibility requirements will be aggregated by the date on which they were funded, and all of these Subsequent Home Equity Loans will be purchased in date order up through the day substantially all of the funds in the Prefunding Account are expended. On that last day, the Subsequent Home Equity Loans will be ordered and acquired alphabetically by the last name of the primary obligor. These acquisitions may occur in one or more closings after the initial closing date.]

#### [The Prefunding Account]

The assets of the trust fund will include the Prefunding Account[s] that will contain approximately \$[ ] on the closing date representing the excess of the original principal balance of the [Class [ ]] Notes over the cut-off date principal balance of the mortgage loans [in loan group [ ]] initially transferred to the trust fund on the closing date. Monies in the Prefunding Account[s] are expected to be used to purchase Subsequent Home Equity Loans through [ ]. The Prefunding Account[s] will be part of the trust fund, but will not be available to cover losses on the mortgage loans. Any funds remaining on deposit in the Prefunding Account[s] on [ ] will be used to prepay the [relevant class of] [Class [ ]] Notes on the first distribution date. Net income on investment of funds in the Prefunding Account[s] will be paid to the master servicer, and will not be available for payment on the Notes.]

### MATURITY AND PREPAYMENT CONSIDERATIONS

The sale and servicing agreement, except as otherwise described in this prospectus supplement, provides that the noteholders will be entitled to receive on each distribution date distributions of principal, in the amounts described under "Description of the Notes — Distributions on the Notes," until the Note principal balance is reduced to zero. During the Managed Amortization Period, noteholders will receive amounts from principal collections based on the applicable Investor Fixed Allocation Percentage for the related loan group, subject to reduction as described below. [In addition, the funds remaining in the Prefunding Account[s] on [ ] after the purchase of any Subsequent Home Equity Loans on that date will be used to prepay the [relevant class of] [Class [ ]] Notes on the first distribution date.]

For any date of calculation through the first distribution date on which the balance of the transferor interest for a loan group is greater than or equal to the applicable Required Transferor Subordinated Amount, the "Investor Fixed Allocation Percentage" will equal the greater of (i)

[ ] % and (ii) 100% minus the percentage obtained by dividing the amount of the transferor interest allocable to a loan group at the beginning of the relevant Collection Period by the loan group balance at the beginning of the relevant Collection Period. Thereafter, the Investor Fixed Allocation Percentage will equal [ ] %. During a Rapid Amortization Period, noteholders will receive amounts from principal collections based solely on the Investor Fixed Allocation Percentage for the related loan group. Because prior distributions of principal collections to noteholders serve to reduce the related Investor Floating Allocation Percentage but may not change the related Investor Fixed Allocation Percentage in all instances, allocations of principal collections from the mortgage loans in a loan group based on the related Investor Fixed Allocation Percentage may result in distributions of principal to the noteholders in amounts that are, in most cases, greater relative to the declining balance of the mortgage loans in that loan group than would be the case if the related Investor Floating Allocation Percentage were used to determine the percentage of principal collections from the mortgage loans in that loan group distributed to noteholders. This is especially true during the Rapid Amortization Period when the noteholders are entitled to receive their respective Investor Principal Collections and not a lesser amount.

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In addition, respective Investor Interest Collections may be distributed as principal to noteholders of Notes in a particular loan group in connection with the applicable Accelerated Principal Distribution Amount, if any. Moreover, to the extent of losses allocable to the Notes related to a particular loan group, those noteholders may also receive the amount of those losses as payment of principal from the related Investor Interest Collections, Investor Interest Collections from the other loan group, the Subordinated Transferor Collections, [the Reserve Fund,] or, in some instances, draws under [the Policy] [or payments under any third party enhancement]. The level of losses may therefore affect the rate of payment of principal on the Notes.

[As of the closing date, the transferor interest with respect to each loan group will be \$0. The transferor interest is expected to grow in the early months of the transaction due to the payment of the applicable Accelerated Principal Distribution Amount.] [In addition,] to the extent obligors make more draws than principal payments on the mortgage loans in a loan group, the transferor interest may grow. An increase in the transferor interest due to additional draws may also result in noteholders receiving principal at a greater rate during the Rapid Amortization Period because the noteholders' share of principal collections on the mortgage loans in a loan group is based on the applicable Investor Fixed Allocation Percentage (without reduction). The sale and servicing agreement and the indenture permit the transferor, at its option, but subject to the satisfaction of certain conditions specified in the sale and servicing agreement, including the conditions described below, to remove certain mortgage loans from a loan group and release them from the lien of the indenture at any time during the life of the trust fund, so long as the portion of the transferor interest related to the applicable loan group (after giving effect to the removal) is not less than the related Minimum Transferor Interest. See "Description of the Sale and Servicing Agreement — Optional Transfers of Mortgage Loans to the Transferor."

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All of the mortgage loans may be prepaid in full or in part at any time. However, mortgage loans secured by mortgaged properties in California are subject to an account termination fee equal to the lesser of \$[ ] or [ ] months interest on the amount prepaid, to the extent the prepaid amount exceeds [ ]% of the unpaid principal balance, if the account is terminated on or before its fifth year anniversary. In addition, mortgage loans secured by mortgaged properties in other jurisdictions may be subject to account termination fees to the extent permitted by law. In general, account termination fees do not exceed \$[ ] and do not apply to accounts terminated after a date designated in the related mortgage note that, depending on the jurisdiction, ranges between [ ] months and [ ] years following origination. The prepayment experience of the mortgage loans in a loan group will affect the weighted average life of the related Notes.

The rate of prepayment on the mortgage loans cannot be predicted. Generally, it is assumed that home equity revolving credit lines are not viewed by borrowers as permanent financing. Accordingly, the mortgage loans may experience a higher rate of prepayment than traditional first mortgage loans. On the other hand, because the mortgage loans amortize as described under "Description of the Mortgage Loans — Mortgage Loan Terms," rates of principal payments on the mortgage loans will generally be slower than those of traditional fully-amortizing first mortgages in the absence of prepayments on the mortgage loans. The prepayment experience of the mortgage loans in a loan group may be affected by a wide variety of factors, including general economic conditions, prevailing interest rate levels, the availability of alternative financing, homeowner mobility, the frequency and amount of any future draws on the credit line agreements and changes affecting the deductibility for federal income tax purposes of interest payments on home equity credit lines. Substantially all of the mortgage loans contain "due-on-sale" provisions, and the master servicer intends to enforce them, unless enforcement is not permitted by applicable law or the master servicer permits the purchaser of the related mortgaged property to assume the mortgage loan in a manner consistent with reasonable commercial practice.

The enforcement of a "due-on-sale" provision will have the same effect as a prepayment of the related mortgage loan. See "Legal Aspects of the Loans — Due-on-Sale Clauses" in the prospectus.

The seller is not required to deliver certain documents relating to the mortgage loans to the indenture trustee until [30] days after the Closing Date [(or in the case of the Subsequent Home Equity Loans, until 21 days after they are acquired by the trust fund)]. See "Description of the Sale and Servicing Agreement — Assignment of Mortgage Loans." Should the seller fail to deliver all or a portion of the required documents for any mortgage loan to the depositor, or, at the depositor's direction, to the indenture trustee within the required period, the seller must accept the transfer of the mortgage loan from the trust fund. The principal balance of any mortgage loan so transferred will be deducted from the related loan group balance, thus reducing the amount of the transferor interest related to relevant loan group. If the deduction would cause the portion of the transferor interest related to the relevant loan group to become less than the related Minimum Transferor Interest at the time, the seller must either substitute an Eligible Substitute Mortgage Loan or make a deposit into the collection account equal to the amount by which the portion of the transferor interest would be reduced to less than the related Minimum Transferor Interest at the time. Except to the extent substituted for by an Eligible Substitute Mortgage Loan, the transfer of the mortgage loan out of the trust fund will be treated as a payment in full of the mortgage loan.

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The yield to an investor who purchases the Notes in the secondary market at a price other than par will vary from the anticipated yield if the rate of prepayment on the mortgage loans in the related loan group is actually different than the rate anticipated by the investor at the time the Notes were purchased.

Collections on the mortgage loans may vary because, among other things, borrowers may make payments during any month as low as the minimum monthly payment for the month or as high as the entire outstanding principal balance plus accrued interest and the fees and charges on the mortgage loan. Borrowers may fail to make scheduled payments. Collections on the mortgage loans may vary due to seasonal purchasing and payment habits of borrowers.

We cannot predict the level of prepayments that will be experienced by the trust fund and investors may expect that a portion of borrowers will not prepay their mortgage loans to any significant degree. See "Yield and Prepayment Considerations" in the prospectus.

#### POOL FACTOR

The pool factor is a seven-digit decimal that the indenture trustee will compute monthly expressing the Note principal balance of each class of Notes as of each distribution date as a proportion of the Original Note Principal Balance after giving effect to any distribution of principal to that class of Notes on the distribution date. On the Closing Date, the pool factor for each class of Notes will be 1.0000000. See "Description of the Notes — Distributions on the Notes." Thereafter, the pool factor for each class of Notes will decline to reflect reductions in the related Note principal balance resulting from distributions of principal to that class of Notes and the related Invested Amount of any unreimbursed Liquidation Loss Amounts from mortgage loans in the related loan group.

Under the sale and servicing agreement and the indenture, monthly reports concerning the Invested Amount, the pool factor and various other items of information for each class of Notes will be made available to the noteholders. In addition, within [60] days after the end of each calendar year, beginning with the 200[ ] calendar year, information for tax reporting purposes will be made available to each person who has been a noteholder of record at any time during the preceding calendar year. See "Description of the Notes — Book-Entry Notes" and "Description of the Indenture — Reports to Noteholders."

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## DESCRIPTION OF THE NOTES

The Revolving Home Equity Loan Asset Backed Notes Class [ ] and Class [ ] (each is sometimes referred to as a "Class"), Series 200[ ]-[ ] (the "Notes") will be issued under the indenture. The form of the indenture has been filed as an exhibit to the Registration Statement of which this prospectus supplement and the prospectus is a part.

### General

The [Class [ ]] Notes will be issued in denominations of \$[25,000] and multiples of \$[1,000] in excess of that. The repayment of the Class [ ] Notes will be secured by a securities interest in loan group [ ] and the repayment of the Class [ ] Notes [(which are not offered by this prospectus supplement)] will be secured by a security interest in loan group [ ].

Definitive Notes, if issued, will be transferable and exchangeable at the corporate trust office of the indenture trustee, which will initially maintain the note register for the Notes. See "— Book-Entry Notes" below. No service charge will be made for any registration of exchange or transfer of Notes, but the indenture trustee may require payment of a sum sufficient to cover any tax or other governmental charge.

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The aggregate undivided interest in the trust fund represented by the Notes as of the Closing Date is expected to equal approximately \$[ ] (the "Original Invested Amount"), which represents approximately 100% of the sum of the cut-off date pool balance [and the prefunding accounts].

As of the Closing Date, the Class [ ] Notes are expected to equal approximately \$[ ] (the "Class [ ] Original Invested Amount"), which represents approximately 100% of the sum of the cut-off date loan group [ ] principal balance [and approximately \$[ ] deposited in the related prefunding account]. The "Class [ ] Original Note Principal Balance" is expected to equal approximately \$[ ].

As of the Closing Date, the Class [ ] Notes are expected to equal approximately \$[ ] (the "Class [ ] Original Invested Amount"), which represents approximately 100% of the sum of the cut-off date loan group [ ] principal balance [and the amount deposited in the Prefunding Account]. The "Class [ ] Original Note Principal Balance" is expected to equal approximately \$[ ]. [Of the Class [ ] Original Invested Amount approximately \$[ ] represents the proceeds deposited into the Prefunding Account which may be used through [ ] to purchase future home equity loans for addition to loan group [ ].]

Following the Closing Date, the "Invested Amount" for each class of Notes for any distribution date will be an amount equal to the Original Invested Amount for the class of Notes minus the amount of the related Investor Principal Collections previously distributed on the class of Notes [and any return of the related prefunding account funds], and minus an amount equal to the product of the related Investor Floating Allocation Percentage and the Liquidation Loss Amounts on the mortgage loans in the related loan group for the distribution date.

For each class of Notes, the principal amount of the outstanding Notes in that class on any distribution date is equal to the applicable Original Note Principal Balance minus the aggregate of amounts actually distributed as principal to the Notes in that class. See "— Distributions on the Notes" below. Each Note represents the right to receive payments of interest at the related note rate and payments of principal as described below.

The residual interest in the mortgage loans in the trust fund will be represented by a single transferor interest that will be owned by the transferor. The portion of the transferor interest related to a loan group, as of any date of determination, will equal the related loan group balance as of the close of business on the day preceding the date of determination, less the Invested Amount for the loan group as of the close of business on the preceding distribution date.

The Required Transferor Subordinated Amount initially is approximately \$[ ], which, in the aggregate, will represent approximately [ ]% of the cut-off date loan group [ ] balance [and the amount originally deposited in the related prefunding account] plus approximately [ ]% of the cut-off date loan group [ ] balance [and the amount originally deposited in the Prefunding Account], but the indenture requires the transferor interest (once it is fully funded) to be at least equal to the Minimum Transferor Interest. The owner of the transferor interest will initially be the seller (or one of its affiliates). In general, the loan group balance of each loan group will vary each day as principal is paid on the mortgage loans in that loan group, liquidation losses are incurred and Additional Balances are drawn down by borrowers on mortgage loans in that loan group and transferred to the related loan group.

[The Note Insurer requires, based on the Insurance Agreement, that the portion of the transferor's interest related to each class of Notes be maintained at the related Required Transferor Subordinated Amount for the class.] The portion of the transferor's interest related to each class of Notes as of the closing date will be zero, which is less than the initial Required Transferor Subordinated Amount, thus requiring an increase in the transferor's interest on future distribution dates until it equals the Required Transferor Subordinated Amount.

### Book-entry Notes

Each class of book-entry notes will be issued in one or more certificates which equal the aggregate initial class principal balance of the class of notes and which will be held by a depository, initially a nominee of The Depository Trust Company. Beneficial interests in the book-entry notes will be held indirectly by investors through the book-entry facilities of the depository, as described in this prospectus supplement. Investors may hold beneficial

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interests in the book-entry notes in the minimum denominations set forth on page S-[ ] and integral multiples of \$[ ] in excess thereof. One investor of each class of book-entry notes may hold a beneficial interest in a book entry note that is not an integral multiple of \$[ ]. The depositor has been informed by the depository that its nominee will be CEDE & Co. Accordingly, CEDE & Co. is expected to be the holder of record of the book-entry notes. Except as described in the prospectus under "Description of the Securities — Book-Entry Securities," no beneficial owner of a book-entry note will be entitled to receive a physical certificate.

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Unless and until definitive notes are issued, it is anticipated that the only holder of the book-entry notes will be CEDE & Co., as nominee of the depository. Beneficial owners of the book-entry notes will not be noteholders, as that term is used in the indenture. Beneficial owners are only permitted to exercise the rights of noteholders indirectly through financial intermediaries and the depository. Monthly and annual reports on the trust fund provided to CEDE & Co., 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 notes of the beneficial owners are credited.

For a description of the procedures generally applicable to the book-entry notes, see "Description of the Securities — Book-Entry Securities" in the prospectus.

### Distributions on the Notes

Beginning with the first distribution date (which will occur on [ ]), distributions on the Notes will be made by the indenture trustee or the paying agent on each distribution date to the persons in whose names the Notes are registered at the close of business on the day before each distribution date or, if the Notes are no longer book-entry notes, at the close of business on the record date (which is the [last] day of the month preceding the distribution date). The term distribution date means the [fifteenth] day of each month or, if that day is not a business day, then the next business day. Generally, distributions on the [Class [ ]] Notes will be made by check or money order mailed to the address of the person entitled to it (which, in the case of book-entry notes, will be DTC or its nominee) as it appears on the note register on the determination date. At the request of a noteholder owning at least \$[1,000,000] principal amount of Notes, distributions will be made by wire transfer or as otherwise agreed between the noteholder and the indenture trustee. However, the final distribution on the Notes will be made only on their presentation and surrender at the office or the agency of the indenture trustee specified in the notice to noteholders of the final distribution. A "business day" is any day other than a Saturday or Sunday or a day on which banking institutions in the states of New York, California or Illinois are required or authorized by law to be closed.

*Application of Interest Collections.* On each distribution date, the indenture trustee or a paying agent will apply the Investor Interest Collections for [a] loan group [ ] in the following order of priority: (1) to pay the indenture trustee's fees under the indenture and the owner trustee's fees under the trust; [(2) to pay the Note Insurer for the portion of the premium for the Policy [related to loan group [ ]];] (3) to pay noteholders the interest accrued at the related note rate and any overdue accrued interest (with interest on overdue interest to the extent permitted by applicable law) on the principal balance of the Notes; (4) to pay noteholders the related Investor Loss Amount for the distribution date; (5) to pay noteholders for any related Investor Loss Amount for a previous distribution date that was not previously (a) funded by related Investor Interest Collections, (b) absorbed by a reduction in the related portion of the transferor interest, (c) funded by related Subordinated Transferor Collections [ ], (d) funded by the Reserve Fund, (e) funded under clause (9) below] or [(f) funded by draws on the Policy;] [(6) to reimburse the Note Insurer for prior draws made from the Policy (with interest on the draws);] (7) to pay noteholders the principal of the Notes until the related portion of the transferor interest equals the related Required Transferor Subordinated Amount (the principal so paid, the "Accelerated Principal Distribution Amount"); [(8) to pay any other amounts owed to the Note Insurer under the Insurance Agreement;] (9) [to pay the other class of notes any deficiency in items (3), (4) and (5) above, after taking into account the allocation of 100% of the other class' Investor Interest Collections on the distribution date (the amount of one class' remaining Investor Interest Collections allocated to the other class on a distribution date is a "Crossover Amount");] (10) [to the Reserve Fund for application under the indenture, to the extent that the sum of the portion of the transferor's interest for [both] loan groups as of the distribution date is less than the sum of the Required Transferor Subordinated Amounts for [both] loan groups as of the distribution date;] (11) to pay the master servicer amounts required to be paid under the sale and servicing agreement; (12) to pay the noteholders any Basis Risk Carryforward of the Notes; and (13) the remaining amounts to the transferor.

Payments to noteholders under clause (3) will be interest payments on the Notes. Payments to noteholders under clauses (4), (5) and (7) will be principal payments on the Notes and will therefore reduce the related Note principal balance; however, payments under clause (7) will not reduce the related Invested Amount. [The Accelerated Principal Distribution Amount for a Class is not guaranteed by the Policy.]

[On each distribution date, if Investor Interest Collections for a class of Notes, plus any Crossover Amount available from the other class of Notes, are insufficient to pay the amounts specified in items (3), (4) and (5) above for a class of Notes, the amount of the insufficiency shall be withdrawn from the Reserve Fund to the extent of funds on deposit in it.]

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[The amount on deposit in the Reserve Fund will not exceed the excess of (x) the sum of the Required Transferor Subordinated Amounts for [both] loan groups over (y) the sum of the portion of the transferor's interest for each loan group. Amounts in the Reserve Fund may only be withdrawn and applied under the indenture.]

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The depositor intends to file additional yield tables and other computational materials with respect to the Class A Certificates with the Securities and Exchange Commission in a report on Form S-K. Those tables and materials were prepared by the Underwriters at the request of certain prospective investors, based on assumptions provided by, and satisfying the special requirements of, those prospective investors. Those tables and assumptions may be based on assumptions that differ from the Structuring Assumptions. Accordingly, those tables and other materials may not be relevant to or appropriate for investors other than those specifically requesting them.

## USE OF PROCEEDS

The depositor will apply the net proceeds of the sale of the Offered Certificates against the purchase price of the Mortgage Loans.

## MATERIAL FEDERAL INCOME TAX CONSEQUENCES

The following discussion, when read in conjunction with "Material Federal Income Tax Consequences" in the accompanying prospectus, is the opinion of Andrews Kurth LLP, counsel to the depositor, as to the material U.S. federal income tax aspects of the purchase, ownership and disposition of the Certificates, and is based on the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury Regulations thereunder, and published rulings and court decisions in effect as of the date hereof, all of which are subject to change, possibly retroactively. This discussion does not address every aspect of the U.S. federal income tax laws which may be relevant to Certificate Owners in light of their personal investment circumstances or to certain types of Certificate Owners subject to special treatment under the U.S. federal income tax laws (for example, banks and life insurance companies). Accordingly, investors should consult their tax advisors regarding U.S. federal, state, local, foreign and any other tax consequences to them of investing in the Certificates.

The pooling and servicing agreement provides that the Trust Fund, exclusive of the assets held in the Fixed Rate Carryover Reserve Fund and Adjustable Rate Carryover Reserve Fund, will comprise several Lower Tier REMICs (as defined in the pooling and servicing agreement) and an Upper Tier REMIC (as defined in the pooling and servicing agreement) organized in a tiered REMIC structure. Each Lower Tier REMIC will issue uncertificated regular interests and those interests will be held entirely by the REMIC immediately above it in the tiered structure. Each of the Lower Tier REMICs and the Upper Tier REMIC will designate a single class of interests as the residual interest in that REMIC. The Residual Certificate will represent ownership of the residual interests in each of the REMICs. Elections will be made to treat each Lower Tier REMIC and the Upper Tier REMIC as a REMIC for federal income tax purposes.

Each class of Offered Certificates and the Class B-IO Certificates will represent beneficial ownership of regular interests issued by the Upper Tier REMIC. In addition, each of the Offered Adjustable Rate Certificates will represent a beneficial interest in the right to receive payments from the Adjustable Rate Carryover Reserve Fund in accordance with an interest rate cap agreement included in the pooling and servicing agreement (an "Interest Rate Cap Agreement"). Due to their entitlement to Fixed Net Rate Carryover, the Offered Fixed Rate Certificates will be treated as also representing beneficial interests in contractual rights that would either be treated for United States federal income tax purposes as an interest rate cap agreement treated as a notional principal contract or as an interest in an entity taxable as a partnership for federal income tax purposes.

Upon the issuance of the Offered Certificates, Andrews Kurth LLP ("Tax Counsel"), will deliver its opinion concluding, assuming compliance with the pooling and servicing agreement, for federal income tax purposes, each Lower Tier REMIC and the Upper Tier REMIC will qualify as a REMIC within the meaning of Section 860D of the Code and the Offered Certificates represent regular interests in a REMIC. In addition, Tax Counsel will deliver an opinion concluding that the Adjustable Rate Carryover Reserve Fund is an "outside reserve fund" that is beneficially owned by the holders of the Class BV-IO Certificates. Moreover, Tax Counsel will deliver an opinion concluding that the rights of the holders of the Offered Adjustable Rate Certificates to receive payments from the Adjustable Rate Carryover Reserve Fund in accordance with the Interest Rate Cap Agreement represents, for federal income tax purposes, contractual rights coupled with a REMIC regular interest within the meaning of Treasury regulations 91.860G-2(i).

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## Taxation of Regular Interests

A holder of an Offered Certificate of any Class of Offered Certificates will be treated for federal income tax purposes as owning an interest in regular interests in the Upper Tier REMIC. The Offered Adjustable Rate Certificates will also represent beneficial ownership of an interest in a limited recourse interest rate cap agreement. The treatment of the rights of the Offered Fixed Rate Certificates to any Fixed Net Rate Carryover is unclear for federal income tax purposes. The rights of those Certificates to Fixed Net Rate Carryover may be treated as representing beneficial interests in the right to receive payments from the Fixed Rate Carryover Reserve Fund in accordance with an Interest Rate Cap Agreement. Alternatively, the rights of those Certificates to Fixed Net Rate Carryover may be treated as representing the beneficial interests in an entity taxable as a partnership for federal income tax purposes with the Class BF-IO Certificates in respect of each Class BF-IO Certificates' entitlement to interest, which may result in different tax timing consequences to Certificateholders and in withholding on those amounts to Certificateholders who are non-U.S. Persons. Prospective investors in the Offered Fixed Rate Certificates should consult their tax advisors regarding the tax treatment of the rights of those Certificates to Fixed Net Rate Carryover.

A holder of an Offered Certificate must allocate its purchase price for that Offered Certificate between its two components — the REMIC regular interest component and the Interest Rate Cap Agreement component or the partnership interest component, as applicable. For information reporting purposes, the trustee will assume that, with respect to any Offered Certificate, the Interest Rate Cap Agreement component or the partnership interest

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component, as applicable, will have only nominal value relative to the value of the regular interest component. The IRS could, however, argue that the Interest Rate Cap Agreement component or the partnership interest component, as applicable, has significant value, and if that argument were to be sustained, the regular interest component could be viewed as having been issued with an additional amount of original issue discount ("OID") (which could cause the total amount of discount to exceed a statutorily defined de minimis amount). See "Federal Income Tax Consequences — Taxation of Regular Interest Certificates" in the prospectus.

Upon the sale, exchange, or other disposition of an Offered Certificate the holder must allocate the amount realized between the two components of the Offered Certificate based on the relative fair market values of those components at the time of sale. Assuming that an Offered Certificate is held as a "capital asset" within the meaning of section 1221 of the Code, gain or loss on the disposition of an interest in the Interest Rate Cap Agreement component or the partnership interest component, as applicable, should be capital gain or loss, and, gain or loss on the disposition of the regular interest component should, subject to the limitation described below, be capital gain or loss. Gain attributable to the regular interest component of an Offered Certificate will be treated as ordinary income, however, to the extent that gain does not exceed the excess, if any, of:

- the amount that would have been includable in the holder's gross income with respect to the 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 Offered Certificate over
- the amount actually included in that holder's income.

Interest on a regular interest must be included in income by a holder under the accrual method of accounting, regardless of the holder's regular method of accounting. In addition, a Regular interest could be considered to have been issued with OID. See "Federal Income Tax Consequences — Taxation of Regular Interest Certificates" in the prospectus. The prepayment assumption that will be used in determining the accrual of any OID, market discount, or bond premium, if any, will be a rate equal to a [22]% Prepayment Vector in the case of the Offered Fixed Rate Certificates and [27]% CPR in the case of the Offered Adjustable Rate Certificates, each as described above. No representation is made that the Mortgage Loans will prepay at that rate or at any other rate. OID must be included in income as it accrues on a constant yield method, regardless of whether the holder receives currently the cash attributable to that OID.

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#### **Status of the Offered Certificates**

The Regular Interest component of the Offered Certificates will be treated as assets described in Section 7701(a)(19)(C) of the Code, and as "real estate assets" under Section 856(c)(5)(B) of the Code, generally, in the same proportion that the assets of the Trust Fund, exclusive of the Adjustable Rate Carryover Reserve Fund, or the Fixed Rate Carryover Reserve Fund, as applicable, would be so treated. In addition, to the extent a regular interest represents real estate assets under section 856(c)(5)(B) of the Code, the interest derived from that component would be interest on obligations secured by interests in real property for purposes of section 856(c)(3) of the Code. The Interest Rate Cap Agreement or partnership interest component of an Offered Certificate will not, however, qualify as an asset described in Section 7701(a)(19)(C) of the Code or as a real estate asset under Section 856(c)(5)(B) of the Code.

#### **The Fixed Rate Carryover Reserve Fund and Adjustable Rate Carryover Reserve Fund**

As indicated above, a portion of the purchase price paid by a holder to acquire an Offered Adjustable Rate Certificate will be attributable to the Interest Rate Cap Agreement component of the Offered Certificate. The portion of the overall purchase price attributable to the Interest Rate Cap Agreement component must be amortized over the life of that Offered Certificate, taking into account the declining balance of the related Regular Interest component. Treasury regulations concerning notional principal contracts provide alternative methods for amortizing the purchase price of an interest rate cap 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 Interest Rate Cap Agreement component of an Offered Adjustable Rate Certificate.

Any payments made to a holder of an Offered Adjustable Rate Certificate from the Adjustable Rate Carryover Reserve Fund from the Adjustable Rate Carryover Reserve Fund or Fixed Rate Carryover Reserve Fund will be treated as periodic payments on an interest rate cap agreement. To the extent the sum of those periodic payments for any year exceed that year's amortized cost of the Interest Rate Cap Agreement component, that excess is ordinary income. If for any year the amount of that year's amortized cost exceeds the sum of the periodic payments, that excess is allowable as an ordinary deduction. The foregoing discussion will describe the treatment of the Fixed Rate Carryover Reserve Fund with respect to the Offered Fixed Rate Certificates if the latter is treated as an Interest Rate Cap Agreement (rather than an interest in a partnership) for federal income tax purposes. Prospective investors in the Offered Fixed Rate Certificates should consult their tax advisors regarding the tax treatment of the rights of those Certificates to Fixed Net Rate Carryover.

#### **Prohibited Transactions Tax and Other Taxes**

The Code imposes a tax on REMICs equal to 100% of the net income derived from "prohibited transactions" (the "Prohibited Transactions Tax").

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“Tax”). In general, subject to certain specified exceptions, a prohibited transaction means the disposition of a Mortgage Loan, the receipt of income from a source other than a Mortgage Loan or certain other permitted investments, the receipt of compensation for services, or gain from the disposition of an asset purchased with the payments on the Mortgage Loans for temporary investment pending distribution on the Certificates. It is not anticipated that the Trust Fund will engage in any prohibited transactions in which it would recognize a material amount of net income.

In addition, some contributions to a trust fund that elects to be treated as a REMIC made after the day on which that trust fund issues all of its interests could result in the imposition of a tax on the trust fund equal to 100% of the value of the contributed property (the “Contributions Tax”). The Trust Fund will not accept contributions that would subject it to that tax.

In addition, a trust fund that elects to be treated as a REMIC may also be subject to federal income tax at the highest corporate rate on “net income from foreclosure property,” determined by reference to the rules applicable to real estate investment trusts. “Net income from foreclosure property” generally means gain from the sale of a foreclosure property other than qualifying rents and other qualifying income for a real estate investment trust. It is not anticipated that the Trust Fund will recognize net income from foreclosure property subject to federal income tax.

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Where any Prohibited Transactions Tax, Contributions Tax, tax on net income from foreclosure property or state or local income or franchise tax that may be imposed on the REMIC arises out of a breach of the master servicer’s or the trustee’s obligations, as the case may be, under the pooling and servicing agreement and in respect of compliance with then applicable law, that tax will be borne by the master servicer or trustee in either case out of its own funds. If either the master servicer or the trustee, as the case may be, fails to pay or is not required to pay any that tax as provided above, that tax will be paid by the Trust Fund first with amounts otherwise distributable to the holders of Certificates in the manner provided in the pooling and servicing agreement. It is not anticipated that any material state or local income or franchise tax will be imposed on the Trust Fund.

For further information regarding the federal income tax consequences of investing in the Certificates, see “Material Federal Income Tax Consequences — REMIC Certificates” in the prospectus.

## STATE TAXES

The depositor makes no representations regarding the tax consequences of purchase, ownership or disposition of the Offered Certificates under the tax laws of any state. Investors considering an investment in the Offered Certificates should consult their own tax advisors regarding those tax consequences.

All investors should consult their own tax advisors regarding the federal, state, local or foreign income tax consequences of the purchase, ownership and disposition of the Offered Certificates.

## ERISA CONSIDERATIONS

Section 406 of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), prohibits “parties in interest” with respect to an employee benefit plan subject to ERISA from engaging in certain transactions involving that Plan and its assets unless a statutory, regulatory or administrative exemption applies to the transaction. Section 4975 of the Code imposes certain excise taxes on prohibited transactions involving “disqualified persons” and employee benefit plans or other arrangements (including, but not limited to, individual retirement accounts) described under that Section (collectively with employee benefit plans subject to ERISA, “Plans”); ERISA authorizes the imposition of civil penalties for prohibited transactions involving Plans not covered under Section 4975 of the Code. Any Plan fiduciary which proposes to cause a Plan to acquire the Offered Certificates should consult with its counsel with respect to the potential consequences under ERISA and the Code of the Plan’s acquisition and ownership of those Certificates. See “ERISA Considerations” in the prospectus.

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. Those plans which are qualified and exempt from taxation under Sections 401(a) and 501(a) of the Code may nonetheless be subject to the prohibited transaction rules set forth in Section 503 of the Code.

Except as noted above, investments by Plans are subject to 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 which decides to invest the assets of a Plan in the Class A Certificates should consider, among other factors, the extreme sensitivity of the investments to the rate of principal payments (including prepayments) on the Mortgage Loans.

The U.S. Department of Labor has granted to [Underwriter] an administrative exemption (Prohibited Transaction Exemption[ ]; Exemption Application No. [ ], Fed. Reg. [ ] ([ ])) (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 certificates in pass-through trusts that consist of certain receivables, loans and other obligations and the servicing, operation and management of those asset-backed pass-through trusts; provided that the conditions and requirements of the Exemption are met. The Exemption applies to mortgage loans such as the Mortgage Loans in

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the Trust Fund.

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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 of the Class A Certificates by Plans 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 Exemption does not apply to the initial purchase, the holding or the subsequent resale of the Subordinated Offered Certificates because the Subordinated Offered Certificates are subordinate to some other Classes of Certificates. Consequently, transfers of the Subordinated Offered Certificates will not be registered by the trustee unless the trustee receives:

- a representation from the transferee of that Certificate, acceptable to and in form and substance satisfactory to the trustee, to the effect that such transferee is not an employee benefit plan subject to Section 406 of ERISA or a plan or arrangement subject to Section 4975 of the Code, nor a person acting on behalf of any of those plans or arrangements or using the assets of any of those plans or arrangements to effect that transfer,
- (if the purchaser is an insurance company, a representation that the purchaser is an insurance company which is purchasing those Certificates with funds contained in an "insurance company general account" (as that term is defined in Section V(e) of Prohibited Transaction Class Exemption 95-60 ("PTCE 95-60")) and that the purchase and holding of those Certificates are covered under Sections I and III of PTCE 95-60, or
- an opinion of counsel satisfactory to the trustee that the purchase and holding of that Certificate by a Plan, any person acting on behalf of a Plan or using that Plan's assets, will not result in the assets of the Trust Fund being deemed to be "plan assets" and subject to the prohibited transaction requirements of ERISA and the Code and will not subject the trustee to any obligation in addition to those undertaken in the pooling and servicing agreement.

The representation described above shall be deemed to have been made to the trustee by the transferee's acceptance of a Subordinated Offered Certificate. If that representation is violated, or any attempt to transfer to a Plan or person acting on behalf of a Plan or using that Plan's assets is attempted without such opinion of counsel, that attempted transfer or acquisition shall be void and of no effect.

Prospective Plan investors should consult with their legal advisors concerning the impact of ERISA and the Code, the applicability of PTE 83-1 described in the prospectus and the Exemption, and the potential consequences in their specific circumstances, before making an investment in the Offered Certificates. Moreover, each Plan fiduciary should determine whether under the general fiduciary standards of investment prudence and diversification, an investment in 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.

#### METHOD OF DISTRIBUTION

Subject to the terms and conditions set forth in the Underwriting Agreement among the depositor, [Underwriter] [and [\_\_\_\_\_]] (an affiliate of the depositor, the seller and the master servicer) (collectively, the "Underwriters"), the depositor has agreed to sell the Offered Certificates to the Underwriters, and the Underwriters have respectively agreed to purchase from the depositor the initial Certificate Principal Balance of each Class of the Offered Certificates from the depositor set forth below. It is expected that the proceeds to the depositor from the sale of the Offered Certificates will be approximately \$[\_\_\_\_\_], plus accrued interest, before deducting issuance expenses payable by the depositor, estimated to be approximately \$[\_\_\_\_\_].

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Class	[Underwriter]	[Underwriter]
AF-1		
AF-		
AF-		
MF-1		
MF-2		
BF		
AV-1		
AV-2		

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MV-1

NV-2

BV

Totals

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

Class of Certificates	Selling Concession	Realowance Discount
Class AF-1 Certificates		
Class AP- Certificates		
Class AF- Certificates		
Class MP-1 Certificates		
Class MF-2 Certificates		
Class BF Certificates		
Class AV-1 Certificates		
Class AV-2 Certificates		
Class MV-1 Certificates		
Class MV-2 Certificates		
Class BV Certificates		
Totals		

After the initial public offering, the public offering price, those concessions and those discounts may be changed.

The depositor has been advised by each Underwriter that such Underwriter intends to make a market in the Offered Certificates, but neither of the Underwriters has any obligation to do so. There can be no assurance that a secondary market for the Offered Certificates (or any particular Class of the Offered Certificates) will develop or, if it does develop, that it will continue or that such market will provide sufficient liquidity to Certificateholders.

Until the distribution of the Offered Certificates is completed, rules of the Securities and Exchange Commission may limit the ability of the Underwriters and some selling group members to bid for and purchase the Offered Certificates. As an exception to these rules, the Underwriters are permitted to engage in certain transactions that stabilize the price of the Offered Certificates. Those transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Offered Certificates.

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

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

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

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After the initial distribution of the Offered Certificates, this prospectus and prospectus supplement may be used by FTN Financial Securities Corp., an affiliate of the depositor, the seller and the master servicer, in connection with market making transactions in such Certificates. FTN Financial Securities Corp. may act as principal or agent in these transactions. These transactions will be at market prices at the time of sale and not at the prices of the initial offering.

## LEGAL MATTERS

The validity of the Certificates, including certain federal income tax consequences with respect to the Certificates, will be passed upon for the depositor by Andrews Kurth LLP [ ] will pass upon certain legal matters on behalf of the Underwriters.

## RATINGS

It is a condition of the issuance of the Offered Certificates that each Class of Offered Certificates be assigned the ratings designated below by

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[Rating Agency] and [Rating Agency] (the "Rating Agencies").

Class	[Rating Agency Rating]	[Rating Agency Rating]
AF-1		
AF-		
AF-		
MF-1		
MF-2		
BF		
AV-1		
AV-2		
MV-1		
NV-2		
BV		
Totals		

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 ratings on the Offered Certificates do not, however, constitute statements regarding the likelihood or frequency of prepayments on the Mortgage Loans, the payment of the Fixed Net Rate Carryover or Adjustable Rate Certificate Carryover (as the case may be) or the anticipated yields in light of prepayments.

The depositor has not requested a rating of the Offered Certificates by any rating agency other than [Rating Agency] and [Rating Agency]. However, there can be no assurance as to whether any other rating agency will rate the Offered Certificates or, if it does, what ratings would be assigned by that other rating agency. The ratings assigned by another rating agency to the Offered Certificates could be lower than the respective ratings assigned by the Rating Agencies.

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#### ANNEX

#### FIXED RATE [STATISTICAL CALCULATION] LOAN GROUP [[STATISTICAL CALCULATION] LOAN SUBGROUP [ ]]

#### MORTGAGE RATES FOR THE MORTGAGE LOANS IN THE FIXED RATE [STATISTICAL CALCULATION] LOAN [GROUP] [SUBGROUP] (1)

Range of Mortgage Rates (%)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding
% - %		
% - %		
% - %		
% - %		
% - %		
% - %		
% - %		
% - %		
% - %		
% - %		
% - %		
% - %		
% - %		
% - %		

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TOTAL:

- A-1

## TOTAL

- A-2

% - %

0155

TOTA

0156

Property Type	Mortgage Loans	Balance Outstanding
2-4 Family Dwellings		
High-Rise Condominiums		
Low-Rise Condominiums		
Manufactured Housing (treated as real property)		
Planned Unit Developments		
Single-Family Detached Dwellings		
TOTALS:		

**OCCUPANCY TYPES FOR THE MORTGAGE LOANS IN  
THE FIXED RATE [STATISTICAL CALCULATION]  
LOAN [GROUP] [SUBGROUP [ ]] (1)**

Occupancy Type	Number of Mortgage Loans	Aggregate Principal Balance Outstanding
Second Home		
Investment Property		
Primary Residence		
TOTALS:		

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

**REMAINING MONTHS TO STATED MATURITY FOR THE  
MORTGAGE LOANS IN THE FIXED RATE  
[STATISTICAL CALCULATION] LOAN [GROUP] [SUBGROUP [ ]] (1)**

Remaining Term (Months)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding
-		
-		
TOTALS:		

(1) As of the [Statistical Calculation] [Cut-off] Date, the weighted average remaining amortization terms to maturity for the Mortgage Loans in the Fixed Rate [Statistical Calculation] Loan [Group] [Subgroup [ ]] was approximately [ ] months.

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**LOAN PURPOSE FOR THE  
MORTGAGE LOANS IN FIXED RATE  
[STATISTICAL CALCULATIONS] LOAN [GROUP] [SUBGROUP [ ]]**

Loan Purpose	Number of Mortgage Loans	Aggregate Principal Balance Outstanding
Refinance-Cash Out		
Purchase		
Refinance-Rate/Term		
TOTALS:		

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MORTGAGE RATES FOR THE MORTGAGE LOANS IN  
[STATISTICAL CALCULATION] LOAN [GROUP] [SUBGROUP] (1)

(1) As of the [Statistical Calculation] [Cut-off] Date, the weighted average Mortgage Rate of the Mortgage Loans in [Statistical Calculation] Loan [Group] [Subgroup [ ]] was approximately [ ]% per annum.

**GROSS MARGINS FOR MORTGAGE LOANS IN  
[STATISTICAL CALCULATION] LOAN [GROUP] [SUBGROUP] (1)**

(1) As of the [Statistical Calculation] [Cut-off] Date, the weighted average Gross Margin of the Mortgage Loans in [Statistical Calculation] Loan [Group] [Subgroup] [ ] was approximately [ ]%.

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**[STATISTICAL CALCULATION] LOAN [GROUP] [SUBGROUP] (1)**

Range of Maximum Rates (%)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding
% - %		
% - %		
% - %		
% - %		
% - %		
% - %		
% - %		
TOTAL		

- (1) As of the [Statistical Calculation] [Cut-off] Date, the weighted average Maximum Rate of the Mortgage Loans in [Statistical Calculation] Loan [Group] [Subgroup [ ]] was approximately [ ]% per annum.

**MORTGAGE LOAN PRINCIPAL BALANCES  
FOR THE MORTGAGE LOANS IN  
[STATISTICAL CALCULATION] LOAN [GROUP] [SUBGROUP] (1)**

Range of Mortgage Loan Principal Balances (\$)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding
% - %		
% - %		
% - %		
% - %		
% - %		
% - %		
% - %		
TOTAL		

- (1) As of the [Statistical Calculation] [Cut-off] Date, the average principal balance of the Mortgage Loans in [Statistical Calculation] Loan [Group] [Subgroup [ ]] was \$[ ].

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**MINIMUM MORTGAGE RATES FOR MORTGAGE LOANS IN  
[STATISTICAL CALCULATION] LOAN [GROUP] [SUBGROUP] (1)**

Range of Minimum Interest Rates (%)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding
% - %		
% - %		
% - %		
% - %		
% - %		
% - %		
% - %		
TOTAL		

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- (1) As of the [Statistical Calculation] [Cut-off] Date, the weighted average Minimum Mortgage Rate of the Mortgage Loans in [Statistical Calculation] Loan [Group] [Subgroup [ ] ] was approximately [ ]% per annum.

**[COMBINED] LOAN-TO-VALUE RATIO FOR MORTGAGE  
LOANS IN THE ADJUSTABLE RATE  
[STATISTICAL CALCULATION] LOAN [GROUP] [SUBGROUP] (1)**

Range of [Combined] Loan-to-Value Ratios (%)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding
% - %		
% - %		
% - %		
% - %		
% - %		
% - %		
% - %		
TOTAL		

- (1) As of the [Statistical Calculation] [Cut-off] Date, the weighted average Loan-to-Value Ratio of the Mortgage Loans in [Statistical Calculation] Loan [Group] [Subgroup [ ] ] was approximately [ ]%.

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**STATE DISTRIBUTION OF MORTGAGED PROPERTIES  
FOR THE MORTGAGE LOANS IN  
[STATISTICAL CALCULATION] LOAN [GROUP] [SUBGROUP [ ] ]**

State	Number of Mortgage Loans	Aggregate Principal Balance Outstanding
TOTALS		

**INITIAL FIXED RATE PERIOD  
FOR THE MORTGAGE LOANS IN  
[STATISTICAL CALCULATION] LOAN [GROUP] [SUBGROUP [ ] ]**

Initial Fixed Rate Period (Months)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding
6		
12		

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TOTALS

Next Adjustment Date	Number of Mortgage Loans	Aggregate Principal Balance Outstanding
TOTALS:		

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[illegible]

Property Type	Number of Mortgage Loans	Aggregate Principal Balance Outstanding
2-4 Family Dwellings		
Low-Rise Condominiums		
Manufactured Housing (treated as real property)		
Planned Unit Developments		
Single-Family Detached Dwellings		
TOTALS:		

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# LOAN [GROUP] [SUBGROUP [ ]] (1)

Occupancy Type	Number of Mortgage Loans	Aggregate Principal Balance Outstanding
Investment Property		
Primary Residence		
TOTALS		

(1) Based upon representation of the related mortgagors at the time of origination.

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## REMAINING MONTHS TO STATED MATURITY FOR THE MORTGAGE LOANS IN [STATISTICAL CALCULATION] LOAN [GROUP] [SUBGROUP [ ]] (1)

Remaining Term (Months)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding
TOTALS		

(1) As of the [Statistical Calculation] [Cut-off] Date, the weighted average remaining months to scheduled maturity for the Mortgage Loans in [Statistical Calculation] Loan [Group] [Subgroup [ ]] was approximately [ ] months.

## LOAN PURPOSE FOR THE MORTGAGE LOANS IN [STATISTICAL CALCULATION] LOAN [GROUP] [SUBGROUP [ ]]

Loan Purpose	Number of Mortgage Loans	Aggregate Principal Balance Outstanding
Refinance-Cash Out		
Purchase		
Refinance-Rate/Term		
TOTALS		

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(Seller and Master Servicer)

First Horizon [ ] Trust 200[ ]-[ ]

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(Issuer)

\$[ ]  
(Approximate)

**Asset-Backed Certificates, Series 200[ ]-[ ]**

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**PROSPECTUS SUPPLEMENT**

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**[UNDERWRITER]**

Dealers will deliver a prospectus supplement and prospectus when acting as underwriters of the certificates and with respect to their unsold allotments or subscriptions. In addition, all dealers selling the certificates will be required to deliver a prospectus supplement and prospectus until [ ].

[ ], 200[ ]

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The information in this Prospectus is not complete and may be changed. We may not sell these securities until the Registration Statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION; DATED MAY 23, 2005

PROSPECTUS SUPPLEMENT  
(To Prospectus dated )

\$[ ]  
(Approximate)

**First Tennessee Bank National Association**  
*Seller and Master Servicer*

**First Horizon Home Equity Loan Trust 200[ ]-[ ]**  
*Issuer*

**Revolving Home Equity Loan Asset-Backed Certificates, Series 200[ ]-[ ]**  
Distributions payable monthly commencing in

**Class [ ] Certificates**

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You should carefully consider the risk factors beginning on page S-[ ] of this prospectus supplement and on page [ ] of the accompanying prospectus.

---

**The Certificates**

The Class [ ] Certificates have an original principal balance of \$[ ], subject to a permitted variance of plus or minus [10] %.

**The Trust Fund**

The trust fund will own a pool consisting of [two] loan groups of home equity revolving credit line loans made or to be made in the future under

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certain home equity revolving credit line loan agreements. The loans will be secured by first or second deeds of trust or mortgages on one- to four-family residential properties and will bear interest at rates that adjust based on the prime rate. The trust fund will also initially include funds from the sale of the certificates in excess of the cut-off date principal balances. These excess funds are expected to be used to acquire additional home equity revolving credit line loans after the cut-off date. The Class [ ] Certificates will represent an interest in loan group [ ] only.

#### The Policy

[Certificate Insurer] will issue an irrevocable and unconditional certificate guaranty insurance policy which will guarantee certain payments to certificateholders.

[CERTIFICATE INSURER LOGO]

*The SEC and state securities regulators have not approved or disapproved of these securities or determined if this prospectus supplement or the prospectus is truthful or complete. Any representation to the contrary is a criminal offense.*

[Underwriter] will purchase the certificates from the depositor on a firm commitment basis and will offer the certificates subject to prior sale and subject to its right to reject orders in whole or in part. The certificates will be issued in book-entry form on or about [ ], 200[ ] and will be offered in the United States and Europe.

[UNDERWRITER]

[ ], 200[ ]

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#### *Important notice about information presented in this prospectus supplement and the accompanying prospectus:*

We provide information to you about the certificates offered by this prospectus supplement in two separate documents that progressively provide more detail: (1) the accompanying prospectus, which provides general information, some of which may not apply to your certificates, and (2) this prospectus supplement, which describes the specific terms of your certificates.

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

We are not offering the certificates in any state where the offer is not permitted. We do not claim that the information in this prospectus supplement and prospectus is accurate as of any date other than the dates stated on their respective covers.

We include cross-references in this prospectus supplement and the accompanying prospectus to captions in these materials where you can find further related discussions. The following table of contents and the table of contents included in the accompanying prospectus provide the pages on which these captions are located.

After the initial distribution of the certificates offered hereby, this prospectus and prospectus supplement may be used by FTN Financial Securities Corp., an affiliate of the depositor, the seller and the master servicer, in connection with market making transactions in such certificates. FTN Financial Securities Corp. may act as principal or agent in these transactions. These transactions will be at market prices at the time of sale and not at the prices of the initial offering. Certain information in this prospectus supplement will be updated from time to time.

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## 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.*

### Trust Fund

First Horizon Home Equity Loan Trust 200[ ]-[ ] is a [grantor] [statutory] trust formed under the laws of the State of [New York] [Delaware]. The trust fund will own a pool of home equity revolving credit line loans made or to be made in the future under certain home equity revolving credit line loan agreements. The loans will be secured by first or second deeds of trust or mortgages on one- to four-family residential properties and will bear interest at rates that adjust based on the prime rate. We sometimes refer to these loans as home equity loans or mortgage loans. [The original principal balance of the certificates will exceed the aggregate cut-off date principal balances of the home equity loans initially transferred to the trust fund. Funds in an amount equal to this excess are expected to be used to acquire additional home equity loans that are not included in the cut-off date pool. Until they are so used, they will be held in the trust fund.]

[We will be dividing the mortgage loans in the trust fund into [two] groups. Each will be referred to as a loan group. The ownership interest of each loan group will be allocated between the Class [ ] Certificates and the Class [ ] Certificates, as applicable, and a single transferor interest. The Class [ ] Certificates will initially represent approximately a 100% interest in loan group [ ] and the Class [ ] Certificates will initially represent approximately a 100% interest in loan group [ ].] The percentage interests in each loan group represented by the certificates will vary over time. The percentage interests in the trust fund not represented by the certificates will be represented by the transferor interest, which will also vary over time.

The property of the trust will generally consist of: the principal balance of each mortgage loan as of the cut-off date (referred to as the cut-off date principal balance), plus any new advances made on it under the applicable credit line agreement during the life of the trust fund; collections on the mortgage loans received after the cut-off date (exclusive of payments of accrued interest due on or before the cut-off date); mortgaged properties relating to the mortgage loans that are acquired by foreclosure or deed in lieu of foreclosure; the collection account for the certificates (excluding its net earnings); [the Prefunding Account[s] [and the similar account for loan group [ ] and any additional loans purchased with their proceeds;] [the Reserve Fund (excluding its net earnings);] [the Policy] and any further credit enhancement for the certificates; and an assignment of the depositor's rights under the

purchase agreement.

### **The Offered Certificates**

First Horizon Home Equity Loan Trust 200[ ]-[ ] will issue [ ] classes of Revolving Home Equity Loan Asset Backed Certificates and a Transferor's Interest. Only the Class [ ] Certificates are offered by this prospectus supplement.

### **Other Certificates**

First Horizon Home Equity Loan Trust 200[ ]-[ ] is also issuing the Class [ ] Certificates and the Transferor's Interest. As described in this prospectus supplement, except for limited cross-collateralization, the Class [ ] Certificates are not supported by the mortgage loans in loan group [ ], the group that supports the offered certificates. As described in this prospectus supplement, a portion of the Transferor's Interest is subordinated in right of payment to the Class [ ] and Class [ ] Certificates. Information regarding the Class [ ] Certificates and the Transferor's Interest is included in this prospectus supplement chiefly to provide you with a better understanding of the Class [ ] Certificates.

### **Depositor**

First Horizon Asset Securities Inc., a limited purpose finance subsidiary of First Horizon Home Loan Corporation. Its address is 4000 Horizon Way, Irving, Texas 75063, and its telephone number is (214) 441-4000.

See "The Depositor" in the prospectus.

### **Seller and Master Servicer**

[First Tennessee Bank National Association, a national banking association].

See "The Master Servicer" in this prospectus supplement.

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### **Trustee**

[Name of Trustee].

### **Certificate Insurer**

[Certificate Insurer], will insure the Class [ ] Certificates as described in this prospectus supplement.

See "Description of the Certificates — The Certificate Insurer" in this prospectus supplement.

### **Mortgage Loan Purchase Agreement**

The mortgage loan purchase agreement between the seller and the depositor, as purchaser.

### **Pooling and Servicing Agreement**

The certificates will be issued pursuant to the pooling and servicing agreement among the seller and master servicer, the depositor and the trustee under which the trust fund will be formed.

### **Cut-off Date**

[ ], 200[ ].

### **Closing Date**

On or about [ ], 200[ ].

### **Distribution Dates**

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The trustee will make distributions on the [ ]th day of each calendar month beginning in [ ], 200[ ]. If the [ ]th day of a month is not a business day, then distributions will be made on the next business day after the [ ]th day of the month.

#### **Record Date**

The [last] day preceding a distribution date or, if the certificates are no longer book-entry certificates, the last day of the month preceding a distribution date.

#### **Denominations**

The Class [ ] Certificates will be issued in minimum denominations of \$[25,000] and multiples of \$[1,000] in excess thereof.

#### **Registration of Certificates**

The Class [ ] Certificates will initially be issued in book-entry form. Persons acquiring beneficial ownership interests in the Class [ ] Certificates may elect to hold their beneficial interests through The Depository Trust Company, in the United States, or Clearstream, Luxembourg or the Euroclear System, in Europe.

See "Description of Certificates — Book-Entry Certificates" in this prospectus supplement.

#### **The Mortgage Loans**

##### *General*

The mortgage loans are revolving lines of credit. During the applicable draw period, each borrower may borrow amounts from time to time up to the maximum amount of that borrower's line of credit. If borrowed amounts are repaid, they can again be borrowed.

The pool balance equals the aggregate of the principal balances of all mortgage loans in [both] loan groups. The loan group balance of a loan group equals the aggregate of the principal balances of all mortgage loans in that loan group. The principal balance of a mortgage loan (other than a liquidated mortgage loan) on any day is equal to its cut-off date principal balance, plus any additional balances in respect of that mortgage loan, minus all collections credited against the principal balance of that mortgage loan prior to that day. Once a mortgage loan is finally liquidated, its principal balance will be zero.

##### *Loan Rate*

Interest on each mortgage loan is payable monthly and computed on the related daily outstanding principal balance for each day in the billing cycle. The loan rate is a variable rate per annum equal to the sum of the highest prime rate published in the Money Rates table of The Wall Street Journal as of the first business day of each calendar month and a margin.

The loan rate is subject to applicable usury limits and certain maximum rates. Loan rates are adjusted monthly on the first business day of the calendar month preceding the due date. As to each mortgage loan, the due date is the fifteenth day of each month.

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##### *Principal Payments*

Each home equity loan features a draw period during which the loan may be drawn upon, immediately followed by a repayment period during which the loan must be repaid. In general, home equity loans with [ ]-year draw periods have [ ]-year repayment periods. These [ ]-year draw periods are generally extendible for an additional [ ] years with the approval of the master servicer.

##### *Statistics*

The statistical information presented in this prospectus supplement concerning the pool of mortgage loans does not reflect all of the mortgage loans which will be included in the pool on the closing date. Instead, such statistical information relates to statistical calculation loan groups which include the number and principal balances of only mortgage loans originated by the seller through the statistic calculation date and included in the applicable loan group. The aggregate principal balance of each statistic calculation loan group as of the statistic calculation date is the statistic calculation loan group balance. The statistic calculation date is [ ], 200[ ].

Unless otherwise noted, all statistical percentages in this prospectus supplement are measured by the aggregate principal balance of the applicable statistic

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calculation loan group on the statistic calculation date.

See "Description of the Mortgage Loans" in this prospectus supplement for additional information concerning the statistic calculation pool and the mortgage loans in general.

**SUMMARY OF LOANS IN STATISTIC  
CALCULATION LOAN GROUP [ ]  
(AS OF STATISTIC CALCULATION DATE)**

Loan Group [ ] Statistic Calculation Date Balance	\$	
Weighted Average Combined Loan-to-Value Ratio		%
Weighted Average Margin		%
Range of Principal Balances	\$	0.00 to \$
Average Principal Balance	\$	to \$
Range of Credit Limits		through
Average Credit Limit		% to %
Origination Period		%
Range of Loan Rates		%
Weighted Average Loan Rate		%
Weighted Average Maximum Loan Rate		%
Weighted Average Minimum Loan Rate		%
Maximum Credit Utilization Rate		%
Average Credit Utilization Rate		%
Percentage of Pool Secured by 1 <sup>st</sup> Liens		%
Percentage of Pool Secured by 2 <sup>nd</sup> Liens		%
Weighted Average 2 <sup>nd</sup> Mortgage Ratio		%
Percentage with Mortgaged Properties in:		%
[California]		%
[Michigan]		%
[Colorado]		%
[Illinois]		%
[Florida]		%
Range of Remaining Term to Scheduled Maturity		mos. to mos.
Weighted Average Remaining Term to Scheduled Maturity		mos.
Percentage Single Family Residences		%
Percent Owner Occupied		%

**The Class [ ] Certificates**

*Certificate Rate*

The certificate rate on the Class [ ] Certificates may change from distribution date to distribution date. On any distribution date the certificate rate for the Class [ ] Certificates will equal the least of:

- LIBOR plus [ ]% per annum,
- the weighted average of the loan rates on the mortgage loans in loan group [ ] minus certain fees, expenses and minimum spread requirements, and
- [ ]% per annum.

However, on any payment date for which the certificate rate for the Class [ ] Certificates has been determined pursuant to the weighted average of the net loan rates on the mortgage loans in loan group [ ], the excess, if any, of the lesser of

- [ ]% per annum and
- LIBOR + [ ]% per annum

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over the certificate rate will be paid (with interest at the rate of LIBOR + [ ]% per annum, but not at a rate in excess of [ ]% per annum) to the Class [ ] Certificates on subsequent distribution dates to the extent that funds are available in the priority described in this prospectus supplement.

See “Description of the Certificates — Interest” in this prospectus supplement.

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#### *Interest Period*

For each distribution date and class of certificates, the period beginning on the prior distribution date (or in the case of the first distribution date, beginning on the closing date) and ending on the day before the applicable distribution date. The trustee will calculate interest based on the actual number of days in the interest period and a year assumed to consist of 360 days.

#### *Certificate Principal Balance*

The original principal balance of either class of certificates may be reduced or increased by not more than [10]% depending on the aggregate principal balance of the mortgage loans in the related loan group actually delivered on the closing date.

#### *Principal*

The amount of principal distributed on a class of certificates on a distribution date will depend on whether the distribution date occurs during the managed amortization period or the rapid amortization period.

The managed amortization period begins on the closing date and ends on the earlier of the distribution date in [ ] and the existence of a rapid amortization event.

The rapid amortization period begins on the first distribution date after the end of the managed amortization period.

See “Description of Certificates — Principal” in this prospectus supplement.

#### **[Prefunding Account]**

On the closing date approximately \$[ ] will be deposited into a prefunding account held as a part of the trust fund. These funds represent the excess of the original principal balance of the Class [ ] Certificates over the cut-off date principal balance of the mortgage loans in loan group [ ] initially transferred to the trust fund. These funds are expected to be used through [ ] to acquire additional home equity loans that are not included in the cut-off date pool. Any additional home equity loans acquired by the trust fund after the cut-off date will have been underwritten using generally the same guidelines as were used to select the initial mortgage loans in the trust fund, and the trust fund will have the benefit of substantially the same representations and warranties covering the initial mortgage loans in the trust fund. The seller and master servicer will not exercise any discretion in the selection of the additional home equity loans to be acquired by the trust fund. The selection will be made by a mechanical procedure on a first-in, first-out basis. The purchase of these additional home equity loans is in addition to the ongoing purchase of additional balances during the managed amortization period with the proceeds of principal repayments received on the trust fund’s mortgage loan portfolio. Any funds remaining in the prefunding account on [ ] will be used to prepay the Class [ ] Certificates on the first Distribution Date.]

#### **Termination**

The trust fund will terminate on the distribution date following the later of

- payment in full of all amounts owing to the certificate insurer [and any third party credit enhancer] and
- the earliest of
- the distribution date on which the principal balance of both classes of certificates have been reduced to zero,
- the final payment or other liquidation of the last mortgage loan in the trust fund,
- the optional transfer of the mortgage loans to the owner of the transferor interest, as described below, and
- the distribution date in [ ].

The mortgage loans in the trust fund will be subject to optional transfer to the owner of the transferor interest on any distribution date on or after which the combined principal balance of both classes of certificates is reduced to any amount less than or equal to 10% of the original combined principal balance of the certificates and all amounts due and owing to the certificate insurer [and any third party credit enhancer], including any unreimbursed draws on the policy [and any third party enhancement], together with interest on such amounts, have been paid as provided [either] in the insurance agreement under which the policy is issued [or in accordance with any third party credit enhancement].

See “Description of the Certificates — Termination; Retirement of the Certificates” in this prospectus supplement and “The Agreements — Termination; Optional Termination” in the prospectus.

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## **Credit Enhancement**

### *General*

The trust fund includes various mechanisms that are intended to protect certificateholders against losses on the mortgage loans.

### *Excess Interest*

The trustee will distribute certain interest collections on the mortgage loans in each loan group to cover losses which would otherwise be allocated to the certificates related to that loan group, and to the extent described in this prospectus supplement, to the certificates related to the other loan group.

### *Limited Subordination of Transferor Interest*

The portion of each loan group in the trust fund that is not represented by the certificates is the transferor interest. [Initially, the transferor interest will be \$0. The transferor interest is expected to grow as interest collections in excess of trustee fees, amounts due the certificate insurer, interest accrued on the certificates and certain loss amounts due on the certificates are applied as principal distributions on the certificates, thereby creating overcollateralization of the certificates. For each loan group, once the required level of overcollateralization is reached, the acceleration feature for the related Class of Class [ ] Certificates will cease, unless it is necessary to maintain the required level of overcollateralization.] The transferor interest also is the mechanism which absorbs changes in the amount of the mortgage loans in the related loan group due to new borrowings and repayments. In certain circumstances, amounts that would be distributed on the transferor interest will instead be distributed on the certificates. The seller (or one of its affiliates) will be the owner of the transferor interest on the closing date.

See “Description of the Certificates — Limited Subordination of Transferor Interest” in this prospectus supplement.

### *The Policy*

The policy will irrevocably and unconditionally guarantee on each distribution date to the trustee for the benefit of the certificateholders the full and complete payment of the guaranteed distributions consisting of the guaranteed principal distribution amount with respect to the certificates for such distribution date, and accrued and unpaid interest due on the certificates. The effect of the policy is to guarantee the timely payment of interest on, and the ultimate payment of the principal amount of, the certificates. The policy does not cover payment of basis risk carryforward.

In addition, the policy will guarantee the payment of the outstanding certificate principal balance on the distribution date in [ ] (after giving effect to all other amounts distributable and allocable to principal on that distribution date).

In the absence of payments under the policy, certificateholders will directly bear the credit and other risks associated with their percentage interest in the trust fund.

See “Description of the Certificates — The Policy” in this prospectus supplement.

### *[Limited Crosscollateralization]*

The pooling and servicing agreement will allow for some limited cross- collateralization, in that certain excess cashflows from either loan group on any distribution date will be applied to the funding of certain deficiencies in interest and principal with respect to the certificates related to the other loan group.]

### *[Reserve Fund]*

On the closing date, an account will be set up in the name of the trustee on behalf of the certificateholders, but will not be funded. Once the required level

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of overcollateralization for a loan group has been reached, excess cashflow from that loan group may be deposited in the reserve fund on future distribution dates until the amount reaches a specified level. Amounts in the reserve fund may be used to cover shortfalls in amounts required to be distributed as interest to either Class of Class [ ] Certificates or to cover losses on the mortgage loans in either loan group.]

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

Subject to the qualifications described under “Material Federal Income Tax Consequences” in this prospectus supplement, Andrews Kurth LLP, special tax counsel to the depositor, is of the opinion that, under existing law, a certificate will be treated as a debt instrument for federal income tax purposes as of the closing date. Furthermore, special tax counsel to the depositor is of the opinion that neither the trust fund nor any portion of the trust fund will be treated as either an association or a publicly traded partnership taxable as a corporation or as a taxable mortgage pool.

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See “Material Federal Income Tax Consequences” in this prospectus supplement and in the prospectus for additional information concerning the application of federal income tax laws.

### **ERISA Considerations**

The certificates may be purchased by a pension or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974 or Section 4975 of the Internal Revenue Code of 1986, or by an entity investing the assets of an employee benefit plan, so long as certain conditions are met. A fiduciary of an employee benefit plan must determine that the purchase of a certificate is consistent with its fiduciary duties under applicable law and does not result in a nonexempt prohibited transaction under applicable law.

See “ERISA Considerations” in this prospectus supplement and in the prospectus.

### **Legal Investment Considerations**

The Class [ ] Certificates will not constitute mortgage related securities for purposes of the Secondary Mortgage Market Enhancement Act of 1984, because not all of the mortgages securing the loans are first mortgages. Accordingly, many institutions with legal authority to invest in comparably rated securities based solely on first mortgages may not be legally authorized to invest in the Class [ ] Certificates.

See “Legal Investment” in the prospectus.

### **Certificate Rating**

The certificates will not be offered unless they are each rated [ ] by [Rating Agency] and [ ] by [Rating Agency]. 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 and “Risk Factors — Rating of Securities” in the prospectus.

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## **RISK FACTORS**

The following information, which you should carefully consider, identifies known material sources of risk associated with an investment in the certificates. You should also carefully consider the information set forth under “Risk Factors” in the prospectus.

### ***You May Have Difficulty Selling Your Certificates***

The underwriter intends to make a secondary market in the certificates purchased by it, but 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 asset 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

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categories of investors.

*Cash Flow Disruptions Could Cause  
Payment Delays and Losses*

Substantial delays could result while liquidating delinquent mortgage loans. Resulting shortfalls in distributions to certificateholders could occur if the certificate insurer were unable to perform its obligations under the policy. Further, liquidation expenses (such as legal fees, real estate taxes, and maintenance and preservation expenses) will reduce the security for the related mortgage loans and in turn reduce the proceeds payable to certificateholders. In the event any of the mortgaged properties fail to provide adequate security for the related mortgage loans, you could experience a loss if the certificate insurer were unable to perform its obligations under the policy.

*Yield And Reinvestment May Be  
Adversely Affected by Unpredictability  
of Prepayments*

During the period that a borrower may borrow money under the borrower's line of credit, the borrower may make monthly payments only for the accrued interest or may also repay some or all of the amount previously borrowed. In addition, borrowers may borrow additional amounts up to the maximum amounts of their lines of credit. As a result, the amount each loan group receives in any month (and in turn the amount distributed to the holders of the related class of certificates) may change significantly. Even during the repayment period, borrowers generally may prepay their mortgage loans at any time without penalty. However, prepayments on loans secured by property in California and certain other jurisdictions may be subject to account termination fees during the first five years after origination of the loan. Generally, revolving home equity loans are not viewed by borrowers as permanent financing. The mortgage loans may be repaid at faster rates than traditional mortgage loans. The trust fund's prepayment experience may be affected by a wide variety of factors, including: general economic conditions, interest rates, the availability of alternative financing and homeowner mobility. In addition, substantially all of the mortgage loans contain due-on-sale provisions and the master servicer intends to enforce those provisions unless doing so is not permitted by applicable law or the master servicer, in a manner consistent with reasonable commercial practice, permits the purchaser of the mortgaged property in question to assume the mortgage loan. See "Description of the Certificates" in this prospectus supplement and "Legal Aspects of the Loans — Due-on-Sale Clauses" in the prospectus for a description of certain provisions of the credit line agreements that may affect the prepayment experience on the mortgage loans.

The yield to maturity and weighted average life of your certificates will be affected primarily by the rate and timing of repayments and prepayments on the mortgage loans in your loan group as compared with the creation and amount, if any, of additional balances and, the realization of liquidation loss amounts. You bear the reinvestment risks resulting from a faster or slower rate of principal payments than you expected. [You also bear the reinvestment risk if by [ ] all of the funds in the prefunding account have not been used to acquire additional home equity loans, which would result in a prepayment of the Class [ ] Certificates in an amount equal to the amount remaining in the prefunding account on that date.] See "Maturity and Prepayment Considerations" in this prospectus supplement and "Yield and Prepayment Considerations" in the prospectus.

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*Withdrawal or Downgrading of Initial  
Ratings Will Affect The Value of The  
Certificates*

The rating of the certificates will depend primarily on an assessment by the rating agencies of the mortgage loans and upon the financial strength of the certificate insurer. Any reduction in a rating assigned to the financial strength of the certificate insurer may result in a reduction in the rating of the certificates. A reduction in the rating assigned to the certificates probably would reduce the market value of the certificates and may affect your ability to sell them.

The rating by each of the rating agencies of the certificates is not a recommendation to purchase, hold or sell the certificates since that rating does not address the market price or suitability for a particular investor. The rating agencies may reduce or withdraw the ratings on the certificates at any time they deem appropriate. In general, the ratings address credit risk and do not address the likelihood of prepayments.

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*Junior Lien Priority Could Result in  
Payment Delay or Loss*

The mortgage loans are secured by mortgages which generally are second mortgages. The master servicer has the power under certain circumstances to consent to a new mortgage lien on the mortgaged property having priority over the mortgage loan in the trust fund. Mortgage loans secured by second mortgages are entitled to proceeds that remain from the sale of the related mortgaged property after any related senior mortgage loan and prior statutory liens have been satisfied. In the event that the remaining proceeds are insufficient to satisfy the mortgage loans secured by second mortgages and prior liens in the aggregate and, the certificate insurer is unable to perform its obligations under the policy, you will bear the risk of delay in distributions while any deficiency judgment against the borrower is sought and the risk of loss if the deficiency judgment cannot be obtained or is not realized upon. See "Legal Aspects of the Loans" in the prospectus.

*Trust Fund May Be Unsecured Creditor  
under Certain Mortgage Loans since  
Mortgage Loan Assignments Not  
Recorded*

Although the mortgage notes relating to the mortgage loans will be delivered to the trustee within [30] days of the closing date [(or within 30 days after receipt by the trust fund, with respect to the additional home equity loans)], assignments of mortgage loans to the trustee will not be recorded unless recording is required to protect the trustee's right, title and interest in and to the related mortgage loan or, in case a court should recharacterize the sale of the mortgage loans as a financing, to perfect a first priority security interest in favor of the trustee in the related mortgage loan.

In certain states in which the mortgage properties are located, failure to record the assignments of the related mortgages to the trustee will have the result of making the sale of the mortgage loans potentially ineffective against any creditors of the seller who may have been fraudulently or inadvertently induced to rely on the mortgage loans as assets of the seller, or any purchaser of a mortgage loan who had no notice of the prior conveyance to the trust fund if such purchaser perfects his interest in the mortgage loan by taking possession of the related documents or other evidence of indebtedness or otherwise.

In such events, the trust fund would be an unsecured creditor of the seller.

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*Developments in [California] Could Have  
Disproportionate Effect on The Pool of  
Mortgage Loans Due to Geographic Concentration of  
Mortgaged Properties*

Approximately [ ]% of the mortgage loans in statistic calculation loan group [ ] and approximately [ ]% of the mortgage loans in statistic calculation loan group [ ] are secured by mortgaged properties which are located in the State of [California]. After the statistic calculation date, the geographic concentration could change as a result of the addition or removal of mortgage loans, prepayments and/or the creation of additional balances. Property in [California] may be more susceptible than homes located in other parts of the country to certain 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; 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; and 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.

See "The Home Equity Loan Program — Management's Discussion and Analysis of Delinquency and Foreclosure Trends."

*Master Servicer Has Ability to Change The  
Terms of The Mortgage Loans*

The master servicer may agree to changes in the terms of a credit line agreement, provided that such changes do not materially and adversely affect the interest of the related

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certificateholders[, any third party credit enhancer or] the certificate insurer, and are consistent with prudent business practice.

In addition, the master servicer, within certain limitations, may increase the credit limit of the related mortgage loan or reduce the loan rate for that mortgage loan. Any such increase in the credit limit of a mortgage loan would increase the combined loan-to-value ratio of that mortgage loan and, accordingly, would increase the risk of the related class of certificates investment in such mortgage loan. In addition, any reduction in the loan rate of a mortgage loan would reduce the related loan group's excess cash flow available to absorb losses.

*Your Return Could Be Adversely Affected  
by Delinquent Mortgage Loans*

The trust fund may include mortgage loans which are 59 or fewer days delinquent as of [ ] (the cut-off date for the pool of mortgage loans). We expect that the principal balance of mortgage loans which are between 30 days and 59 days delinquent as of the cut-off date will not exceed approximately \$[ ]. Mortgage loans that are already delinquent may increase the risk that the trust fund will experience a loss if there are not sufficient funds from the investor interest collections to cover the investor loss amounts for any distribution date, amounts intended to provide protection for the certificates that are otherwise payable to the owner of the transferor interest have been exhausted and the certificate insurer fails to perform its obligations under the policy.

*Effect of Loan Rates on The Certificates*

The certificates accrue interest at a rate based on the one-month LIBOR index plus a specified margin, but are subject to a cap [based, in part, on the interest rates on the mortgage loans].

The mortgage loans have interest rates that are based on the prime rate, and have periodic and maximum limitations on adjustments to the loan rate. As a result, the certificates may accrue less interest than they would accrue if the certificate rate were based solely on the LIBOR index plus the specified margin.

A variety of factors could limit the certificate rate. Some of these factors are described below:

Each certificate rate adjusts [monthly] while the loan rates on the mortgage loans may adjust less frequently. Consequently, the loan rates may limit increases in one or both certificate rates for extended periods in a rising interest rate environment.

The prime rate may respond to different economic and market factors than LIBOR and thus may increase or decrease at different times. As a result, it is possible that the loan rates may decline while LIBOR is stable or rising. It is also possible that both the loan rates and LIBOR may either decline or increase during the same period, but that the loan rates may decline more rapidly or increase more slowly than LIBOR.

These factors may adversely affect the yield to maturity on the certificates. For a discussion of additional risks pertaining to the certificates, see "Risk Factors" in the prospectus.

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*[Certain Rights May Be Affected by The Issuance  
of [Two] Classes of Certificates From a  
Single Trust Fund*

The ability to declare an event of master servicing termination or to amend the pooling and servicing agreement rests with the certificate insurer and the holders of specified percentages of the certificates in both groups. In addition, under certain circumstances the third party credit enhancer will have such rights as they relate to the Class [ ] Certificates. As a result you may have less ability to control certain actions than you would have had if only a single class of certificates had been issued from the trust fund.]

*The Effects of Terrorist Attacks and Military  
Action are not Determinable*

The effects that possible future terrorist attacks or other incidents and related military action, or the military action by United States forces in Iraq and other regions, may have on the performance of the mortgage loans or on the values of the related mortgaged properties cannot be determined at this time. Investors should consider the possible effects of such incidents on

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delinquency, default and prepayment experience of the mortgage loans. Federal agencies and non-government lenders have and may continue to defer, reduce or forgive payments and delay foreclosure proceedings in respect of loans to borrowers affected in some way by future attacks or other incidents and the related military action.

The current deployment of U.S. military reservists and members of the National Guard and any further such deployments may significantly increase the proportion of loans whose interest rates are reduced by application of the Servicemembers Civil Relief Act (the "Relief Act"). The Relief Act provides, generally, that a borrower who is covered by the Relief Act may not be charged interest on the related mortgage loan in excess of 6% annually during the period of the borrower's active duty. Under the Military Reservist Relief Act, which is a California statute, under certain circumstances, California residents called into active duty with the reserves can delay payments on mortgage loans for a period not to exceed 180 days, beginning with the order to active duty and ending 30 days after release. Interest payable to holders of the certificates in the related certificate group will be reduced by any reductions in the amount of interest not collectible as a result of the application of such Acts. These shortfalls are not required to be paid by the borrower at any future time. Neither the seller, the depositor or the master servicer is required to advance these shortfalls as delinquent payments, and such shortfalls are not covered by any form of credit enhancement on the certificates. Any reductions resulting from such Acts will be allocated pro rata among the senior certificates of the related certificate group and the subordinated certificates.

In addition, legislation granting similar loan payment relief to certain persons not covered by the Relief Act has been proposed and may be enacted in various states.

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## FORWARD LOOKING STATEMENTS

*We caution you that certain 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, effects of prepayments, changes in interest rates 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 MASTER SERVICER

### General

First Tennessee Bank National Association ("First Tennessee") will service the mortgage loans consisting of [adjustable] rate home equity revolving credit line loans made or to be made in the future in accordance with the terms set forth in the pooling and servicing agreement. The mortgage loans will be secured by either first or second deeds of trust or mortgages on the residential properties that are one- to four-family properties, condominiums and planned unit developments (the "Mortgaged Properties").

First Tennessee may perform any of its obligations under the pooling and servicing agreement dated as of [ ], 200[ ] among First Horizon Asset Securities Inc., as depositor, First Tennessee, as master servicer [Name of third party enhancer, if any] and [Name of trustee], as trustee, through one or more subservicers. Notwithstanding any such subservicing arrangement, the master servicer will remain liable for its servicing duties and obligations under the pooling and servicing agreement as if the master servicer alone were servicing the mortgage loans. As of the Closing Date, the master servicer will service the mortgage loans without subservicing arrangements.

### The Master Servicer

First Tennessee, a national banking association, will act as master servicer for the mortgage loans under the sale and servicing agreement. First Tennessee is an indirect wholly owned subsidiary of First Tennessee National Corporation, a Tennessee corporation. **First Tennessee National Corporation, headquartered in Memphis, Tennessee, is a national, diversified financial services institution, and one of the fifty largest bank**

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holding companies in the United States. Through its principal subsidiary, First Tennessee, and other subsidiaries, it provides banking and other financial services to its customers through various regional and national lines of business.

First Tennessee's mortgage loan servicing portfolio consists primarily of first and second lien, fixed or adjustable rate mortgage loans secured by single-family residences. First Tennessee began servicing home equity lines of credit in [ ]. At [ ], 200[ ] First Tennessee provided servicing for approximately \$[ ] aggregate principal amount of mortgage loans, substantially all of which are being serviced for unaffiliated persons. At [ ], First Tennessee provided servicing for approximately \$[ ] aggregate principal amount of first and second lien mortgage loans originated under its home equity lines of credit program.

The principal executive offices of First Tennessee are located at 165 Madison Avenue, Memphis, Tennessee 38103. Its telephone number is (800) 364-7662. First Tennessee conducts operations from its headquarters in Memphis, Tennessee.

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## THE HOME EQUITY LOAN PROGRAM

### Underwriting Procedures Relating to Home Equity Loans

[The following is a description of the underwriting procedures customarily employed by the seller with respect to home equity loans. The underwriting process is intended to assess the applicant's credit standing and repayment ability, and the value and adequacy of the real property security as collateral for the proposed loan. Exceptions to the seller's underwriting guidelines will be made when compensating factors are present. Such factors include the borrower's employment stability, favorable credit history, equity in the related property and the nature of the underlying first mortgage loan.

Each applicant for a home equity loan is required to complete an application which lists the applicant's assets, liabilities, income, and employment history and other demographic and personal information. If information in the loan application demonstrates that the applicant has sufficient income and there is sufficient equity in the real property to justify making a home equity loan, the seller will conduct a further credit investigation of the applicant. This investigation includes obtaining and reviewing an independent credit bureau report on the credit history of the applicant in order to evaluate the applicant's ability and willingness to repay. The credit report typically contains information relating to such matters as credit history with local merchants and lenders, installment and revolving debt payments and any record of delinquencies, defaults, bankruptcy, collateral repossessions, suits or judgments.

The seller may originate or acquire mortgage loans in accordance with alternative sets of underwriting criteria under an Alternative Documentation Loan Program, a Reduced Documentation Loan Program or a Streamlined Documentation Loan Program. Generally, Alternative Documentation Programs permit a borrower to provide pay stubs and W-2 forms covering the most recent two years, in lieu of obtaining a Verification of Employment. Reduced Documentation Programs place more emphasis on property underwriting than on credit underwriting. Thus, certain credit underwriting documentation concerning income and employment verification is waived. Reduced Documentation Programs require applicants to list their assets and also permit applicants to submit bank statements in lieu of verifications of deposits. Only self-employed borrowers with credit histories that demonstrate an established ability to repay indebtedness in a timely fashion are eligible for Reduced Documentation Programs. Streamlined Documentation programs may be available for first-lien borrowers in good standing with the seller. A Streamlined Documentation Loan Program may be available for borrowers who have recently purchased or refinanced (rate/term) with the seller if they have not been 30 days delinquent in payment during the previous twelve month period. Under a Streamlined Documentation Program, the value of the mortgaged property that was used in conjunction with obtaining the first lien from the seller is used in lieu of a new appraisal and later used to determine the combined loan-to-value ratios for the new home equity line of credit. In most instances, the maximum loan amount is limited to \$30,000. In addition, a credit review is conducted, however no debt ratio calculation, income documentation or asset verification is required. A telephonic verification of employment is required before loan closing.

Full appraisals are generally performed on all home equity loans which at origination had a credit limit greater than \$100,000. Such appraisals are determined on the basis of a seller-approved, independent third-party, fee-based appraisal completed on forms approved by Fannie Mae or Freddie Mac. For certain home equity loans which had at origination a credit limit equal to or less than \$100,000, a drive-by evaluation is generally completed by a state licensed, independent third-party, professional appraiser on forms approved by either Fannie Mae or Freddie Mac. The drive-by evaluation is an exterior examination of the premises by the appraiser to determine that the property is in good condition. The appraisal is based on various factors, including the market value of comparable homes and the cost of replacing the improvements and generally is required to have been made not earlier than 180 days prior to the date of origination of the mortgage loan. For certain home equity loans with credit limits equal to or less than \$100,000, the seller may have the related mortgaged property appraised electronically. Electronic appraisals utilize commercially-available home price indices and will only be completed on mortgaged properties where the seller also services the first mortgage. The minimum and maximum loan amounts for home equity loans are generally \$5,000 and \$250,000, respectively. Borrowers may draw under the home equity loans in minimum amounts of \$250 and maximum amounts up to the remaining available credit thereunder, in each case after giving effect to all prior draws and payments thereon.

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After obtaining all applicable employment, credit and property information, the seller generally uses a debt-to-income ratio to assist in determining whether the prospective borrower has sufficient monthly income available to support the payments on the home equity loan in addition to any

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senior mortgage loan payments (including any escrows for property taxes and hazard insurance premiums) and other monthly credit obligations. The "debt-to-income ratio" is the ratio of the borrower's total monthly credit obligations (assuming the mortgage loan interest rate is based on the applicable fully indexed interest rate) to the borrower's gross monthly income. Based on the foregoing, the maximum monthly debt-to-income ratio is 45%. Variations in the monthly debt-to-income ratios limits are permitted based on compensating factors. The seller currently offers home equity loan products that allow maximum Combined Loan-to-Value Ratios up to 125%.

It is generally the seller's policy to require a title search or limited coverage policy before it makes a home equity loan for amounts less than or equal to \$100,000. In addition, if the home equity loan has a maximum draw amount of more than \$100,000, the seller requires that the borrower obtain an ALTA policy, or other assurance of title customary in the relevant jurisdiction. In addition, ALTA title policies are generally obtained in situations where the property is on leased land or there has been a change in title or such home equity loan is in first lien position.]

### **Servicing of the Mortgage Loans**

[The master servicer has established standard policies for the servicing and collection of the home equity loans. Servicing includes, but is not limited to, the collection and aggregation of payments relating to the mortgage loans; the supervision of delinquent mortgage loans, loss mitigation efforts, foreclosure proceedings and, if applicable, the disposition of the mortgaged properties; and the preparation of tax related information in connection with the mortgage loans.

Billing statements are mailed monthly by the master servicer. The statements detail all debits and credits and specify the minimum payment due and the available credit line. Notice of changes in the applicable loan rate are provided by the master servicer to the mortgagor with such statements. All payments are due by the fifteenth day of the month.

With respect to mortgage loans, the general policy of the master servicer is to initiate foreclosure in the underlying property after such loan is 60 days or more delinquent and satisfactory arrangements cannot be made with the mortgagor; or if a notice of default on a senior lien is received by the master servicer. Foreclosure proceedings may be terminated if the delinquency is cured. Mortgage loans to borrowers in bankruptcy proceedings may be restructured in accordance with law and with a view to maximizing recovery of such loans, including any deficiencies.

Once foreclosure is initiated by the master servicer, a foreclosure tracking system is used to monitor the progress of the proceedings. The system includes state specific parameters to monitor whether proceedings are progressing within the time frame typical for the state in which the property is located. During the foreclosure proceeding, the master servicer determines the amount of the foreclosure bid and whether to liquidate the loan.

After foreclosure, if the home equity loan is secured by a first mortgage lien, the master servicer may liquidate the mortgaged property and charge off the home equity loan balance which was not recovered through liquidation proceeds. If the mortgaged property was subject to a senior lien, the master servicer will either directly manage the foreclosure sale of the property and satisfy such lien at the time of sale or take other action as deemed necessary to protect the interest in the mortgaged property. If in the judgment of the master servicer, the cost of maintaining or purchasing the senior lien position exceeds the economic benefit of such action, the master servicer will generally charge off the entire home equity loan and may seek a money judgment against the borrower.

Servicing and charge-off policies and collection practices may change over time in accordance with, among other things, the master servicer's business judgment, changes in the portfolio and applicable laws and regulations.]

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### **Foreclosure and Delinquency Experience**

The tables on the following page summarize the delinquency and foreclosure experience, respectively, on the dates indicated, of home equity revolving credit line loans serviced by the master servicer. The delinquency and foreclosure percentages may be affected by the size and relative lack of seasoning of the servicing portfolio because many of such loans were not outstanding long enough to give rise to some or all of the periods of delinquency indicated in the chart below. 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 and delinquency experience presented in the table below will be indicative of such experience on the mortgage loans.

For the purposes of the following table, the period of delinquency is based on the number of days payments are contractually past due.

Certain total percentages and dollar amounts may not equal the sum of the percentages and dollar amounts indicated in the columns due to differences in rounding.

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**Delinquency and Foreclosure Experience in First Horizon's Portfolio  
of One-to-Four Family, Jumbo Residential Mortgage Loans**

As of December 31, [   ]				As of December 31, [   ]			
No. of Loans	% of Loans	Principal Balance	% of Balance	No. of Loans	% of Loans	Principal Balance	% of Balance
<b>JUMBO LOAN PORTFOLIO</b>							
Total Portfolio							
Period of Delinquency							
30-59 Days							
60-89 Days							
90 Days or more							
Foreclosures Pending							
Total Delinquencies							

As of December 31, [   ]				As of March 31, [   ]			
No. of Loans	% of Loans	Principal Balance	% of Balance	No. of Loans	% of Loans	Principal Balance	% of Balance
<b>JUMBO LOAN PORTFOLIO</b>							
Total Portfolio							
Period of Delinquency							
30-59 Days							
60-89 Days							
90 Days or more							
Foreclosures Pending							
Total Delinquencies							

**Management's Discussion and Analysis of Delinquency and Foreclosure Trends**

For the master servicer's total portfolio, mortgage loan delinquencies generally have decreased since December 31, 2001. Although these decreases may be due to a variety of factors, the master servicer believes the amount of turnover and decreased seasoning in the master servicer's servicing portfolio are contributing factors to the decreases in these categories. There can be no assurance that factors beyond the control of the master servicer, such as national or local economic conditions or downturns in the residential real estate market will not result in increased rates of mortgage loan delinquencies and foreclosure losses in the future.

If the residential real estate market should experience an overall decline in property values such that the outstanding balances of the mortgage loans, and any secondary financing on the mortgaged properties by a lender, become equal to or greater than the value of the mortgaged properties, the actual rates of delinquencies, foreclosures and losses could be significantly higher than the rates indicated in the tables above. To the extent that such losses occur in connection with the mortgage loans and are not otherwise covered by the forms of credit enhancement described in this prospectus supplement, they will be passed through as losses on the related certificates and such losses will be borne by the related certificateholders.

**DESCRIPTION OF THE MORTGAGE LOANS**

**General**

[Certain statistical information concerning the pool of mortgage loans (such pool is referred to as the "Statistic Calculation Pool" and each such

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mortgage loan is referred to as a "Statistic Calculation Pool Mortgage Loan") is set forth below. The mortgage pool will be divided into [two] groups of mortgage loans (each is referred to as a loan group) — loan group [ ] and loan group [ ]. The Class [ ] Certificates will represent an interest in loan group [ ] only. Loan group [ ] information is included chiefly to provide a better understanding about the trust fund. A detailed description of the mortgage loans actually delivered (the "Detailed Description") will be available to purchasers of the Certificates at or before, and will be filed on Form 8-K with the Securities and Exchange Commission after delivery of the Certificates. The Detailed Description will specify the aggregate of the principal balances of the mortgage loans included in the trust fund as of the cut-off date (the "cut-off date pool balance") and will also include, among other things, the following information regarding such mortgage loans:

- the outstanding principal balances of such mortgage loans as of [ ], 200[ ] (referred to as the "cut-off date") [or the related transfer date], the lien priorities of such mortgage loans, the loan rates borne by such mortgage loans as of the cut-off date, the combined loan-to-value ratios of such mortgage loans, the remaining term to scheduled maturity of such mortgage loans, the type of properties securing such mortgage loans, the geographical distribution of such mortgage loans by state and the credit limits and Credit Limit Utilization Rates of such mortgage loans as of the cut-off date.
- [The Detailed Description speaks as of the cut-off date and consequently does not include any Additional Home Equity Loans purchased with the funds in the prefunding accounts.] The mortgage loans will have been originated pursuant to credit line agreements and will be secured by mortgages or deeds of trust, which are either first or second mortgages or deeds of trust, on mortgaged properties expected to be located in [49 states and the District of Columbia] as of the cut-off date. The mortgaged properties securing the mortgage loans will consist of residential properties that are one- to four-family properties. See "— Mortgage Loan Terms" below.
- Information regarding the Statistical Calculation Pool Mortgage Loans as of [ ], 200[ ] (the "Statistic Calculation Date") can be found on the tables on pages S-\_\_\_\_ through S-\_\_\_\_.

### Mortgage Loan Terms

[General. A borrower may access a mortgage loan by writing a check in a minimum amount of \$[ ]. The mortgage loans bear interest at a variable rate which changes monthly on the first business day of the related month with changes in the applicable Index Rate. The Statistic Calculation Pool Mortgage Loans are subject to a maximum per annum interest rate ranging from [ ]% to [ ]% per annum, subject to applicable usury limitations. See "Legal Aspects of the Loans — Applicability of Usury Laws" in the Prospectus. The daily periodic rate on the mortgage loans (i.e., the loan rate) is the sum of the Index Rate plus the applicable margin, divided by 365 days. The margin generally ranges between [ ]% and [ ]%. The "Index Rate" is based on the highest "prime rate" (the "Index") published in the "Money Rates" table of The Wall Street Journal as of the first business day of each calendar month.

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The second mortgage ratio for a mortgage loan is the credit limit for the related mortgage loan, provided such mortgage loan was in the second lien position, divided by the sum of such credit limit and the outstanding principal balance of any mortgage loan senior to the related mortgage loan as of the date of related loan application. The weighted average second mortgage loan ratio for the Loan Group [ ] Statistic Calculation Pool Mortgage Loans was approximately [ ]%. The weighted average second mortgage ratio for the Loan Group [ ] Statistic Calculation Pool Mortgage Loans was approximately [ ]%.

The seller generally offers introductory loan rates on its home equity lines of credit. The introductory rate applies to payments made during the [first three months or first six months] after origination. After such introductory period, the loan rate will adjust to the Index Rate plus the applicable margin.

In general, the home equity loans may be drawn upon during a draw period of [five] years. Home equity loans with a draw period of [five] years (which generally may be extendible for an additional [five] years, upon the seller's approval) constitute approximately [ ]% of the Loan Group [ ] Statistic Calculation Pool Mortgage Loans and approximately [ ]% of the Loan Group [ ] Statistic Calculation Pool Mortgage Loans, each by Statistic Calculation Date Principal Balance. These loans are generally subject to a [fifteen] year repayment period following the end of the draw period. During this repayment period, the outstanding principal balance of the loan will be paid in monthly installments equal to [1/180] of the outstanding principal balance as of the end of the draw period.

The minimum payment due during the draw period will be equal to the finance charges accrued on the outstanding principal balance of the home equity loan during the related billing period, any such amounts past due and any other charges owed. The minimum payment due during the repayment period will be equal to the sum of the finance charges accrued on the outstanding principal balance of the mortgage loan during the related billing period, any amounts past due, any other charges owed and the principal payment described above.

The "principal balance" of a mortgage loan (other than a Liquidated Mortgage Loan) on any day is equal to its principal balance as of the cut-off date for the mortgage loans purchased on the Closing Date [and as of the relevant date for the additional home equity loan] plus any Additional Balances in respect of such mortgage loan, minus all collections credited against the principal balance of such mortgage loan in accordance with the related credit line agreement prior to such day.

The principal balance of a Liquidated Mortgage Loan after final recovery of related liquidation proceeds shall be zero.

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The sum of the columns below may not equal the total indicated for each loan group due to rounding. The following tables describe the Statistic Calculation Pool Mortgage Loans in each loan group and the related mortgaged properties based upon the Loan Group [ ] Statistic Calculation Pool or the Loan Group [ ] Statistic Calculation Pool, as applicable, as of the close of business on the Statistic Calculation Date:)

LOAN GROUP [ ]  
PRINCIPAL BALANCES

<b>Range of Principal Balances</b>	<b>Number of Mortgage Loans</b>	<b>Aggregate Unpaid Principal Balance</b>
\$ - \$		
\$ - \$		
\$ - \$		
\$ - \$		
\$ - \$		
\$ - \$		
\$ - \$		
\$ - \$		
\$ - \$		
\$ - \$		
\$ - \$		
\$ - \$		
\$ - \$		
\$ - \$		
\$ - \$		
\$ - \$		
\$ - \$		
\$ - \$		
\$ - \$		
\$ - \$		
\$ - \$		
TOTAL:		

Range of Combined	Number of	Aggregate Unpaid
-------------------	-----------	------------------

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\_\_\_\_\_

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\_\_\_\_\_

\_\_\_\_\_

Range of Margins	Number of Mortgage Loans	Aggregate Unpaid Principal Balance
- 0%		
"		
"		
"		
"		
"		
"		
"		
"		
"		
"		
"		
"		
"		
"		
"		
"		
TOTAL:		

<b>Range of Credit Limit Utilization Rates</b>	<b>Number of Mortgage Loans</b>	<b>Aggregate Unpaid Principal Balance</b>
- 8%		
"		
"		
"		
"		
"		
"		
"		
"		
"		
"		
"		
"		
"		
<b>TOTAL:</b>		

### MAXIMUM RATES

[illegible]MONTHS REMAINING TO SCHEDULED MATURITY<sup>(1)</sup>

Range of Months Remaining to Scheduled Maturity	Number of Mortgage Loans	Aggregate Unpaid Principal Balance
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<b>TOTAL:</b>		

- (1) [Assumes that the Draw Period for Loan Group [ ] Statistic Calculation Pool Mortgage Loans with (a) five year draw periods and fifteen year repayment periods will be extended for an additional five years and (b) five year draw periods and ten year repayment periods will not be extended.]

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## CONVEYANCE OF MORTGAGE LOANS

The obligation of the trust fund to purchase mortgage loans for loan group [ ] on the Closing Date is subject to the following requirements, any of which requirements may be waived or modified in any respect by the Certificate Insurer:

- such mortgage loan may not be 60 or more days delinquent as of the Closing Date; the remaining term to stated maturity of such mortgage loan will not exceed [ ] months;
- such mortgage loan will be secured by a mortgage in a first or second lien position;
- such mortgage loan will not have a loan rate less than [ ]%;
- such mortgage loan will be otherwise acceptable to the Certificate Insurer;

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- following the purchase of such mortgage loan by the trust fund, the mortgage loans as of the Closing Date:
  - (a) will have a weighted average loan rate of at least [ ] %;
  - (b) will have a weighted average remaining term to stated maturity of not more than [ ] months;
  - (c) will have a weighted average Combined Loan-to-Value Ratio of not more than [ ] %;
  - (d) will have no mortgage loan with a principal balance in excess of \$[ ];
  - (e) will have a concentration in any one state not in excess of [ ] %; and will have a concentration in any one zip code not in excess of [ ] %;
  - (f) will have not more than [ ] % in aggregate principal balance of mortgage loans relating to non-owner occupied properties; and
  - (g) will not have more than [ ] % in aggregate principal balance of mortgage loans that were appraised electronically;
- such mortgage loan shall have a Combined Loan-to-Value Ratio not in excess of [ ];
- such mortgage loan will have a credit limit between \$[ ] and \$[ ];
- such mortgage loan will have a margin between [ ] % and [ ] %; and
- such mortgage loan will comply with the representations and warranties in the mortgage loan purchase agreement.

[The trust fund may acquire Additional Home Equity Loans through [ ] that will be included in loan group [ ] so long as they conform to the criteria listed above. Each Additional Home Equity Loan will have been underwritten substantially in accordance with the criteria described under "The Home Equity Loan Program — Underwriting Procedures Relating to Home Equity Loans." Additional Home Equity Loans will be purchased using amounts on deposit in the Prefunding Account at a cash purchase price of [100]% of their principal balance on a designated cut-off date before [ ]. The amount paid from the Prefunding Account for Additional Home Equity Loans will not include accrued interest. Following each purchase of Additional Home Equity Loans, the aggregate principal balance of loan group [ ] will increase by an amount equal to the aggregate principal balance of the Additional Home Equity Loans so acquired and the amount in the Prefunding Account will decrease accordingly.

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Any conveyance of Additional Home Equity Loans is subject to various conditions including:

- that they satisfy substantially the same loan representations and warranties as the initial home equity loans;
- that they were identified by means of a selection process reasonably believed not to be adverse to the interests of the holders of the certificates and the Certificate Insurer;
- that the trust fund receive opinions of counsel acceptable to the Certificate Insurer and the trustee with respect to the validity of the conveyance of the Additional Home Equity Loans; and
- that as of their cut-off date, each Additional Home Equity Loan satisfied the eligibility requirements that the mortgage loans had to satisfy on the closing date.

No discretion will be exercised in the selection of the Additional Home Equity Loans to be acquired by the trust fund. They will all be mortgage loans that had been applied for by the related borrowers before the cut-off date, but that were not included in the cut-off date pool. The exact mortgage loans to be acquired will be determined on a first-in, first-out basis. Mortgage loans otherwise meeting the eligibility requirements will be aggregated by the date on which they were funded, and all of these Additional Home Equity Loans will be purchased in date order up through the day substantially all of the funds in the Prefunding Account are expended. On that last day, the Additional Home Equity Loans will be ordered and acquired alphabetically by the last name of the primary obligor. These acquisitions may occur in one or more closings after the initial closing date.]

#### [The Prefunding Account]

The assets of the trust fund will include the Prefunding Account that will contain approximately \$[ ] on the closing date representing the excess of the original principal balance of the Class [ ] Certificates over the cut-off date principal balance of the mortgage loans in loan group [ ] initially

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transferred to the trust fund on the closing date. Monies in the Prefunding Account are expected to be used to purchase Additional Home Equity Loans through [ ]. The Prefunding Account will be part of the trust fund, but will not be available to cover losses on the mortgage loans. Any funds remaining on deposit in the Prefunding Account on [ ] will be used to prepay the Class [ ] Certificates on the first Distribution Date. Net income on investment of funds in the Prefunding Account will be paid to the master servicer, and will not be available for payment on the Certificates.]

## MATURITY AND PREPAYMENT CONSIDERATIONS

The pooling and servicing agreement, except as otherwise described herein, provides that the Certificateholders will be entitled to receive on each distribution date distributions of principal, in the amounts described under "Description of the Certificates — Distributions on the Certificates" herein, until the certificate principal balance is reduced to zero. During the Managed Amortization Period, Certificateholders will receive amounts from principal collections based upon the applicable Investor Fixed Allocation Percentage for the related loan group, subject to reduction as described below. [In addition, the funds remaining in the Prefunding Account on [ ] after the purchase of any Additional Home Equity Loans on that date will be used to prepay the Class [ ] Certificates on the first Distribution Date.] With respect to any date of calculation on or prior to the first distribution date on which the balance of the Transferor Interest with respect to such loan group is equal to the applicable Required Transferor Subordinated Amount, the "Investor Fixed Allocation Percentage" will equal the greater of (i) [ ]% and (ii) 100% minus the percentage obtained by dividing the amount of the Transferor Interest allocable to a loan group at the beginning of such Collection Period by the loan group balance at the beginning of such Collection Period. Thereafter, the Investor Fixed Allocation Percentage will equal [ ]%. During the related Rapid Amortization Period, Certificateholders will receive amounts from principal collections based solely upon the Investor Fixed Allocation Percentage for the related loan group. Because prior distributions of principal collections to Certificateholders serve to reduce the related Investor Floating Allocation Percentage but may not change the related Investor Fixed Allocation Percentage in all instances, allocations of principal collections from the mortgage loans in a loan group based on the related Investor Fixed Allocation Percentage may result in distributions of principal to the Certificateholders in amounts that are, in most cases, greater relative to the declining balance of the mortgage loans in that loan group than would be the case if the related Investor Floating Allocation Percentage were used to determine the percentage of principal collections from the mortgage loans in that loan group distributed to Certificateholders. This is especially true during the Rapid Amortization Period when the Certificateholders are entitled to receive their respective Investor Principal Collections and not a lesser amount. In addition, respective Investor Interest Collections may be distributed as principal to Certificateholders of Certificates in a particular loan group in connection with the applicable Accelerated Principal Distribution Amount, if any. Moreover, to the extent of losses allocable to the Certificateholders of Certificates related to a particular loan group, those Certificateholders may also receive as payment of principal the amount of such losses from the related Investor Interest Collections, Investor Interest Collections from the other loan group, the Subordinated Transferor Collections, [the Reserve Fund,] or, in some instances, draws under the Policy [or payments under any third party enhancement]. The level of losses may therefore affect the rate of payment of principal on the Certificates.

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[As of the closing date, the Transferor Interest with respect to each loan group will be \$0. The Transferor Interest is expected to grow in the early months of the transaction due to the payment of the applicable Accelerated Principal Distribution Amount.] [In addition,] to the extent obligors make more draws than principal payments on the mortgage loans in a loan group, the Transferor Interest may grow. An increase in the Transferor Interest due to additional draws may also result in Certificateholders receiving principal at a greater rate during the Rapid Amortization Period because the Certificateholders share of principal collections on the mortgage loans in a loan group is based upon the applicable Investor Fixed Allocation Percentage (without reduction). The pooling and servicing agreement permits the Transferor, at its option, but subject to the satisfaction of certain conditions specified in the pooling and servicing agreement, including the conditions described below, to remove certain mortgage loans from a loan group at any time during the life of the trust fund, so long as the portion of the Transferor Interest related to the applicable loan group (after giving effect to such removal) is not less than the related Minimum Transferor Interest. Such removals may affect the rate at which principal is distributed to Certificateholders by reducing the overall loan group balance and thus the related amount of principal collections. See "Description of the Certificates — Optional Transfers of Mortgage Loans to the Transferor" herein.

All of the mortgage loans may be prepaid in full or in part at any time. However, mortgage loans secured by mortgaged properties in California are subject to an account termination fee equal to the lesser of \$[ ] or [ ] months interest on the amount prepaid, to the extent the prepaid amount exceeds [ ]% of the unpaid principal balance, if the account is terminated on or before its fifth year anniversary. In addition, mortgage loans secured by mortgaged properties in other jurisdictions may be subject to account termination fees to the extent permitted by law. In general, such account termination fees do not exceed \$[ ] and do not apply to accounts terminated subsequent to a date designated in the related mortgage note which, depending on the jurisdiction, ranges between [ ] months and [ ] years following origination. The prepayment experience with respect to the mortgage loans in a loan group will affect the weighted average life of the related Certificates.

The rate of prepayment on the mortgage loans cannot be predicted. Generally, it is assumed that home equity revolving credit lines are not viewed by borrowers as permanent financing. Accordingly, the mortgage loans may experience a higher rate of prepayment than traditional first mortgage loans. On the other hand, because the mortgage loans amortize as described under "Description of the Mortgage Loans — Mortgage Loan Terms" herein, rates of principal payments on the mortgage loans will generally be slower than those of traditional fully-amortizing first mortgages in the absence of prepayments on such mortgage loans. The prepayment experience of the mortgage loans in a loan group may be affected by a wide variety of factors, including general economic conditions, prevailing interest rate levels, the availability of alternative financing, homeowner mobility, the frequency and amount of any future draws on the credit line agreements and changes affecting the deductibility for federal income tax purposes of interest payments on home equity credit lines. Substantially all of the mortgage loans contain "due-on-sale" provisions, and the master servicer intends to enforce such provisions, unless such enforcement is not permitted by applicable law or the master servicer, in a manner consistent with reasonable commercial practice, permits the purchaser of the related mortgaged property to assume the mortgage loan.

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The enforcement of a “due-on-sale” provision will have the same effect as a prepayment of the related mortgage loan. See “Legal Aspects of the Loans — Due-on-Sale Clauses” in the Prospectus.

The seller is not required to deliver certain documents relating to the mortgage loans to the trustee until [30] days after the Closing Date [(or in the case of the Additional Home Equity Loans, until 21 days after they are acquired by the trust fund)]. See “Description of the Certificates — Assignment of Mortgage Loans” herein. Should the seller fail to deliver all or a portion of such documents with respect to any such mortgage loan to the depositor, or, at the depositor’s direction, to the trustee within such period, the seller will be obligated to accept the transfer of such mortgage loan from the trust fund. Upon such transfer, the principal balance of such mortgage loan will be deducted from the related loan group balance, thus reducing the amount of the Transferor Interest related to such loan group. If the deduction would cause such portion of the Transferor Interest to become less than the related Minimum Transferor Interest at such time, the seller will be obligated to either substitute an Eligible Substitute Mortgage Loan or make a deposit into the Collection Account in an amount equal to the amount by which such portion of the Transferor Interest would be reduced to less than the related Minimum Transferor Interest at such time. Any such deduction, substitution or deposit, will be treated under the pooling and servicing agreement as a payment in full of such mortgage loan.

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The yield to an investor who purchases the Certificates in the secondary market at a price other than par will vary from the anticipated yield if the rate of prepayment on the mortgage loans in the related loan group is actually different than the rate anticipated by such investor at the time such Certificates were purchased.

Collections on the mortgage loans may vary because, among other things, borrowers may make payments during any month as low as the minimum monthly payment for such month or as high as the entire outstanding principal balance plus accrued interest and the fees and charges thereon. It is possible that borrowers may fail to make scheduled payments. Collections on the mortgage loans may vary due to seasonal purchasing and payment habits of borrowers.

No assurance can be given as to the level of prepayments that will be experienced by the trust fund and it can be expected that a portion of borrowers will not prepay their mortgage loans to any significant degree. See “Yield and Prepayment Considerations” in the Prospectus.

#### POOL FACTOR AND TRADING INFORMATION

The “Pool Factor” is a seven-digit decimal which the trustee will compute monthly expressing the Certificate Principal Balance of each class of certificates as of each distribution date (after giving effect to any distribution of principal to that class of certificates on such distribution date) as a proportion of the Original Certificate Principal Balance. On the Closing Date, the Pool Factor for each class of certificates will be 1.0000000. See “Description of the Certificates — Distributions on the Certificates” herein. Thereafter, the Pool Factor for each class of certificates will decline to reflect reductions in the related certificate principal balance resulting from distributions of principal to that class of certificates and the related Invested Amount of any unreimbursed Liquidation Loss Amounts from mortgage loans in the related loan group.

Pursuant to the pooling and servicing agreement, monthly reports concerning the Invested Amount, the Pool Factor and various other items of information for each class of certificates will be made available to the Certificateholders. In addition, within [60] days after the end of each calendar year, beginning with the 200[ ] calendar year, information for tax reporting purposes will be made available to each person who has been a Certificateholder of record at any time during the preceding calendar year. See “Description of the Certificates — Book-Entry Certificates” and “— Reports to Certificateholders” herein.

#### DESCRIPTION OF THE CERTIFICATES

The Revolving Home Equity Loan Asset Backed Certificates Class [ ] and Class [ ] (each is sometimes referred to as a “Class”), Series 200[ ]-[ ] (the “Certificates”) will be issued pursuant to the pooling and servicing agreement. The form of the pooling and servicing agreement has been filed as an exhibit to the Registration Statement of which this Prospectus Supplement and the Prospectus is a part. The following is a description of the material provisions of the pooling and servicing agreement. Wherever particular sections or defined terms of the pooling and servicing agreement are referred to, such sections or defined terms are hereby incorporated herein by reference.

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#### General

The Class [ ] Certificates will be issued in denominations of \$[25,000] and multiples of \$[1,000] in excess thereof and will evidence specified undivided interests in loan group [ ]. Together with the Transferor’s Interest and the Class [ ] Certificates (which are not offered by this prospectus supplement), they comprise First Horizon Home Equity Loan Trust 200[ ]-[ ] (referred to as the trust fund). The property of the trust fund will consist of, to the extent provided in the pooling and servicing agreement:

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- \$ the principal balance of each mortgage loan as of the cut-off date (referred to as the cut-off date principal balance), plus any new advances made in respect thereof under the applicable credit line agreement during the life of the trust fund ("Additional Balances");
- collections on the mortgage loans received after the cut-off date (exclusive of payments in respect of accrued interest due on or prior to the cut-off date);
- mortgaged properties relating to the mortgage loans that are acquired by foreclosure or deed in lieu of foreclosure;
- the Collection Account for the Certificates (excluding net earnings thereon);
- [the Prefunding Account and the similar account for loan group 1 and any additional loans purchased with their proceeds;]
- [the Reserve Fund (excluding net earnings thereon);]
- the Policy and any further credit enhancement for the Class [ ] Certificates only; and
- an assignment of the depositor's rights under the Purchase Agreement.

Definitive Certificates (as defined below), if issued, will be transferable and exchangeable at the corporate trust office of the trustee, which will initially maintain the Security Register for the Certificates. See "— Book-Entry Certificates" below. No service charge will be made for any registration of exchange or transfer of Certificates, but the trustee may require payment of a sum sufficient to cover any tax or other governmental charge.

The aggregate undivided interest in the trust fund represented by the Certificates as of the Closing Date is expected to equal approximately \$[ ] (the "Original Invested Amount"), which represents approximately 100% of the sum of the cut-off date pool balance [and the prefunding accounts]. As of the Closing Date, the Class [ ] Certificates are expected to equal approximately \$[ ] (the "Class [ ] Original Invested Amount"), which represents approximately 100% of the sum of the cut-off date loan group [ ] principal balance [and approximately \$[ ] deposited in the related prefunding account]. The "Class [ ] Original Certificate Principal Balance" is expected to equal approximately \$[ ]. As of the Closing Date, the Class [ ] Certificates are expected to equal approximately \$[ ] (the "Class [ ] Original Invested Amount"), which represents approximately 100% of the sum of the cut-off date loan group [ ] principal balance [and the amount deposited in the Prefunding Account]. The "Class [ ] Original Certificate Principal Balance" is expected to equal approximately \$[ ]. [Of the Class [ ] Original Invested Amount approximately \$[ ] represents the proceeds deposited into the Prefunding Account which may be used through [ ] to purchase additional home equity loans for addition to loan group [ ]. Following the Closing Date, the "Invested Amount" for each class of certificates with respect to any distribution date will be an amount equal to the Original Invested Amount for such class of certificates minus the amount of the related Investor Principal Collections previously distributed on such class of certificates [and any return of the related prefunding account funds], minus an amount equal to the product of the related Investor Floating Allocation Percentage and the Liquidation Loss Amounts on the mortgage loans in the related loan group (each as defined herein) for such distribution date.

For each class of certificates, the principal amount of the outstanding Certificates in that class (the "Certificate Principal Balance") on any distribution date is equal to the applicable Original Certificate Principal Balance minus the aggregate of amounts actually distributed as principal to the certificates in that class. See "— Distributions on the Certificates" below. Each Certificate represents the right to receive payments of interest at the related Certificate Rate and payments of principal as described below.

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The remaining interest in the mortgage loans in the trust fund will be represented by a single transferor interest (the "Transferor Interest") that will be owned by the transferor. In each loan group, the portion of the Transferor Interest in that loan group, as of any date of determination, will equal the related loan group balance as of the close of business on the day preceding such date of determination, less the Invested Amount for such loan group as of the close of business on the preceding distribution date. The Required Transferor Subordinated Amount initially is approximately \$[ ], which, in the aggregate, will represent approximately [ ]% of the cut-off date loan group [ ] balance [and the amount originally deposited in the related prefunding account plus approximately [ ]% of the cut-off date loan group [ ] balance and the amount originally deposited in the Prefunding Account], but the pooling and servicing agreement requires the Transferor Interest (once it is fully funded) to be at least equal to the Minimum Transferor Interest (as defined in this prospectus supplement). The owner of the Transferor Interest (the "Transferor") will initially be the seller (or one of its affiliates). In general, the loan group balance of each loan group will vary each day as principal is paid on the mortgage loans in that loan group, liquidation losses are incurred and Additional Balances are drawn down by borrowers on mortgage loans in that loan group and transferred to the related loan group.

[The Certificate Insurer will require, based upon the terms and conditions of the Insurance Agreement, that the portion of the Transferor's Interest with respect to each class of certificates be maintained at the related Required Transferor Subordinated Amount with respect to such class.

The portion of the Transferor's Interest related to each class of certificates as of the closing date will be zero, which is less than the initial Required Transferor Subordinated Amount, thus requiring an increase in the Transferor's Interest on future Distribution Dates until it equals the Required Transferor Subordinated Amount.

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With respect to each class of certificates, certain excess cashflow will be applied as a payment of principal of that class of certificates on each Distribution Date to increase or maintain the portion of the Transferor's Interest related to that class to or at the Required Transferor Subordinated Amount for such class for such Distribution Date. The amount of such excess cashflow with respect to a class of certificates so applied as a payment of principal on a Distribution Date is an "Accelerated Principal Distribution Amount" for the related class of certificates. The requirement to maintain the Transferor's Interest at the Required Transferor Subordinated Amount, or to increase it to the Required Transferor Subordinated Amount, is not an obligation of the seller, the master servicer, the trustee, the Certificate Insurer or any other person.

The pooling and servicing agreement requires excess cashflow not required to maintain or achieve the Required Transferor Subordinated Amount of the related class of certificates to be applied to the funding of a reserve fund, which has been required by the Certificate Insurer to be established and maintained with respect to the certificates (the "Reserve Fund"). The amount on deposit in the Reserve Fund will not exceed the excess of (x) the sum of the Required Transferor Subordinated Amounts with respect to each class of certificates over (y) the sum of the portion of the Transferor's Interest with respect to each class of certificates. Amounts in the Reserve Fund may only be withdrawn therefrom and applied in accordance with the terms of the pooling and servicing agreement.

The Certificate Insurer may permit the Required Transferor Subordinated Amount for a class of certificates to decrease or "step down" over time, subject to certain floors and triggers. The dollar amount of any decrease in a Required Transferor Subordinated Amount is an "Overcollateralization Reduction Amount", which, with respect to each class of certificates, may result in a release of cash from the trust fund in an amount up to such Overcollateralization Reduction Amounts (net of any Reimbursement Amounts due to the Certificate Insurer), and/or result in the removal of cash or mortgage loans from the trust fund on Distribution Dates occurring after such step-downs take effect. The dollar amount of any Overcollateralization Reduction Amount with respect to a class will first be released from the Reserve Fund, to the extent of the amount on deposit therein. If the amount on deposit in the Reserve Fund with respect to a class is not sufficient to fund the full amount of such Overcollateralization Reduction Amount with respect to such class, then an amount equal to the remaining portion of such Overcollateralization Reduction Amount will be released from the monthly cashflow with respect to such class, thus reducing the portion of the Transferor's Interest for such class.]

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The Transferor has the right to sell or pledge the Transferor Interest at any time, provided the Rating Agencies have notified the Transferor and the Trustee in writing that such action will not result in the reduction or withdrawal of the ratings assigned to the Certificates without regard to the Policy [or any other third party credit enhancements], and certain other conditions specified in the pooling and servicing agreement are satisfied.

### **Book-entry Certificates**

Each class of book-entry certificates will be issued in one or more certificates which equal the aggregate original principal balance of the 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 beneficial interests in the book-entry certificates in the minimum denominations set forth on page S-[ ] and integral multiples of \$[ ] in excess thereof. One investor of each class of book-entry certificates may hold a beneficial interest in a book entry certificate that is not an integral multiple of \$[ ]. The depositor has been informed by the depository that its nominee will be CEDE & Co. Accordingly, CEDE & Co. is expected to be the holder of record of the book-entry certificates. Except as described in the prospectus under "Description of the Securities — Book-Entry Securities," no beneficial owner of a book-entry certificate will be entitled to receive a physical certificate.

Unless and until definitive certificates are issued, it is anticipated that the only certificateholder of the book-entry certificates will be CEDE & Co., 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 & Co., 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 Securities — Book-Entry Securities" in the prospectus.

### **Assignment of Mortgage Loans**

At the time of issuance of the Certificates, the depositor will transfer to the trust fund [the amounts to be deposited into the prefunding accounts and] all of its interest in each mortgage loan acquired on the closing date (including any Additional Balances arising in the future), related credit line agreements, mortgages and certain other related documents (collectively, the "Related Documents"), including all collections received on each such mortgage loan after the cut-off date (exclusive of payments in respect of accrued interest due on or before the cut-off date). The trustee, concurrently with such transfer, will deliver the Certificates to the depositor and the Transferor Certificate (as defined in the pooling and servicing agreement) to the transferor. [Additional closings may occur for the purchase of Additional Home Equity Loans on dates specified by the depositor through [ ], 200[ ]. On those closing dates the depositor will transfer to the trust fund all of its interest in the Additional Home Equity Loans being acquired by the trust fund that day, the Related Documents and all collections received on the Additional Home Equity Loans after a date designated in connection with the transfer.]

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Each mortgage loan transferred to the trust fund will be identified on a mortgage loan schedule delivered to the trustee pursuant to the pooling and servicing agreement. Such schedule will include information as to the cut-off date principal balance of each mortgage loan as well as information with respect to the loan rate.

The pooling and servicing agreement will require that on the [initial] Closing Date, with respect to not less than [50]% of the mortgage loans transferred to the trust fund on that date; not later than [30] days after the initial Closing Date, with respect to the [remaining] mortgage loans; [and] [not later than [21] days after the relevant closing date, with respect to the Additional Home Equity Loans,] [the seller] deliver to the depositor for delivery to the trustee or, at the depositor's direction, directly to the trustee, the mortgage notes related to the mortgage loans endorsed in blank and the Related Documents.

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In lieu of delivery of original documentation, [the seller] may deliver documents which have been imaged optically upon delivery of an opinion of counsel that such documents are enforceable to the same extent as the originals and do not impair the enforceability of the transfer to the trust fund of the mortgage loans, provided the retention of such documents in such format will not result in a reduction in the then current rating of the Certificates, without regard to the Policy [or any other third party credit enhancements].

[In addition, with respect to any of the mortgage loans, in lieu of transferring the related mortgage to the trustee as one of the Related Documents, the Depositor may at its discretion provide evidence that the related mortgage is held through the MERS "r" System. In addition, the mortgage for some or all of the mortgage loans in the trust fund that are not already held in the MERS "r" System may, at the discretion of the master servicer, in the future be held through the MERS "r" System. For any mortgage held through the MERS "r" System, the mortgage is recorded in the name of the Mortgage Electronic Registration System, 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 "r" System. For each of these mortgage loans, MERS serves as a 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 that mortgage loan.]

The pooling and servicing agreement will require the seller to record assignments of the mortgage loans to the trustee only in those states specified by the rating agencies where recordation of such assignments is required to protect the interest of the seller and the trustee in the mortgage loans.

Within [180] days of the Closing Date with respect to the mortgage loans acquired on the Closing Date [and within [180] days of the relevant closing date with respect to Additional Home Equity Loans], the trustee will review the mortgage loans and the Related Documents and if any mortgage loan or Related Document is found to be defective in any material respect and such defect is not cured within 90 days following notification thereof to the seller and the depositor by 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, the seller will be obligated to accept the transfer of such mortgage loan from the trust fund. Upon such transfer, the principal balance of such mortgage loan will be deducted from the applicable loan group balance, thus reducing the amount of the Transferor Interest. If the deduction would cause the portion of the Transferor Interest related to that loan group to become less than the related Minimum Transferor Interest at such time (a "Transfer Deficiency"), the seller will be obligated to either substitute an Eligible Substitute mortgage loan and/or make a deposit into the Collection Account in the amount (the "Transfer Deposit Amount") equal to the amount by which the portion of the Transferor Interest related to that loan group would be reduced to less than the related Minimum Transferor Interest at such time. Any such deduction, substitution or deposit, will be treated under the pooling and servicing agreement as a payment in full of such mortgage loan. Any Transfer Deposit Amount will be treated as a principal collection on the related loan group. Notwithstanding the foregoing, however, no such transfer shall be considered to have occurred unless and until all required deposits to the Collection Account are actually made. The obligation of the seller to accept a transfer of a Defective Mortgage Loan and to make any required deposits are the sole remedies regarding any defects in the mortgage loans and Related Documents available to the trustee or the Certificateholders.

An "Eligible Substitute Mortgage Loan" is a mortgage loan substituted by the seller for a defective mortgage loan which must, on the date of such substitution, have an outstanding principal balance (or in the case of a substitution of more than one mortgage loan for a Defective Mortgage Loan, an aggregate principal balance) that is not 10% more or less than the Transfer Deficiency relating to such Defective Mortgage Loan; have a loan rate not less than the loan rate of the Defective Mortgage Loan and not more than 1% in excess of the loan rate of such Defective Mortgage Loan; have a loan rate based on the same Index with adjustments to such loan rate made on the same Interest Rate Adjustment Date as that of the Defective Mortgage Loan; have a margin that is not less than the margin of the Defective Mortgage Loan and not more than 100 basis points higher than the margin for the Defective Mortgage Loan; have a mortgage of the same or higher level of priority as the mortgage relating to the Defective Mortgage Loan; have a remaining term to maturity not more than six months earlier and not more than 60 months later than the remaining term to maturity of the Defective Mortgage Loan; comply with each representation and warranty as to the mortgage loans set forth in the pooling and servicing agreement (deemed to be made as of the date of substitution); have an original combined loan-to-value ratio not greater than that of the Defective Mortgage Loan; and satisfy certain other conditions specified in the pooling and servicing agreement.

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The seller will make certain representations and warranties as to the accuracy in all material respects of certain information furnished to the trustee with respect to each mortgage loan (e.g., cut-off date principal balance and loan rate). In addition, the seller will represent and warrant on the

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Closing Date that at the time of transfer to the depositor, the seller has transferred or assigned all of its interest in each mortgage loan and the Related Documents, free of any lien[, and likewise represent and warrant on each relevant closing date with respect to each Additional Home Equity Loan]. Upon discovery of a breach of any such representation and warranty which materially and adversely affects the interests of the Certificateholders, the Certificate Insurer [or any other third party credit enhancer] in the related mortgage loan and Related Documents, the seller will have a period of 90 days after discovery or notice of the breach to effect a cure. If the breach cannot be cured within the 90-day period, the seller will be obligated to accept a transfer of the Defective Mortgage Loan from the trust fund. The same procedure and limitations that are set forth in the second preceding paragraph for the transfer of Defective Mortgage Loans will apply to the transfer of a mortgage loan that is required to be transferred because of such breach of a representation or warranty in the pooling and servicing agreement that materially and adversely affects the interests of the Certificateholders.

Mortgage loans required to be transferred to the seller as described in the preceding paragraphs are referred to as "Defective Mortgage Loans."

Pursuant to the pooling and servicing agreement, the master servicer will service and administer the mortgage loans as more fully set forth above.

#### **Amendments to Credit Line Agreements**

Subject to applicable law and to certain limitations described in the pooling and servicing agreement, the master servicer may change the terms of the credit line agreements at any time provided that such changes do not materially and adversely affect the interest of the Certificateholders, the Certificate Insurer [or any other third party credit enhancer], and are consistent with prudent business practice.

In addition, the pooling and servicing agreement permits the master servicer, within certain limitations described therein, to increase the credit limit of the related mortgage loan or reduce the margin for such mortgage loan.

#### **Optional Transfers of Mortgage Loans to the Transferor**

In order to permit the transferor to remove mortgage loans from [either] loan group at such times, if any, as the portion of the Transferor Interest related to that loan group exceeds the level required by the Certificate Insurer[, any other third party credit enhancer] and the Rating Agencies, on any Distribution Date the transferor may, but shall not be obligated to, remove on such distribution date (the "Transfer Date") from the loan group, certain mortgage loans without notice to the Certificateholders. The transferor is permitted to designate the mortgage loans to be removed. Mortgage loans so designated will only be removed upon satisfaction of the following conditions:

- no Rapid Amortization Event (as defined herein) has occurred;
- the portion of the Transferor Interest (allocable to that loan group) as of such Transfer Date (after giving effect to such removal) exceeds the Minimum Transferor Interest;
- the transfer of any mortgage loans from [either] loan group on any Transfer Date during the Managed Amortization Period (as defined herein) shall not, in the reasonable belief of the transferor, cause a Rapid Amortization Event or an event which with notice or lapse of time or both would constitute a Rapid Amortization Event to occur;

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- the transferor shall have delivered to the trustee a "Mortgage Loan Schedule" containing a list of all mortgage loans remaining in the related loan group after such removal;
  - the transferor shall represent and warrant that no selection procedures which the transferor reasonably believes are adverse to the interests of the Certificateholders, the Certificate Insurer [or any other third party credit enhancer] were used by the transferor in selecting such mortgage loans;
  - in connection with each such retransfer of mortgage loans, the Rating Agencies and the Certificate Insurer shall have been notified of the proposed transfer and prior to the Transfer Date no Rating Agency has notified the transferor or the Certificate Insurer in writing that such transfer would result in a reduction or withdrawal of the ratings assigned to either class of Certificates without regard to the Policy [or any other third party credit enhancement]; and
  - the Transferor shall have delivered to the Trustee and the Certificate Insurer an officer's certificate confirming the six conditions preceding this one.

As of any date of determination within any Collection Period, the "Minimum Transferor Interest" for either loan group is an amount equal to [the lesser of (a) 5% of the related loan group balance at the end of the immediately preceding Collection Period and (b) 1.5% of the cut-off date balance of the related loan group].

## Payments on Mortgage Loans; Deposits to Collection Account

The master servicer shall establish and maintain an account (the "Collection Account") in trust for the Certificateholders, the transferor, the Certificate Insurer [and any other third party credit enhancer], as their interests may appear. The Collection Account will be an Eligible Account (as defined herein). Subject to the investment provision described in the following paragraphs and except under the circumstances described below, within two business days of receipt by the master servicer of amounts in respect of the mortgage loans (excluding amounts representing administrative charges, annual fees, taxes, assessments, credit insurance charges, insurance proceeds to be applied to the restoration or repair of a mortgaged property or similar items), the master servicer will deposit such amounts in the Collection Account. Notwithstanding the foregoing, such amounts in respect of the mortgage loans may be remitted to the Collection Account by the master servicer on a monthly basis not later than the business day immediately preceding the related distribution date [so long as First Tennessee is the master servicer and the Certificate Insurer's claims-paying ability is rated "aaa" by Moody's and "AAA" by Standard & Poor's].

Amounts so deposited may be invested in Eligible Investments (as described in the pooling and servicing agreement) maturing no later than one business day prior to the next distribution date or on such Distribution Date if approved by the Rating Agencies, the Certificate Insurer [and any other third party credit enhancer]. Not later than the [fifth] business day prior to each distribution date (the "Determination Date"), the master servicer will notify the trustee of the amount of such deposit to be included in funds available for the related distribution date.

An "Eligible Account" is an account that is maintained with a depository institution whose debt obligations throughout the time of any deposit therein have the highest short-term debt rating by the Rating Agencies, one or more accounts with a depository institution having a minimum long-term unsecured debt rating of ["BBB" by Standard & Poor's and "Baa3" by Moody's], which accounts are fully insured by either the Savings Association Insurance Fund ("SAIF") or the Bank Insurance Fund ("BIF") of the Federal Deposit Insurance Corporation established by such fund, a segregated trust account maintained with the trustee or an affiliate of the trustee in its fiduciary capacity or otherwise acceptable to each Rating Agency and the Certificate Insurer as evidenced by a letter from each Rating Agency and the Certificate Insurer to the trustee, without reduction or withdrawal of each Rating Agency's then current ratings of the Certificates without regard to the Policy [or any other third party credit enhancement].

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Eligible Investments are specified in the pooling and servicing agreement and are limited to obligations of the United States or any agency thereof, provided the timely payment of such obligations are backed by the full faith and credit of the United States; general obligations of or obligations guaranteed by any state of the United States or the District of Columbia receiving the highest long-term debt rating of each Rating Agency, or such lower rating as will not result in the downgrading or withdrawal of the ratings then assigned to the Certificates by each Rating Agency without regard to the Policy [or any other third party credit enhancement]; commercial or finance company paper which is then receiving the highest commercial or finance company paper rating of each Rating Agency, or such lower rating as will not result in the downgrading or withdrawal of the ratings then assigned to the Certificates by any Rating Agency without regard to the Policy [or any other third party credit enhancement]; certificates of deposit, demand or time deposits, or bankers' acceptances issued by any depository institution or trust company incorporated under the laws of the United States or of any state thereof and subject to supervision and examination by federal and/or state banking authorities, provided that the commercial paper and/or long term unsecured debt obligations of such depository institution or trust company (or in the case of the principal depository institution in a holding company system, the commercial paper or long-term unsecured debt obligations of such holding company, but only if Moody's is not a Rating Agency) are then rated one of the two highest long-term and the highest short-term ratings of each Rating Agency for such securities, or such lower ratings as will not result in the downgrading or withdrawal of the rating then assigned to the Certificates by any Rating Agency without regard to the Policy [or any other third party credit enhancement]; demand or time deposits or certificates of deposit issued by any bank or trust company or savings institution to the extent that such deposits are fully insured by the FDIC; guaranteed reinvestment agreements issued by any bank, insurance company or other corporation containing, at the time of the issuance of such agreements, such terms and conditions as will not result in the downgrading or withdrawal of the rating then assigned to the Certificates by any Rating Agency without regard to the Policy [or any other third party credit enhancement]; repurchase obligations with respect to any security described in the first and second bullet points, in either case entered into with a depository institution or trust company (acting as principal) described in the fifth bullet point; securities (other than stripped bonds, stripped coupons or instruments sold at a purchase price in excess of 115% of the face amount thereof) bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States or any state thereof which, at the time of such investment, have one of the two highest ratings of each Rating Agency (except if the Rating Agency is Moody's, such rating shall be the highest commercial paper rating of Moody's for any such securities), or such lower rating as will not result in the downgrading or withdrawal of the rating then assigned to the Certificates by any Rating Agency without regard to the Policy [or any other third party credit enhancement], as evidenced by a signed writing delivered by each Rating Agency; interests in any money market fund which at the date of acquisition of the interests in such fund and throughout the time such interests are held in such fund has the highest applicable rating by each Rating Agency or such lower rating as will not result in the downgrading or withdrawal of the ratings then assigned to the Certificates by each Rating Agency without regard to the Policy [or any other third party credit enhancement]; short term investment funds sponsored by any trust company or national banking association incorporated under the laws of the United States or any state thereof which on the date of acquisition has been rated by each Rating Agency in their respective highest applicable rating category or such lower rating as will not result in the downgrading or withdrawal of the ratings then assigned to the Certificates by each Rating Agency without regard to the Policy [or any other third party credit enhancement]; and such other investments having a specified stated maturity and bearing interest or sold at a discount acceptable to each Rating Agency as will not result in the downgrading or withdrawal of the rating then assigned to the Certificates by any Rating Agency without regard to the Policy [or any other third party credit enhancement], as evidenced by a signed writing delivered by each Rating Agency; provided that no such instrument shall be an Eligible Investment if such instrument evidences the right to receive interest only payments with respect to the obligations underlying such instrument or both principal and interest payments derived from obligations underlying such instrument and the interest and principal payments with respect to such instrument provide a yield to maturity at par greater than 120% of the yield to maturity at par of the underlying obligations; and provided, further, that no instrument described hereunder may be purchased at a price greater

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than par if such instrument may be prepaid or called at a price less than its purchase price prior to its stated maturity.

### **Allocations and Collections**

All collections on the mortgage loans will generally be allocated in accordance with the credit line agreements between amounts collected in respect of interest and amounts collected in respect of principal. As to any distribution date, "Interest Collections" will be determined on a loan group basis and will be equal to the amounts collected during the related Collection Period (as defined herein), including without limitation such portion of Net Liquidation Proceeds, allocated to interest pursuant to the terms of the credit line agreements less Servicing Fees for the related Collection Period and amounts payable to the master servicer pursuant to the pooling and servicing agreement as reimbursement of optional advances of the interest component of any delinquent monthly payments on the mortgage loans.

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As to any distribution date, "Principal Collections" will be determined on a loan group basis and will be equal to the sum of the amounts collected during the related Collection Period, including without limitation such portion of Net Liquidation Proceeds, allocated to principal pursuant to the terms of the credit line agreements and any Transfer Deposit Amounts.

"Net Liquidation Proceeds" with respect to a mortgage loan are equal to the liquidation proceeds, reduced by related expenses, but not including the portion, if any, of such amount that exceeds the principal balance of the mortgage loan plus accrued and unpaid interest thereon to the end of the Collection Period during which such mortgage loan became a Liquidated Mortgage Loan. "Liquidation Proceeds" are the proceeds (excluding any amounts drawn on the Policy) received in connection with the liquidation of any mortgage loan, whether through trustee's sale, foreclosure sale or otherwise.

With respect to any distribution date and loan group, the portion of interest collections allocable to the related class of Certificates ("Investor Interest Collections") will equal the product of (a) Interest Collections for such Distribution Date and loan group and (b) the Investor Floating Allocation Percentage for such loan group. With respect to any distribution date and loan group, the "Investor Floating Allocation Percentage" is the percentage equivalent of a fraction determined by dividing the Invested Amount at the close of business on the preceding distribution date (or the Closing Date in the case of the first distribution date) by the loan group balance for such loan group at the beginning of the related Collection Period. The remaining amount of interest collections will be allocated to the portion of the Transferor Interest related to that loan group.

With respect to the mortgage loans in each loan group, principal collections will be allocated between the Certificateholders and the transferor ("Investor Principal Collections" and "Transferor Principal Collections," respectively) as described herein.

The trustee will apply any amounts drawn under the Policy as provided in the pooling and servicing agreement.

With respect to any date and loan group, the "loan group balance" will be equal to the aggregate of the principal balances of all mortgage loans in that loan group as of such date. The principal balance of a mortgage loan (other than a Liquidated Mortgage Loan) on any day is equal to its cut-off date principal balance, plus (1) any Additional Balances in respect of such mortgage loan minus (2) all collections credited against the principal balance of such mortgage loan in accordance with the related credit line agreement prior to such day. The principal balance of a Liquidated Mortgage Loan after final recovery of related liquidation proceeds shall be zero.

### **Distributions on the Certificates**

Beginning with the first distribution date (which will occur on [ ]), distributions on the Certificates will be made by the trustee or the Paying Agent on each distribution date to the persons in whose names such Certificates are registered at the close of business on the day prior to each distribution date or, if the Certificates are no longer book-entry certificates, at the close of business on the record date (which is the [last] day of the month preceding such distribution date). The term "distribution date" means the [fifteenth] day of each month or, if such day is not a business day, then the first business day thereafter. Distributions on the Class [ ] Certificates will be made by check or money order mailed (or upon the request of a Certificateholder owning Certificates having denominations aggregating at least \$[1,000,000], by wire transfer or as otherwise agreed by such Certificateholder and the trustee) to the address of the person entitled thereto (which, in the case of book-entry certificates, will be DTC or its nominee) as it appears on the certificate register in amounts calculated as described herein on the determination date. However, the final distribution in respect of the Certificates will be made only upon presentation and surrender thereof at the office or the agency of the trustee specified in the notice to Certificateholders of such final distribution. For purposes of the pooling and servicing agreement, a "business day" is any day other than (1) a Saturday or Sunday or (2) a day on which banking institutions in the states of New York, California or Illinois are required or authorized by law to be closed.

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Application of Interest Collections. On each distribution date, the trustee or the Paying Agent will apply the Investor Interest Collections for loan group [ ] in the following manner and order of priority:

- (1) as payment to the trustee for the related fee for services rendered pursuant to the pooling and servicing agreement;

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- (2) as payment to the Certificate Insurer for the portion of the premium for the Policy related to loan group [ ];
- (3) as payment to Certificateholders for the interest accrued at the related certificate rate and any overdue accrued interest (with interest thereon to the extent permitted by applicable law) on the Certificate Principal Balance of the Certificates;
- (4) to pay to Certificateholders the related Investor Loss Amount for such Distribution Date;
- (5) as payment to Certificateholders for any related Investor Loss Amount for a previous distribution date that was not previously (a) funded by related Investor Interest Collections, (b) absorbed by a reduction in the related portion of the Transferor Interest, (c) funded by related Subordinated Transferor Collections as described below, (d) previously funded by the Reserve Fund, (e) previously funded pursuant to clause (9) below or (f) funded by draws on the Policy;
- (6) to reimburse the Certificate Insurer for prior draws made from the Policy (with interest thereon);
- (7) to pay to Certificateholders principal on the Certificates until the related portion of the Transferor Interest equals the related Required Transferor Subordinated Amount (such amount so paid, the "Accelerated Principal Distribution Amount");
- (8) in respect of any other amounts owed to the Certificate Insurer pursuant to the Insurance Agreement;
- (9) [to pay to the other class of certificates any deficiency in items (3), (4) and (5) above, after taking into account the allocation of 100% of such other Class Investor Interest Collections relating to such other Class on such distribution date (the amount of one Class remaining Investor Interest Collections which is allocated with respect to the other Class on such distribution date is a "Crossover Amount");]
- (10) [to the Reserve Fund for application in accordance with the pooling and servicing agreement, to the extent that the sum of the portion of the Transferor's Interest for [both] loan groups as of such distribution date is less than the sum of the Required Transferor Subordinated Amounts for [both] loan groups as of such distribution date;]
- (11) as payment to the master servicer for certain amounts that may be required to be paid to the master servicer pursuant to the pooling and servicing agreement;
- (12) to pay to the Certificateholders any Basis Risk Carryforward with respect to such Certificates; and
- (13) to pay to the transferor to the extent permitted as described herein.

Payments to Certificateholders pursuant to clause (3) will be interest payments on the Certificates. Payments to Certificateholders pursuant to clauses (4), (5) and (7) will be principal payments on the Certificates and will therefore reduce the related Certificate Principal Balance; however, payments pursuant to clause (7) will not reduce the related Invested Amount. The Accelerated Principal Distribution Amount for a Class is not guaranteed by the Policy.

[On each distribution date, if Investor Interest Collections with respect to a Class of Certificates, plus any Crossover Amount available from the other Class of Certificates, are insufficient to pay the amounts specified in items (3), (4) and (5) above with respect to a Class of Certificates, the amount of such insufficiency shall be withdrawn from the Reserve Fund to the extent of funds on deposit therein.]

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[The amount on deposit in the Reserve Fund will not exceed the excess of (x) the sum of the Required Transferor Subordinated Amounts with respect to [both] loan groups over (y) the sum of the portion of the Transferor's Interest with respect to each loan group. Amounts in the Reserve Fund may only be withdrawn therefrom and applied in accordance with the terms of the pooling and servicing agreement.]

To the extent that Investor Interest Collections from a loan group are applied to pay the interest on the related class of Certificates, Investor Interest Collections for that loan group may be insufficient to cover related Investor Loss Amounts. If such insufficiency exists after the related Available Transferor Subordinated Amount[, the Crossover Amount and the Reserve Fund] [have each been] [has] reduced to zero and results in the related Certificate Principal Balance exceeding the related Invested Amount, a draw will be made on the Policy in accordance with the terms of the Policy.

"Liquidation Loss Amount" means with respect to any Liquidated Mortgage Loan, the unrecovered principal balance thereof at the end of the Collection Period in which such mortgage loan became a Liquidated Mortgage Loan, after giving effect to the Net Liquidation Proceeds in connection therewith. The "Investor Loss Amount" for a loan group shall be the product of the Investor Floating Allocation Percentage for that loan group and the

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Liquidation Loss Amount for that loan group for such distribution date.

A "Liquidated Mortgage Loan" means, as to any distribution date, any mortgage loan in respect of which the master servicer has determined, based on the servicing procedures specified in the pooling and servicing agreement, as of the end of the preceding Collection Period, that all Liquidation Proceeds which it expects to recover with respect to the disposition of the mortgage loan or the related mortgaged property have been recovered. The Investor Loss Amount for a loan group will be allocated to the Certificates related to that loan group.

As to any distribution date, the "Collection Period" is the calendar month preceding each distribution date (or, in the case of the first Collection Period, the period beginning on the cut-off date and ending on the last day of [ ], 200[ ]).

Interest will be distributed on each distribution date at the applicable certificate rate for the related Interest Period (as defined below). The "certificate rate" for the Class [ ] Certificates for a Distribution Date will generally equal a per annum rate equal to the least of:

- (a) the sum of the London Interbank offered rate for one-month United States dollar deposits ("LIBOR"), calculated as specified below, as of the second LIBOR Business Day prior to the first day of such Interest Period (or as of two LIBOR Business Days prior to the Closing Date, in the case of the first distribution date) plus [ ]%;
- (b) a per annum rate equal to the weighted average of the loan rates of the mortgage loans in loan group [ ] net of the Servicing Fee Rate, the rate at which the fee payable to the trustee is calculated, the rate at which the premium payable to the Certificate Insurer is calculated and, commencing with the distribution date in [ ], [ ]% per annum, weighted on the basis of the daily average balance of each mortgage loan included in loan group [ ], during the related billing cycle prior to the Collection Period relating to such distribution date, and
- (c) [ ]%.

However, on any distribution date for which the certificate rate for a class of certificates has been determined pursuant to clause (b) of the preceding sentence, the excess of the amount of interest that would have accrued on those certificates during the related Interest Period had such amount been determined pursuant to clause (a) of the definition of the preceding sentence (but not at a rate in excess of [ ]% per annum) over the interest actually accrued on those certificates during such Interest Period (such excess is referred to as "Basis Risk Carryforward") will accrue interest at the certificate rate calculated pursuant to clause (a), but not to exceed clause (c) (as adjusted from time to time) and will be paid on subsequent distribution dates to the extent funds are available therefor.

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Interest on the Certificates in respect of any distribution date will accrue on the Certificate Principal Balance from the preceding distribution date (or in the case of the first distribution date, from the Closing Date) through the day preceding such distribution date (each such period, an "Interest Period") on the basis of the actual number of days in the Interest Period and a 360-day year.

Interest payments on the Certificates will be funded from Investor Interest Collections, Subordinated Transferor Collections, [the Reserve Fund,] and, if necessary, from draws on the Policy.

**Calculation of the LIBOR Rate.** On the second LIBOR business day immediately preceding each distribution date, the trustee shall determine LIBOR for the Interest Period commencing on such distribution date. LIBOR for the first Interest Period will be determined on the second LIBOR business day preceding the Closing Date. LIBOR will equal the rate for United States dollar deposits for one month which appears on the Telerate Screen Page 3750 as of 11:00 A.M., London time, on the second LIBOR business day prior to the first day of such Interest Period. "Telerate Screen Page 3750" means the display designated as page 3750 on the Bridge Telerate Service (or such other page as may replace page 3750 on that service for the purpose of displaying London interbank offered rates of major banks). If such rate does not appear on such page (or such other page as may replace that page on that service, or if such service is no longer offered, such other service for displaying LIBOR or comparable rates as may be selected by the depositor after consultation with the trustee), the rate will be the Reference Bank Rate. The "Reference Bank Rate" will be determined on the basis of the rates at which deposits in United States dollars are offered by the reference banks (which shall be three major banks that are engaged in transactions in the London interbank market, selected by the depositor after consultation with the trustee) as of 11:00 A.M., London time, on the day that is two LIBOR business days prior to the first day of such Interest Period to prime banks in the London interbank market for a period of one month in amounts approximately equal to the principal amount of the Certificates then outstanding. The trustee will request the principal London office of each of the reference banks to provide a quotation of its rate. If at least two such quotations are provided, the rate will be the arithmetic mean of the quotations. If on such date fewer than two quotations are provided as requested, the rate will be the arithmetic mean of the rates quoted by one or more major banks in New York City, selected by the depositor after consultation with the trustee, as of 11:00 A.M., New York City time, on such date for loans in United States dollars to leading European banks for a period of one month in amounts approximately equal to the principal amount of the Certificates then outstanding. If no such quotations can be obtained, the rate will be LIBOR for the preceding Interest Period. "LIBOR business day" means any day other than (a) a Saturday or a Sunday or (b) a day on which banking institutions in the State of New York or in the city of London, England are required or authorized by law to be closed.

**Transferor Collections.** Collections allocable to the Transferor Interest in respect of a loan group will be distributed to the transferor only to the extent that such distribution will not reduce the amount of the portion of the Transferor Interest relating to that loan group as of the related distribution date

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below the applicable Minimum Transferor Interest. Amounts not distributed to the transferor because of such limitations will be retained in the Collection Account until the portion of the Transferor Interest relating to each loan group exceeds the applicable Minimum Transferor Interest, at which time such excess shall be released to the transferor. If any such amounts are still retained in the Collection Account upon the commencement of the Rapid Amortization Period, such amounts will be paid to the Certificateholders of the related class of certificates as a reduction of the related Certificate Principal Balance.

**Distributions of Principal Collections.** For each loan group, the period beginning on the Closing Date and, unless a Rapid Amortization Event shall have earlier occurred, through and including the Distribution Date in [ ] (the "Managed Amortization Period"), the amount of principal collections payable to Certificateholders as of each distribution date during the Managed Amortization Period will equal, to the extent funds are available therefor, the Scheduled Principal Collections Distribution Amount for such loan group and distribution date. On any distribution date during the Managed Amortization Period, the "Scheduled Principal Collections Distribution Amount" for a loan group shall equal the lesser of the applicable Maximum Principal Payment and the applicable Alternative Principal Payment. With respect to any loan group and distribution date, the "Maximum Principal Payment" will equal the product of the Investor Fixed Allocation Percentage for that loan group and principal collections for such loan group and distribution date. With respect to any loan group and distribution date, the "Alternative Principal Payment" for that loan group will equal the amount, but not less than zero, of Principal Collections for such loan group and distribution date less the aggregate of Additional Balances created on the mortgage loans in that loan group during the related Collection Period.

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Beginning with the first distribution date following the end of the Managed Amortization Period (such period, the "Rapid Amortization Period"), the amount of principal collections payable to Certificateholders on each distribution date will be equal to the Maximum Principal Payment for that loan group.

If on any distribution date the Required Transferor Subordinated Amount for a loan group is reduced below the then existing Available Transferor Subordinated Amount for that loan group, the amount of principal collections from the mortgage loans in that loan group payable to Certificateholders on such distribution date will be correspondingly reduced by the amount of such reduction.

The amount of Principal Collections for a loan group to be distributed to Certificateholders on the first Distribution Date will reflect Principal Collections and Additional Balances from the mortgage loans in that loan group during the first Collection Period which is the period beginning on the cut-off date and ending on the last day of [ ].

Distributions of Principal Collections from the mortgage loans in a loan group based upon the related Investor Fixed Allocation Percentage may result in distributions of principal to the related Certificateholders in amounts that are greater relative to the declining balance of that loan group than would be the case if the related Investor Floating Allocation Percentage were used to determine the percentage of principal collections distributed in respect of such Invested Amount. Principal Collections from the mortgage loans in a loan group not allocated to the Certificateholders will be allocated to the portion of the Transferor Interest related to that loan group. The aggregate distributions of principal to the Certificateholders will not exceed the Original Certificate Principal Balance.

In addition, to the extent of funds available therefor (including funds available under the Policy), on the distribution date in [ ], Certificateholders will be entitled to receive as a payment of principal an amount equal to the outstanding Certificate Principal Balance.

**The Paying Agent.** The Paying Agent shall initially be the trustee, together with any successor thereto in such capacity (the "Paying Agent"). The Paying Agent shall have the revocable power to withdraw funds from the Collection Account for the purpose of making distributions to the Certificateholders.

#### **Limited Subordination of Transferor Interest**

If Investor Interest Collections[, Crossover Amounts and amounts on deposit in the Reserve Fund] on any distribution date are insufficient to pay (i) accrued interest due and any overdue accrued interest (with interest thereon to the extent permitted by applicable law) on the related Certificates and (ii) the applicable Investor Loss Amount on such distribution date (such insufficiency being the "Required Amount"), a portion of the Interest Collections from the mortgage loans in that loan group and principal collections allocable to the portion of the Transferor Interest related to that loan group (but not in excess of the applicable Available Transferor Subordinated Amount) (the "Subordinated Transferor Collections") will be applied to cover the Required Amount for that loan group. The portion of the Required Amount for a loan group in respect of clause (ii) above not covered by such Subordinated Transferor Collections will be reallocated to the portion of the Transferor Interest related to that loan group, thereby reducing the Transferor Interest (up to the applicable remaining Available Transferor Subordinated Amount and not in excess of the Investor Loss Amounts for that loan group). The portion of the Required Amount not covered by the application of funds pursuant to the provisions of the preceding sentence may then be satisfied by amounts available from the remaining Available Transferor Subordinated Amount from the other loan group. If such Investor Interest Collections for a loan group[, Crossover Amounts, amounts on deposit in the Reserve Fund] and the amount of Subordinated Transferor Collections which have been so applied to cover the applicable Required Amount are together insufficient to pay the amounts set forth in item (i) of the definition of Required Amount, then a draw will be made on the Policy to cover the amount of such shortfall. In addition, if on any distribution date on which the Available Transferor Subordinated Amount for a loan group is reduced to zero the Certificate Principal Balance for that loan group exceeds the applicable Invested Amount (after giving effect to all allocations and distributions with respect to principal to be made on the Certificates on such distribution date), a draw will be made on the Policy in the

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amount of such excess for such distribution date. See “— The Policy.”

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With respect to any distribution date and loan group, the “Available Transferor Subordinated Amount” shall equal the lesser of the portion of the Transferor Interest for that loan group and the related Required Transferor Subordinated Amount for such distribution date.

#### **Rapid Amortization Events**

As described above, the Managed Amortization Period will continue through and including the distribution date in [ ], unless a Rapid Amortization Event occurs prior to such date. “Rapid Amortization Event” refers to any of the following events:

- (a) the failure on the part of the seller to make a payment or deposit required under the mortgage loan purchase agreement or the pooling and servicing agreement within three business days after the date such payment or deposit is required to be made, to record assignments of mortgage loans when required pursuant to the mortgage loan purchase agreement or the pooling and servicing agreement or to observe or perform in any material respect any other covenants or agreements of the seller set forth in the mortgage loan purchase agreement, which failure materially and adversely affects the interests of the Certificateholders, the Certificate Insurer [or any other third party credit enhancer] and, with certain exceptions, continues unremedied for a period of 60 days after written notice;
- (b) any representation or warranty made by the seller or the depositor in the mortgage loan purchase agreement or the pooling and servicing agreement proves to have been incorrect in any material respect when made and continues to be incorrect in any material respect for a period of 60 days after written notice and as a result of which the interests of the Certificateholders, the Certificate Insurer [or any other third party credit enhancer] are materially and adversely affected; provided, however, that a Rapid Amortization Event shall not be deemed to occur if the seller has purchased or made a substitution for the related mortgage loan or mortgage loans if applicable during such period (or within an additional 60 days with the consent of the trustee) in accordance with the provisions of the mortgage loan purchase agreement or the pooling and servicing agreement;
- (c) the occurrence of certain events of bankruptcy, insolvency or receivership relating to the transferor;
- (d) the trust fund becomes subject to regulation by the Securities and Exchange Commission as an investment company within the meaning of the Investment Company Act of 1940, as amended; or
- (e) the aggregate of all draws under the Policy [or amounts paid pursuant to third party credit enhancement for loan group [ ]] incurred during the Managed Amortization Period exceeds [1]% of the Original Invested Amount.

In the case of any event described in clause (a) or (b), a Rapid Amortization Event will be deemed to have occurred only if, after the applicable grace period, if any, described in such clauses, either the trustee or Certificateholders holding Certificates evidencing more than 51% of the aggregate principal amount of the Certificates, the Certificate Insurer (so long as there is no default by the Certificate Insurer in the performance of its obligations under the Policy) [or any other third party credit enhancer], by written notice to the transferor, the depositor and the master servicer (and to the trustee, if given by the Certificate Insurer, [any other third party credit enhancer] or the Certificateholders) declare that a Rapid Amortization Event has occurred as of the date of such notice. In the case of any event described in clause (c), (d) or (e), a Rapid Amortization Event will be deemed to have occurred without any notice or other action on the part of the trustee, the Certificate Insurer or the Certificateholders immediately upon the occurrence of such event.

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Notwithstanding the foregoing, if a conservator, receiver or trustee-in-bankruptcy is appointed for the transferor and no Rapid Amortization Event exists other than such conservatorship, receivership or insolvency of the transferor, the conservator, receiver or trustee-in-bankruptcy may have the power to prevent the commencement of the Rapid Amortization Period.

#### **The Policy**

[On or before the Closing Date, the Policy will be issued by the Certificate Insurer pursuant to the provisions of the pooling and servicing agreement and the Insurance and Indemnity Agreement (the “Insurance Agreement”) to be dated as of the Closing Date, among the seller, the depositor, the master servicer, the trustee and the Certificate Insurer.

The Policy will irrevocably and unconditionally guarantee payment on each distribution date to the trustee for the benefit of the Certificateholders of each class of Certificates the full and complete payment of Insured Amounts with respect to the related Certificates for such distribution date. An “Insured Amount” shall equal with respect to each class of Certificates as of any distribution date any shortfall in amounts available in the Collection Account to pay (a) (i) the Guaranteed Principal Distribution Amount (as defined herein) with respect to the related Certificates for such distribution date and (ii) accrued and unpaid interest due on the related Certificates (together, the “Guaranteed Distributions”), with such Guaranteed Distributions having

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been calculated in accordance with the original terms of the Certificates or the pooling and servicing agreement after giving effect to amendments or modifications to which the Certificate Insurer has given its prior written consent and (b) any Preference Amount (as defined herein) which occurs prior to the related determination date. The effect of the Policy is to guarantee the timely payment of interest on, and the ultimate payment of the principal amount of, all of the Certificates. The Policy does not cover any Basis Risk Carryforward.

The "Guaranteed Principal Distribution Amount" for any Class of Certificates and distribution date (other than the distribution date in [ ] on which the sum of the Available Transferor Subordinated Amounts for [both] loan groups and the Reserve Fund has been reduced to or equals zero, shall be the amount, if any, by which the Certificate Principal Balance of such Class of Certificates (after giving effect to all other amounts distributable and allocable to principal on the Certificates) exceeds the related Invested Amount as of such distribution date (after giving effect to all other amounts distributable and allocable to principal on the Certificates for such distribution date) and on the distribution date in [ ] (after giving effect to all other amounts distributable and allocable to principal on such distribution date) any amount necessary to pay the outstanding Certificate Principal Balance.

A "Preference Amount" means any amount previously distributed to a Certificateholder that is recoverable and recovered as a voidable preference by a trustee in bankruptcy pursuant to the United States Bankruptcy Code, as amended from time to time, in accordance with a final nonappealable order of a court having competent jurisdiction.

Payment of claims on the Policy will be made by the Certificate Insurer following Receipt by the Certificate Insurer of the appropriate notice for payment (and any other required documentation) on the later to occur of (i) 12:00 noon, New York City time, on the second Business Day following Receipt of such notice for payment and (ii) 12:00 noon, New York City time, on the relevant Distribution Date.

The terms "Receipt" and "Received", with respect to the Policy, mean actual delivery to the Certificate Insurer prior to 12:00 noon, New York City time, on a business day; delivery either on a day that is not a business day or after 12:00 noon, New York City time, shall be deemed to be Received on the next succeeding business day. If any notice or certificate given under the Policy by the trustee is not in proper form or is not properly completed, executed or delivered, it shall be deemed not to have been Received, and the Certificate Insurer shall promptly so advise the trustee and the trustee may submit an amended notice.

Under the Policy, "business day" means any day other than (i) a Saturday or Sunday or (ii) a day on which banking institutions in the states of New York, California or Illinois or the city in which the corporate trust office of the trustee or the Certificate Insurer is located, are authorized or obligated by law or executive order to be closed.

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The Certificate Insurer's obligations under the Policy in respect of Insured Amounts shall be discharged to the extent funds are transferred to the trustee as provided in the Policy, whether or not such funds are properly applied by the trustee.

The Certificate Insurer shall be subrogated to the rights of each Certificateholder to receive payments of principal and interest, as applicable, with respect to distributions on the Certificates to the extent of any payment by the Certificate Insurer under the Policy. To the extent the Certificate Insurer pays Insured Amounts, either directly or indirectly (as by paying through the Trustee), to the Certificateholders, the Certificate Insurer will be subrogated to the rights of the Certificateholders, as applicable, with respect to such Insured Amounts and shall be deemed to the extent of the payments so made to be a registered Certificateholder for purposes of payment.

The terms of the Policy cannot be modified, altered or affected by any other agreement or instrument, or by the merger, consolidation or dissolution of the seller. The Policy by its terms may not be cancelled or revoked. The Policy is governed by the laws of the State of New York.

Insured Amounts shall be paid only at the time set forth in the Policy and no accelerated Insured Amounts shall be paid regardless of any acceleration of the Certificates, unless such acceleration is at the sole option of the Certificate Insurer. The Policy does not cover shortfalls, if any, attributable to the liability of the trust fund or the trustee for withholding taxes, if any (including interest and penalties in respect of any such liability).

Capitalized terms used in the Policy and not otherwise defined in the Policy shall have the respective meanings set forth in the pooling and servicing agreement as of the date of execution of the Policy, without giving effect to any subsequent amendment or modification to the pooling and servicing agreement unless such amendment or modification has been approved in writing by the Certificate Insurer.

Pursuant to the terms of the pooling and servicing agreement, unless a Certificate Insurer default exists, the Certificate Insurer shall be deemed to be the Holder of the Certificates for certain purposes (other than with respect to payment on the Certificates), will be entitled to exercise all rights of the Certificateholders thereunder without the consent of such Holders, and the Holders of the Certificates may exercise such rights only with the prior written consent of the Certificate Insurer. In addition, the Certificate Insurer will have certain additional rights as a third party beneficiary to the pooling and servicing agreement.]

#### **The Certificate Insurer**

The following information set forth in this section has been provided by [Certificate Insurer] (the "Certificate Insurer"). Accordingly, none of the

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depositor, the seller and master servicer[, any third party credit enhancer] or the underwriter makes any representation as to the accuracy and completeness of such information.

[Description of Certificate Insurer, including Financial Information]

#### Reports to Certificateholders

Concurrently with each distribution to the Certificateholders, the master servicer will forward to the trustee for mailing to such Certificateholder a statement setting forth among other items:

- (i) the Investor Floating Allocation Percentage for each loan group for the preceding Collection Period;
- (ii) the amount being distributed to each class of certificates;
- (iii) the amount of interest included in such distribution and the related certificate rate for each class of certificates;
- (iv) the amount, if any, of overdue accrued interest for a class of certificates included in such distribution (and the amount of interest thereon to the extent permitted by applicable law);

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- (v) the amount, if any, of the remaining overdue accrued interest for a class of certificates after giving effect to such distribution;
  - (vi) the amount, if any, of principal included in such distribution;
  - (vii) the amount, if any, of the reimbursement of previous Investor Loss Amounts for a class of certificates included in such distribution;
  - (viii) the amount, if any, of Basis Risk Carryforward for a class of certificates paid and the amount, if any, of Basis Risk Carryforward accrued;
  - (ix) the amount, if any, of the aggregate unreimbursed Investor Loss Amounts for a class of certificates after giving effect to such distribution;
  - (x) the Servicing Fee for such distribution date;
  - (xi) [for each class of certificates:] the Invested Amount, the Certificate Principal Balance and the Pool Factor, each after giving effect to such distribution;
  - (xii) the loan group balance of each loan group as of the end of the preceding Collection Period;
  - (xiii) the number and aggregate principal balances of the mortgage loans in each loan group as to which the minimum monthly payment is delinquent for 30-59 days, 60-89 days and 90 or more days, respectively, as of the end of the preceding Collection Period;
  - (xiv) the book value of any real estate in each loan group which is acquired by the trust fund through foreclosure or grant of deed in lieu of foreclosure;
  - (xv) the amount of any draws on the Policy [or payments under third party credit enhancement for loan group [ ]];
  - (xvi) the amount, if any, of Funds from the Prefunding Account deployed by the trustee to purchase Additional Home Equity Loans during the preceding Collection Period;
  - (xvii) [the amount on deposit in the Reserve Fund on the preceding distribution date, after giving effect to all distributions made on that date, the amount withdrawn from the Reserve Fund with respect to this distribution date, and the amount remaining on deposit in the Reserve Fund;] and
  - (xviii) with respect to the first and second distribution dates, the number and aggregate balance of any mortgage loans in [either] loan group not delivered to the trustee within 30 days after the Closing Date.

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In the case of information furnished pursuant to clauses (iii), (iv), (v), (vi), (vii) and (viii) above, the amounts shall be expressed as a dollar amount per \$[1,000] increment of Certificates.

Within 60 days after the end of each calendar year commencing in 200[ ], the master servicer will be required to forward to the Trustee a statement containing the information set forth in clauses (iii) and (vi) above aggregated for such calendar year.

#### **Collection and Other Servicing Procedures on Mortgage Loans**

The master servicer will make reasonable efforts to collect all payments called for under the mortgage loans and will, consistent with the pooling and servicing agreement, follow such collection procedures as it follows from time to time with respect to the home equity loans in its servicing portfolio comparable to the mortgage loans. Consistent with the above, the master servicer may in its discretion waive any late payment charge or any assumption or other fee or charge that may be collected in the ordinary course of servicing the mortgage loans.

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With respect to the mortgage loans, the master servicer may arrange with a borrower a schedule for the payment of interest due and unpaid for a period, provided that any such arrangement is consistent with the master servicer's policies with respect to the mortgage loans it owns or services. In accordance with the terms of the pooling and servicing agreement, the master servicer may consent under certain circumstances to the placing of a subsequent senior lien in respect of a mortgage loan.

#### **Hazard Insurance**

The pooling and servicing agreement provides that the master servicer maintain certain hazard insurance on the mortgaged properties relating to the mortgage loans. While the terms of the related credit line agreements generally require borrowers to maintain certain hazard insurance, the master servicer will not monitor the maintenance of such insurance.

The pooling and servicing agreement requires the master servicer to maintain for any mortgaged property relating to a mortgage loan acquired upon foreclosure of a mortgage loan, or by deed in lieu of such foreclosure, hazard insurance with extended coverage in an amount equal to the lesser of the maximum insurable value of such mortgaged property or the outstanding balance of such mortgage loan plus the outstanding balance on any mortgage loan senior to such mortgage loan at the time of foreclosure or deed in lieu of foreclosure, plus accrued interest and the master servicer's good faith estimate of the related liquidation expenses to be incurred in connection therewith.

The pooling and servicing agreement provides that the master servicer may satisfy its obligation to cause hazard policies to be maintained by maintaining a blanket policy insuring against losses on such mortgaged properties. If such blanket policy contains a deductible clause, the master servicer will be obligated to deposit in the Collection Account the sums which would have been deposited therein but for such clause. The master servicer will satisfy these requirements by maintaining a blanket policy. As set forth above, all amounts collected by the master servicer (net of any reimbursements to the master servicer) under any hazard policy (except for amounts to be applied to the restoration or repair of the mortgaged property) will ultimately be deposited in the Collection Account.

In general, the standard form of fire and extended coverage policy covers physical damage to or destruction of the improvements on the property by fire, lightning, explosion, smoke, windstorm and hail, and the like, strike and civil commotion, subject to the conditions and exclusions specified in each policy. Although the policies relating to the mortgage loans will be underwritten by different insurers and therefore will not contain identical terms and conditions, the basic terms thereof are dictated by state laws and most of such policies typically do not cover any physical damage resulting from the following: war, revolution, governmental actions, floods and other water-related causes, earth movement (including earthquakes, landslides and mudflows), nuclear reactions, wet or dry rot, vermin, rodents, insects or domestic animals, theft and, in certain cases, vandalism. The foregoing list is merely indicative of certain kinds of uninsured risks and is not intended to be all-inclusive or an exact description of the insurance policies relating to the mortgaged properties.

#### **Realization upon Defaulted Mortgage Loans**

The master servicer will foreclose upon or otherwise comparably convert to ownership mortgaged properties securing such of the mortgage loans as come into default when, in accordance with applicable servicing procedures under the pooling and servicing agreement, no satisfactory arrangements can be made for the collection of delinquent payments. In connection with such foreclosure or other conversion, the master servicer will follow such practices as it deems necessary or advisable and as are in keeping with its general mortgage servicing activities, provided the master servicer will not be required to expend its own funds in connection with foreclosure or other conversion, correction of default on a related senior mortgage loan or restoration of any property unless, in its sole judgment, such foreclosure, correction or restoration will increase net liquidation proceeds. The master servicer will be reimbursed out of liquidation proceeds and, if necessary, from other collections on or in respect of the mortgage loans, for advances of its own funds as liquidation expenses before any net liquidation proceeds are distributed to Certificateholders or the transferor.

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### Optional Purchase of Defaulted Loan

The master servicer may, at its option, purchase from the trust fund any mortgage loan which is delinquent in payment for 91 days or more. Any such purchase shall be at a price equal to 100% of the principal balance of such mortgage loan plus accrued interest thereon at the applicable loan rate from the date through which interest was last paid by the related mortgagor to the first day of the month in which such amount is to be distributed to Certificateholders.

### Servicing Compensation and Payment of Expenses

With respect to each Collection Period, the master servicer will receive from interest received on the mortgage loans a portion of such interest collections as a monthly Servicing Fee in the amount equal to [ ]% per annum ("Servicing Fee Rate") on the aggregate principal balances of the mortgage loans as of the first day of the related Collection Period. All assumption fees, late payment charges and other fees and charges, to the extent collected from borrowers, will be retained by the master servicer as additional servicing compensation.

The master servicer will pay certain ongoing expenses associated with the trust fund and incurred by it in connection with its responsibilities under the pooling and servicing agreement. In addition, the master servicer will be entitled to reimbursement for certain expenses incurred by it in connection with defaulted mortgage loans and in connection with the restoration of mortgaged properties, such right of reimbursement being prior to the rights of Certificateholders to receive any related net liquidation proceeds and, if necessary, other collections on or in respect of the mortgage loans.

### Evidence as to Compliance

The pooling and servicing agreement provides for delivery on or before [ ] in each year, beginning [ ], [200[ ]], to the trustee of an annual statement signed by an officer of the master servicer to the effect that the master servicer has fulfilled its material obligations under the pooling and servicing agreement throughout the preceding fiscal year, except as specified in such statement.

On or before [ ] of each year, beginning [ 200[ ]], the master servicer will furnish a report prepared by a firm of nationally recognized independent public accountants (who may also render other services to the master servicer or the transferor) to the trustee, the Certificate Insurer[, any other third party credit enhancer] and the Rating Agencies to the effect that such firm has examined certain documents and the records relating to servicing of the mortgage loans under the pooling and servicing agreement and that, on the basis of such examination, such firm believes that such servicing was conducted in compliance with the pooling and servicing agreement except for (a) such exceptions as such firm believes to be immaterial and (b) such other exceptions as shall be set forth in such report.

### Certain Matters Regarding the Master Servicer and the Transferor

The pooling and servicing agreement provides that the master servicer may not resign from its obligations and duties thereunder, except in connection with a permitted transfer of servicing, unless

- (a) such duties and obligations are no longer permissible under applicable law or are in material conflict by reason of applicable law with any other activities of a type and nature presently carried on by it or its affiliate or
- (b) upon the satisfaction of the following conditions:
  - the master servicer has proposed a successor servicer to the trustee in writing and such proposed successor servicer is reasonably acceptable to the trustee;

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- the Rating Agencies have confirmed to the trustee that the appointment of such proposed successor servicer as the master servicer will not result in the reduction or withdrawal of the then current rating of the certificates without regard to the Policy [or any other third party credit enhancement]; and
- such proposed successor servicer is reasonably acceptable to the Certificate Insurer.

No such resignation will become effective until the trustee or a successor servicer has assumed the master servicer's obligations and duties under the pooling and servicing agreement.

The master servicer may perform any of its duties and obligations under the pooling and servicing agreement through one or more subservicers or delegates, which may be affiliates of the master servicer. Notwithstanding any such arrangement, the master servicer will remain liable and obligated to

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the trustee and the Certificateholders for the master servicer's duties and obligations under the pooling and servicing agreement, without any diminution of such duties and obligations and as if the master servicer itself were performing such duties and obligations.

The pooling and servicing agreement provides that the master servicer will indemnify the trust fund and the trustee from and against any loss, liability, expense, damage or injury suffered or sustained as a result of the master servicer's actions or omissions in connection with the servicing and administration of the mortgage loans which are not in accordance with the provisions of the pooling and servicing agreement. Under the pooling and servicing agreement, the transferor will indemnify an injured party for the entire amount of any losses, claims, damages or liabilities arising out of or based on the pooling and servicing agreement to the extent described therein (other than losses resulting from defaults under the mortgage loans). In the event of an Event of Servicing Termination (as defined below) resulting in the assumption of servicing obligations by a successor master servicer, the successor master servicer will indemnify the transferor for any losses, claims, damages and liabilities of the transferor as described in this paragraph arising from the successor master servicer's actions or omissions. The pooling and servicing agreement provides that neither the depositor, the transferor nor the master servicer nor their directors, officers, employees or agents will be under any other liability to the trust fund, the trustee, the Certificateholders or any other person for any action taken or for refraining from taking any action pursuant to the pooling and servicing agreement. However, neither the depositor, the transferor nor the master servicer will be protected against any liability which would otherwise be imposed by reason of willful misconduct, bad faith or gross negligence of the depositor, the transferor or the master servicer in the performance of its duties under the pooling and servicing agreement or by reason of reckless disregard of its obligations thereunder. In addition, the pooling and servicing agreement provides that the master servicer will not be under any obligation to appear in, prosecute or defend any legal action which is not incidental to its servicing responsibilities under the pooling and servicing agreement and which in its opinion may expose it to any expense or liability. The master servicer may, in its sole discretion, undertake any such legal action which it may deem necessary or desirable with respect to the pooling and servicing agreement and the rights and duties of the parties thereto and the interest of the Certificateholders thereunder.

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

#### Events of Servicing Termination

"Events of Servicing Termination" will consist of:

- (i) any failure by the master servicer to deposit in the Collection Account any deposit required to be made under the pooling and servicing agreement, which failure continues unremedied for five business days (or, if the master servicer is permitted to remit collections in respect of the mortgage loans to the Collection Account on a monthly basis as described under "— Payments on Mortgage Loans; Deposits to Collection Account," three business days) after the giving of written notice of such failure to the master servicer by the trustee, or to the master servicer and the trustee by the Certificate Insurer or Certificateholders evidencing an aggregate undivided interest in the Trust Fund of at least 25% of the aggregate Certificate Principal Balance;

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- (ii) any failure by the master servicer duly to observe or perform in any material respect any other of its covenants or agreements in the Certificates or the pooling and servicing agreement which, in each case, materially and adversely affects the interests of the Certificateholders[, any other third party credit enhancer] or the Certificate Insurer and continues unremedied for 60 days after the giving of written notice of such failure to the master servicer by the trustee, or to the master servicer and the trustee by the Certificate Insurer[, any other third party credit enhancer] or Certificateholders evidencing an aggregate, undivided interest in the trust fund of at least 25% of the aggregate Certificate Principal Balance; or
- (iii) certain events of insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings relating to the master servicer and certain actions by the master servicer indicating insolvency, reorganization or inability to pay its obligations. Under certain other circumstances, the Certificate Insurer or the holders of Certificates evidencing an aggregate, undivided interest in the trust fund of at least 51% of the aggregate Certificate Principal Balance may deliver written notice to the master servicer terminating all the rights and obligations of the master servicer under the pooling and servicing agreement.

Notwithstanding the foregoing, a delay in or failure of performance referred to under clause (i) above for a period of five or more business days or referred to under clause (ii) above for a period of 60 or more days, shall not constitute an Event of Servicing Termination if such delay or failure could not be prevented by the exercise of reasonable diligence by the master servicer and such delay or failure was caused by an act of God or other similar occurrence. Upon the occurrence of any such event the master servicer shall not be relieved from using its best efforts to perform its obligations in a timely manner in accordance with the terms of the pooling and servicing agreement and the master servicer shall provide the trustee, the depositor, the transferor, the Certificate Insurer[, any other third party credit enhancer] and the Certificateholders prompt notice of such failure or delay by it, together with a description of its efforts to so perform its obligations.

#### Rights upon an Event of Servicing Termination

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So long as an Event of Servicing Termination remains unremedied, either the trustee, or Certificateholders evidencing an aggregate undivided interest in the trust fund of at least 51% of the aggregate Certificate Principal Balance (with the consent of the Certificate Insurer) or the Certificate Insurer, may terminate all of the rights and obligations of the master servicer under the pooling and servicing agreement, whereupon the trustee will succeed to all the responsibilities, duties and liabilities of the master servicer under the pooling and servicing agreement and will be entitled to similar compensation arrangements. In the event that the trustee would be obligated to succeed the master servicer but is unwilling or unable so to act, it may appoint, or petition a court of competent jurisdiction for the appointment of, a housing and home finance institution or other mortgage loan or home equity loan servicer with all licenses and permits required to perform its obligations under the pooling and servicing agreement and having a net worth of at least \$[ ] and acceptable to the Certificate Insurer to act as successor to the master servicer under the pooling and servicing agreement. Pending such appointment, the trustee will be obligated to act in such capacity unless prohibited by law. Such successor will be entitled to receive the same compensation that the master servicer would otherwise have received (or such lesser compensation as the trustee and such successor may agree upon). A receiver or conservator for the master servicer may be empowered to prevent the termination and replacement of the master servicer where the Event of Servicing Termination that has occurred is an Insolvency Event.

#### **Amendment**

The pooling and servicing agreement may be amended from time to time by the seller, the master servicer, the depositor and the trustee and with the consent of the Certificate Insurer, but without the consent of the Certificateholders, to cure any ambiguity, to correct any defective provision or to correct or supplement any provisions therein which may be inconsistent with any other provisions of the pooling and servicing agreement, to add to the duties of the depositor, the seller, the transferor or the master servicer, to add or amend any provisions of the pooling and servicing agreement as required by the Rating Agencies in order to maintain or improve any rating of the Certificates (it being understood that, after obtaining the ratings in effect on the Closing Date, neither the transferor, the seller, the depositor, the trustee nor the master servicer is obligated to obtain, maintain, or improve any such rating), to add any other provisions with respect to matters or questions arising under the pooling and servicing agreement or the Policy which shall not be inconsistent with the provisions of the pooling and servicing agreement [or any other third party credit enhancement], to comply with any requirement imposed by the Code (as defined herein) or to increase the limits set forth in the pooling and servicing agreement as to the amount of senior liens which the master servicer may consent to, provided that such action will not, as evidenced by an opinion of counsel, materially and adversely affect the interests of any Certificateholder, the Certificate Insurer [or any other third party credit enhancer]; provided, that any such amendment will not be deemed to materially and adversely affect the Certificateholders and no such opinion will be required to be delivered if the person requesting such amendment obtains a letter from the Rating Agencies stating that such amendment would not result in a downgrading of the then current rating of the Certificates without regard to the Policy [or any other third party credit enhancement].

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The pooling and servicing agreement may also be amended from time to time by the seller, the master servicer, the depositor, and the trustee, and the master servicer and the Certificate Insurer may from time to time consent to the amendment of the Policy, with the consent of Certificateholders with certificates evidencing at least 51% of the Certificate Principal Balance of the affected class and the Certificate Insurer for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the pooling and servicing agreement or of modifying in any manner the rights of the Certificateholders, provided that no such amendment will

- reduce in any manner the amount of, or delay the timing of, payments on the Certificates or distributions or payments under the Policy which are required to be made on any Certificate without the consent of the Holder of such Certificate,
- reduce the aforesaid percentage required to consent to any such amendment, without the consent of the Holders of all Certificates then outstanding or
- adversely affect in any material respect the interests of the Certificate Insurer [or any other third party credit enhancer].

#### **Termination; Retirement of the Certificates**

The trust fund will terminate on the distribution date following the later of

(A) payment in full of all amounts owing to the Certificate Insurer [and any other third party credit enhancer] and

(B) the earliest of

- the distribution date on which the Certificate Principal Balance of each class of certificates has been reduced to zero;
- the final payment or other liquidation of the last mortgage loan in the trust fund;
- the optional transfer to the transferor of the mortgage loans, as described below; and

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- the distribution date in [ ].

The mortgage loans will be subject to optional transfer to the transferor on any distribution date on or after which the aggregate Certificate Principal Balance [of both classes of certificates] is reduced to an amount less than or equal to [10]% of the aggregate Original Certificate Principal Balance [for both classes of certificates] and all amounts due and owing to the Certificate Insurer [and any other third party credit enhancer] including any unreimbursed draws on the Policy [and unreimbursed payments under other third party credit enhancement], together with interest thereon, as provided under the Insurance Agreement, have been paid. The transfer price will be equal to the sum of the outstanding Certificate Principal Balance of each class of certificates plus accrued and unpaid interest thereon at the applicable Certificate Rate through the day preceding the final distribution date and an amount equal to any Basis Risk Carryforward for each class of certificates plus accrued and unpaid interest thereon.

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In no event, however, will the trust fund created by the pooling and servicing agreement continue for more than 21 years after the death of certain individuals named in the pooling and servicing agreement. Written notice of termination of the pooling and servicing agreement will be given to each certificateholder, and the final distribution will be made only upon surrender and cancellation of the certificates at an office or agency appointed by the trustee which will be specified in the notice of termination.

[In addition, Certificates must be prepaid and redeemed in part with any funds remaining in the relevant prefunding account on [ ] after the purchase of any Additional Home Equity Loans on that day.]

#### **The Trustee**

[Name of trustee], a [national] banking association with its principal place of business in [State], has been named trustee pursuant to the pooling and servicing agreement.

The commercial bank or trust company serving as trustee may own Certificates and have normal banking relationships with the depositor, the master servicer, the seller and the Certificate Insurer and/or their affiliates.

The trustee may resign at any time, in which event the depositor will be obligated to appoint a successor trustee, as approved by the Certificate Insurer. The depositor may also remove the trustee if the trustee ceases to be eligible to continue as such under the pooling and servicing agreement or if the trustee becomes insolvent. Upon becoming aware of such circumstances, the depositor will be obligated to appoint a successor trustee, as approved by the Certificate Insurer. Any resignation or removal of the trustee and appointment of a successor trustee will not become effective until acceptance of the appointment by the successor trustee.

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

#### **Certain Activities**

The Trust Fund will not borrow money, make loans, invest in securities for the purpose of exercising control, underwrite securities, except as provided in the pooling and servicing agreement, engage in the purchase and sale (or turnover) of investments, offer securities in exchange for property (except the Certificates for the mortgage loans), or repurchase or otherwise reacquire its securities. See “— Evidence as to Compliance” above for information regarding reports as to the compliance by the master servicer with the terms of the pooling and servicing agreement.

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### **DESCRIPTION OF THE PURCHASE AGREEMENT**

The mortgage loans to be transferred to the trust fund by the depositor will be purchased by the depositor from the seller pursuant to a purchase agreement (the “Purchase Agreement”) to be entered into between the depositor, as purchaser of the mortgage loans, and the seller, as transferor of the mortgage loans. Under the Purchase Agreement, the seller will agree to transfer the mortgage loans and related Additional Balances to the depositor. Pursuant to the pooling and servicing agreement, the mortgage loans will be immediately transferred by the depositor to the trust fund, and the depositor will assign its rights in, to and under the Purchase Agreement to the trust fund. The following is a description of the material provisions of the Purchase

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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 seller or master servicer. The mortgage loans may be prepaid by the mortgagors at any time without a prepayment penalty. The mortgage loans may also be subject to "due-on-sale" provisions. See "The Mortgage Pool".

Prepayments, liquidations and purchases of the mortgage loans will result in distributions to the offered certificates of principal amounts which would otherwise be distributed over the remaining terms of the mortgage loans. Since the rate of payment of principal of the mortgage loans will depend on future events and a variety of factors, no assurance can be given as to the rate of payment of principal on 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 class of offered certificates is purchased at a discount or premium, and the degree to which the timing of payments on the offered certificates is sensitive to prepayments, liquidations and purchases of the mortgage loans.

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You should consider the risk that,

- if you purchase principal only certificates or any other offered certificate at a discount, a slower than anticipated rate of principal payments (including prepayments) on the mortgage loans could result in an actual yield on your certificates that is lower than the anticipated yield;
- if you purchase interest only certificates (e.g., the Class A-7 Certificates) or any other offered certificate purchased at a premium, a faster than anticipated rate of principal payments (including prepayments) on the mortgage loans could result in an actual yield on your certificates that is lower than the anticipated yield and, in the case of the Class A-7 Certificates, you could lose your entire investment.

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". In addition, refinancing programs, including First Horizon's 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 25% of the mortgage loans, 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, a delayed delivery. If the seller fails to deliver all or a portion of any mortgage file to the depositor or other designee of the depositor or, at the depositor's direction, to the trustee within the 30-day period, the seller will be required to use its best efforts to deliver a substitute 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.

Voluntary prepayments in full of principal on the mortgage loans received by the master servicer from the first day through the fifteenth day of each month (other than the month of the cut-off date) are passed through to the certificateholders in the month of receipt or payment. Voluntary prepayments of principal in full received from the sixteenth day (or, in the case of the month of the Cut-off Date, from the Cut-off Date) through the last day of each month, and all voluntary partial prepayments of principal on the mortgage loans are passed through to the certificateholders in the month following the month of receipt or payment. Any prepayment of a mortgage loan or liquidation of a mortgage loan (by foreclosure proceedings or by virtue of the purchase of a mortgage loan in advance of its stated maturity as required or permitted by the Agreement) will generally have the effect of passing through to the certificateholders principal amounts which would otherwise be passed through (or reduced) in amortized increments over the remaining term of such mortgage loan.

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.

#### **Prepayment Considerations and Risks for the Class A-6 Certificates**

As described under "Description of the Certificates — Distributions on the Certificates — Principal," the entire amount of the applicable Non-PO Percentage of any prepayments and other unscheduled recoveries of principal with respect to a mortgage loan will be allocated solely to the outstanding senior certificates entitled to principal distributions (other than the Class PO Certificates) during at least

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the first five years after the closing date, with such allocation being subject to reduction thereafter as described in this prospectus supplement. The portion of such amounts otherwise allocable to the Class A-6 Certificates will be allocated solely to the outstanding Group I Senior Certificates during the first five years after the closing date (except as otherwise described herein on or following the Group I Final Distribution Date), with such allocation being subject to reduction thereafter as described in this prospectus supplement, provided that such amounts will be allocated pro rata among all the outstanding senior certificates entitled to principal distributions (other than the Class PO Certificates) on each distribution date after the Cross-Over Date. The resulting allocation between the Group I Senior Certificates and the Class A-6 Certificates is designed to accelerate the allocation of principal prepayments and certain other unscheduled recoveries of principal on the mortgage loans to holders of the Group I Senior Certificates relative to the Class A-6 Certificates through the earlier of the Group I Final Distribution Date and the Cross-Over Date. Notwithstanding the foregoing, all distributions of principal on the outstanding senior certificates entitled to principal distributions (other than the Class PO Certificates) will be made pro rata among such certificates on each distribution date after the Cross-over Date. In addition, the Class A-6 Certificates are not entitled to receive scheduled principal payments or prepayments during the first five years after the closing date (except as otherwise described herein on or following the Group I Final Distribution Date).

#### **Prepayment Considerations and Risks for the Class B Certificates**

The rate of payment of principal, the aggregate amount of distributions and the yield to maturity of the Class B Certificates will be affected by the rate of prepayments on the mortgage loans, as well as the rate of mortgagor defaults resulting in Realized Losses, by the severity of those losses and by the timing thereof. See "Description of the Certificates — Allocation of Realized Losses on the Certificates" herein for a description of the manner in which such losses are borne by the holders of the certificates. If the purchaser of a Class B Certificate calculates its anticipated yield based on an assumed rate of default and amount of Realized Losses that is lower than the default rate and the amount of losses actually incurred, its actual yield to maturity may be lower than that so calculated and could be negative. The timing of defaults and losses will also affect an investor's actual yield to maturity, even if the average rate of defaults and severity of losses 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.

The yields to maturity on the classes of Class B Certificates with higher numerical designations will be more sensitive to losses due to liquidations of defaulted mortgage loans than will the yields on such classes with lower numerical designations, and the yields to maturity on all of the Class B Certificates will be more sensitive to such losses than will the yields on the other classes of certificates. The Class B Certificates will be more sensitive to losses due to liquidations of defaulted mortgage loans because the entire amount of such losses will be allocable to such certificates in inverse order of priority, either directly or through the allocation of the Class PO Deferred Payment Writedown Amount, except as provided herein. To the extent not covered by the master servicer's advances of delinquent monthly payments of principal and interest, delinquencies on the mortgage loans may also have a relatively greater effect:

- (1) on the yields to investors in the Class B Certificates with higher numerical designations than on the yields to investors in those Class B Certificates with lower numerical designations; and
- (2) on the yields to investors in the Class B Certificates than on the yields to investors in the senior certificates.

As described above under "Description of the Certificates — Distributions on the Certificates — Interest" and "— Principal," "— Allocation of Realized Losses on the Certificates" and "— Subordination," amounts otherwise distributable to holders of any class of Class B Certificates will be made available to protect the holders of the more senior ranking classes of the certificates against interruptions in distributions due to certain mortgagor delinquencies. Such delinquencies, even if subsequently cured, may affect the timing of the receipt of distributions by the holders of the Class B Certificates.

To the extent that the Class B Certificates are being purchased at discounts from their initial class certificate balances, if the purchaser of such a certificate calculates its yield to maturity based on an assumed rate of payment of principal faster than that actually received on such certificate, its actual yield to maturity may be lower than that so calculated.

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#### **Yield Sensitivity of Class A-7 Certificates**

As indicated in the following table, the yield to investors in the Class A-7 Certificates will be sensitive to the rate of principal payments (including prepayments) of the mortgage loans. The mortgage loans generally can be prepaid at any time. On the basis of the assumptions described under this heading, the yield to maturity on the Class A-7 Certificates would be approximately 0% if prepayments were to occur at a constant rate of approximately 929% of PSA. If the actual prepayment rate of the mortgage loans were to exceed the foregoing level for as little as one month while equaling the level for the remaining months, the investors in the Class A-7 Certificates would not fully recoup their initial investments.

*Because the Notional Principal Amount of the Class A-7 Certificates will be determined by reference to the class certificate balances of the Class A-3, Class A-4 and Class A-5 Certificates, investors should be aware that reductions in the aggregate Notional Principal Amount of the Class A-*

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7 Certificates will occur concurrently with certain reductions in the class certificate principal balance of the Class A-5 Certificates as described herein.

The information set forth in the following table has been prepared on the basis of the Structuring Assumptions and on the assumption that the aggregate purchase price of the Class A-7 Certificates, expressed as a percentage of its initial Notional Principal Amount, is as follows:

CLASS	PRICE
Class A-7	00%

**SENSITIVITY OF THE CLASS A-7 CERTIFICATES TO PREPAYMENTS  
(PRE-TAX YIELDS TO MATURITY)**

CLASS	PERCENTAGE OF PSA				
	0%	250%	600%	800%	1000%
Class A-7					

It is highly unlikely that all of the mortgage loans will have the precise characteristics described in this prospectus supplement or that the mortgage loans will prepay at the same rate until maturity or that all of the mortgage loans will prepay at the same rate or time. As a result of these factors, the pre-tax yield on the Class A-7 Certificates is likely to differ from those shown in the table above, even if all of the mortgage loans prepay at the indicated percentages of PSA. No representation is made as to the actual rate of principal payments on the mortgage loans for any period or over the lives of the Class A-7 Certificates or as to the yields on the Class A-7 Certificates. Investors must make their own decisions as to the appropriate prepayment assumptions to be used in deciding whether to purchase the Class A-7 Certificates.

**Yield Sensitivity of Class PO Certificates**

The table below indicates the sensitivity of the pre-tax corporate bond equivalent yields to maturity of the Class PO Certificates to various constant percentages of PSA. 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 Class PO Certificates, would cause the discounted present value of the assumed streams of cash flows to equal the assumed aggregate purchase price of the Class PO Certificates and converting the monthly rates to corporate bond equivalent rates. These 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 Class PO Certificates and consequently do not purport to reflect the return on any investment in the Class PO Certificates when the reinvestment rates are considered.

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*The Class PO Certificates will be principal only certificates and will not bear interest. As indicated in the table below, a lower than anticipated rate of principal payments, including prepayments, on the Discount Mortgage Loans will have an adverse effect on the yield to investors in the Class PO Certificates.*

As described under "Description of the Certificates — Principal," the Class PO Principal Distribution Amount is calculated by reference to the principal payments, including prepayments, on the Discount Mortgage Loans. The Discount Mortgage Loans will have lower Net Mortgage Rates, and lower mortgage rates, than the other mortgage loans. 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 may prepay at lower rates, thereby reducing the rate of payment of principal and the resulting yield of the Class PO Certificates.

The information set forth in the following table has been prepared on the basis of the Structuring Assumptions and on the assumption that the aggregate purchase price of the Class PO Certificates, expressed as a percentage of its initial class certificate balance, is as follows:

CLASS	PRICE
Class PO	0%

**SENSITIVITY OF THE CLASS PO CERTIFICATES TO PREPAYMENTS  
(PRE-TAX YIELDS TO MATURITY)**

CLASS	PERCENTAGE OF PSA				
	0%	250%	600%	800%	1000%
Class PO					

It is unlikely that the Discount Mortgage Loans will have the precise characteristics described in this prospectus supplement or that the Discount Mortgage Loans will all prepay at the same rate until maturity or that all of the Discount Mortgage Loans will prepay at the same rate or time. As a result

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of these factors, the pre-tax yield on the Class PO Certificates is likely to differ from those shown in the table above, even if all of the Discount Mortgage Loans prepay at the indicated percentages of PSA. No representation is made as to the actual rate of principal payments on the Discount Mortgage Loans for any period or over the life of the Class PO Certificates or as to the yield on the Class PO Certificates. Investors must make their own decisions as to the appropriate prepayment assumptions to be used in deciding whether to purchase the Class PO Certificates.

#### Additional Information

The depositor intends to file certain additional yield tables and other computational materials with respect to one or more classes of offered certificates with the SEC in a report on Form 8-K. The tables and materials were prepared by [Underwriter] at the request of one or more prospective investors, based on assumptions provided by, and satisfying the special requirements of, the prospective investors. 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.

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#### 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 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 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 increases. However, the weighted average lives of the offered certificates will depend upon a variety of other factors, including the timing of changes in the rate of principal payments, the priority sequence of distributions of principal of the classes of certificates. See “Description of the Certificates — Principal”.

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 original class certificate balances, 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 PSA, see the Decrement Tables below.

#### Decrement Tables

The following tables indicate the percentages of the initial class certificate balances of the classes of offered certificates that would be outstanding after each of the distribution dates shown at various constant percentages of PSA 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 the Structuring Assumptions or that all of the mortgage loans will prepay at the constant percentages of PSA specified in the tables below or at any other constant rate. Moreover, the diverse remaining terms to maturity and mortgage rates 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 PSA, even if the weighted average remaining term to maturity and weighted average mortgage rate of the mortgage loans are consistent with the remaining term to maturity and weighted average mortgage rate specified in the Structuring Assumptions.

*[remainder of page intentionally left blank]*

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#### PERCENT OF INITIAL CLASS PRINCIPAL BALANCE OUTSTANDING OF THE CLASS I-A-1 CERTIFICATES AT THE FOLLOWING CONSTANT PERCENTAGES OF CPR

Distribution Date	0%	10%	25%	35%	50%
Initial	100	100	100	100	100

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August 2004	98	88	73	63	48
August 2005	97	78	53	39	23
August 2006	95	68	39	25	11
August 2007	93	60	28	16	5
August 2008	91	53	21	10	3
August 2009	89	46	15	6	1
August 2010	86	40	11	4	1
August 2011	84	35	8	3	*
August 2012	82	31	6	2	*
August 2013	79	27	4	1	*
August 2014	76	23	3	1	*
August 2015	74	20	2	*	*
August 2016	71	17	2	*	*
August 2017	68	15	1	*	*
August 2018	65	13	1	*	*
August 2019	62	11	1	*	*
August 2020	58	9	*	*	*
August 2021	55	8	*	*	*
August 2022	51	7	*	*	*
August 2023	47	6	*	*	*
August 2024	43	5	*	*	*
August 2025	39	4	*	*	*
August 2026	35	3	*	*	*
August 2027	30	2	*	*	*
August 2028	26	2	*	*	*
August 2029	21	1	*	*	*
August 2030	16	1	*	*	*
August 2031	11	1	*	*	*
August 2032	5	*	*	*	0
August 2033	0	0	0	0	0
Weighted Average Life (in years)**	17.99	7.26	3.20	2.19	1.39

**PERCENT OF INITIAL CLASS PRINCIPAL BALANCE OUTSTANDING  
OF THE CLASS II-A-1 CERTIFICATES AT THE FOLLOWING  
CONSTANT PERCENTAGES OF CPR**

Distribution Date	0%	10%	25%	35%	50%
Initial	100	100	100	100	100
August 2004	99	89	74	63	48
August 2005	98	79	54	40	23
August 2006	97	70	40	25	11
August 2007	96	62	29	16	5
August 2008	95	55	22	10	3
August 2009	93	48	16	7	1
August 2010	90	42	12	4	1
August 2011	88	37	8	3	*
August 2012	85	32	6	2	*
August 2013	83	28	4	1	*
August 2014	80	24	3	1	*
August 2015	77	21	2	*	*
August 2016	74	18	2	*	*
August 2017	71	16	1	*	*
August 2018	68	14	1	*	*
August 2019	64	12	1	*	*
August 2020	61	10	*	*	*
August 2021	57	8	*	*	*
August 2022	53	7	*	*	*
August 2023	49	6	*	*	*
August 2024	45	5	*	*	*
August 2025	41	4	*	*	*
August 2026	36	3	*	*	*
August 2027	32	2	*	*	*
August 2028	27	2	*	*	*
August 2029	22	1	*	*	*

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August 2030	17	1	*	*	*
August 2031	11	1	*	*	*
August 2032	5	*	*	*	*
August 2033	0	0	0	0	0
Weighted Average Life (in years)**	18.67	7.49	3.27	2.23	1.40

\* Indicates an outstanding balance greater than -% and less than 0.5% of the original principal balance.

\*\* Determined as specified under "— *Weighted Average Lives of the Certificates*" above.

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**PERCENT OF INITIAL CLASS PRINCIPAL BALANCE OUTSTANDING  
OF THE CLASS III-A-1 CERTIFICATES AT THE FOLLOWING  
CONSTANT PERCENTAGES OF CPR**

Distribution Date	0%	10%	25%	35%	50%
Initial	100	100	100	100	100
August 2004	99	88	73	63	48
August 2005	97	78	53	40	23
August 2006	95	69	39	25	11
August 2007	94	60	29	16	5
August 2008	92	53	21	10	3
August 2009	90	47	15	6	1
August 2010	88	41	11	4	1
August 2011	85	36	8	3	*
August 2012	83	31	6	2	*
August 2013	80	27	4	1	*
August 2014	78	24	3	1	*
August 2015	75	21	2	*	*
August 2016	72	18	2	*	*
August 2017	69	15	1	*	*
August 2018	66	13	1	*	*
August 2019	63	11	1	*	*
August 2020	59	10	*	*	*
August 2021	56	8	*	*	*
August 2022	52	7	*	*	*
August 2023	48	6	*	*	*
August 2024	44	5	*	*	*
August 2025	40	4	*	*	*
August 2026	35	3	*	*	*
August 2027	31	2	*	*	*
August 2028	26	2	*	*	*
August 2029	21	1	*	*	*
August 2030	16	1	*	*	*
August 2031	11	1	*	*	*
August 2032	5	*	*	*	0
August 2033	0	0	0	0	0
Weighted Average Life (in years)**	18.22	7.33	3.22	2.20	1.39

**PERCENT OF INITIAL CLASS PRINCIPAL BALANCE OUTSTANDING  
OF THE CLASS II-A-R CERTIFICATES  
AT THE FOLLOWING CONSTANT PERCENTAGES OF CPR**

Distribution Date	0%	10%	25%	35%	50%
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Initial	100	100	100	100	100
August 2004	0	0	0	0	0
August 2005	0	0	0	0	0
August 2006	0	0	0	0	0
August 2007	0	0	0	0	0
August 2008	0	0	0	0	0
August 2009	0	0	0	0	0
August 2010	0	0	0	0	0
August 2011	0	0	0	0	0
August 2012	0	0	0	0	0
August 2013	0	0	0	0	0
August 2014	0	0	0	0	0
August 2015	0	0	0	0	0
August 2016	0	0	0	0	0
August 2017	0	0	0	0	0
August 2018	0	0	0	0	0
August 2019	0	0	0	0	0
August 2020	0	0	0	0	0
August 2021	0	0	0	0	0
August 2022	0	0	0	0	0
August 2023	0	0	0	0	0
August 2024	0	0	0	0	0
August 2025	0	0	0	0	0
August 2026	0	0	0	0	0
August 2027	0	0	0	0	0
August 2028	0	0	0	0	0
August 2029	0	0	0	0	0
August 2030	0	0	0	0	0
August 2031	0	0	0	0	0
August 2032	0	0	0	0	0
August 2033	0	0	0	0	0
Weighted Average Life (in years)**	0.07	0.07	0.07	0.07	0.07

\* Indicates an outstanding balance greater than -% and less than 0.5% of the original principal balance.

\*\* Determined as specified under "— *Weighted Average Lives of the Certificates*" above.

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**PERCENT OF INITIAL CLASS PRINCIPAL BALANCE OUTSTANDING  
OF THE CLASS B-1, CLASS B-2 AND CLASS B-3 CERTIFICATES  
AT THE FOLLOWING CONSTANT PERCENTAGES OF CPR**

Distribution Date	0%	10%	25%	35%	50%
Initial	100	100	100	100	100
August 2004	99	99	99	99	99
August 2005	98	98	98	91	72
August 2006	97	97	89	73	50
August 2007	95	95	66	47	25
August 2008	94	94	49	30	12
August 2009	92	89	36	19	6
August 2010	90	83	26	12	3
August 2011	87	75	19	8	1
August 2012	85	66	14	5	1
August 2013	82	57	10	3	*
August 2014	79	50	7	2	*

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August 2015	76	43	5	1	*
August 2016	73	37	4	1	*
August 2017	70	32	3	*	*
August 2018	67	28	2	*	*
August 2019	64	24	1	*	*
August 2020	60	20	1	*	*
August 2021	57	17	1	*	*
August 2022	53	14	*	*	*
August 2023	49	12	*	*	*
August 2024	45	10	*	*	*
August 2025	41	8	*	*	*
August 2026	36	6	*	*	*
August 2027	32	5	*	*	*
August 2028	27	4	*	*	*
August 2029	22	3	*	*	*
August 2030	17	2	*	*	*
August 2031	11	1	*	*	*
August 2032	5	1	*	*	*
August 2033	0	0	0	0	0
Weighted Average Life (in years)**	18.56	12.24	5.83	4.43	3.19

\* Indicates an outstanding balance greater than -% and less than 0.5% of the original principal balance.

\*\* Determined as specified under “— *Weighted Average Lives of the Certificates*” above.

#### Last Scheduled Distribution Date

The last scheduled distribution date for each class of offered certificates is the distribution date in [ ] 2033, which is the distribution date in the month following the month of the latest scheduled maturity date for any of the mortgage loans. Since the rate of distributions in reduction of the class certificate balance of each class of offered certificates will depend on the rate of payment, including prepayments, of the mortgage loans, the class certificate balance 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 “— 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 POLICY

Simultaneously with the issuance of the certificates, the insurer will deliver the policy to the trustee for the benefit of each holder of Class A-5 Certificates. Under the policy, the insurer unconditionally and irrevocably guarantees to the trustee for the benefit of each holder of Class A-5 Certificates the full and complete payment on each distribution date of Guaranteed Distributions.

If, by the close of business on the business day next succeeding the related determination date, the master servicer informs the trustee that funds to be deposited in the Certificate Account will be insufficient to make the Guaranteed Distributions on the Class A-5 Certificates for such distribution date, the trustee is required to make a claim under the policy in the amount of such deficiency. Payment of claims under the policy will be made by the insurer following receipt by the insurer of the appropriate notice for payment on the later to occur of (a) 12:00 noon, New York City time, on the third business day following receipt of such notice for payment, and (b) 12:00 noon, New York City time, on the date on which such Guaranteed Distribution is due.

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Receipt or received as those terms relate to the policy shall mean actual delivery to the insurer and to its fiscal agent, if any, at or prior to 12:00 noon, New York City time, on a business day. Delivery either on a day that is not a business day or after 12:00 noon, New York City time, shall be deemed to be in receipt on the next succeeding business day. If any notice or certificate given under the policy by the trustee is not in proper form or is not properly completed, executed or delivered, it shall be deemed not to have been received, and the insurer or its fiscal agent shall promptly so advise the trustee and the trustee may submit an amended notice.

Under the policy, “business day” means any day other than (i) a Saturday or Sunday or (ii) a day on which banking institutions in the City of New York, New York or in the city in which the corporate office of the trustee is located are authorized or obligated by law or executive order to be closed.

The insurer’s obligations under the policy in respect of Guaranteed Distributions shall be discharged to the extent funds are transferred to the

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trustee as provided in the policy whether or not such funds are properly applied by the trustee.

The insurer shall be subrogated to the rights of each holder of a Class A-5 Certificate to receive payments of principal and interest, as applicable, with respect to distributions on the Class A-5 Certificates to the extent of any payment with respect thereto by the insurer under the policy in accordance with the express provisions of the policy.

To the fullest extent permitted by applicable law, the insurer agrees under the policy not to assert, and waives, for the benefit of each holder of a Class A-5 Certificate, all its rights, whether by counterclaim, setoff or otherwise, and defenses, including, without limitation, the defense of fraud, whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to the insurer to avoid payment of its obligations under the policy.

Claims under the policy constitute direct, unsecured and unsubordinated obligations of the insurer, and will rank equally with any other unsecured and unsubordinated indebtedness of the insurer for borrowed money. Claims against the insurer under the policy and claims against the insurer under each other financial guarantee insurance policy issued by the insurer constitute equal claims against the general assets of the insurer. The terms of the policy cannot be modified or altered by any other agreement or instrument, or by the merger, consolidation or dissolution of the depositor. The policy may not be canceled or revoked prior to distribution in full of all Guaranteed Distributions. The policy is governed by the laws of the State of New York.

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

## THE INSURER

The information provided below about the insurer and its parent company, including the information incorporated by reference in this prospectus supplement, has been provided by the insurer, and none of the depositor, the master servicer or any underwriter make any representations or warranties as to the accuracy or completeness of such information.

### General

The insurer is a monoline insurance company incorporated in 1984 under the laws of the State of New York. The insurer is licensed to engage in financial guaranty insurance business in all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

The insurer and its subsidiaries are engaged in the business of writing financial guaranty insurance, principally in respect of securities offered in domestic and foreign markets. Financial guaranty insurance provides for a guaranty of scheduled payments on an issuer's securities, thereby enhancing the credit rating of those securities, in consideration for the payment of a premium to the insurer. The insurer and its subsidiaries principally insure asset-backed, collateralized and municipal securities. Asset-backed securities are typically supported by residential mortgage loans, consumer or trade receivables, securities or other assets having an ascertainable cash flow or market value. Collateralized securities include public utility first mortgage bonds and sale/leaseback obligation bonds. Municipal securities include general obligation bonds, special revenue bonds and other special obligations of state and local governments. The insurer insures both newly issued securities sold in the primary market and outstanding securities sold in the secondary market that satisfy the insurer's underwriting criteria.

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The insurer is a wholly owned subsidiary of [ ], which is referred to in this prospectus supplement as Holdings. Holdings is an indirect subsidiary of [ ], a publicly held [ ] corporation. Dexia S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or the insurer is obligated to pay any debt of the insurer or any claim under any insurance policy issued by the insurer or to make any additional contribution to the capital of the insurer.

The principal executive offices of the insurer are located at [ ], New York, New York 10022, and its telephone number at that location is (212) [ ].

### Reinsurance

Under an intercompany agreement, liabilities on financial guaranty insurance written or reinsured from third parties by the insurer or its domestic or Bermuda operating insurance company subsidiaries are generally reinsured among such companies on an agreed-upon percentage substantially proportional to their respective capital, surplus and reserves, subject to applicable statutory risk limitations. In addition, the insurer reinsures a portion of its liabilities under some of its financial guaranty insurance policies with other reinsurers under various treaties and on a transaction-by-transaction basis. This reinsurance is used by the insurer as a risk management device and to comply with statutory and rating agency requirements; it does not alter or limit the insurer's obligations under any financial guaranty insurance policy.

### Ratings

The insurer's insurance financial strength is rated "Aaa" by Moody's Investors Service, Inc. The insurer's insurer financial strength is rated  
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“AAA” by Standard & Poor’s and Standard & Poor’s (Australia) Pty. Ltd. The insurer’s claims-paying ability is rated “AAA” by Fitch, Inc. and Japan Rating and Investment Information, Inc. These ratings reflect only the views of the respective rating agencies, are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by those rating agencies. See “Ratings” in this prospectus supplement.

## Capitalization

The following table sets forth the capitalization of the insurer and its subsidiaries as of June 30, 2004 on the basis of accounting principles generally accepted in the United States:

	June 30, 2004 (in Thousands)
Deferred Premium Revenue (net of prepaid reinsurance premiums)	\$
Surplus Notes	
Minority Interest	
Shareholder’s Equity:	
Common Stock	
Additional Paid-in Capital	
Accumulated Other Comprehensive Loss (net of deferred income taxes)	
Accumulated Earnings	
Total Shareholder’s Equity	
Total Deferred Premium Revenue, Surplus Notes, Minority Interest and Shareholder’s Equity	\$

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For further information concerning the insurer, see the Consolidated Financial Statements of [ ], and the notes thereto, incorporated by reference in this prospectus supplement. The insurer’s financial statements are included as exhibits to the Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission by Holdings and may be reviewed at the EDGAR web site maintained by the Securities and Exchange Commission and at Holdings’ website, [http://www.\[ \]](http://www.[ ]). Copies of the statutory quarterly and annual statements filed with the State of New York Insurance Department by the insurer are available upon request to the State of New York Insurance Department.

## Incorporation of Certain Documents by Reference

In addition to the documents described in the prospectus under “Incorporation of Certain Documents by Reference,” the financial statements of the insurer included in, or as exhibits to, the following documents filed by Holdings with the Securities and Exchange Commission, are hereby incorporated by reference in this prospectus supplement:

- Annual Report on Form 10-K for the period ended December 31, 2003 and,
- Quarterly Report on Form 10-Q for the period ended June 30, 2004.

All financial statements of the insurer included in, or as an exhibit to, documents filed by Holdings pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this prospectus supplement and before the termination of the offering of the certificates shall be deemed to be incorporated by reference into this prospectus supplement and to be a part of this prospectus supplement from the respective dates of filing such documents.

You may request a free copy of any of the filings incorporated by reference in this prospectus supplement by writing or by calling First Horizon Home Loan Corporation, 4000 Horizon Way, Irving, Texas 75063, telephone number (214) 441-4000.

The depositor, on behalf of the trust hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, as amended, each filing of the trust’s annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934, as amended, to the extent required, and each filing of the financial statements of the insurer included in or as an exhibit to the annual report of Holdings filed pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934, as amended, that is incorporated by reference in the Registration Statement (as defined in the prospectus) shall be deemed to be a new registration statement relating to the certificates offered hereby, and the offering of such certificates at that time shall be deemed to be the initial bona fide offering thereof.

## Insurance Regulation

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The insurer is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York, its state of domicile. In addition, the insurer and its insurance subsidiaries are subject to regulation by insurance laws of the various other jurisdictions in which they are licensed to do business. As a financial guaranty insurance corporation licensed to do business in the State of New York, the insurer is subject to Article 69 of the New York Insurance Law which, among other things, limits the business of a financial guaranty insurer to writing financial guaranty insurance and related business lines, requires each financial guaranty insurer to maintain a minimum surplus to policyholders, establishes contingency, loss and unearned premium reserve requirements for each financial guaranty insurer, and limits the size of individual transactions and the volume of transactions that may be underwritten by each financial guaranty insurer. Other provisions of the New York Insurance Law, applicable to non-life insurance companies such as the insurer, regulate, among other things, permitted investments, payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liability for borrowings.

## EXPERTS

The consolidated balance sheets of [ ] and Subsidiaries as of December 31, 2003 and December 31, 2002 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2003, incorporated by reference in this prospectus supplement have been incorporated in this prospectus supplement in reliance on the report of [ ], independent accountants, given on the authority of that firm as experts in accounting and auditing.]

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## USE OF PROCEEDS

The depositor will apply the net proceeds of the sale of the certificates against the purchase price of the mortgage loans.

## MATERIAL FEDERAL INCOME TAX CONSEQUENCES

The following discussion is the opinion of Andrews Kurth LLP, counsel to the depositor, as to the material U.S. federal income tax aspects of the purchase, ownership and disposition of the certificates, and is based on the provisions of the Code, the Treasury Regulations thereunder, and published rulings and court decisions in effect as of the date hereof, all of which are subject to change, possibly retroactively. This discussion does not address every aspect of the U.S. federal income tax laws which may be relevant to certificateholders in light of their personal investment circumstances or to certain types of certificateholders subject to special treatment under the U.S. federal income tax laws (for example, banks and life insurance companies). Accordingly, investors should consult their tax advisors regarding U.S. federal, state, local, foreign and any other tax consequences to them of investing in the certificates.

For federal income tax purposes, the trust fund will consist of one or more REMICs in a tiered structure. The highest REMIC will be referred to as the "Master REMIC," and each REMIC below the Master REMIC (if any) will be referred to as an "underlying REMIC." Each underlying REMIC (if any) will issue multiple classes of uncertificated, regular interests (the "underlying REMIC Regular Interests") that will be held by another REMIC above it in the tiered structure. The assets of the lowest underlying REMIC (or the Master REMIC if there is no underlying REMIC) will consist of the mortgage loans and any other assets designated in the pooling and servicing agreement. The Master REMIC will issue the senior certificates and the subordinated certificates (together, excluding the Residual Certificates, the "Regular Certificates"). The Residual Certificates will represent the beneficial ownership of the residual interest in each underlying REMIC (if any) and the residual interest in the Master REMIC. Aggregate distributions on the underlying REMIC regular interests (if any) held by the Master REMIC will equal the aggregate distributions on the Certificates issued by the Master REMIC.

The classes of the Regular Certificates generally will be treated as debt instruments issued by the Master REMIC for federal income tax purposes. Income on the Regular Certificates must be reported under an accrual method of accounting. Under the 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 discussion set out below concerning OID should be read in conjunction with the detailed discussion of OID in the prospectus under the caption "*Material Federal Income Tax Consequences - Taxation of Debt Securities.*"

A debt instrument is treated as having been issued with OID to the extent its stated redemption price at maturity exceeds its issue price by more than a de minimis amount. The stated redemption price at maturity on a debt instrument includes all payments made under the debt instrument, other than payments of qualified stated interest.

The Class A-PO Certificates will be treated as having been issued with OID; all payments made on each such class will be included in its stated redemption price at maturity.

The Class A-7 Certificates will be treated as having been issued with OID; all payments made on such class will be included in its stated redemption price at maturity. Although unclear, a holder of a Class A-7 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 certificate holder would be entitled if there were no further prepayments on the mortgage loans. A holder of a Class A-7 Certificate will be treated for federal income tax purposes as owning an interest in the corresponding class of regular

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interests in the master REMIC.

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The remaining classes of the Regular Certificates, depending on their respective issue prices, may be treated as having been issued with OID in an amount equal to the excess of their initial respective class certificate balance (plus accrued interest from the last day preceding the issue date corresponding to a distribution date through the issue date), over their respective issue prices (including all accrued interest).

The prepayment assumption that is to be used in determining the rate of accrual of original issue discount and whether the original issue discount is considered *de minimis*, and that may be used by a holder of a Regular Certificate to amortize premium, will be 300% of the PSA. No representation is made as to whether the mortgage loans will prepay at the foregoing rate or any other rate. See “Yield, Prepayment and Maturity Considerations” in this prospectus supplement and “Material Federal Income Tax Consequences” in the prospectus. Computing accruals of OID in the manner described in the prospectus and this prospectus supplement 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 accrual on their certificates.

If the holders of any Regular Certificates are treated as holding their certificates at a premium, they 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 — Taxation of Debt Securities” in the prospectus.

The offered certificates will represent “real estate assets” under Section 856(c)(5)(B) of the Code and qualifying assets under Section 7701(a)(19)(C) in the same proportion that the assets of the trust fund would be so treated, and income on the offered certificates will represent “interests on obligations secured by mortgages on real property” in the same proportion that the income on the assets of the trust fund would be so treated. Moreover, if 95% or more of the assets of the trust fund are “real estate assets” within the meaning of Section 856(c)(5)(B) of the Code at all times during a calendar year, then all of an offered certificate will represent “real estate assets” and all of the income on the offered certificate will qualify as “interest on obligations secured by mortgages on real property” for that calendar year. Similarly, if 95% or more of the assets of the trust fund are qualifying assets under Section 7701(a)(19)(C) of the Code at all times during the calendar year, then all of an offered certificate will represent assets qualifying under Section 7701(a)(19)(C) for that calendar year.

The Regular Certificates will represent qualifying assets under Section 860G(a)(3) if acquired by a REMIC within the prescribed time periods of the Code.

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, 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.

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 own tax advisors with respect to those consequences. See “Material Federal Income Tax Consequences — Taxation of Holders of Residual Interest Securities” in the prospectus. Specifically, prospective holders of a Residual Certificate should consult their tax advisors regarding whether, at the time of acquisition, a Residual Certificate will be treated as a “noneconomic” residual interest. See “Material Federal Income Tax Consequences — Taxation of Holders of Residual Interest Securities — Restrictions on Ownership and Transfer of Residual Interest Securities” and “Material Federal Income Tax Consequences — Tax Treatment of Foreign Investors” in the prospectus.

## ERISA CONSIDERATIONS

Any fiduciary of a Plan that proposes to cause the Plan to acquire any of the offered certificates 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.

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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, state and local law. Any of those plans that are qualified and exempt from taxation under Sections 401(a) and 501(a) of the Code may nonetheless be subject to the prohibited transaction rules set forth in Section 503 of the Code.

Except as noted above, investments by Plans are subject to 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.

The U.S. Department of Labor has granted to [Underwriter] an individual administrative exemption, PTE 89-88 (54 Fed. Reg. 42,581, October 17, 1989) 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 certificates in pass-through trusts that consist of specified receivables, loans and other obligations that meet the conditions and requirements of the exemption. PTE 89-88 applies to mortgage loans such as the mortgage loans in the trust fund.

For a general description of PTE 89-88 and the conditions that must be satisfied for it to apply, see "ERISA Considerations" in the prospectus.

On November 13, 2000, the U.S. Department of Labor published Prohibited Transaction Exemption 2000-58 (65 Fed. Reg. 67765, November 13, 2000) which amended, effective August 23, 2000, the Underwriter Exemptions, including PTE 89-88. Among other changes, the amended exemption generally provides that in the case of "designated transactions" a Plan would be permitted to purchase subordinate certificates rated in any of the four highest generic ratings categories of Fitch, S&P and Moody's (provided that all other requirements are met). The designated transactions include residential mortgages. Because the ratings of a class of certificates are subject to change in the future by the rating agencies, classes of certificates eligible for purchase by Plans and pursuant to PTE 89-88 on the closing date may not be eligible for purchase by Plans pursuant to PTE 89-88 (although any Plan holding such a certificate would not be required to dispose of it solely because its rating had been lowered). However, a Plan investor which is an insurance company general account may purchase such classes of certificates in these circumstances pursuant to Sections I and III of PTCE 95-60.

On August 22, 2002, the U.S. Department of Labor published Prohibited Transaction Exemption 2002-41 (67 Fed. Reg. 54487, August 22, 2002) which amended, effective January 1, 2001, the Underwriter Exemptions, including PTE 89-88, to remove the requirement that a trustee not be affiliated with an underwriter in order to qualify for relief under the Underwriter Exemptions.

It is expected that PTE 89-88 as amended by PTE 2000-58, will apply to the acquisition and holding by Plans of the offered certificates, excluding the Residual Certificates and that all applicable conditions of PTE 89-88 and PTE 2000-58 other than those within the control of the investors will be met. In addition, as of the date hereof, no single mortgagor 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.

*Because the Class PO Certificates are not being purchased by any underwriter to whom an exemption similar to PTE 89-88 has been granted, those classes of certificates do not currently meet the requirements of the exemption or any comparable individual administrative exemption granted to any underwriter. Consequently, the Class PO Certificates may be transferred only if the conditions in the first or second bullet point in the next paragraph are met.*

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*Because the characteristics of the Residual Certificates may not meet the requirements of PTE 89-88 or any other issued exemption under ERISA, a Plan or an individual retirement account or other plan subject to Section 4975 of the Code may engage in a prohibited transaction or incur excise taxes or civil penalties if it purchases and holds the Residual Certificates. Consequently, transfers of the Residual Certificates 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 an employee benefit plan subject to Section 406 of ERISA or a plan or arrangement subject to Section 4975 of the Code, nor a person acting on behalf of any plan or arrangement or using the assets of any plan or arrangement to effect the transfer, or*
- an opinion of counsel satisfactory to the trustee that the purchase or holding of the certificate by a plan, or any person acting on behalf of a plan or using the plan's assets, will not result in prohibited transactions under Section 406 of ERISA and Section 4975 of the Code and will not subject the trustee, the depositor 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 applicability of the exemptions described above and PTE 83-1 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

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investment policy of the Plan and the composition of the Plan's investment portfolio.

## UNDERWRITING

Subject to the terms and conditions set forth in the Underwriting Agreement, the depositor has agreed to sell the Underwritten Certificates to [Underwriter]. Distribution of the Underwritten Certificates will be made by [Underwriter], [ ] and [ ] (solely with respect to the Class A-5 Certificates) from time to time in negotiated transactions or otherwise at varying prices to be determined at the time of sale. In connection with the sale of the Underwritten Certificates, [Underwriter] may be deemed to have received compensation from the depositor in the form of underwriting discounts.

Each of [Underwriter] and [ ] intends to make a secondary market in the Underwritten Certificates, other than the Class A-5 Certificates, but neither has any obligation to do so. [ ] intends to make a secondary market in the Class A-5 Certificates, but 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 and the master servicer have agreed to indemnify [Underwriter] and [ ] against, or make contributions to [Underwriter] and [ ] with respect to, liabilities customarily indemnified against, including liabilities under the Securities Act of 1933, as amended.

The Class PO Certificates will initially be retained by the seller and may be offered by the seller in the future.

After the initial distribution of the certificates offered hereby, this prospectus and prospectus supplement may be used by FTN Financial Securities Corp., an affiliate of the depositor, the seller and the master servicer, in connection with market making transactions in such certificates. FTN Financial Securities Corp. may act as principal or agent in these transactions. These transactions will be at market prices at the time of sale and not at the prices of the initial offering.

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## LEGAL MATTERS

The validity of the certificates, including their material federal income tax consequences, will be passed upon for the depositor by Andrews Kurth LLP, Dallas, Texas. [ ], will pass upon certain legal matters on behalf of the underwriter.

## RATINGS

It is a condition to the issuance of the senior certificates that they be rated "AAA" by each of Fitch and S&P. It is a condition to the issuance of the Class B-1, Class B-2 and Class B-3 Certificates that they be rated at least "AA," "A" and "BBB" by Fitch, respectively.

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

S&P's ratings on mortgage pass-through certificates address the likelihood of receipt by certificateholders of payments required under the operative agreements. S&P's ratings take into consideration the credit quality of the mortgage pool including any credit support providers, structural and legal aspects associated with the certificates, and the extent to which the payment stream of the mortgage pool is adequate to make payment required under the certificates. S&P's ratings on the certificates do not, however, constitute a statement regarding the frequency of prepayments on the mortgage loans. S&P's rating does not address the possibility that investors may suffer 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 Fitch and S&P; 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 rating assigned by the other rating agency to the offered certificates could be lower than the respective ratings assigned by either, or both, of Fitch and S&P.

*[remainder of page intentionally left blank]*

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## GLOSSARY OF TERMS

**Accrued Certificate Interest** — For any class of certificates entitled to distributions of interest for any distribution date will equal the interest accrued during the related interest accrual period at the applicable pass-through rate on the class certificate balance (or Notional Principal Amount, in the case of the Class A-7 Certificates) of such class of certificates immediately prior to such distribution date, less such class' share of any Net Interest Shortfall, the interest portion of any Excess Losses through the Cross-Over Date and, after the Cross-Over Date, the interest portion of Realized Losses, including Excess Losses.

**Allocable Share** — With respect to any class of subordinated certificates on any distribution date, such class's pro rata share (based on the class certificate balance of each class entitled thereto) of each of the components of the Subordinated Optimal Principal Amount described herein; provided, that, except as provided in the pooling and servicing agreement, no Class B Certificates (other than the Class B-1 Certificates) shall be entitled on any distribution date to receive distributions pursuant to clauses (2), (3) and (5) of the definition of Subordinated Optimal Principal Amount unless the Class Prepayment Distribution Trigger for the related class is satisfied for such distribution date.

**Available Funds** — With respect to any distribution date, an amount equal to the sum of:

- all scheduled installments of interest, net of the master servicing fee, the trustee fee and any amounts due to First Horizon in respect of excess interest as described in the second paragraph under the heading "Servicing of the Mortgage Loans — Servicing Compensation and Payment of Expenses," and all scheduled installments of principal due in respect of the mortgage loans on the due date in the month in which the distribution date occurs and received before the related determination date, together with any advances in respect thereof;
- all Insurance Proceeds, Liquidation Proceeds and Unanticipated Recoveries received in respect of the mortgage loans during the calendar month before the distribution date, which in each case is the net of unreimbursed expenses incurred in connection with a liquidation or foreclosure and unreimbursed advances, if any;
- all partial or full prepayments received in respect of the mortgage loans during the related Prepayment Period, net of any Prepayment Interest Excess;
- any Compensating Interest in respect of full prepayments received in respect of the mortgage loans during the period from the sixteenth day (or, in the case of the first distribution date, from the cut-off date) of the month prior to the month of such distribution date through the last day of such month; and
- any Substitution Adjustment Amount or the purchase price for any deleted mortgage loan or a mortgage loan repurchased by the seller or the master servicer as of such distribution date, reduced by amounts in reimbursement for advances previously made and other amounts that the master servicer is entitled to be reimbursed for out of the Certificate Account pursuant to the pooling and servicing agreement.

**Available Funds Allocation** — The allocation of Available Funds as described under "Distributions on the Certificates — Allocation of Available Funds" in the prospectus supplement.

**Bankruptcy Loss Coverage Amount** — The aggregate amount of Realized Losses which may be allocated in connection with Deficient Valuations.

**Bankruptcy Losses** — Deficient Valuations or Debt Service Reductions.

**Certificate Account** — An account established and maintained by the master servicer, in the name of the trustee for the benefit of the holders of each series of certificates, for the disbursement of payments on the mortgage loans evidenced by each series of certificates.

**Class A-6 Percentage** — For any distribution date, the percentage (carried to six places rounded up) obtained by dividing (1) the aggregate class certificate balance of the Class A-6 Certificates immediately preceding such distribution date by (2) the aggregate class certificate balance of the Group 1 Senior Certificates and the Class A-6 Certificates immediately preceding such distribution date.

**Class A-6 Prepayment Distribution Percentage** — 0% through the distribution date in [ ] 200[ ]; 30% thereafter through the distribution date in [ ]; 40% thereafter through the distribution date in [ ]; 60% thereafter through the distribution date in [ ]; 80% thereafter through the distribution date in [ ]; and 100% thereafter.



*Class A-6 Principal Distribution Amount* — For any distribution date, the sum of:

- (a) the total of the amounts described in clauses (1) and (4) of the definition of Senior Optimal Principal Amount for such date multiplied by the Class A-6 Scheduled Distribution Percentage for such date; and
- (b) the total of the amounts described in clauses (2), (3) and (5) of the definition of Senior Optimal Principal Amount for such date multiplied by the product of (x) the Class A-6 Prepayment Distribution Percentage for such date and (y) the Class A-6 Percentage for such date.

Notwithstanding the foregoing, (1) on the Group I Final Distribution Date, the Class A-6 Principal Distribution Amount will be increased by any Senior Optimal Principal Amount remaining after distributions of principal have been made on the Group I Senior Certificates, and (2) following the Group I Final Distribution Date, the Class A-6 Principal Distribution Amount will equal the Senior Optimal Principal Amount.

*Class A-6 Scheduled Distribution Percentage* — As to any distribution date, 0% through the distribution date in [ ] 200[ ] and thereafter, the Class A-6 Percentage for such date.

*Class B Certificates* — The Class B-1, Class B-2, Class B-3, Class B-4, Class B-5 and Class B-6 Certificates, collectively.

*Class PO Deferred Amount* — With respect to any distribution date through the Cross-Over Date, the sum of (1) the applicable PO Percentage of the principal portion of Non-Excess Losses on a Discount Mortgage Loan allocated to the Class PO Certificates on such date, and (2) all amounts previously allocated to the Class PO Certificates in respect of such losses and not distributed to the Class PO Certificates on prior distribution dates.

*Class PO Deferred Payment Writedown Amount* — For any distribution date, the amount, if any, distributed on such date in respect of the Class PO Deferred Amount pursuant to priority *fourth* of the second paragraph under “Distributions on the Certificates — Allocation of Available Funds” in the prospectus supplement. The Subordinated Certificate Writedown Amount and the Class PO Deferred Payment Writedown Amount will be allocated to the classes of subordinated certificates in inverse order of priority, until the class certificate balance of each such class has been reduced to zero.

*Class PO Principal Distribution Amount* — With respect to each distribution date, an amount equal to the sum of:

- (1) the applicable PO Percentage of all scheduled payments of principal due on each mortgage loan on the first day of the month in which the distribution date occurs, as specified in the amortization schedule at the time applicable thereto, after adjustment for previous principal prepayments and the principal portion of Debt Service Reductions after the Bankruptcy Loss Coverage Amount has been reduced to zero, but before any adjustment to such amortization schedule by reason of any other bankruptcy or similar proceeding or any moratorium or similar waiver or grace period;
- (2) the applicable PO Percentage of the Stated Principal Balance of each mortgage loan which was the subject of a prepayment in full received by the master servicer during the related Prepayment Period;
- (3) the applicable PO Percentage of (i) all partial prepayments of principal for each mortgage loan received by the master servicer during the related Prepayment Period and (ii) all Unanticipated Recoveries in respect of each mortgage loan received during the calendar month preceding such distribution date;

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- (4) the applicable PO Percentage of the sum of (a) the net liquidation proceeds allocable to principal on each mortgage loan which became a Liquidated Mortgage Loan during the related Prepayment Period, other than mortgage loans described in clause (b), and (b) the principal balance of each mortgage loan that was purchased by a private mortgage insurer during the related Prepayment Period as an alternative to paying a claim under the related insurance policy; and
- (5) the applicable PO Percentage of the sum of (a) the Stated Principal Balance of each mortgage loan which was repurchased by the seller in connection with such distribution date and (b) the difference, if any, between the Stated Principal Balance of a mortgage loan that has been replaced by the seller with a substitute mortgage loan pursuant to the Agreement in connection with such distribution date and the Stated Principal Balance of such substitute mortgage loan.

For purposes of clauses (2) and (5) above, the Stated Principal Balance of a mortgage loan will be reduced by the amount of any Deficient Valuation that occurred prior to the reduction of the Bankruptcy Loss Coverage Amount to zero.

*Class Prepayment Distribution Trigger* — For a class of Class B Certificates (other than the subordinated class with the highest priority of distributions) any distribution date on which a fraction (expressed as a percentage), the numerator of which is the aggregate class certificate balance of such class and each class subordinate thereto, if any, and the denominator of which is the Pool Principal Balance with respect to such distribution date, equals or exceeds such percentage calculated as of the closing date.

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*Code* — The Internal Revenue Code of 1986, as amended.

*Compensating Interest* — As to any distribution date and any principal prepayment in respect of a mortgage loan that is received during the period from the sixteenth day of the month (or, in the case of the first distribution date, from the cut-off date) prior to the month of such distribution date through the last day of such month, an additional payment made by the master servicer, to the extent funds are available from the master servicing fee, equal to the amount of interest at the Net Mortgage Rate, for that mortgage loan from the date of the prepayment to the related due date; provided that such payment shall not exceed 0.0083% of the Pool Principal Balance as of the related determination date.

*Cross-over Date* — The distribution date on which the respective class certificate balances of each class of subordinated certificates have been reduced to zero.

*Debt Service Reduction* — With respect to any mortgage loan, a reduction by a court of competent jurisdiction in a proceeding under the Bankruptcy Code in the scheduled payment for such mortgage loan which became final and non-appealable, except such a reduction resulting from a Deficient Valuation or any reduction that results in a permanent forgiveness of principal.

*Deceased Holder* -- A beneficial owner of a Class A-5 Certificate who was a natural person living at the time that holder's interest was acquired and whose executor or other authorized representative causes to be furnished to the DTC participant, evidence of death satisfactory to the DTC participant and any tax waivers requested by the DTC participant.

*Deficient Valuation* — With respect to any mortgage loan, a valuation by a court of competent jurisdiction of the related mortgaged property in an amount less than the then-outstanding indebtedness under the mortgage loan, or any reduction in the amount of principal to be paid in connection with any scheduled payment that results in a permanent forgiveness of principal, which valuation or reduction results from an order of such court which is final and non-appealable in a proceeding under the Bankruptcy Code.

*Determination Date* — As to any distribution date, the earlier of (i) the third business day after the 15th day of each month, and (ii) the second business day prior to the related distribution date.

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*Discount Mortgage Loan* — Any mortgage loan with a Net Mortgage Rate that is less than 7.75% per annum.

*Distribution Account* — An account established and maintained with the trustee on behalf of the certificateholders, into which the master servicer will deposit the Available Funds withdrawn from the Certificate Account.

*DTC* — The Depository Trust Company.

*ERISA* — The Employee Retirement Income Security Act of 1974, as amended.

*Excess Losses* — Any Deficient Valuation, Fraud Loss or Special Hazard Loss (each a type of Realized Loss), or any part thereof, occurring after the Bankruptcy Loss Coverage Amount, Fraud Loss Coverage Amount or Special Hazard Loss Coverage Amount, respectively, has been reduced to zero.

*First Horizon* — First Horizon Home Loan Corporation, a Kansas corporation and an indirect wholly owned subsidiary of First Horizon National Corporation, a Tennessee corporation.

*Fitch* — Fitch Ratings and its successors and/or assigns.

*Fraud Loss Coverage Amount* — The aggregate amount of Realized Losses which may be allocated in connection with Fraud Losses.

*Fraud Losses* — Realized Losses incurred on defaulted mortgage loans as to which there was fraud, dishonesty or misrepresentation in the origination of the mortgage loans.

*First Horizon* -- First Horizon Home Loan Corporation, a Kansas corporation and an indirect wholly owned subsidiary of First Horizon National Corporation, a Tennessee corporation.

*Fitch* — Fitch, Inc. and its successors and/or assigns.

*Group I Final Distribution Date* — The distribution date on which the class certificate balance of each of the Group I Senior Certificates has been reduced to zero.

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**Group I Senior Certificates** — The Class A-1, Class A-2, Class A-3, Class A-4, Class A-5 and Residual Certificates, collectively.

**Guaranteed Distributions** — With respect to the Class A-5 Certificates, the sum of (i) one full month's interest on the class certificate balance of the Class A-5 Certificates at the respective pass-through rate indicated in the table on page S-5 in this prospectus supplement, reduced by (a) any Net Prepayment Interest Shortfalls allocated to the Class A-5 Certificates that were covered by the Reserve Fund, and (b) any interest shortfalls relating to Relief Act Reductions, (ii) the principal portion of any Realized Loss allocated to the Class A-5 Certificates and (iii) the class certificate balance of the Class A-5 Certificates to the extent unpaid on the final distribution date or earlier termination of the trust pursuant to the terms of the pooling and servicing agreement.

**Insurance Proceeds** — All proceeds of any primary mortgage guaranty insurance policies and any other insurance policies with respect to the mortgage loans, 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.

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

**Liquidation Proceeds** — All cash amounts, other than Insurance Proceeds and Unanticipated Recoveries, received and retained in connection with the liquidation of defaulted mortgage loans, by foreclosure or otherwise during the calendar month before the distribution date.

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**Moody's** — Moody's Investors Service, Inc.

**Net Interest Shortfall** — For any distribution date, the sum of:

- the amount of interest which would otherwise have been received for any mortgage loan that was the subject of (x) a Relief Act Reduction or (y) a Special Hazard Loss, Fraud Loss, or Bankruptcy Loss, after the exhaustion of the respective amounts of coverage provided by the subordinated certificates for those types of losses; and
- any Net Prepayment Interest Shortfalls.

**Net Mortgage Rate** or "NMR" — With respect to a mortgage loan, the mortgage rate thereof, less the master servicing fee rate and the trustee fee rate with respect to the mortgage loan, expressed as a per annum percentage of its Stated Principal Balance.

**Net Prepayment Interest Shortfall** -- For any distribution date, the amount by which the aggregate of Prepayment Interest Shortfalls during the applicable prepayment period applicable to that distribution date exceeds the available Compensating Interest, if any, for that period.

**Non-Discount Mortgage Loan** — Any mortgage loan with a Net Mortgage Rate that is equal to or greater than 7.75%.

**Non-Excess Loss** — Any Realized Loss other than an Excess Loss.

**Non PO Percentage** — (a) With respect to a Discount Mortgage Loan, the fraction, expressed as a percentage, equal to the NMR divided by 7.75%, and (b) with respect to each Non-Discount Mortgage Loan, 100%.

**Notional Principal Amount** — With respect to the Class A-7 Certificates and any distribution date, an amount equal to the class certificate balance of the Class A-5 Certificates immediately prior to such distribution date, less an amount equal to the product of (a) 1.31578947368 and (b) the sum of the class certificate balances of the Class A-3 and Class A-4 Certificates immediately prior to such distribution date. The initial Notional Principal Amount is \$4,050,000.

**OID** — Original issue discount.

**Original Subordinated Principal Balance** — The aggregate class certificate balance of the subordinated certificates as of the date of issuance of the certificates.

**Plan** — An employee benefit plan or arrangement (such as an individual retirement plan or Keogh plan) that is subject to ERISA or Section 4975 of the Code.

**Pool Principal Balance** — With respect to any distribution date, the aggregate of the Stated Principal Balances of the mortgage loans outstanding on the due date in the month before the distribution date.

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**PO Percentage** — (a) With respect to any Discount Mortgage Loan, the fraction, expressed as a percentage, equal to (7.75% - NMR) divided by 7.75%, and (b) with respect to any Non-Discount Mortgage Loan, 0%.

**Prepayment Interest Excess** — As to any principal prepayment in full received by the master servicer from the first day through the fifteenth day of any calendar month (other than the calendar month in which the cut-off date occurs), all amounts paid by the related mortgagor in respect of interest on such principal prepayment. All Prepayment Interest Excess shall be paid to the Master Servicer as additional master servicing compensation.

**Prepayment Interest Shortfall** — As to any distribution date, mortgage loan and principal prepayment received (a) during the period from the sixteenth day of the month preceding the month of such distribution date (or, in the case of the first distribution date, from the cut-off date) through the last day of such month, in the case of a principal prepayment in full, or (b) during the month preceding the month of such distribution date, in the case of a partial principal prepayment, the amount, if any, by which one month's interest at the related Net Mortgage Rate (exclusive of the trustee fee) on such principal prepayment exceeds the amount of interest actually paid by the borrower in connection with such principal prepayment.

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**Prepayment Period** — (a) With respect to any mortgage loan that was the subject of a voluntary prepayment in full and any distribution date, the period from the sixteenth day of the month preceding the month of such distribution date (or, in the case of the first distribution date, from the cut-off date) through the fifteenth day of the month of such distribution date, and (b) with respect to any other unscheduled prepayment of principal of any mortgage loan and any distribution date, the calendar month preceding the month of such distribution date.

**PSA** — The prepayment standard assumption, a prepayment standard or model which represents an assumed rate of prepayment each month of the then outstanding principal balance of a pool of new mortgage loans.

**PTE** — A prohibited transaction exemption issued by the U.S. Department of Labor.

**Realized Loss** — (a) for a Liquidated Mortgage Loan, the unpaid principal balance thereof plus accrued and unpaid interest thereon at the Net Mortgage Rate through the last day of the month of liquidation, less the amount of any net Liquidation Proceeds, Insurance Proceeds and/or Unanticipated Recoveries received in respect of such mortgage loan and the related mortgaged property, and (b) for any mortgage loan other than a Liquidated Mortgage Loan, a Deficient Valuation.

**Regular Certificates** — All classes of certificates, other than the Residual Certificates.

**Residual Certificates** — The Class A-R Certificates.

**Relief Act Reduction** — A reduction in the amount of monthly interest payment on a mortgage loan pursuant to the Servicemembers Civil Relief Act, or any similar state or local legislation or regulations.

**Reserve Fund** — A fund established at the time of the issuance of the certificates solely for the benefit of the Class A-5 Certificates by an initial deposit into the Reserve Fund of approximately \$10,000 by [Underwriter]

**Rounding Account** — A non-interest bearing account to be established on the closing date for the Class A-5 Certificates.

**S&P** — Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and its successors and/or assigns.

**Senior Final Distribution Date** — For any class of senior certificates, the distribution date on which the class certificate balance of such class of senior certificates (other than the Class PO Certificates) has been reduced to zero.

**Senior Optimal Principal Amount** — With respect to each distribution date, an amount equal to the sum of:

(1) the Senior Percentage of the applicable Non-PO Percentage of all scheduled payments of principal due on each mortgage loan on the first day of the month in which the distribution date occurs, as specified in the amortization schedule at the time applicable thereto after adjustment for previous principal prepayments and the principal portion of Debt Service Reductions after the Bankruptcy Loss Coverage Amount has been reduced to zero, but before any adjustment to such amortization schedule by reason of any other bankruptcy or similar proceeding or any moratorium or similar waiver or grace period;

(2) the Senior Prepayment Percentage of the applicable Non-PO Percentage of the Stated Principal Balance of each mortgage loan which was the subject of a prepayment in full received by the master servicer during the applicable Prepayment Period;

(3) the Senior Prepayment Percentage of the applicable Non-PO Percentage of (i) all partial prepayments of principal in respect

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of each mortgage loan received during the applicable Prepayment Period and (ii) all Unanticipated Recoveries in respect of each mortgage loan received during the calendar month preceding such distribution date;

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- (4) the lesser of:
- (a) the Senior Prepayment Percentage of the sum of (x) the applicable Non-PO Percentage of the net liquidation proceeds allocable to principal on each mortgage loan which became a Liquidated Mortgage Loan during the related Prepayment Period, other than mortgage loans described in clause (y), and (y) the applicable Non-PO Percentage of the Stated Principal Balance of each mortgage loan that was purchased by a private mortgage insurer during the related Prepayment Period as an alternative to paying a claim under the related mortgage insurance policy; and
  - (b) (i) the Senior Percentage of the sum of (x) the applicable Non-PO Percentage of the Stated Principal Balance of each mortgage loan which became a Liquidated Mortgage Loan during the related Prepayment Period, other than mortgage loans described in clause (y), and (y) the applicable Non-PO Percentage of the Stated Principal Balance of each mortgage loan that was purchased by a private mortgage insurer during the related Prepayment Period as an alternative to paying a claim under the related mortgage insurance policy minus (ii) the applicable Non-PO Percentage of the Senior Percentage of the principal portion of Excess Losses (other than Debt Service Reductions) during the related Prepayment Period; and
- (5) the Senior Prepayment Percentage of the sum of (a) the applicable Non-PO Percentage of the Stated Principal Balance of each mortgage loan which was repurchased by the seller in connection with such distribution date and (b) the difference, if any, between the applicable Non-PO Percentage of the Stated Principal Balance of a mortgage loan that has been replaced by the seller with a substitute mortgage loan pursuant to the Agreement in connection with such distribution date and the Stated Principal Balance of such substitute mortgage loan.

**Senior Percentage** — On any distribution date, the lesser of 100% and the percentage (carried to six places rounded up) obtained by dividing the aggregate class certificate balances of all classes of senior certificates (other than the Class PO Certificates) immediately preceding such distribution date by the aggregate class certificate balances of all classes of the certificates (other than the Class PO Certificates) immediately preceding such distribution date.

**Senior Prepayment Percentage** — On any distribution date occurring during the periods set forth below, the Senior Prepayment Percentages described below:

Period (Dates Inclusive)	Senior Prepayment Percentage
[ ] - [ ]	100%
[ ] - [ ]	Senior Percentage plus 70% of the Subordinated Percentage
[ ] - [ ]	Senior Percentage plus 60% of the Subordinated Percentage
[ ] - [ ]	Senior Percentage plus 40% of the Subordinated Percentage
[ ] - [ ]	Senior Percentage plus 20% of the Subordinated Percentage
[ ] and thereafter	Senior Percentage

Notwithstanding the foregoing, if the Senior Percentage on any distribution date exceeds the initial Senior Percentage, the Senior Prepayment Percentage for such distribution date will equal 100%.

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In addition, no reduction of the Senior Prepayment Percentage below the level in effect for the most recent prior period specified in the table above shall be effective on any distribution date unless as of the last day of the month preceding such distribution date:

- (1) the aggregate Stated Principal Balance of mortgage loans delinquent 60 days or more (including for this purpose any mortgage loans in foreclosure or subject to bankruptcy proceedings and mortgage loans with respect to which the related mortgaged property has been acquired by the trust) does not exceed 50% of the aggregate class certificate balances of the subordinated certificates as of that date; and
- (2) cumulative Realized Losses do not exceed:
  - (a) 30% of the Original Subordinated Principal Balance if such distribution date occurs between and including May 2010 - April 2011;

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- (b) 35% of the Original Subordinated Principal Balance if such distribution date occurs between and including May 2011 - April 2012;
- (c) 40% of the Original Subordinated Principal Balance if such distribution date occurs between and including May 2012 - April 2013;
- (d) 45% of the Original Subordinated Principal Balance if such distribution date occurs between and including May 2013 - April 2014; and
- (e) 50% of the Original Subordinated Principal Balance if such distribution date occurs during or after May 2014.

**Special Hazard Loss Coverage Amount** — The aggregate amount of Realized Losses which may be allocated in connection with Special Hazard Losses.

**Special Hazard Losses** — A Realized Loss incurred, to the extent that the loss was attributable to direct physical damage to a mortgaged property other than any loss of a type covered by a hazard insurance policy or a flood insurance policy, if applicable; and any shortfall in insurance proceeds for partial damage due to the application of the co-insurance clauses contained in hazard insurance policies. The amount of the Special Hazard Loss is limited to the lesser of the cost of repair or replacement of the mortgaged property; any loss above that amount would be a defaulted mortgage loan loss or other applicable type of loss. Special Hazard Losses do not include losses occasioned by war, civil insurrection, various governmental actions, errors in design, faulty workmanship or materials, except under some circumstances, nuclear reaction, chemical contamination or waste by the mortgagor.

**Stated Principal Balance** — For any mortgage loan and due date, the unpaid principal balance of the mortgage loan as of the due date, as specified in its amortization schedule at the time, before any adjustment to the amortization schedule for any moratorium or similar waiver or grace period, after giving effect to any previous partial prepayments and liquidation proceeds received and to the payment of principal due on the due date and irrespective of any delinquency in payment by the related mortgagor.

**Structuring Assumptions** — The assumptions listed beginning on page S-[ ], including assumed characteristics of the mortgage loans used for purposes of estimating decrement tables and the weighted average lives of the related certificates.

**Subordinated Certificate Writedown Amount** — As of any distribution date, the amount by which (a) the sum of the class certificate balances of all of the certificates, after giving effect to the distribution of principal and the allocation of Realized Losses in reduction of the class certificate balances of all of the certificates on such distribution date, exceeds (b) the Pool Principal Balance on the first day of the month of such distribution date less any Deficient Valuations occurring before the Bankruptcy Loss Coverage Amount has been reduced to zero.

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**Subordinated Optimal Principal Amount** — With respect to each distribution date, an amount equal to the sum of the following (but in no event greater than the aggregate class certificate balances of the subordinated certificates immediately prior to such distribution date):

- (1) the Subordinated Percentage of the applicable Non-PO Percentage of all scheduled payments of principal due on each outstanding mortgage loan on the first day of the month in which the distribution date occurs, as specified in the amortization schedule at the time applicable thereto, after adjustment for previous principal prepayments and the principal portion of Debt Service Reductions after the Bankruptcy Loss Coverage Amount has been reduced to zero, but before any adjustment to such amortization schedule by reason of any other bankruptcy or similar proceeding or any moratorium or similar waiver or grace period;
- (2) the Subordinated Prepayment Percentage of the applicable Non-PO Percentage of the Stated Principal Balance of each mortgage loan which was the subject of a prepayment in full received by the master servicer during the related Prepayment Period;
- (3) the Subordinated Prepayment Percentage of the applicable Non-PO Percentage of all partial prepayments of principal received in respect of each mortgage loan during the related Prepayment Period, plus, on the Senior Final Distribution Date, 100% of any Senior Optimal Principal Amount remaining undistributed on such date;
- (4) the amount, if any, by which the sum of (a) the applicable Non-PO Percentage of the net liquidation proceeds allocable to principal received during the related Prepayment Period in respect of each Liquidated Mortgage Loan, other than mortgage loans described in clause (b) and (b) the applicable Non-PO Percentage of the Stated Principal Balance of each mortgage loan that was purchased by a private mortgage insurer during the related Prepayment Period as an alternative to paying a claim under the related mortgage insurance policy exceeds (c) the sum of the amounts distributable to the senior certificateholders (other than the holders of the Class PO Certificates) under clause (4) of the definition of Senior Optimal Principal Amount on such distribution date; and

- (5) the Subordinated Prepayment Percentage of the sum of (a) the applicable Non-PO Percentage of the Stated Principal Balance of each mortgage loan which was repurchased by the seller in connection with such distribution date and (b) the difference, if any, between the applicable Non-PO Percentage of the Stated Principal Balance of each mortgage loan that has been replaced by the seller with a substitute mortgage loan pursuant to the Agreement in connection with such distribution date and the Stated Principal Balance of each such substitute mortgage loan.

**Subordinated Percentage** — For any distribution date, 100% minus the Senior Percentage.

**Subordinated Prepayment Percentage** — For any distribution date, 100% minus the Senior Prepayment Percentage.

**Substitution Adjustment Amount** — The amount by which the principal balance of a substituted mortgage loan exceeds the principal balance of a replacement mortgage loan.

**Unanticipated Recovery** — Any amount recovered by the Master Servicer in respect of principal of a mortgage loan which had previously been allocated as a Realized Loss to one or more classes of certificates.

**Underwriter Exemptions** — Administrative exemptions, granted by the U.S. Department of Labor to certain underwriters, from certain 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 certificates in pass-through trusts that consist of certain receivables, loans and other obligations that meet the conditions and requirements of such exemptions.

**Underwriting Agreement** — The underwriting agreement by and among First Horizon Asset Securities Inc., First Horizon Home Loan Corporation and [Underwriter], as representative of the several underwriters.

**Unwritten Certificates** — The senior certificates, other than the Class PO Certificates, and the Class B-1, Class B-2 and Class B-3 Certificates.

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**First Horizon Mortgage Pass-through Trust 200[ ]-[ ]**  
(Issuer)

\$[ ]  
(Approximate)

**Mortgage Pass-through Certificates, Series 200[ ]-[ ]**

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PROSPECTUS SUPPLEMENT

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[UNDERWRITERS]

RFJN\_EX 18\_000058

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Dealers will deliver a prospectus supplement and prospectus when acting as underwriters of the certificates and with respect to their unsold allotments or subscriptions. In addition, all dealers selling the certificates will be required to deliver a prospectus supplement and prospectus until [ ], 200[ ].

[ ], 200[ ]

The information in this Prospectus is not complete and may be changed. We may not sell these securities until the Registration Statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION; DATED MAY 23, 2005**

PROSPECTUS SUPPLEMENT

(To Prospectus dated [ ], 200[ ])

\$[ ]

(Approximate)

[FIRST HORIZON HOME LOAN CORPORATION LOGO]

*Seller and Master Servicer*

First Horizon Home Loan Trust 200[ ]-[ ]

*Issuer*

Asset-Backed Certificates, Series 200[ ]-[ ]

**Distributions payable monthly commencing in [ ], 200[ ]**

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

Class	Offered Fixed Rate Certificates		Class	Offered Adjustable Rate Certificate	
	Original Certificate Principal Balance	Pass-Through Rate		Original Certificate Principal Balance	Pass-Through Rate
Class AF-1	\$	%	Class AV-1	\$	N/A
Class AF-2	\$	%	Class AV-2	\$	%
Class AF-3	\$	%	Class MV-1	\$	%
Class MF-1	\$	%	Class MV-2	\$	%
Class MF-2	\$	%	Class BV	\$	%
Class BF	N/A%				

#### The Trust Fund

You should carefully consider the risk factors beginning on page S-[ ] of this prospectus supplement and on page 6 of the accompanying prospectus.

The trust fund consists of a pool of fixed and adjustable rate, conventional mortgage loans that are secured by first and second liens on one-to-four family residential properties, amounts on deposit in a pre-funding account and amounts on deposit in separate reserve funds to be established for the benefit of the fixed rate and adjustable rate certificates. The mortgage loans in the trust fund will consist of [two] separate loan groups based on whether the interest rate on the related mortgage loans is fixed or adjustable. The fixed rate loan group will consist solely of fixed rate mortgage loans that are secured by first and second liens on mortgaged properties. The fixed rate loan group will constitute approximately [ ]% of the trust fund. The adjustable rate loan group will consist solely of adjustable rate mortgage loans that are secured by first and second liens on mortgaged properties.

RFJN\_EX 18\_0000059



The adjustable rate loan group will constitute approximately [ ]% of the trust fund.

- Among the fixed rate certificates, the Class AF-1, Class AF-2 and Class AF-3 Certificates constitute the senior certificates.
- Among the adjustable rate certificates, the Class AV-1 and Class AV-2 Certificates will be the senior certificates.
- Among the fixed rate certificates, the Class MF-1, MF-2 and Class BF Certificates will be subordinate to, and provide credit enhancement for, the related senior certificates. The Class MF-2 Certificates will also be subordinate to, and provide credit enhancement for, the Class MF-1 Certificates. The Class BF Certificates will also be subordinate to, and provide credit enhancement for, the Class MF-1 and Class MF-2 Certificates.
- Among the adjustable rate certificates, the Class MV-1, Class MV-2 and Class B Certificates will be subordinate to, and provide credit enhancement for, the related senior certificates. The Class MV-2 Certificates will also be subordinate to and provide credit enhancement for, the Class MV-1 Certificates. The Class BV Certificates will also be subordinate to, and provide credit enhancement for the Class MV-1 and Class MV-2 Certificates.

**The SEC and state securities regulators have not approved or disapproved of these securities or determined if this prospectus supplement or the prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

[Underwriter] will purchase the offered certificates from the depositor on a firm commitment basis and will offer the certificates subject to prior sale and subject to its right to reject orders in whole or in part. The certificates will be issued in book-entry form on or about [ ], 200[ ] and will be offered in the United States and Europe.

**[UNDERWRITER]**

[Date]

*Important notice about information presented in this  
prospectus supplement and the accompanying prospectus:*

We provide information to you about the certificates offered by this prospectus supplement in two separate documents that progressively provide more detail: (1) the accompanying prospectus, which provides general information, some of which may not apply to your certificates, and (2) this prospectus supplement, which describes the specific terms of your certificates.

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

We are not offering the certificates in any state where the offer is not permitted. We do not claim that the information in this prospectus supplement and prospectus is accurate as of any date other than the dates stated on their respective covers.

We include cross-references in this prospectus supplement and the accompanying prospectus to captions in these materials where you can find further related discussions. The following table of contents and the table of contents included in the accompanying prospectus provide the pages on which these captions are located.

After the initial distribution of the certificates offered hereby, this prospectus and prospectus supplement may be used by FTN Financial Securities Corp., an affiliate of the depositor, the seller and the master servicer, in connection with market making transactions in those certificates. FTN Financial Securities Corp. may act as principal or agent in these transactions. These transactions will be at market prices at the time of sale and not at the prices of the initial offering. Certain information in this prospectus supplement will be updated from time to time.

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## SUMMARY

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

### The Certificates

Asset-Backed Certificates, Series 200[ ]-[ ], represent an undivided beneficial ownership interest in a trust fund. The trust fund consists primarily of a pool of fixed and adjustable rate, conventional mortgage loans that are secured by first and second liens on one-to four-family residential properties and certain other property and assets described in this prospectus supplement.

See “Description of the Certificates — General” in this prospectus supplement.

### Depositor

First Horizon Asset Securities Inc.

See “The Depositor” in the prospectus.

### Seller and Master Servicer

First Horizon Home Loan Corporation

See “Servicing of the Mortgage Loans” in this prospectus supplement.

### Trustee

[Name of the Trustee]

See “Description of the Certificates — The Trustee” in this prospectus supplement.

### Mortgage Loan Purchase Agreement

The mortgage loan purchase agreement between the seller and the depositor, as purchaser.

### Pooling and Servicing Agreement

The pooling and servicing agreement among the master servicer, the depositor and the trustee, under which the trust fund will be formed.

### Cut-off Date

[ ], 200[ ]

### Closing Date

On or about [ ], 200[ ].

RFJN\_EX 18\_0000062

## [Funding Period]

On the closing date, an amount equal to not more than approximately \$[ ] will be deposited in a pre-funding account. During the funding period, which commences on the closing date and ends on [ ], 200[ ]:

- approximately [ ]% of the aggregate amount deposited in the pre-funding account on the closing date is expected to be used to purchase subsequent fixed rate mortgage loans; and
- approximately [ ]% of the aggregate amount deposited in the pre-funding account on the closing date is expected to be used to purchase subsequent adjustable rate mortgage loans.

Neither the seller nor the depositor will exercise any discretion in the selection of subsequent mortgage loans to be sold to the trust fund. The selection will be made by a mechanical procedure on a first-in first-out basis.

Any amounts in the pre-funding account not used during the funding period to purchase subsequent mortgage loans for the related loan group or subgroup, as applicable, will be paid to the related certificateholders as a prepayment of principal on the [ ], 200[ ] Distribution Date.

See “The Mortgage Pool — Pre-Funding” in this prospectus supplement.]

## The Mortgage Loans

The mortgage loans will be divided into two separate groups based on whether the interest rate on the related mortgage loans is fixed or adjustable. Each of these groups of mortgage loans is referred to as a “loan group.”

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The fixed rate loan group will consist solely of fixed rate mortgage loans that are secured by [first and second] liens on mortgaged properties. The adjustable rate loan group will consist solely of adjustable rate mortgage loans that are secured by [first and second] liens on mortgaged properties. [The [fixed] [adjustable] rate loan group will be further divided into [ ] separate subgroups based on the criteria described below. Each subgroup is referred to in this prospectus supplement as a “loan subgroup.”] Loan subgroup [ ] will consist of [fixed] [adjustable] rate mortgage loans with principal balances at origination that may or may not conform to the criteria specified below for the principal balances at origination of the mortgage loans included in loan subgroup [ ]. Loan subgroup [ ] will consist of [fixed] [adjustable] rate mortgage loans that had a principal balance at origination of no more than \$[ ] if a single-family property (or \$[ ] if the property is located in [ ] or [ ]) or \$[ ] if a two- to four-family property (or \$[ ] if the property is located in [ ] or [ ]).

## [Statistical Calculation Information]

The statistical information presented in this prospectus supplement concerning the pool of mortgage loans (or either loan group or subgroup) does not reflect all of the mortgage loans that will be included in the mortgage pool (and either loan group or subgroup) on the closing date nor does it take into account any subsequent mortgage loans that may be added to the mortgage pool (and either loan group or subgroup) during the funding period. Instead, the statistical information relates to a statistical calculation pool (and statistical calculation loan groups and subgroups) which includes the number and principal balances of only mortgage loans originated by the seller through [ ], 200[ ]. The information presented in this prospectus supplement with respect to the statistical calculation pool (and the statistical calculation loan groups and subgroups) is, unless otherwise specified, based on the scheduled principal balances of those mortgage loans in the mortgage pool as of [ ], 200[ ], which is the statistical calculation date. The aggregate scheduled principal balance of the statistical calculation pool as of the statistical calculation date is referred to as the statistical calculation pool principal balance. The aggregate scheduled principal balance of a statistical calculation loan group as of the statistical calculation date is referred to as the statistical calculation date group principal balance for that loan group. [The aggregate scheduled principal balance of a statistical calculation loan subgroup as of the statistical calculation date is referred to as the statistical calculation date subgroup principal balance for that loan subgroup.] The aggregate scheduled principal balance of the mortgage loans in the statistical calculation pool as of the statistical calculation date is \$[ ].

Unless otherwise noted, all statistical percentages in this prospectus supplement are measured by the statistical calculation date group or subgroup (as applicable) scheduled principal balance of the related statistical calculation loan group or subgroup, as applicable, as of the statistical calculation date.

### *Fixed Rate Statistical Calculation Loan Group*

The following table summarizes the characteristics of the mortgage loans in the fixed rate statistical calculation loan group as of the statistical calculation date (based on scheduled principal balances).

[Statistical Calculation Loan Subgroup [ ]].

RFJN\_EX 18\_0000063

Number of Mortgage Loans	[ ]
Aggregate Principal Balance	\$ [ ]
Average Principal Balance	\$ [ ]
Range of Principal Balances	\$ [ ] to \$[ ]
Range of Mortgage Rates	% to %
Weighted Average Mortgage Rate	%
Weighted Average Combined Loan-to-Value Ratio	%
Weighted Average Remaining Amortization Term to Maturity	[ ] months
Range of Scheduled Amortization Term to Maturity	[ ] months to [ ] months
Type of Mortgaged Premises	
Single-family detached dwellings	%
2-4 family dwellings	%
Low-rise Condominiums	%
Planned unit developments	%
Manufactured housing (treated as real property)	%
High-rise Condominiums	%
First liens	%
Second liens	%

*Adjustable Rate Statistical Calculation Loan Group*

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The following tables summarize the characteristics of the mortgage loans in the adjustable rate statistical calculation loan group by respective loan subgroup as of the statistical calculation date (based on scheduled principal balances):

[Statistical Calculation Loan Subgroup [ ]].

Number of Mortgage Loans	[ ]
Aggregate Principal Balance	\$ [ ]
Average Principal Balance	\$ [ ]
Range of Principal Balances	\$ [ ] to \$[ ]
Mortgage Interest Rates	
Current Weighted Average Mortgage Rate	%
Range of Current Mortgage Rates	% to %
Weighted Average Maximum Mortgage Rate	%
Range of Maximum Mortgage Rates	% to %
Weighted Average Minimum Mortgage Rate	%
Range of Minimum Mortgage Rates	% to %
Weighted Average Loan-to-Value Ratio	%
Weighted Average Scheduled Remaining Term to Maturity	[ ] months
Range of Scheduled Remaining Term to Maturity	[ ] months to [ ] months
Type of Mortgaged Premises	
Single-family detached dwellings	%
Planned unit developments	%
Low-rise Condominiums	%
2-4 family dwellings	%
Manufactured housing (treated as real property)	%
High-rise Condominiums	%
First liens	%
Second liens	%

As described in this prospectus supplement under "The Mortgage Pool," the interest rates for the adjustable rate mortgage loans will generally adjust semi-annually, subject to certain caps and floors, as described in this prospectus supplement.

RFJN\_EX 18\_0000064

Approximately [ ]% and [ ]% of the mortgage loans in [statistical calculation] loan subgroup [ ] and [statistical calculation] loan subgroup [ ], respectively, are mortgage loans that initially have a [fixed] rate of interest for [one, two or three] years following their origination, and thereafter have an [adjustable] rate of interest for the remaining life of the loan, as described under “The Mortgage Pool — Additional Information Regarding the Adjustable Rate Mortgage Loans” in this prospectus supplement.

See “The Mortgage Pool” in this prospectus supplement.]

#### Description of the Certificates

The certificates are being issued in two certificate groups. The certificates listed below under the column entitled “offered fixed rate certificates” will represent interests in the fixed rate loan group as described in this prospectus supplement. The certificates listed below under the column entitled “offered adjustable rate certificates” will represent interests in the adjustable rate loan group as described in this prospectus supplement. [Further the Class AV-[1] Certificates will represent interests in loan subgroup [ ] and the Class AV-[2] Certificates will represent interests in loan subgroup [ ] as described in this prospectus supplement.]

The trust will also issue the Class BF-IO Certificates, Class BV-IO Certificates and a class of residual certificates designated as the Class R Certificates, none of which are offered by this prospectus supplement.

The original certificate principal balances, pass-through rates and last scheduled distribution dates for the offered certificates are as follows:

Class	Original Certificate Principal Balance	Pass-Through Rate	Last Scheduled Distribution Date (2)
<b>Offered Fixed Rate Certificates</b>			
Class AF-1	[(3)]		
Class AF	[(4)]		
Class AF-	[(4)(5)]		
Class MF-1	[(4)]		
Class MF-2	[(4)]		
Class BF			
<b>Offered Adjustable Rate Certificates</b>			
Class AV-1	[(6)]		
Class AV-2	[(6)]		
Class MV-1	[(6)]		
Class MV-2	[(6)]		
Class BV	[(6)]		

- (1) The original certificate principal balance of the offered certificates will be subject to a permitted variance in the aggregate of plus or minus 10%, depending on the amount of mortgage loans actually delivered on the closing date.
- (2) Each date was determined as described under “Yield, Prepayment and Maturity Considerations” in this prospectus supplement.
- (3) The pass-through rate on the Class AF-[1] Certificates will adjust [monthly] and will be subject to an interest rate cap as described in this prospectus supplement under “Description of the Certificates — Distributions — Distributions of Interest.”
- (4) The pass-through rates for these classes of offered fixed rate certificates will be subject to an interest rate cap as described in this prospectus supplement under “Description of the Certificates — Distributions — Distributions of Interest.”
- (5) The pass-through rates for the Class AF-[ ] Certificates will increase to [ ]% per annum, after the related optional termination date, subject in each case to the interest rate cap described in this prospectus supplement under “Description of the Certificates — Distributions — Distributions of Interest.”
- (6) The pass-through rates for the offered adjustable rate certificates will adjust [monthly], will be subject to increase after the related optional termination date and will be subject to an interest rate cap, in each case as described in this prospectus supplement under “Description of the Certificates — Distributions — Distributions of Interest.”

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#### Record Date

The [last] business day of the month preceding the month of a distribution date.

#### Denominations

[\$25,000] and multiples of \$[1,000] in excess of \$[25,000].

RFJN\_EX 18\_0000065

### *Registration of Certificates*

The certificates will initially be issued in book-entry form. Persons acquiring beneficial ownership interests in the certificates may elect to hold their beneficial interests through The Depository Trust Company, in the United States, or Clearstream, Luxembourg or the Euroclear System, in Europe.

See “Description of Certificates — Book-Entry Certificates” in this prospectus supplement.

### *Pass-through Rates*

The pass-through rates for the offered fixed rate certificates (other than the Class AF-[1] Certificates) are the respective per annum fixed rates set forth on page S-7 of this prospectus supplement. The pass-through rate for the Class AF-[1] Certificates is a variable rate that on any distribution date will be equal to One-Month LIBOR plus the pass-through margin for that class. On any distribution date, the pass-through rates per annum for all classes of offered fixed rate certificates will be subject to an interest rate cap equal to the weighted average of the net mortgage rates on the fixed rate mortgage loans (which interest rate cap is called the “fixed net rate cap”).

The pass-through rates for the offered adjustable rate certificates are variable rates that may change from distribution date to distribution date. On any distribution date, the pass-through rate per annum for each class of offered adjustable rate certificates will be equal to the least of:

- One-Month LIBOR plus the pass-through margin for that class, [the weighted average of the maximum net interest rates on the adjustable rate mortgage loans,] and
- a maximum per annum rate referred to as the “adjustable rate available funds cap,” calculated as described under “Description of the Certificates — Distributions — Distributions of Interest” in this prospectus supplement.

See “Description of the Certificates — Distributions — Distributions of Interest” and “— Calculation of One-Month LIBOR” in this prospectus supplement.

If on any distribution date, the pass-through rate for a class of offered fixed rate certificates is based on the fixed net rate cap, or the pass-through rate for a class of offered adjustable rate certificates is based on the adjustable rate available funds cap, the holders of those certificates will receive a smaller amount of interest than those holders would have received on that distribution date had the pass-through rate for that class not been calculated based on the fixed net rate cap or the adjustable rate available funds cap, as applicable. The amount by which a certificateholder’s interest payment has been reduced by operation of the fixed net rate cap or the adjustable rate available funds cap will be paid to that certificateholder on future distribution dates to the extent that money is available to make those payments.

See “Description of the Certificates — Distributions” in this prospectus supplement.

### *Distribution Dates*

The trustee will make distributions on the [ ]th day of each calendar month. If the [ ]th day of a month is not a business day, then the trustee will make distributions on the next business day. The first distribution date is scheduled for [ ].

### *Interest Payments*

On each distribution date holders of the offered certificates will be entitled to receive:

- the interest that has accrued on the certificates at the related pass-through rate during the related accrual period, and
- any interest due on a prior distribution date that was not paid.

The “accrual period”:

- for the offered fixed rate certificates (other than the Class AF-[1] Certificates) will be the calendar month immediately preceding the calendar month in which a distribution date occurs, and
- for the offered adjustable rate certificates and the Class AF-[1] Certificates will be the period from and including the preceding distribution date (or from the closing date, in the case of the first distribution date) to and including the day before the current distribution date.

The trustee will calculate interest:

- on the offered fixed rate certificates (other than the Class AF-[1] Certificates), based on a 360-day year that consists of twelve 30-day months, and
- on the offered adjustable rate certificates and the Class AF-[1] Certificates, based on a 360-day year and the actual number of days elapsed during the related accrual period.

There are certain circumstances that could reduce the amount of interest paid to you.

See “Description of the Certificates — Distributions — Distributions of Interest” in this prospectus supplement.

#### *Principal Payments*

On each distribution date, certificateholders will receive a distribution of principal on their certificates if there is cash available on that date for the payment of principal. Monthly principal distributions:

- will generally include principal payments on the mortgage loans in the related loan group [or subgroup, as applicable],
- until overcollateralization levels have been reached, will include excess interest payments on the mortgage loans in the related loan group, and
- [on the distribution date following the end of the funding period, will include any money remaining in the pre-funding account that was allocated to the related loan group or subgroup, as applicable.]

Certificateholders should review the priority of payments described under “Description of the Certificates — Distributions” in this prospectus supplement.

See “Description of the Certificates — Distributions” and “— Overcollateralization and Cross-Collateralization Provisions” in this prospectus supplement.

#### **Credit Enhancement**

Credit enhancements provide limited protection to certain holders of certificates against shortfalls in payments received on the mortgage loans. This transaction employs the following forms of credit enhancement.

#### *Subordination*

The issuance of senior certificates and subordinated certificates by the trust is designed to increase the likelihood that senior certificateholders will receive regular payments of interest and principal. Among the fixed rate certificates, the Class AF-[ ] Certificates constitute the “senior certificates,” and the Class MF-[1], Class MF-[2], Class BF and Class BF-IO Certificates constitute the “subordinated certificates.” Among the adjustable rate certificates, the Class AV-[1] and Class AV-[2] Certificates constitute the “senior certificates,” and the Class MV-[1], Class MV-[2], Class BV and Class BV-IO Certificates constitute the “subordinated certificates.”

The certificates that have been designated as senior certificates will have a payment priority over the certificates that are designated as subordinated certificates. Within the classes of subordinated certificates of a certificate group:

- certificates that have a class M-[1] designation will have payment priority over certificates of the same certificate group that have a class M-[2] designation and any class B designation;
- certificates that have a class M-[2] designation will have payment priority over certificates of the same certificate group that have any class B designation; and
- the Class BF and Class BV Certificates will have payment priority over the Class BF-IO and Class BV-IO Certificates, respectively.

Subordination is designed to provide the holders of certificates having a higher payment priority with protection against most 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. In general, this loss protection is accomplished by allocating 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.



See “Description of the Certificates — Distributions” in this prospectus supplement.

#### *Overcollateralization and Cross-Collateralization*

When excess interest payments received in respect of the mortgage loans of a loan group are used to reduce principal owed on the related certificate group, the sum of the aggregate principal balance of the mortgage loans in that loan group [plus the amount, if any, on deposit in the pre-funding account allocated to purchase subsequent mortgage loans to be included in that loan group] may become greater than the principal balance of the related certificate group. If this occurs, the certificate group will be “overcollateralized,” and on any distribution date, the amount of that overcollateralization will be available to absorb the related certificates’ share of losses from liquidated mortgage loans, if those losses are not otherwise covered. The required level of overcollateralization will vary by certificate group and may change over time.

Each group of mortgage loans is expected to generate more interest than is needed to pay interest on the related classes of certificates because the weighted average interest rate of the mortgage loans in each loan group is expected to be higher than the weighted average pass-through rate on the related certificates. Any interest payments received in respect of the mortgage loans of a loan group in excess of the amount that is needed to pay interest on the certificates of the related certificate group will be used to reduce the total principal balance of those certificates until a required level of overcollateralization has been achieved.

In addition, the principal payment rules require that, under certain circumstances, excess interest generated by one loan group be used with respect to the other loan group; this is called “cross-collateralization.”

See “Description of the Certificates — Overcollateralization and Cross-Collateralization Provisions” 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 that the master servicer reasonably believes that those cash advances can be repaid from future payments on the related 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 the Mortgage Loans” in this prospectus supplement.

#### **Optional Termination**

The master servicer may purchase all of the remaining assets [in a loan group] after the principal balance of the [related] mortgage loans owned by the trust fund declines to or below [10]% of the sum of the principal balance of the mortgage loans [in that loan group] as of the initial cut-off date [plus the amount deposited in the pre-funding account on the closing date that is allocated to purchase subsequent mortgage loans to be included in that loan group]. Such a purchase by the master servicer will result in the early retirement of all certificates [in the related certificate group].

See “Description of the Certificates — Optional Termination” in this prospectus supplement.

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

For federal income tax purposes, the trust will comprise multiple real estate mortgage investment conduits, organized in a tiered REMIC structure. The certificates offered by this prospectus supplement and the Class BF-IO and Class BV-IO Certificates will represent beneficial ownership of REMIC “regular interests” in the upper tier REMIC identified in the pooling and servicing agreement.

The residual certificates will represent the beneficial ownership of the sole class of “residual interest” in each REMIC. Some classes of offered certificates may be issued with original issue discount for federal income tax purposes.

The adjustable rate certificates will also represent the beneficial interest in the right to receive payments from the adjustable rate carryover reserve fund in accordance with an interest rate cap agreement contained in the pooling and servicing agreement.

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The treatment of the rights of the offered fixed rate certificates to any interest in excess of the weighted average net mortgage rate of the fixed rate mortgage loans is unclear for federal income tax purposes. The rights of these certificates to interest carryforward amounts may be treated as representing beneficial interests in the right to receive payments from a separate reserve fund in accordance with an interest rate cap agreement treated as a notional principal contract. Alternatively, the rights of these certificates to interest carryforward amounts may be treated as representing beneficial interests in an entity taxable as a partnership for federal income tax purposes with the Class BF-IO Certificates in respect of the Class BF-IO Certificates’ entitlement to interest.

RFJN\_EX 18\_0000068

See “Material Federal Income Tax Consequences” in this prospectus supplement and in the prospectus.

#### Legal Investment Considerations

None of the classes of offered certificates will be “mortgage related securities” for purposes of the Secondary Mortgage Market Enhancement Act of 1984.

See “Legal Investment” in the prospectus.

#### ERISA Considerations

The Class AF-[ ] [and AV-[ ]] certificates may be purchased by a pension or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974 or Section 4975 of the Internal Revenue Code of 1986, or by an entity investing the assets of an employee benefit plan so long as certain conditions are met. A fiduciary of an employee benefit plan must determine that the purchase of a certificate is consistent with its fiduciary duties under applicable law and does not result in a nonexempt prohibited transaction under applicable law.

See “ERISA Considerations” in this prospectus supplement and in the prospectus.

#### Certificate Ratings

The classes of certificates listed below will not be offered unless they receive the respective ratings set forth below from [Rating Agency] and [Rating Agency]

[Class]	[Rating Agency]	[Rating Agency]
Class AF-[1]		
Class AF-[ ]		
Class AF-[ ]		
Class AV-[1]		
Class AV-[2]		
Class MF-[1]		
Class MV-[1]		
Class MF-[2]		
Class MV-[2]		
Class BF		
Class BV		

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 and “Risk Factors — Rating of the Securities” and “Rating” in the prospectus.

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#### RISK FACTORS

*The following information, which you should carefully consider, identifies known material sources of risk associated with an investment in the certificates. You should also carefully consider the information set forth under “Risk Factors” in the prospectus.*

*The subordinated certificates have a greater risk of loss than senior certificates and subordination may not be sufficient to protect senior certificates from losses*

When certain classes of certificates provide credit enhancement for other classes of certificates this is sometimes referred to as “subordination.” The subordination feature is intended to enhance the likelihood that senior certificateholders will receive regular payments of interest and principal. For purposes of this prospectus supplement, “related subordinated classes” means:

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- with respect to the senior certificates of a certificate group, the certificates of the same certificate group that have a Class M or Class B designation;
- with respect to the certificates that have a Class M-[1] designation, the certificates of the same certificate group that have a Class M-[2] designation or any Class B designation;
- with respect to the certificates that have a Class M-[2] designation, the certificates of the same certificate group that have any Class B designation; and
- with respect to the Class BF and Class BV Certificates, the Class BF-IO and Class BV-IO Certificates, respectively.

Credit enhancement will be provided for the certificates, first, by the right of the holders of the certificates to receive certain payments of principal before the related subordinated classes and, second, by the allocation of realized losses to the related subordinated classes. This form of credit enhancement is provided by using collections on the mortgage loans otherwise payable to the holders of the related subordinated classes to pay amounts due on the more senior classes. Collections otherwise payable to subordinated classes comprise the sole source of funds from which this credit enhancement is provided. Realized losses are allocated to the subordinated certificates, beginning with the subordinated certificates with the lowest payment priority, until the principal amount of that subordinated class has been reduced to zero. This means that with respect to the certificates offered by this prospectus supplement, realized losses on the mortgage loans of a particular loan group will first be allocated to the Class BF or Class BV Certificates, as applicable, until the principal balance of the Class BF or Class BV Certificates has been reduced to zero. Subsequent realized losses will be allocated to the next most junior class of subordinated certificates of the related certificate group, until the principal balance of that class of subordinated certificates has been reduced to zero. Accordingly, if the aggregate principal balance of the related subordinated classes 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 remaining certificates.

You should fully consider the risks of investing in a subordinated certificate, including the risk that you may not fully recover your initial investment as a result of realized losses. In addition, investors in senior certificates should consider the risk that the subordination of the related subordinated classes may not be sufficient to protect the senior certificates from losses.

See “Description of the Certificates” in this prospectus supplement.

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***Excess interest from the mortgage loans may not provide adequate credit enhancement***

Each group of mortgage loans is expected to generate more interest than is needed to pay interest on the related classes of certificates because the weighted average interest rate on the related mortgage loans is expected to be higher than the weighted average pass-through rate on the related classes of certificates. If the amount of interest generated by the related mortgage loans is more than the amount that is needed to pay interest on the related certificates, that “excess interest” will be used to make additional principal payments on the related certificates. The use of excess interest to make additional principal payments on related certificates will reduce the total principal balance of those certificates below the aggregate principal balance of the related mortgage loans, thereby creating additional “overcollateralization.” Overcollateralization is intended to provide limited protection to certificateholders by absorbing the related certificates’ share of losses from liquidated mortgage loans.

However, we cannot assure you that enough excess interest will be generated on the mortgage loans of either loan group to establish or maintain the required levels of overcollateralization for the related certificate group.

The excess interest available on any distribution date will be affected by the actual amount of interest received, collected or recovered in respect of the related mortgage loans during the preceding month. That amount will be influenced by changes in the pass-through rates on the offered adjustable rate certificates and the Class AF-[1] Certificates, and changes to the weighted

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average of the mortgage rates resulting from prepayments and liquidations of the related mortgage loans, and in the case of the offered adjustable rate certificates, adjustments of the mortgage rates on adjustable rate mortgage loans. Because the mortgage rates on the fixed rate mortgage loans are fixed, [except for some mortgage rates that may decline based on payment history,] while the pass-through rate on the Class AF-[1] Certificates is variable and because the index used to determine the mortgage rates on the adjustable rate mortgage loans is different from the index used to determine the pass-through rates on the offered adjustable rate certificates, it is possible that the pass-through rates on these certificates may be higher than the interest rates on the related mortgage loans. In that event, it may be necessary to apply all or a portion of the available excess interest to make required payments of interest on the related classes of certificates. As a result, excess interest may be unavailable for any other purpose.

If the protection afforded by overcollateralization and cross-collateralization is insufficient, then the holders of the certificates could experience a loss on their investment.

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*[Risk regarding mortgage rates]*

The pass-through rate on each class of adjustable rate certificates adjusts monthly and is generally based on one-month LIBOR. The mortgage rates on the adjustable rate mortgage loans generally adjust semi-annually based on six-month LIBOR [(although with respect to approximately [ ]% and [ ]% of the mortgage loans in statistical calculation loan subgroup [ ] and statistical calculation loan subgroup [ ], respectively, the related interest rates are initially fixed for one, two or three years before they begin to adjust semi-annually).] Because six-month LIBOR may respond to different economic and market factors than one-month LIBOR, there is not necessarily a correlation in movement between those indices. For example, it is possible that the interest rates on some of the adjustable rate mortgage loans may decline while the pass-through rates on the related certificates are stable or rising. In addition, although it is possible that both the mortgage rates and certificate pass-through rates may decline or increase during the same period, because of the difference between interest rate adjustment periods and pass-through rate adjustment periods, mortgage rates may decline or increase more slowly than the related certificate pass-through rates.

This absence of a correlation between movement in the mortgage rates and the certificate pass-through rates may reduce the interest payable on the adjustable rate certificates because of the imposition of a pass-through rate cap called the "adjustable rate available funds cap." Although it is intended that the amount by which a certificateholder's interest payment has been reduced by operation of the adjustable rate available funds cap will be paid to that certificateholder on future distribution dates, we cannot assure you that excess funds will be available to make any of those payments.

In addition, the pass-through rate on the Class AF-[1] Certificates adjusts monthly and is based on one-month LIBOR while the mortgage rates on the fixed rate mortgage loans are fixed [, except for some mortgage rates that may decline based on payment history]. The absence of the correlation between the variable pass-through rate on the Class AF-[1] Certificates and the fixed mortgage rates for the fixed rate loan group may reduce the interest payable on the Class AF-[1] Certificates because of the imposition of a pass-through rate cap called "fixed net rate cap." Although it is intended that the amount by which a certificateholder's interest payment has been reduced by operation of the fixed net rate cap will be paid to that certificateholder on future distribution dates, we cannot assure you that excess funds will be available to make any of those payments.]

*Defaults on second lien [fixed] [adjustable] rate mortgage loans could result in payment delay or loss on the offered [fixed] [adjustable] rate certificates*

Approximately [ ]% of the mortgage loans in the [fixed] [adjustable] rate [statistical calculation] loan group will be secured by second mortgages on residential properties. In the case of liquidations, [fixed] [adjustable] rate mortgage loans secured by second mortgages are entitled to proceeds that remain from the sale of the related mortgaged property after any related first lien mortgage loan and prior statutory liens have been repaid in full and any related foreclosure costs have been paid. If those proceeds are insufficient to satisfy the mortgage loans secured by second mortgages and prior liens and costs in the aggregate, the trust fund and, accordingly, holders of the offered [fixed] [adjustable] rate certificates will bear:

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- the risk of delay in distributions while any deficiency judgment against the borrower is sought, and
- the risk of loss if the deficiency judgment cannot be obtained or is not realized upon.

See “Certain Legal Aspects of the Loans” in the prospectus.

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*[Balloon loans may have high rates of default]*

With respect to approximately [\_\_\_\_\_] % of the mortgage loans in the [fixed] [adjustable] rate [statistical calculation] loan group, borrowers make monthly payments of principal that are less than sufficient to amortize those mortgage loans by their maturity. These loans are commonly called “balloon loans.” As a result of these lower monthly payments, a borrower generally will be required to pay a large remaining principal balance upon the maturity of a balloon loan. The ability of a borrower to make that payment may depend on its ability to obtain refinancing of the balance due on the mortgage loan. In addition, an increase in prevailing market interest rates over the loan rate on the mortgage loan at origination may reduce the borrower’s ability to obtain refinancing and to pay the principal balance of the mortgage loan at its maturity.]

*Cash flow considerations and risks could cause payment delays and losses*

There could be substantial delays in the liquidation of defaulted mortgage loans and corresponding delays in your receiving your portion of the proceeds of a liquidation. These delays could continue for several years. Furthermore, an action to obtain a deficiency judgment is regulated by statutes and rules, and the amount of a deficiency judgment may be limited by law. In the event of a default by a borrower, these restrictions may impede the ability of the master servicer to foreclose on or to sell the mortgaged property or to obtain a deficiency judgment. In addition, liquidation expenses (such as legal and appraisal fees, real estate taxes and maintenance and preservation expenses) will reduce the amount of security for the mortgage loans and, in turn, reduce the proceeds payable to certificateholders. If:

- the mortgaged properties fail to provide adequate security for the related mortgage loans, and
- the protection provided by the subordination of certain classes and the availability of overcollateralization are insufficient to cover any shortfall,

you could lose all or a portion of the money you paid for the certificates.

*Yield and reinvestment could be adversely affected by unpredictability of prepayments*

No one can accurately predict the level of prepayments that the trust fund will experience. The trust fund’s prepayment experience may be affected by many factors, including:

- general economic conditions,
- the level of prevailing interest rates,
- the availability of alternative financing, and
- homeowner mobility.

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In addition, [substantially all of] the mortgage loans contain due-on-sale provisions, and the master servicer intends to enforce those provisions unless doing so is not permitted by applicable law or the master servicer, in a manner consistent with reasonable commercial practice, permits the purchaser of the mortgaged property in question to assume the related mortgage loan.

See “The Mortgage Pool” and “Yield, Prepayment and Maturity Considerations” in this prospectus supplement and “Certain Legal Aspects of the Loans — Due-on-Sale Clauses” in the

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prospectus for a description of certain provisions of the mortgage loans that may affect the prepayment experience on the mortgage loans.

[In addition, the weighted average life of the certificates will be affected by any prepayment resulting from the distribution of amounts (if any) on deposit in the pre-funding account after the end of the funding period that are allocated to the related loan group or subgroup, as applicable.]

The weighted average life of the certificates will be sensitive to the rate and timing of principal payments (including prepayments) on the mortgage loans, which may fluctuate significantly from time to time. You should note that:

- generally, if you purchase your certificates at a discount and principal is repaid on the related mortgage loans slower than you anticipate, then your yield may be lower than you anticipate;
- generally, if you purchase your certificates at a premium and principal is repaid on the related mortgage loans faster than you anticipate, then your yield may be lower than you anticipate;
- if you purchase an adjustable rate certificate, your yield will also be sensitive to:
  - the level of one-month LIBOR;
  - the timing of adjustment of the pass-through rate on your certificate as it relates to the timing of adjustment of the interest rates on the adjustable rate mortgage loans;
  - the level of the mortgage index; and
  - other limitations on the pass-through rate of that certificate, as described further in this prospectus supplement; and
- if you purchase a Class AF-[1] Certificate, your yield will also be sensitive to:
  - the level of one-month LIBOR, and
  - the adjustment of the pass-through rate on your certificates as it relates to the interest rates on the fixed rate mortgage loans, you bear the reinvestment risks resulting from a faster or slower rate of principal payments than you expected.

See “Yield, Prepayment and Maturity Considerations” in this prospectus supplement and “Yield and Prepayment Considerations” in the prospectus.

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*[Possible prepayment due to inability to acquire related subsequent mortgage loans]*

The ability of the trust fund to acquire subsequent mortgage loans for inclusion in the related loan group or subgroup (as applicable) depends on the ability of the seller to originate and acquire mortgage loans during the funding period that meet the eligibility criteria for subsequent mortgage loans as described in this prospectus supplement. The ability of the seller to originate and acquire these loans will be affected by a number of factors including prevailing interest rates, employment levels, the rate of inflation and economic conditions generally.

If the full amounts on deposit in the pre-funding account allocated to purchase subsequent mortgage loans for a loan group or subgroup (as applicable) cannot be used by the end of the funding period for that purpose, that amount remaining on deposit in the pre-funding account will be distributed to the related certificateholders as a prepayment of principal on the [\_\_\_\_], 200[ ] distribution date. In particular, investors in the Class AV-[2] Certificates should note that a substantial portion of the pre-funded amount (approximately [ ]%) has been allocated to purchase subsequent mortgage loans to be included in loan group [ ]. No assurance can be given as to the magnitude of any amount on deposit in the pre-funding account at the end of the funding period with respect to any loan group or subgroup.]

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*Reduction in or withdrawal of certificate ratings will affect the value of the certificates*

The ratings of the certificates will depend primarily on an assessment by the rating agencies of the mortgage loans underlying the certificates, the amount of overcollateralization and the subordination afforded by certain classes of certificates. The rating by each of the rating agencies of the certificates is not a recommendation to purchase, hold or sell the certificates because that rating does not address the market price of the certificates or suitability for a particular investor.

The rating agencies may suspend, reduce or withdraw the ratings on the certificates at anytime. Any reduction in, or suspension or withdrawal of, the ratings assigned to the certificates would probably reduce the market value of the certificates and may affect your ability to sell them.

*Distribution to and rights of investors could be adversely affected by the bankruptcy or insolvency of certain parties*

First Horizon will treat its transfer of the mortgage loans to the depositor as a sale of the mortgage loans. However, if First Horizon becomes bankrupt, the trustee in bankruptcy of First Horizon may argue that the mortgage loans were not sold but were only pledged to secure a loan to First Horizon. If that argument is made, you could experience delays or reduction in payments on the certificates. If that argument is successful, the bankruptcy trustee could elect to sell the mortgage loans and pay down the certificates early. Thus, you could lose the right to future payments of interest, and might suffer reinvestment loss in a lower interest rate environment.

In addition, if the master servicer becomes bankrupt, a bankruptcy trustee or receiver may have the power to prevent the trustee from appointing a successor master servicer. Any related delays in servicing could result in increased delinquencies or losses on the mortgage loans.

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*Some mortgage loans have special disclosure requirements and may subject the trust fund to liability*

Approximately \_\_\_% of the mortgage loans are subject to the Home Ownership and Equity Protection Act of 1994, which amended the Truth in Lending Act as it applies to mortgages subject to the Home Ownership and Equity Protection Act. The Home Ownership and Equity Protection Act requires additional disclosures, specifies the timing of these disclosures and limits or prohibits the inclusion of some provisions in mortgages subject to the Home Ownership and Equity Protection Act. The Home Ownership and Equity Protection Act also provides that any purchaser or assignee of a mortgage covered by the Home Ownership and Equity Protection Act, including the trust fund, is subject to all of the claims and defenses which the borrower could assert against the original lender.

The maximum damages that may be recovered under the Home Ownership and Equity Protection Act from an assignee are the remaining amount of indebtedness plus the total amount paid by the borrower in connection with the loans. Any violation of the Home Ownership and Equity Protection Act which would result in liability to the trust fund would be a breach of the seller's representations and warranties under the mortgage loan purchase agreement, and the seller would be obligated to cure the breach, or repurchase or, if permitted by the mortgage loan purchase agreement or the pooling and servicing agreement, substitute for the affected mortgage loan.

*Geographic concentration of mortgaged properties in [California] increases the risk that certificate yields could be impaired*

Approximately [\_\_\_]% of the mortgage loans in the fixed rate [statistical calculation] loan group and approximately [\_\_\_]% of the mortgage loans in the adjustable rate [statistical calculation] loan group ((and [\_\_\_]% and [\_\_\_]% of the mortgage loans in statistical calculation loan subgroup [\_\_\_] and statistical calculation loan subgroup [\_\_\_], respectively)) as of the [statistical calculation] [cut-off] date are secured by mortgaged properties that are located in the State of [California]. 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

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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;
- 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; and
- 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.

See "Servicing of Mortgage Loans — Management's Discussion and Analysis of Delinquency and Foreclosure Trends."

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*You may have difficulty reselling certificates*

The underwriters intend to make a secondary market in the classes of certificates purchased by them, but no underwriter has any 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. Fluctuations may be significant and could result in significant losses to you.

The secondary markets for asset 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 certificates 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.

*The effects of terrorist attacks and military action are not determinable*

The effects that possible future terrorist attacks or other incidents and related military action, or the military action by United States forces in Iraq and other regions, may have on the performance of the mortgage loans or on the values of the related mortgaged properties cannot be determined at this time. Investors should consider the possible effects of such incidents on delinquency, default and prepayment experience of the mortgage loans. Federal agencies and non-government lenders have and may continue to defer, reduce or forgive payments and delay foreclosure proceedings in respect of loans to borrowers affected in some way by future attacks or other incidents and the related military action.

The current deployment of U.S. military reservists and members of the National Guard and any further such deployments may significantly increase the proportion of loans whose interest rates are reduced by application of the Servicemembers Civil Relief Act (the "Relief Act"). The Relief Act provides, generally, that a borrower who is covered by the Relief Act may not be charged interest on the related mortgage loan in excess of 6% annually during the period of the borrower's active duty. Under the Military Reservist Relief Act, which is a California statute, under certain circumstances, California residents called into active duty with the reserves can delay payments on mortgage loans for a period not to exceed 180 days, beginning with the order to active duty and ending 30 days after release. Interest payable to holders of the certificates will be reduced by any reductions in the amount of interest not collectible as a result of the application of such Acts. These shortfalls are not required to be paid by the borrower at any future time. Neither the seller, the depositor or the master servicer is required to advance these shortfalls as delinquent payments, and such shortfalls are not covered by any form of credit enhancement on the certificates. Any reductions resulting from such Acts will be allocated *pro rata* among the senior certificates and the subordinated certificates.

In addition, legislation granting similar loan payment relief to certain persons not covered by the Relief Act has been proposed and may be enacted in various states.

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## FORWARD LOOKING STATEMENTS

Some 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 projection 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 TRUST FUND

First Horizon Home Loan Trust 200[ ]-[ ] is a [grantor][statutory] trust formed under the laws of the State of [New York][Delaware]. The trust fund will own a pool of fixed and adjustable rate, conventional mortgage loans that are secured by first and second liens on one-to-four family residential properties. The loans will be secured by first and second liens on mortgaged properties. We sometimes refer to these loans as home equity loans or mortgage loans.

We will divide the mortgage loans in the trust fund into [two] groups which will be referred to as loan groups, based on whether the interest rate on the mortgage loans in the related loan group is fixed or adjustable. The ownership interest of each loan group will be allocated between the Class [ ] Certificates and the Class [ ] Certificates, as applicable. The Class [ ] Certificates will initially represent approximately a 100% interest in the Fixed Rate Loan Group and the Class [ ] Certificates will initially represent approximately a 100% interest in the Adjustable Rate Loan Group [ ].

The trust fund will also include:

- collections on the mortgage loans received after the cut-off date (exclusive of payments in respect of accrued interest due on or prior to the cut-off date);
- mortgaged properties relating to the mortgage loans that are acquired by foreclosure or deed in lieu of foreclosure;
- amounts on deposit from time to time in the Collection Account (as defined in the pooling and servicing agreement) for the certificates (excluding net earnings thereon);
- [the Pre-funding Account]
- amounts on deposit from time to time in the Fixed Rate Carryover Reserve Fund and the Adjustable Rate Carryover Reserve Fund (excluding net earnings thereon);
- any further credit enhancement for the Class [ ] Certificates only; and
- the depositor's rights with respect to the representations, warranties and covenants of the seller under the mortgage loan purchase agreement between the seller and the depositor, as purchaser.

## THE MORTGAGE POOL

### General

The following discussion applies to the origination, sales and servicing practices of First Horizon in effect at the time of the origination of the Mortgage Loans.

Set forth below is certain [statistical] information based on scheduled principal balances as of [\_\_\_\_], 200[ ] which is the [“Statistical Calculation Date”] concerning (1) the pool of mortgage loans, [and] (2) each group of mortgage loans comprising that pool [and] (3) each subgroup of mortgage loans comprising the [fixed] [adjustable] rate group of mortgage loans, in each case with respect to mortgage loans originated by the seller (as defined in this prospectus supplement) through [\_\_\_\_], 200[ ] [(such pool, the “Statistical Calculation Pool,” each such group, a “Statistical Calculation Loan Group”, and each such subgroup, a “Statistical Calculation Loan Subgroup”)]. A detailed description of the pool of conventional

mortgage loans (the “[Initial] Mortgage Loans”) to be actually included in the Trust Fund at the Closing Date (such pool, the “[Initial] Mortgage Pool”) will be available to purchasers of the Offered Certificates at or before, and will be filed on Form 8-K with the Securities and Exchange Commission after delivery of the Offered Certificates. The Detailed Description will specify the aggregate of the Stated Principal Balances of the [Initial] Mortgage Loans included in the [Initial] Mortgage Pool [as of the later of (x) \_\_\_\_\_, 200[ ] and (y) the date of origination of each of those Initial Mortgage Loans (the “Initial Cut-off Date,” and such aggregate of those Stated Principal Balances, the “Initial Cut-off Date Pool Principal Balance”)] and will also include, among other things, the following information regarding those [Initial] Mortgage Loans:

- the Mortgage Rates borne by the [Initial] Mortgage Loans as of the [Initial Cut-off Date],
- the lien priorities of the [Initial] Mortgage Loans,
- the Loan-to-Value Ratios or Combined Loan-to-Value Ratios, as applicable, of the [Initial] Mortgage Loans,
- the remaining months to stated maturity of the [Initial] Mortgage Loans as of the [Initial Cut-off Date],
- the type of properties securing the [Initial] Mortgage Loans,
- the geographical distribution of those [Initial] Mortgage Loans by state,
- the occupancy types of the [Initial] Mortgage Loans, and
- the loan purposes of the [Initial] Mortgage Loans.

The “[Statistical Calculation] [Cut-off] Date Pool Principal Balance” is \$[\_\_\_\_\_], which is equal to the aggregate Stated Principal Balance of the Mortgage Loans as of the [Statistical Calculation] [Cut-off] Date. The [Statistical Calculation] [Cut-off] Date Group Principal Balance for the [Statistical Calculation] Loan Group comprised of Fixed Rate Mortgage Loans (the “Fixed Rate [Statistical Calculation] Loan Group”) is \$[\_\_\_\_\_], which is equal to the aggregate Stated Principal Balance of the Fixed Rate Mortgage Loans as of the [Statistical Calculation] [Cut-off] Date. The [Statistical Calculation] [Cut-off] Date Group Principal Balance for the [Statistical Calculation] Loan Group comprised of Adjustable Rate Mortgage Loans (the “Adjustable Rate [Statistical Calculation] [Cut-off] Loan Group”) is \$[\_\_\_\_\_], which is equal to the aggregate Stated Principal Balance of the Adjustable Rate Mortgage Loans as of the [Statistical Calculation] [Cut-off] Date. [The “[Statistical Calculation] [Cut-off] Date Subgroup Principal Balance” for the [Statistical Calculation] Loan Subgroup identified below as “[Statistical Calculation] Loan Subgroup [ ]” is \$[\_\_\_\_\_] which is equal to the aggregate Stated Principal Balances of the [Fixed] [Adjustable] Rate Mortgage Loans in [Statistical Calculation] Loan Subgroup [ ].

[The Statistical Calculation Pool will consist of [ ] Mortgage Loans, of which approximately [ ]% are included in the Fixed Rate Statistical Calculation Loan Group and approximately [ ]% are included in the Adjustable Rate Statistical Calculation Loan Group (based on the scheduled principal balances as of the Statistical Calculation Date).] First Horizon Asset Securities Inc., as the “depositor” believes that the information set forth in this prospectus supplement with respect to the [Statistical Calculation] [Mortgage] Pool, each [Statistical Calculation] Loan Group [and each Statistical Calculation Loan Subgroup] as presently constituted is representative of the characteristics of the Mortgage Pool, each Loan Group [and each Loan Subgroup], respectively, as will be constituted at the Closing Date, although some characteristics of the Mortgage Loans in the Mortgage Pool, each Loan Group [and each Loan Subgroup] may vary. See “— Difference between Statistical Calculation Pool and the Actual Mortgage Pool” below. Unless otherwise indicated, information presented below expressed as a percentage (other than rates of interest) are approximate percentages based on either the [Statistical Calculation] [Cut-off] Date Group Principal Balance of the related [Statistical Calculation] Loan Group [or the Statistical Calculation Date Subgroup Principal Balance of the related Statistical Loan Subgroup, as applicable].

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All of the Mortgage Loans to be included in the Trust Fund will be evidenced by promissory notes (the “Mortgage Notes”). The Mortgage Notes are secured by first and second lien deeds of trust, security deeds or mortgages on one- to four-family residential properties (the “Mortgaged Properties”) which are located in 49 states and the District of Columbia. Each Mortgage Loan in the Trust will be assigned to one of two mortgage loan groups (the “Fixed Rate Loan Group” and “Adjustable Rate Loan Group,” and each a “Loan Group”), comprised of Mortgage Loans that bear interest at fixed rates[, except for some mortgage rates that may decline based on payment history], in the case of the Fixed Rate Loan Group such Mortgage Loans, (the “Fixed Rate Mortgage Loans”), and adjustable rates, in the case of the Adjustable Rate Loan Group such Mortgage Loans, (the “Adjustable Rate Mortgage Loans”). [The [Fixed] [Adjustable] Rate Loan Group will be comprised of [ ] subgroups of Mortgage Loans (each a “Loan Subgroup”). [“Loan Subgroup [ ]” will consist of [Fixed] [Adjustable] Rate Mortgage Loans with principal balances at origination that may or may not conform to the criteria specified below for principal balances at origination of the Mortgage Loans included in Loan Subgroup [ ]. “Loan Subgroup [ ]” will consist of [Fixed] [Adjustable] Rate Mortgage Loans that had a principal balance at origination of no more than \$[ ] (or \$[ ] if the property is located in [ ] or [ ]), if a single-family property, or \$[ ] (or \$[ ] if the property is located in [ ] or [ ]), if a two- to four-family property.]

[Substantially] all of the Mortgage Loans to be included in the Trust Fund will provide for the amortization of the amount financed over a series of monthly payments and will provide for payments due as of the first day of each month. [The Mortgage Loans to be included in the Trust Fund will have

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been originated or purchased by First Horizon and will have been originated substantially in accordance with First Horizon's underwriting criteria described in the prospectus under "Loan Programs — Underwriting Standards." ]

Scheduled monthly payments made by the Mortgagors on the Mortgage Loans ("Scheduled Payments") either earlier or later than the scheduled due dates of those Mortgage Loans will not affect the amortization schedule or the relative application of those payments to principal and interest. All of the Mortgage Notes will provide for a fifteen (15) day grace period for monthly payments. Any Mortgage Loan may be prepaid in full or in part at any time; however, approximately [ ]% of the Mortgage Loans in the Fixed Rate [Statistical Calculation] Loan Group and [ ]% of the Mortgage Loans in the Adjustable Rate [Statistical Calculation] Loan Group (approximately [ ]% of the Mortgage Loans in [Statistical Calculation] Loan Subgroup [ ] and approximately [ ]% of the Mortgage Loans in [Statistical Calculation] Loan Subgroup [ ]) provide for the payment by the borrower of a prepayment charge on full prepayments typically made within five years from the date of execution of the related Mortgage Note. In general, the related Mortgage Note will provide that a prepayment charge will apply if, during the first five years from the date of origination of that Mortgage Loan, the borrower prepays that Mortgage Loan in full. The amount of the prepayment charge will generally be equal to six months' advance interest calculated on the basis of the rate in effect at the time of that prepayment on the amount prepaid in excess of 20% of the original balance of that Mortgage Loan.

*Fixed Rate [Statistical Calculation] Loan Group*

For the Fixed Rate Mortgage Loans in the Fixed Rate [Statistical Calculation] Loan Group:

- The aggregate of the Stated Principal Balances was \$[ ]. The average Stated Principal Balance was \$[ ], the minimum Stated Principal Balance was \$[ ], and the maximum Stated Principal Balance was \$[ ].
- The minimum Mortgage Rate and the maximum Mortgage Rate were approximately [ ]% and [ ]% per annum, respectively, and the weighted average Mortgage Rate was approximately [ ]% per annum.
- The remaining amortization term to maturity ranged from approximately [ ] months to [ ] months and the weighted average remaining amortization term to maturity was approximately [ ] months.

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- 
- Approximately [ ]% of the Mortgage Loans were secured by Mortgaged Properties which are single-family detached residences and approximately [ ]% were owner-occupied.
  - Approximately [ ]%, [ ]%, [ ]%, [ ]% and [ ]% of the Mortgage Loans are secured by Mortgaged Properties located in [ ], [ ], [ ] and [ ], respectively.
  - Approximately [ ]% of the Mortgage Loans were underwritten in accordance with First Horizon's [Stated Income] Program.
  - Approximately [ ]% of the Mortgage Loans constitute Balloon Loans.
  - Approximately [ ]% of the Mortgage Loans were 30 to 59 days delinquent. As of the [Statistical Calculation] [Cut-off] Date, no Mortgage Loan was 60 or more days delinquent.
  - Approximately [ ]% of the Mortgage Loans are secured by first liens on the related Mortgaged Properties, and approximately [ ]% of the Mortgage Loans are secured by second liens on the related Mortgaged Properties.

*Adjustable Rate [Statistical Calculation] Loan Group*

For the Adjustable Rate Mortgage Loans in the Adjustable Rate [Statistical Calculation] Loan Group:

- The aggregate of the Stated Principal Balances was \$[ ]. The average Stated Principal Balance was \$[ ], the minimum Stated Principal Balance was \$[ ], and the maximum Stated Principal Balance was \$[ ].
- The minimum current Mortgage Rate and the maximum current Mortgage Rate were approximately [ ]% and [ ]% per annum, respectively, and the weighted average Mortgage Rate was approximately [ ]% per annum.
- The remaining term to scheduled maturity ranged from approximately [ ] to [ ] months and the weighted average remaining term to scheduled maturity was approximately [ ] months.
- Approximately [ ]% of the Mortgage Loans were secured by Mortgaged Properties which are single-family detached residences and

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approximately [ ] % were owner-occupied.

- Approximately [ ]%, [ ]%, [ ]%, [ ]% and [ ]% of the Mortgage Loans are secured by Mortgaged Properties located in [ ], [ ], [ ] and [ ], respectively.
- Approximately [ ]% of the Mortgage Loans were underwritten in accordance with First Horizon's [Stated Income] Program.
- None of the Mortgage Loans constitute Balloon Loans.
- Approximately [ ]% of the Mortgage Loans were 30 to 59 days delinquent. No Mortgage Loan was 60 or more days delinquent.
- All of the Mortgage Loans are secured by first liens on the related Mortgaged Properties.

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*[Statistical Calculation] Loan Subgroup [ ]*

For the [Fixed] [Adjustable] Rate Mortgage Loans in [Statistical Calculation] Loan Group [ ]:

- The aggregate of the Stated Principal Balances was \$[ ]. The average Stated Principal Balance was \$[ ], the minimum Stated Principal Balance was \$[ ], and the maximum Stated Principal Balance was \$[ ].
- The minimum current Mortgage Rate and the maximum current Mortgage Rate were approximately [ ]% and [ ]% per annum, respectively, and the weighted average Mortgage Rate was approximately [ ]% per annum.
- The remaining term to scheduled maturity ranged from approximately [ ] to [ ] months and the weighted average remaining term to scheduled maturity was approximately [ ] months.
- Approximately [ ]% of the Mortgage Loans were secured by Mortgaged Properties which are single-family detached residences and approximately [ ]% were owner-occupied.
- Approximately [ ]%, [ ]%, [ ]%, [ ]% and [ ]% of the Mortgage Loans are secured by Mortgaged Properties located in [ ], [ ], [ ] and [ ], respectively.
- Approximately [ ]% of the Mortgage Loans were underwritten in accordance with First Horizon's Stated Income Program.
- None of the Mortgage Loans constitute Balloon Loans.
- Approximately [ ]% of the Mortgage Loans were 30 to 59 days delinquent. No Mortgage Loan was 60 or more days delinquent.

*Additional Information Regarding the Adjustable Rate Mortgage Loans*

Each of the Adjustable Rate Mortgage Loans will have a Mortgage Rate which is subject to semi-annual adjustment on the first day of the months specified in the related Mortgage Note (each of these dates, an "Adjustment Date") to equal the sum, rounded to the nearest [ ]%, of:

- the average of the London interbank offered rates for [six-month] U.S. dollar deposits in the London market, as set forth in The Wall Street Journal, or, if that rate ceases to be published in The Wall Street Journal or becomes unavailable for any reason, then based upon a new index selected by the trustee, as holder of the related Mortgage Note, based on comparable information, in each case as most recently announced as of a date [45] days before that Adjustment Date (the "Mortgage Index"); and
- a fixed percentage amount specified in the related Mortgage Note (the "Gross Margin");

provided, however, that the Mortgage Rate for substantially all of the Adjustable Rate Mortgage Loans will not increase or decrease by more than [ ]% on any Adjustment Date (the "Periodic Rate Cap"), with the exception of the initial Adjustment Date for some of the [1/29], [2/28] and [3/27] Mortgage Loans (each defined below), which are subject to a different initial Periodic Rate Cap, which is set forth in the Mortgage Note. Substantially all of the Mortgage Loans in the Adjustable Rate Statistical Calculation Loan Group were originated with Mortgage Rates less than the sum of the then applicable Mortgage Index and the related Gross Margin. Approximately [ ]% of the Mortgage Loans in the Adjustable Rate [Statistical Calculation] Loan Group [(and [ ]% in Statistical Calculation Loan Subgroup [ ] and [ ]% in Statistical Calculation Loan Subgroup [ ]) have fixed Mortgage Rates for

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approximately [12] months after origination of those Mortgage Loans (the “[1/29] Mortgage Loans”), approximately [ ]% of the Mortgage Loans in the Adjustable Rate [Statistical Calculation] Loan Group [(and [ ]% in Statistical Calculation Loan Subgroup [ ] and [ ]% in Statistical Calculation Loan Subgroup [ ])] have fixed Mortgage Rates for approximately [24] months after origination of those Mortgage Loans (the “[2/28] Mortgage Loans”), and approximately [ ]% of the Mortgage Loans in the Adjustable Rate [Statistical Calculation] Loan Group [(and [ ]% in Statistical Calculation Loan Subgroup [ ] and [ ]% in Statistical Calculation Loan Subgroup [ ])] have fixed Mortgage Rates for approximately [36] months after origination of those Mortgage Loans (the “[3/27] Mortgage Loans”), in each case before becoming subject to the semi-annual adjustment described in the preceding sentences. Approximately [ ]% of the Mortgage Loans in the Adjustable Rate [Statistical Calculation] Loan Group [(and [ ]% in Statistical Calculation Loan Subgroup [ ] and [ ]% in Statistical Calculation Loan Subgroup [ ])] will provide that over the life of each Mortgage Loan in that Adjustable Rate [Statistical Calculation] Loan Group [or Statistical Calculation Loan Subgroup] the Mortgage Rate will in no event be more than the initial Mortgage Rate plus [ ]% (the “Maximum Mortgage Rate”). Effective with the first payment due on an Adjustable Rate Mortgage Loan after each related Adjustment Date, the monthly payment will be adjusted to an amount which will fully amortize the outstanding principal balance of the Mortgage Loan over its remaining term.

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#### *[Difference between Statistical Calculation Pool and the Initial Mortgage Pool]*

The statistical information presented in this prospectus supplement is based on the Statistical Calculation Pool. The Statistical Calculation Pool reflects Mortgage Loans originated by the seller through [ ], 200[ ]. The statistical information presented in this prospectus supplement is based on the number and the Stated Principal Balances of those Mortgage Loans as of the Statistical Calculation Date. The depositor expects the aggregate Stated Principal Balances of the [Initial] Mortgage Loans to be included in the [Initial] Mortgage Pool as of the [Initial] Cut-off Date will be approximately \$[ ]. The Mortgage Loans to be included in the [Initial] Mortgage Pool will represent Mortgage Loans in the Statistical Calculation Pool plus additional Mortgage Loans sold by the seller to the depositor, and by the depositor to the Trust Fund, on the Closing Date. However, with respect to the Mortgage Loans in the Statistical Calculation Pool, as to which statistical information is presented in this prospectus supplement, certain amortization will occur before the transfer of those Mortgage Loans to the Trust Fund. Moreover, some Mortgage Loans in the Statistical Calculation Pool may prepay in full or may be determined not to meet the eligibility requirements for the final Mortgage Pool and as a result may not be included in the final Mortgage Pool. As a result of the foregoing, the statistical distribution of characteristics for the [Initial] Mortgage Pool will vary from the statistical distribution of such characteristics of the Statistical Calculation Pool as presented in this prospectus supplement, although that variance will not be material.]

#### *Loan-to-Value Ratio and Combined Loan-to-Value Ratio*

The “Loan-to-Value Ratio” of a Mortgage Loan is equal to:

- the principal balance of that Mortgage Loan at the date of origination, divided by
- the Collateral Value of the related Mortgaged Property.

The “Combined Loan-to-Value Ratio” of a Mortgage Loan at any given time is the ratio, expressed as a percentage, of:

- the sum of:
- the original principal balance of the Mortgage Loan, and
- the outstanding principal balance at the date of origination of the Mortgage Loan of any senior mortgage loan(s) or, in the case of any open-ended senior mortgage loan, the maximum available line of credit with respect to that mortgage loan, regardless of any lesser amount actually outstanding at the date of origination of the Mortgage Loan, to
- the Collateral Value of the related Mortgaged Property.

The “Collateral Value” of a Mortgaged Property is the lesser of:

- the appraised value based on an appraisal made for First Horizon by an independent fee appraiser at the time of the origination of the related Mortgage Loan, and
- the sales price of that Mortgaged Property at that time of origination.

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With respect to a Mortgage Loan the proceeds of which were used to refinance an existing mortgage loan, the Collateral Value is the appraised

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value of the Mortgaged Property based upon the appraisal obtained at the time of refinancing.

No assurance can be given that the values of the Mortgaged Properties have remained or will remain at their levels as of the dates of origination of the related Mortgage Loans. The weighted average Combined Loan-to-Value Ratio in the Fixed Rate [Statistical Calculation] Loan Group was approximately [ ]%, the weighted average Combined Loan-to-Value Ratio for the Mortgage Loans in the Adjustable Rate [Statistical Calculation] Loan Group was approximately [ ]% [and the weighted average Combined Loan-to-Value Ratio for the Mortgage Loans in [Statistical Calculation] Loan Subgroup [ ] and [Statistical Calculation] Loan Subgroup [ ] were approximately [ ]% and [ ]%, respectively.]

#### *Stated Principal Balance*

“Stated Principal Balance” means, for any Mortgage Loan and (1) the related [Initial] Cut-off Date [or Subsequent Cut-off Date (as defined below), as applicable (the “Cut-off Date”)], [or the Statistical Calculation Date (as the context requires),] the unpaid principal balance of the Mortgage Loan as of that date, as specified in its amortization schedule at the time (before any adjustment to the amortization schedule for any moratorium or similar waiver or grace period), after giving effect to any partial prepayments and Liquidation Proceeds received before that date and to the payment of principal due on that date and irrespective of any delinquency in payment by the related mortgagor or (2) any Distribution Date, the Stated Principal Balance of the Mortgage Loan as of its Cut-off Date, minus the sum of (i) the principal portion of scheduled payments due with respect to the Mortgage Loan on or before the end of the most recent Due Period that were received by the master servicer on or before the most recent Determination Date or were advanced by the master servicer on or before the most recent master servicer Advance Date, (ii) principal prepayments with respect to the Mortgage Loan received on or before the end of the most recent Prepayment Period and (iii) Liquidation Proceeds received by the master servicer before the end of the most recent Due Period to the extent applied as recoveries of principal with respect to the Mortgage Loan. When used with respect to the Mortgage Pool, a Loan Group [or Loan Subgroup] as a whole, Stated Principal Balance means the aggregate Stated Principal Balances of all Mortgage Loans in that Mortgage Pool, Loan Group [or Loan Subgroup], respectively.

#### **The [Statistical Calculation] [Mortgage] Pool**

The information CONTAINED IN THE annex hereto sets forth in tabular format certain information, as of the [Statistical Calculation] [Cut-off] Date, about Mortgage Loans included in the [Statistical Calculation] [Mortgage] Pool. Other than with respect to rates of interest, percentages are approximate and are stated by the related [Statistical Calculation] [Cut-off] Date Group Principal Balance [or related [Statistical Calculation] [Cut-off] Date Subgroup Principal Balance, as applicable]. The sum of the columns contained in the Annex hereto may not equal the total indicated due to rounding.

#### **Assignment of the Mortgage Loans**

In accordance with the pooling and servicing agreement dated as of [ ], 200[ ], among the depositor, the master servicer, and [Name of Trustee], as trustee, the depositor on the Closing Date 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 [Initial] Mortgage Loan and all right, title and interest in and to all other assets included in the Trust Fund[, including all principal and interest received on or with respect to the [Initial] Mortgage Loans on and after the [Initial] Cut-off Date, exclusive of any scheduled principal due on or before the [Initial] Cut-off Date and any interest accruing before the [Initial] Cut-off Date, and the Pre-Funded Amount (as defined in this prospectus supplement) deposited in the Pre-Funded Account on the Closing Date (as defined in this prospectus supplement)].

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In connection with such transfer and assignment of the Mortgage Loans, the depositor will deliver the following documents (collectively constituting the “Trustee’s Mortgage File”) with respect to each [Initial] Mortgage Loan [and Subsequent Mortgage Loan (as defined below) (collectively, the “Mortgage Loans”)]:

- (1) the original Mortgage Note, including any modifications or amendments, 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,
- (2) the original Mortgage with evidence of recording,
- (3) an assignment of the Mortgage in blank in recordable form,
- (4) either the title policy with respect to the related Mortgaged Property, if available, or if the title policy is not available, a written commitment or interim binder or preliminary report of title issued by the title insurance or escrow company with respect to the Mortgaged Property, provided that the title policy will be delivered as soon as it becomes available, and
- (5) 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 or an original or certified copy of the applicable title policy, to the extent unavailable, each of which will be delivered to the trustee as soon as the same is available to the depositor.

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[Notwithstanding the foregoing, in lieu of providing the documents described in clause (3) above, the depositor may at its discretion provide evidence that the related Mortgage is held through the MERS® 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® System may, at the discretion of the master servicer, in the future be held through the MERS® System. For any Mortgage held through the MERS® 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® 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.]

In accordance with the pooling and servicing agreement, the depositor will be required to deliver (or cause delivery of) the Trustee's Mortgage Files:

- not later than the Closing Date, with respect to at least [50]% of the [Initial] Mortgage Loans;
- not later than [twenty one] days after the Closing Date, with respect to at least an additional [40]% of the [Initial] Mortgage Loans, [and not later than [twenty one] days after the relevant Subsequent Transfer Date (as defined below) with respect to at least [90]% of the Subsequent Mortgage Loans conveyed on that Subsequent Transfer Date;] and
- not later than [thirty] days after the Closing Date, with respect to the remaining [10]% of the [Initial] Mortgage Loans[, and not later than [thirty] days after the relevant Subsequent Transfer Date with respect to the remaining [10]% of the Subsequent Mortgage Loans conveyed on the related Subsequent Transfer Date.

Assignments of the Mortgage Loans to the trustee or its nominee will be recorded in the appropriate public office for real property records in each state where recording is required in order 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 the seller.

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The trustee will review the [Initial] Mortgage Loan documents on or before the Closing Date (or promptly after the trustee's receipt of any document permitted to be delivered after the Closing Date), [and the Subsequent Mortgage Loan documents promptly after the trustee's receipt of those documents after the related Subsequent Transfer Date as described above,] and will hold those documents in trust for the benefit of the holders of the Certificates. After review of the Mortgage Loan Documents, if any document is found to be missing or defective in any material respect, the trustee is required to notify the master servicer and First Horizon in writing. If First Horizon cannot or does not cure that omission or defect within 90 days of its receipt of notice from the trustee, or within such longer period not to exceed 720 days after the Closing Date as provided in the mortgage loan purchase agreement and the pooling and servicing agreement in the case of missing documents not returned from the public recording office or in the case of the original or certified copy of the applicable title policy, First Horizon is required to repurchase the related Mortgage Loan from the Trust Fund at a price (the "Purchase Price") equal to 100% of the Stated Principal Balance of that Mortgage Loan plus accrued and unpaid interest thereon, at a rate equal to the difference between the Mortgage Rate and the Servicing Fee Rate (as defined in this prospectus supplement) (the "Net Mortgage Rate") (or, if First Horizon is no longer the master servicer, at the applicable Mortgage Rate) to the first day of the month in which the Purchase Price is to be distributed to holders of the Certificates. Rather than repurchase the Mortgage Loan as provided above, First Horizon may remove that Mortgage Loan (a "Deleted Mortgage Loan") from the Trust Fund and substitute in its place another Mortgage Loan of like kind (a "Replacement Mortgage Loan"); however, such substitution is only permitted within two years after the Closing Date, and may not be made unless an opinion of counsel is provided to the effect that such substitution would not disqualify any REMIC election made by the Trust 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 Stated Principal Balance, after deduction of the principal portion of the scheduled payment due in the month of substitution, not in excess of, and not less than 90% of, the Stated Principal Balance of the Deleted Mortgage Loan (the amount of any shortfall to be deposited by First Horizon in the Certificate Account not later than the succeeding Determination Date and held for distribution to the holders of the Certificates on the related Distribution Date);
- if the Deleted Mortgage Loan that is being replaced is an Adjustable Rate Mortgage Loan, have a Maximum Mortgage Rate not more than 1% per annum higher or lower than the Maximum Mortgage Rate of the Deleted Mortgage Loan;
- if the Deleted Mortgage Loan that is being replaced is an Adjustable Rate Mortgage Loan, have a minimum Mortgage Rate specified in its related Mortgage Note (such rate, the "Minimum Mortgage Rate") not more than 1% per annum higher or lower than the Minimum Mortgage Rate of the Deleted Mortgage Loan;
- if the Deleted Mortgage Loan that is being replaced is an Adjustable Rate Mortgage Loan, have the same Mortgage Index and Periodic Rate Cap as the Deleted Mortgage Loan and a Gross Margin not more than 1% per annum higher or lower than that of the Deleted Mortgage Loan;
- have the same or higher credit quality characteristics than that of the Deleted Mortgage Loan;

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- be accruing interest at a rate not more than 1% per annum higher or lower than that of the Deleted Mortgage Loan;
- have a Combined Loan-to-Value Ratio or Loan-to-Value Ratio, as applicable, no 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;
- not permit conversion of the Mortgage Rate from a fixed rate to a variable rate or vice versa;
- provide for a prepayment charge on terms substantially similar to those of the prepayment charge, if any, of the Deleted Mortgage Loan;
- constitute the same occupancy type as the Deleted Mortgage Loan; and
- comply with all of the representations and warranties set forth in the mortgage loan purchase agreement and the pooling and servicing agreement as of the date of substitution.

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This cure, repurchase or substitution obligation constitutes the sole remedy available to the Certificateholders, the trustee or the depositor for omission of, or a material defect in, a Mortgage Loan document.

#### **[Pre-Funding]**

On the Closing Date the excess of the proceeds from the issuance and sale of the Certificates over the Initial Cut-off Date Pool Principal Balance (the "Pre-Funded Amount") (which Pre-Funded Amount is not expected to exceed \$[ ]) will be deposited in a pre-funding account (the "Pre-Funding Account") established and maintained by the trustee on behalf of the Certificateholders. Any investment income earned from amounts in the Pre-Funding Account shall be paid to the depositor, and will not be available for payments on the Certificates. Approximately [ ]% of the Pre-Funded Amount will be allocated to purchase Fixed Rate Mortgage Loans, approximately [ ]% of the Pre-Funded Amount will be allocated to purchase Adjustable Rate Mortgage Loans to be included in Loan Subgroup [ ], and approximately [ ]% of the Pre-Funded Amount will be allocated to purchase Adjustable Rate Mortgage Loans to be included in Loan Subgroup [ ]. During the period from the Closing Date to [ ], 200[ ] (the "Funding Period"), the depositor is expected to purchase conventional mortgage loans originated by the seller after [ ], 200[ ] ("Subsequent Mortgage Loans") from the seller and sell those Subsequent Mortgage Loans to the Trust Fund as described below. The purchase price for each Subsequent Mortgage Loan will equal the Stated Principal Balance of that Subsequent Mortgage Loan as of the date of origination of that Subsequent Mortgage Loan (unless that Subsequent Mortgage Loan was originated before [ ], 200[ ], in which case, as of [ ], 200[ ]) (the related "Subsequent Cut-off Date") and will be paid from the Pre-Funding Account. Accordingly, the purchase of Subsequent Mortgage Loans will decrease the amount on deposit in the Pre-Funding Account and increase the Stated Principal Balance of the Mortgage Pool.

In accordance with the pooling and servicing agreement and a Subsequent Transfer Agreement (a "Subsequent Transfer Agreement") to be executed by the seller, the depositor and the trustee, the conveyance of Subsequent Loans may be made on any Business Day during the Funding Period (a "Subsequent Transfer Date"), subject to the fulfillment of certain conditions in the pooling and servicing agreement, including that:

- the Subsequent Mortgage Loans conveyed on that Subsequent Transfer Date satisfy the same representations and warranties in the pooling and servicing agreement applicable to all Mortgage Loans, and that as of the Subsequent Cut-off Date, the Subsequent Mortgage Loans conveyed on that Subsequent Transfer Date were selected in a manner reasonably believed not to be adverse to the interests of the Certificateholders;
- the trustee receives an opinion of counsel with respect to the validity of the conveyance of the Subsequent Mortgage Loans conveyed on that Subsequent Transfer Date;
- the conveyance of the Subsequent Mortgage Loans on that Subsequent Date will not result in a reduction or withdrawal of any ratings assigned to the Offered Certificates;
- no Subsequent Mortgage Loan conveyed on that Subsequent Transfer Date was 60 or more days delinquent;
- each Subsequent Mortgage Loan conveyed on that Subsequent Transfer Date that is an Adjustable Rate Mortgage Loan is secured by a first lien on the related Mortgaged Property; and
- following the conveyance of the Subsequent Mortgage Loans on that Subsequent Transfer Date to the related Loan Group [or Subgroup, as applicable,] the characteristics of that Loan Group [or Subgroup] will not vary by more or less than 10% from the characteristics listed below (which characteristics listed below are the characteristics of the related Statistical Calculation Loan Group [or Subgroup]); provided that for the purpose of making those calculations, the characteristics for any Initial Mortgage Loan made will be taken as of the Initial Cut-off Date and

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the characteristics for any Subsequent Mortgage Loan will be taken as of the Subsequent Cut-off Date:

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[Fixed Rate Loan Group/Loan Subgroup [ ]]:  
Average Principal Balance: \$[ ]  
Weighted Average Mortgage Rate: %  
Weighted Average Combined Loan-to-Value Ratio: %  
Weighted Average Remaining Amortization Term to Maturity: [ ] months

[Adjustable Rate Loan Group/Loan Subgroup [ ]]:  
Average Principal Balance: \$[ ]  
Current Weighted Average Mortgage Rate: %  
Weighted Average Loan-to-Value Ratio: %  
Weighted Average Scheduled Remaining Term to Maturity: [ ] months

Neither the seller nor the depositor will exercise any discretion in the selection of Subsequent Mortgage Loans conveyed to the Trust Fund. The selection will be made with respect to loans that satisfy the eligibility criteria described above using a mechanical procedure generally as follows. Mortgage loans eligible for purchase will be aggregated by the date on which they were funded. These mortgage loans will be purchased in date order up through the day substantially all of the funds in the Pre Funding Account allocated for the related Loan Group [or Subgroup (as applicable)] are expended. Purchases of loans funded on the same day will be ordered alphabetically by the last name of the primary obligor. Adjustable rate mortgage loans that conform to the criteria specified for loan subgroup [ ] will first be allocated for inclusion in loan subgroup [ ] before being allocated for inclusion in loan subgroup [ ]. Acquisitions may occur in one or more closings after the Closing Date.]

## SERVICING OF THE MORTGAGE LOANS

### General

[Pursuant to the servicing rights transfer and subservicing agreement (the "Servicing Rights Transfer and Subservicing Agreement") between the seller, as transferor, and First Tennessee Mortgage Services, Inc. ("FTMSI"), as transferee, First Horizon will transfer the servicing rights for the mortgage loans to FTMSI on the closing date and will agree to subservice the mortgage loans for FTMSI. Pursuant to the servicing agreement (the "Servicing Agreement") between the depositor, or its assigns, and FTMSI, FTMSI will service the mortgage loans in each mortgage pool. In addition, pursuant to the servicing rights transfer and subservicing agreement (the "Servicing Rights Transfer and Subservicing Agreement") between the seller, as transferor, and FTMSI, as transferee, First Horizon will agree to subservice the mortgage loans for FTMSI in accordance with the terms set forth in the pooling and servicing agreement. In the event of a conflict between the terms of the Servicing Rights Transfer and Subservicing Agreement and the pooling and servicing agreement, the pooling and servicing agreement provisions will prevail. See "The Agreements" in the prospectus. The master servicer may perform any of its obligations under the pooling and servicing agreement through one or more subservicers. Notwithstanding any subservicing arrangement, the master servicer will remain liable for its servicing duties and obligations under the pooling and servicing agreement as if the master servicer alone were servicing the mortgage loans.]

### The Master Servicer

First Horizon is a Kansas corporation and a wholly-owned indirect subsidiary of First Tennessee National Corporation. First Horizon is engaged primarily in the mortgage banking business, and as such, originates, purchases, sells and services mortgage loans. First Horizon originates mortgage loans through a retail branch system and through mortgage loan brokers and correspondents nationwide. First Horizon's mortgage loans are principally first and second lien, fixed or adjustable rate mortgage loans secured by single-family residences.

As of [ ], 200[ ], First Horizon provided servicing for mortgage loans with an aggregate principal balance of approximately \$[ ], substantially all of which are being serviced for unaffiliated persons.

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The principal executive offices of First Horizon are located at 4000 Horizon Way, Irving, Texas 75063. Its telephone number is (214) 441-4000. First Horizon conducts operations from its headquarters in Irving and from offices throughout the nation.

### Loan Servicing

[First Horizon services substantially all of the mortgage loans it originates or acquires. First Horizon has established standard policies for the servicing and collection of mortgages. Servicing includes, but is not limited to:

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- collecting, aggregating and remitting mortgage loan payments,
- accounting for principal and interest,
- holding escrow (impound) funds for payment of taxes and insurance,
- making inspections as required of the mortgaged properties,
- preparation of tax related information in connection with the mortgage loans,
- supervision of delinquent mortgage loans,
- loss mitigation efforts,
- foreclosure proceedings and, if applicable, the disposition of mortgaged properties, and
- generally administering the mortgage loans, for which it receives servicing fees.

Billing statements with respect to mortgage loans are mailed monthly by First Horizon. The statement details all debits and credits and specifies the payment due. Notice of changes in the applicable loan rate are provided by First Horizon to the mortgagor with those statements. All payments are due by the first day of the month.]

#### Foreclosure and Delinquency Experience

The following table summarizes the delinquency and foreclosure experience, respectively, on the dates indicated, of all mortgage loans serviced or master serviced by the master servicer, including certain mortgage loans for which the servicing rights have been sold by the master servicer but not yet transferred. These mortgage loans have a variety of underwriting, payment and other characteristics, many of which differ from those of the Mortgage Loans, and no assurances can be given that the delinquency and foreclosure experience presented in the table below will be indicative of the experience of the Mortgage Loans.

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#### Delinquency and Foreclosure Experience in First Horizon's Total Portfolio of One-to-Four Family, Residential Mortgage Loans

As of December 31,				As of December 31,			
		[ ]				[ ]	
No. of Loans	% of Loans	Principal Balance(\$)	% of Balance	No. of Loans	% of Loans	Principal Balance	% of Balance
<b>TOTAL SERVICING PORTFOLIO</b>							
Total Portfolio							
Period of Delinquency							
30-59 Days							
60-89 Days							
90 Days or more							
Foreclosures Pending							
Total Delinquencies							

As of December 31,	
[ ]	

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	No. of Loans	% of Loans	Principal Balance(\$)	% of Balance
<b>TOTAL SERVICING PORTFOLIO</b>				
Total Portfolio				
Period of Delinquency				
30-59 Days				
60-89 Days				
90 Days or more				
Foreclosures Pending				
Total Delinquencies				

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The following table summarizes the delinquency and foreclosure experience, respectively, on the dates indicated, of all second lien mortgage loans serviced or master serviced by the master servicer, including certain second lien mortgage loans for which the servicing rights have been sold by the master servicer but not yet transferred. These second lien mortgage loans have a variety of underwriting, payment and other characteristics, many of which differ from those of the Mortgage Loans, and no assurances can be given that the delinquency and foreclosure experience presented in the table below will be indicative of the experience of the Mortgage Loans.

**Delinquency and Foreclosure Experience in First Horizon's Portfolio  
of One-to-Four Family, Second Lien Residential Mortgage Loans**

As of December 31,				As of [ ] 30,			
[ ]				[ ]			
No. of Loans	% of Loans	Principal Balance	% of Balance	No. of Loans	% of Loans	Principal Balance(\$)	% of Balance
<b>SECOND LIEN MORTGAGE SERVICING PORTFOLIO</b>							
Total Portfolio							
Period of Delinquency							
30-59 Days							
60-89 Days							
90 Days or more							
Foreclosures Pending							
Total Delinquencies							

The above tables show mortgage loans which were delinquent or for which foreclosure proceedings had been instituted as of the date indicated. All dollar amounts are reported in thousands.

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

**Management's Discussion and Analysis of Delinquency and Foreclosure Trends**

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For First Horizon's total portfolio, mortgage loan delinquencies generally have decreased since December 31, 2001. Although these decreases may be due to a variety of factors, First Horizon believes the amount of turnover and decreased seasoning in First Horizon's servicing portfolio are contributing factors to the decreases in these categories. There can be no assurance that factors beyond the control of First Horizon, such as national or local economic conditions or downturns in the residential real estate market will not result in increased rates of mortgage loan delinquencies and foreclosure losses in the future.

If the residential real estate market should experience an overall decline in property values such that the outstanding balances of the mortgage loans, and any secondary financing on the mortgaged properties by a lender, become equal to or greater than the value of the mortgaged properties, the actual rates of delinquencies, foreclosures and losses could be significantly higher than the rates indicated in the tables above. To the extent that such losses occur in connection with the mortgage loans and are not otherwise covered by the forms of credit enhancement described in this prospectus supplement, they will be passed through as losses on the related certificates and such losses will be borne by the related certificateholders.

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

The master servicer will be paid a monthly fee from interest collected with respect to each Mortgage Loan (as well as from any liquidation proceeds from a Liquidated Mortgage Loan that are applied to accrued and unpaid interest) equal to one-twelfth of the Stated Principal Balance of that Mortgage Loan multiplied by the Servicing Fee Rate (the "Servicing Fee"). The "Servicing Fee Rate" for each Mortgage Loan will equal [ ]% per annum. The amount of the monthly Servicing Fee is subject to adjustment with respect to prepaid Mortgage Loans, as described in this prospectus supplement under "— Adjustment to Servicing Fee in Connection with Certain Prepaid Mortgage Loans." The master servicer is also entitled to receive, as additional servicing compensation, amounts in respect of interest paid on principal prepayments received from the [2nd] day through the [15th] day of a month ("Prepayment Interest Excess"), all late payment fees, assumption fees, prepayment penalties and other similar charges and all reinvestment income earned on amounts on deposit in the Certificate Account and Distribution Account. The master servicer is obligated to pay certain ongoing expenses associated with the Mortgage Loans and incurred by the trustee in connection with its responsibilities under the pooling and servicing agreement.

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

When a borrower prepays all or a portion of a Mortgage Loan between scheduled monthly payment dates ("Due Dates"), the borrower pays interest on the amount prepaid only to the date of prepayment and not thereafter. Except for the month of the Cut-off Date, principal prepayments received from the [1st] day through the [15th] day of a month are included in the related distribution on the [25th] day of the same month, and accordingly no shortfall in interest otherwise distributable to holders of the Offered Certificates results. Conversely, principal prepayments received from the [16th] day of a month or, in the case of the first Distribution Date, from the Cut-off Date through the last day of a calendar month are not distributed until the [25th] day of the following month, and accordingly an interest shortfall (a "Prepayment Interest Shortfall") would result. The period from the [16th] day of the month before a Distribution Date (or, in the case of the first Distribution Date, from the [Initial] Cut-off Date) to and including the [15th] day of the month in which that Distribution Date occurs is referred to in this prospectus supplement as the "Prepayment Period." In order to mitigate the effect of any Prepayment Interest Shortfall to holders of the Offered Certificates on any Distribution Date, [one-tenth] of the amount of the Servicing Fee otherwise payable to the master servicer for that month (the "Compensating Interest") will, to the extent of that Prepayment Interest Shortfall, be deposited by the master servicer in the Certificate Account for distribution to holders of the Offered Certificates entitled thereto on that Distribution Date. However, that reduction, if any, in the Servicing Fee will be made only to the extent of [one-tenth] of the Servicing Fee otherwise payable to the master servicer with respect to Scheduled Payments on Mortgage Loans having the Due Date to which that Distribution Date relates. That deposit, if any, by the master servicer will be reflected in the distributions to holders of the Offered Certificates entitled thereto made on the Distribution Date on which the principal prepayment received would be distributed. Regardless of the foregoing, the master servicer will not be required to pass-through Compensating Interest to the Certificateholders in respect of partial principal prepayments.

### **Advances**

Subject to the following limitations, on the Business Day before each Distribution Date, the master servicer will be required to advance its own funds, or funds in the Certificate Account that are not required to be distributed on that Distribution Date, in an amount equal to the aggregate of payments of principal and interest on the Mortgage Loans (adjusted to the applicable Net Mortgage Rate) that were due on the related Due Date and delinquent on the related Determination Date, together with an amount equivalent to interest (adjusted to the applicable Net Mortgage Rate) deemed due on each Mortgage Loan as to which the related Mortgaged Property has been acquired by the master servicer through foreclosure or deed-in-lieu of foreclosure in connection with a defaulted Mortgage Loan ("REO Property"), that latter amount to be calculated after taking into account any rental income from that Mortgaged Property (any such advance, an "Advance," and the date of any such Advance, as described in this prospectus supplement, a "Master Servicer Advance Date").

Advances are intended to maintain a regular flow of scheduled interest and principal payments on the Offered 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 (with those payments of interest adjusted to the related Net Mortgage Rate) to the extent that those Advances are, in its judgment, reasonably 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, that Advance will be included with the distribution to holders of the Offered

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Certificates on the related Distribution Date. Any failure by the master servicer to make an Advance as required under the pooling and servicing agreement will constitute an event of default thereunder, in which case the trustee, as successor master servicer, or any other entity that may be appointed as successor master servicer, will be obligated to make any such Advance in accordance with the terms of the pooling and servicing agreement.

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## DESCRIPTION OF THE CERTIFICATES

### General

The Certificates (defined below) will be issued in accordance with the pooling and servicing agreement. Set forth below are descriptions of the material terms and provisions in accordance with which the Offered Certificates will be issued.

The First Horizon Home Loan, Series 200[ ]-[ ], Asset-Backed Certificates, Series 200[ ]-[ ] (the “Certificates”) will consist of:

- the following certificates relating to the Fixed Rate Loan Group:
  - Class AF-[ ] Certificates (collectively the “Class A Fixed Rate Certificates”),
  - Class MF-[1] Certificates,
  - Class MF-[2] Certificates (together with the Class MF-[1] Certificates, the “Mezzanine Fixed Rate Certificates”),
  - Class BF Certificates (together with the Mezzanine Fixed Rate Certificates, the “Subordinated Offered Fixed Rate Certificates”), and
  - Class BF-IO Certificates;
- the following certificates relating to the Adjustable Rate Loan Group:
  - Class AV-[ ] Certificates (the “Class A Adjustable Rate Certificates” and, together with the Class A Fixed Rate Certificates, the “Class A Certificates”),
  - Class MV-[1] Certificates (together with the Class MF-[1] Certificates, the “Class M-1 Certificates”),
  - Class MV-[2] Certificates (together with the Class MV-[1] Certificates, the “Mezzanine Adjustable Rate Certificates,” and together with the Class MF-[2] Certificates, the “Class M-2 Certificates”),
  - Class BV Certificates (together with the Mezzanine Adjustable Rate Certificates, the “Subordinated Offered Adjustable Rate Certificates,” and together with the Class BF Certificates, the “Class B Certificates”), and
  - Class BV-IO Certificates (together with the Class BF-IO Certificates, the “Class B-IO Certificates”); and
- Class R Certificates (the “Residual Certificates”).

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The Mezzanine Fixed Rate Certificates and the Mezzanine Adjustable Rate Certificates are referred to collectively as the “Mezzanine Certificates.” The Subordinated Offered Fixed Rate Certificates and the Subordinated Offered Adjustable Rate Certificates are referred to collectively as the “Subordinated Offered Certificates.” As used in this prospectus supplement, a “Certificate Group” is either the Fixed Rate Certificates or the Adjustable Rate Certificates, as the context requires. The Class B-IO Certificates are interest-only Certificates issued with a notional principal balance as provided in the pooling and servicing agreement. Only the Fixed Rate Certificates other than the Class BF-IO Certificates (collectively the “Offered Fixed Rate Certificates”) and the Adjustable Rate Certificates other than the Class BV-IO Certificates (the “Offered Adjustable Rate Certificates” and collectively with the Offered Fixed Rate Certificates, the “Offered Certificates”) are offered hereby. Distributions on the Fixed Rate Certificates will be based primarily on amounts available for distribution in respect of the Fixed Rate Mortgage Loans. Distributions on the Adjustable Rate Certificates, as a Certificate Group, will be based primarily on amounts available for distribution in respect of the Adjustable Rate Mortgage Loans. [Among the Adjustable Rate Certificates, distributions on the Class AV-[1] Certificates will be based primarily on amounts available for distribution in respect of the Adjustable Rate Mortgage Loans in Loan Subgroup [ ], and distributions on the Class AV-[2] Certificates will be based primarily on amounts available for distribution in respect of the Adjustable Rate Mortgage Loans in Loan Subgroup [ ], in each case as described below under “— Distributions.”]

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The Offered Certificates will be issued in book-entry form as described below. The Offered Certificates will be issued in minimum dollar denominations of \$[25,000] and integral multiples of \$[1,000] in excess of \$[25,000].

### Book-Entry Certificates

The Offered Certificates will be book-entry certificates (the “Book-Entry Certificates”). Each class of Book-Entry Certificates will be issued in one or more certificates which equal the aggregate initial Certificate Principal Balance of the 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 beneficial interests in the Book-Entry Certificates in the minimum denominations set forth on page S-[ ] and integral multiples of \$[ ] in excess of that minimum denomination. One investor of each Class of Book-Entry Certificates may hold a beneficial interest in a Book Entry Certificate that is not an integral multiple of \$[ ]. The depository has been informed by the depository that its nominee will be CEDE & Co. Accordingly, CEDE & Co. is expected to be the holder of record of the Book-Entry Certificates. Except as described in the prospectus under “Description of the Securities — Book-Entry Securities,” no beneficial owner of a Book-Entry Certificate will be entitled to receive a physical certificate.

Unless and until definitive certificates are issued, it is anticipated that the only Certificateholder of the Book-Entry Certificates will be CEDE & Co., 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 & Co., 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 Securities — Book-Entry Securities” in the prospectus.

### Deposits to the Certificate Account

The master servicer will establish and initially maintain a certificate account (the “Certificate Account”) for the benefit of the trustee on behalf of the Certificateholders. On a daily basis within one Business Day after receipt, the master servicer will deposit or cause to be deposited into the Certificate Account the following payments and collections received or made or to be applied by it on or subsequent to the relevant Cut-off Date, including all principal and interest received with respect to the Mortgage Loans after the relevant Cut-off Date (exclusive of any scheduled principal due on or before that Cut-off Date and any interest accruing before that Cut-off Date):

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- all payments on account of principal, including principal prepayments, on the Mortgage Loans;
- all payments on account of interest (other than interest accruing on the Mortgage Loans before the related Cut-Off Date) on the Mortgage Loans, net of the related Servicing Fee;
- all proceeds of any insurance policies (to the extent those proceeds are not applied to the restoration of the property or released to the mortgagor in accordance with the master servicer’s normal servicing procedures), other than proceeds that represent reimbursement of the master servicer’s costs and expenses incurred in connection with presenting claims under the related insurance policies (“Insurance Proceeds”), all other net proceeds received in connection with the partial or complete liquidation of Mortgage Loans (whether through trustee’s sale, foreclosure sale or otherwise) or in connection with any condemnation or partial release of a Mortgaged Property, together with the net proceeds received with respect to any Mortgaged Properties acquired by the master servicer by foreclosure or deed in lieu of foreclosure in connection with defaulted Mortgage Loans (other than the amount of those net proceeds representing any profit realized by the master servicer in connection with the disposition of any of those properties) (together with Insurance Proceeds, “Liquidation Proceeds”);
- all payments made by the master servicer in respect of Prepayment Interest Shortfalls;
- any amount required to be deposited by the master servicer in connection with any losses on investment of funds in the Certificate Account;
- any amounts required to be deposited by the master servicer with respect to any deductible clause in any blanket hazard insurance policy maintained by the master servicer in lieu of requiring each mortgagor to maintain a primary hazard insurance policy;
- all amounts required to be deposited in connection with shortfalls in the principal amount of Replacement Mortgage Loans; and
- all Advances.

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### Withdrawals from the Certificate Account

The master servicer may from time to time withdraw funds from the Certificate Account before the related Distribution Account Deposit Date for the following purposes:

- (1) to pay to the master servicer the Servicing Fee to the extent not previously paid to or withheld by the master servicer (subject to reduction as described above under "Servicing of the Mortgage Loans — Adjustment to Servicing Fee in Connection with Prepaid Mortgage Loans") and, as additional servicing compensation, prepayment penalties, assumption fees, late payment charges, net earnings on or investment income with respect to funds in or credited to the Certificate Account and the amount of Prepayment Interest Excess for the related Prepayment Period;
- (2) to reimburse the master servicer for Advances, such right of reimbursement with respect to any Mortgage Loan in accordance with this clause (2) being limited to amounts received that represent late recoveries of payments of principal and/or interest on the related Mortgage Loan (or Insurance Proceeds or Liquidation Proceeds with respect to the related Mortgage Loan) with respect to which that Advance was made;
- (3) to reimburse the master servicer for any Advances previously made that the master servicer has determined to be nonrecoverable;

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- (4) to reimburse the master servicer from Insurance Proceeds for expenses incurred by the master servicer and covered by the related insurance policies;
  - (5) to pay the master servicer any unpaid Servicing Fees and to reimburse it for any unreimbursed ordinary and necessary out-of-pocket costs and expenses incurred by the master servicer in the performance of its master servicing obligations, such right of reimbursement in accordance with this clause (5) being limited to amounts received representing late recoveries of the payments of those costs and expenses (or Liquidation Proceeds, purchase proceeds or repurchase proceeds with respect thereto);
  - (6) to pay to the seller or the master servicer, as applicable, with respect to each Mortgage Loan or the respective Mortgaged Property that has been purchased by the seller or the master servicer from the Trust Fund in accordance with the pooling and servicing agreement, all amounts received thereon and not taken into account in determining the related Stated Principal Balance of that repurchased Mortgage Loan;
  - (7) to reimburse the seller, the master servicer or the depositor for fees and expenses incurred and reimbursable in accordance with the pooling and servicing agreement (including in the case of the master servicer, the Extra Master Servicing Fee);
  - (8) to withdraw any amount deposited in the Certificate Account and not required to be deposited in the Certificate Account; and
  - (9) to clear and terminate the Certificate Account upon termination of the pooling and servicing agreement.

In addition, not later than 1:00 p.m. Pacific Time on the Business Day immediately preceding each Distribution Date (the "Distribution Account Deposit Date"), the master servicer shall withdraw from the Certificate Account and remit to the trustee the amount of Interest Funds and Principal Funds for each Loan Group [or Loan Subgroup, as applicable,] to the extent on deposit, and the trustee shall deposit that amount in the Distribution Account, as described below.

The "Interest Funds" with respect to each Loan Group [or Loan Subgroup (as applicable)] are equal to:

- the sum, without duplication, of:
  - all scheduled interest collected during the related Due Period less the related Servicing Fee,
  - all Advances relating to interest,
  - all Compensating Interest, and
  - Liquidation Proceeds (to the extent those Liquidation Proceeds relate to interest), less
- all non-recoverable Advances relating to interest and those expenses reimbursed during the related Due Period, in each case with respect to the

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Mortgage Loans in that Loan Group [or Loan Subgroup (as applicable)].

The “Principal Funds” with respect to each Loan Group [or Loan Subgroup (as applicable)] are equal to:

- the sum, without duplication, of:
- the scheduled principal collected during the related Due Period or advanced on or before the related Master Servicer Advance Date,

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- prepayments collected in the related Prepayment Period,
- the Stated Principal Balance of each Mortgage Loan that was repurchased by the seller or the master servicer,
- the amount, if any, by which the aggregate unpaid principal balance of any Replacement Mortgage Loans is less than the aggregate unpaid principal balance of any Deleted Mortgage Loans delivered by the seller in connection with a substitution of a Mortgage Loan, and
- all Liquidation Proceeds collected during the related Due Period (to the extent those Liquidation Proceeds related to principal), less
- all non-recoverable Advances relating to principal and those expenses reimbursed during the related Due Period, in each case with respect to the Mortgage Loans in that Loan Group [or Loan Subgroup (as applicable)].

A “Due Period” with respect to any Distribution Date is the period beginning on the second day of the calendar month preceding the calendar month in which that Distribution Date occurs and ending on the Due Date in the month in which that Distribution Date occurs.

#### **Deposits to the Distribution Account**

The trustee will establish and maintain a distribution account (the “Distribution Account”) on behalf of the Certificateholders. The trustee will, promptly upon receipt, deposit in the Distribution Account and retain therein:

- the aggregate amount remitted by the master servicer to the trustee,
- any amount required to be deposited by the master servicer in connection with any losses on investment of funds in the Distribution Account[, and]
- [the amount, if any, remaining in the Pre-Funding Account at the end of the Funding Period].

#### **Withdrawals from the Distribution Account**

The trustee will withdraw funds from the Distribution Account for distribution to the Certificateholders as described below under “—Distributions” and may from time to time make withdrawals from the Distribution Account:

- to pay to the master servicer, as additional servicing compensation, earnings on or investment income with respect to funds in or credited to the Distribution Account,
- to withdraw any amount deposited in the Distribution Account and not required to be deposited in the Distribution Account, and
- to clear and terminate the Distribution Account upon the termination of the pooling and servicing agreement.

#### **Distributions**

##### *General*

Distributions on the Certificates will be made by the trustee on each Distribution Date to the persons in whose names those certificates are registered at the close of business on the Record Date. The “Record Date” is the last business day of the month preceding the month of that Distribution Date. A “Distribution Date” is the [ ]th day of each month, or if that day is not a Business Day, on the first Business Day thereafter, commencing in [ ]. A “Business Day” is any day other than:

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- a Saturday or Sunday, or
- a day on which banking institutions in the state of New York or California are required or authorized by law to be closed.

Distributions will be made by check mailed to the address of the person entitled to the distribution as it appears on the Certificate Register or, in the case of any Certificateholder that holds 100% of a Class of Certificates or who holds a Class of Certificates with an aggregate initial Certificate Principal Balance of \$1,000,000 or more and that 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 that 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 presentation and surrender of those Certificates at the Corporate Trust Office of the trustee. On each Distribution Date, a holder of a Certificate will receive that holder's Percentage Interest of the amounts required to be distributed with respect to the applicable Class of Certificates. The "Percentage Interest" evidenced by a Certificate will equal the percentage derived by dividing the denomination of that Certificate by the aggregate denominations of all Certificates of the applicable Class.

#### *Distributions of Interest*

On each Distribution Date, the interest distributable with respect to the Offered Fixed Rate Certificates (other than the Class AF-[1] Certificates) is the interest which has accrued thereon at the related Pass-Through Rate during the calendar month immediately preceding the calendar month in which that Distribution Date occurs; and the interest distributable with respect to the Offered Adjustable Rate Certificates and the Class AF-[1] Certificates is the interest which has accrued thereon at the then applicable related Pass-Through Rate from and including the preceding Distribution Date (or from the Closing Date in the case of the first Distribution Date) to and including the day before the current Distribution Date. Each period referred to in the prior sentence relating to the accrual of interest is the "Accrual Period" for the related Class of Offered Certificates.

All calculations of interest of the Offered Fixed Rate Certificates (other than the Class AF-[1] Certificates) will be made on the basis of a 360-day year assumed to consist of twelve 30-day months. All calculations of interest on the Offered Adjustable Rate Certificates and the Class AF-[1] Certificates will be made on the basis of a 360-day year and the actual number of days elapsed in the applicable Accrual Period.

On each Distribution Date, the Interest Funds for that Distribution Date with respect to each Loan Group [or Loan Subgroup (as applicable)] are required to be distributed in the following order of priority, until those Interest Funds have been fully distributed:

- (1) (A) with respect to the Interest Funds for the Fixed Rate Loan Group, to the Class AF-[ ] Certificates, the Current Interest and any Carry Forward Amount for each such Class; provided, however, that if the Interest Funds for the Fixed Rate Loan Group are not sufficient to make a full distribution of the aggregate Current Interest and the aggregate Interest Carry Forward Amount for the Class AF-[ ] Certificates, those Interest Funds will be distributed pro rata among each such Class based upon the ratio of (x) the Current Interest and any Interest Carry Forward Amount for that Class to (y) the aggregate Current Interest and the aggregate Interest Carry Forward Amount for all those Classes; and
- (B) (i) with respect to Interest Funds for the Loan Subgroup [ ], to the Class AV-[1] Certificates, the Current Interest and any Carry Forward Amount for that Class; and
- (ii) with respect to Interest Funds for Loan Subgroup [ ], the Class AV-[2] Certificates, the Current Interest and any Carry Forward Amount for that Class;

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- (2) to the Class M-1 Certificates of the related Certificate Group, the Current Interest for that Class;
- (3) to the Class M-2 Certificates of the related Certificate Group, the Current Interest for that Class;
- (4) to the Class B Certificates of the related Certificate Group, the Current Interest for that Class; and
- (5) any remainder to be distributed as described below under "— Overcollateralization and Cross-Collateralization Provisions."

"Current Interest," with respect to each Class of the Offered Certificates and each Distribution Date, is the interest accrued at the applicable Pass-Through Rate for the applicable Accrual Period on the Certificate Principal Balance of that Class plus any amount previously distributed with respect to interest for that Class that is recovered as a voidable preference by a trustee in bankruptcy.

"Interest Carry Forward Amount," with respect to each Class of the Offered Certificates and each Distribution Date, is the sum of:

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- the excess of:
  - Current Interest for that Class with respect to prior Distribution Dates over
  - the amount actually distributed to that Class with respect to interest on those prior Distribution Dates; and
  - interest on that excess (to the extent permitted by applicable law) at the applicable Pass-Through Rate.

The “Pass-Through Rate” per annum for each Class of Offered Fixed Rate Certificates (other than the Class AF-[1] Certificates) is the respective per annum fixed rate as set forth and described on page S-7 of this prospectus supplement. On any Distribution Date, the Pass-Through Rate for each Class of Offered Fixed Rate Certificates will be subject to an interest rate cap equal to the weighted average Net Mortgage Rates on the Fixed Rate Mortgage Loans, as in effect on the related Due Date (such weighted average rate, the “Fixed Net Rate Cap”).

The “Pass-Through Rate” per annum for the Class AF-[1] Certificates will be equal to the lesser of:

- the London interbank offered rate for one month United States dollar deposits (“One-Month LIBOR”) (calculated as described below under “— Calculation of One-Month LIBOR”) plus the Pass-Through Margin (as defined below) for that Class, and
- the Fixed Net Rate Cap then in effect.

The “Pass-Through Rate” per annum for each Class of Offered Adjustable Rate Certificates will be equal to the least of:

- One-Month LIBOR (calculated as described below under “— Calculation of One-Month LIBOR”) plus the Pass-Through Margin for that Class,
- the weighted average of [the lesser of] the Maximum Mortgage Rates on the Adjustable Rate Mortgage Loans [in either Loan Subgroup [ ] or in Loan Subgroup [ ] ] (adjusted to an effective rate reflecting the accrual of interest calculated on the basis of a 360-day year and the actual number of days elapsed) less the Servicing Fee, and
- the Adjustable Rate Available Funds Cap for the Offered Adjustable Rate Certificates.

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The “Adjustable Rate Available Funds Cap” for the Offered Adjustable Rate Certificates for any Distribution Date will be a per annum rate equal to 12 times the quotient of:

- [the lesser of (x) the total scheduled interest on the Adjustable Rate Mortgage Loans in Loan Subgroup [ ] and (y) the total scheduled interest on the Adjustable Rate Mortgage Loans in Loan Subgroup [ ], in each case,] based on the Net Mortgage Rates in effect on the related Due Date divided by
- the Certificate Principal Balance of the Offered Adjustable Rate Certificates (adjusted to an effective rate reflecting the accrual of interest calculated on the basis of a 360-day year and the actual number of days elapsed).

The “Pass-Through Margin” for each Class of Offered Adjustable Rate Certificates is as follows:

- for any Distribution Date on or before the Optional Termination Date for the Adjustable Rate Loan Group: Class AV-[1], [ ]%; Class AV-[2], [ ]%; Class MV-[1], [ ]%; Class MV-[2], [ ]%; and Class BV, [ ]%; and
- for any Distribution Date after the Optional Termination Date for the Adjustable Rate Loan Group: Class AV-[1], [ ]%; Class AV-[2], [ ]%; Class MV-[1], [ ]%; Class MV-[2], [ ]%; and Class BV, [ ]%.

The “Pass-Through Margin” for the Class AF-[1] Certificates for any Distribution Date, is [ ]%.

The “Adjustable Rate Certificate Carryover” for a Class of Offered Adjustable Rate Certificates on any Distribution Date on which the Pass-Through Rate for that Class is based upon the Adjustable Rate Available Funds Cap is the excess of:

- the amount of interest that such Class would have been entitled to receive on that Distribution Date had the Pass-Through Rate for that Class not been calculated based on the Adjustable Rate Available Funds Cap over

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- the amount of interest that Class received on that Distribution Date based on the Adjustable Rate Available Funds Cap, up to but not exceeding [the lesser of (x) the weighted average of the maximum lifetime Mortgage Rates on the Mortgage Loans in the Loan Subgroup [ ] and (y) the weighted average maximum lifetime Mortgage Rates on the Mortgage Loans in Loan Subgroup [ ]] (in each case, adjusted to an effective rate reflecting the accrual of interest calculated on the basis of a 360-day year and the actual number of days elapsed), less the Servicing Fee Rate, together with the unpaid portion of that excess, if any, from prior Distribution Dates (and interest accrued thereon at the then applicable Pass-Through Rate, without giving effect to the Adjustable Rate Available Funds Cap).

The “Fixed Net Rate Carryover” for any Class of Offered Fixed Rate Certificates on any Distribution Date on which the Pass-Through Rate for that Class is based upon the Fixed Net Rate Cap is the excess of:

- the amount of interest that such Class would have been entitled to receive on that Distribution Date had the Pass-Through Rate for that Class not been calculated based on the Fixed Net Rate Cap over
- the amount of interest that Class received on that Distribution Date based on the Fixed Net Rate Cap, together with the unpaid portion of that excess, if any, from prior Distribution Dates (and interest accrued thereon at the then applicable Pass-Through Rate, without giving effect to the Fixed Net Rate Cap).

#### *Distributions of Principal*

On each Distribution Date, the Principal Distribution Amount for that Distribution Date with respect to each Loan Group is required to be distributed as follows until such Principal Distribution Amount has been fully distributed:

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- For each Distribution Date before the related Stepdown Date or on which a related Trigger Event is in effect:
  - (i) from the Principal Distribution Amount for the Fixed Rate Loan Group, to the Fixed Rate Class A Certificates, in the order and the priorities set forth below, and (ii) from the Principal Distribution Amount for the Adjustable Rate Loan Group, to the Adjustable Rate Class A Certificates in the order and priorities set forth below;
  - to the Class M-1 Certificates in the related Certificate Group, until the Certificate Principal Balance of the Class M-1 Certificates of that Certificate Group is reduced to zero;
  - to the Class M-2 Certificates in the related Certificate Group, until the Certificate Principal Balance of the Class M-2 Certificates of that Certificate Group is reduced to zero;
  - to the Class B Certificates in the related Certificate Group, until the Certificate Principal Balance of the Class B Certificates of that Certificate Group is reduced to zero;
  - any remainder to be distributed as described under “— Overcollateralization and Cross-Collateralization Provisions” below.
- For each Distribution Date on and after the related Stepdown Date and so long as a related Trigger Event is not in effect:
  - (i) the Class A Principal Distribution Amount for the Fixed Rate Loan Group, to the Class A Fixed Rate Certificates in the order and priorities set forth below, and (ii) the Class A Principal Distribution Amount for the Adjustable Rate Loan Group, to the Adjustable Rate Class A Certificates in the order and priorities set forth below;
  - to the Class M-1 Certificates in the related Certificate Group, the Class M-1 Principal Distribution Amount until the Certificate Principal Balance of the Class M-1 Certificates of that Certificate Group is reduced to zero;
  - to the Class M-2 Certificates in the related Certificate Group, the Class M-2 Principal Distribution Amount until the Certificate Principal Balance of the Class M-2 Certificates of that Certificate Group is reduced to zero;
  - to the Class B Certificates in the related Certificate Group, the Class B Principal Distribution Amount until the Certificate Principal Balance of the Class B Certificates of that Certificate Group is reduced to zero; and
  - any remainder to be distributed as described under “— Overcollateralization and Cross-Collateralization Provisions” below.

The Principal Distribution Amount or the Class A Principal Distribution Amount, as applicable, for the Fixed Rate Loan Group is required to be  
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distributed to the Fixed Rate Class A Certificates sequentially, to the Class AF-[ ] and AF-[ ] Certificates, in that order, until the respective Certificate Principal Balances of those Classes of Certificates are reduced to zero.

Notwithstanding the foregoing order of priority, on any Distribution Date on which the aggregate Certificate Principal Balances of the Fixed Rate Class A Certificates are greater than the Stated Principal Balances of all Mortgage Loans in the Fixed Rate Loan Group, the Principal Distribution Amount or the Class A Principal Distribution Amount, as applicable, for the Fixed Rate Loan Group will be distributed pro rata and not sequentially.

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The Principal Distribution Amount or the Class A Principal Distribution Amount, as applicable, for the Adjustable Rate Loan Group is required to be distributed to the Adjustable Rate Class A Certificates in the following order of priority:

- (i) the Loan Subgroup [ ] Percentage thereof to the Class AV-[1] Certificates until the Certificate Principal Balance of the Class AV-[1] Certificates is reduced to zero; and (ii) the Loan Subgroup [ ] Percentage thereof to the Class AV-[2] Certificates until the Certificate Principal Balances of the Class AV-[2] is reduced to zero; and
- if the Certificate Principal Balance of either Class of Adjustable Rate Class A Certificates is reduced to zero, the portion of the Principal Distribution Amount or Class A Principal Distribution Amount, as applicable, that would have been distributed to that Class in accordance with the foregoing clause (1) shall be distributed to the remaining Class of Class A Adjustable Rate Certificates until the Certificate Principal Balance of those Classes of Certificates is reduced to zero.

Regardless of the foregoing priority [(i) on the [ ] Distribution Date, the portion of the related Principal Distribution Amount allocable to amounts remaining on deposit in the Pre-Funding Account with respect to a Loan Subgroup shall be distributed to the related Class of Adjustable Rate Class A Certificates and (ii)] on any Distribution Date on which the Certificate Principal Balances of the Adjustable Rate Class A Certificates are greater than the Stated Principal Balances of the Mortgage Loans in the Adjustable Rate Loan Group, the Principal Distribution Amount or Class A Principal Distribution Amount, as applicable, for the Adjustable Rate Loan Group will be distributed to the Class AV-[1] Certificates and the Class AV-[2] Certificates pro rata on the basis of their respective Certificate Principal Balances.

[As to any Distribution Date: the "Loan Subgroup [ ] Percentage" will equal (i) for any Distribution Date before the related Stepdown Date or as to which a related Trigger Event is in effect the percentage equivalent of a fraction, the numerator of which is the Principal Funds for Loan Subgroup [ ] for that Distribution Date and the denominator of which is the aggregate Principal Funds for the Adjustable Rate Loan Group for that Distribution Date and (ii) for any Distribution Date on or after the related Stepdown Date and so long as a related Trigger Event is not in effect, the percentage equivalent of a fraction, the numerator of which is the Certificate Principal Balance of the Class AV-[1] Certificates immediately before that Distribution Date, and the denominator of which is the aggregate Certificate Principal Balances of the Adjustable Rate Class A Certificates.]

"Principal Distribution Amount," with respect to each Distribution Date and a Loan Group, is the sum of:

- the Principal Funds for that Distribution Date for that Loan Group,
- any Extra Principal Distribution Amount for that Distribution Date for the related Loan Group[, and]
- for the [ ] Distribution Date, any amounts remaining in the Pre-Funding Account after the end of the Funding Period that were allocated to purchase Subsequent Mortgage Loans to be included in that Loan Group (net of any investment income therefrom)).

"Class A Principal Distribution Amount," for a Loan Group is the excess of:

- the Certificate Principal Balance of the Class A Certificates for the related Certificate Group immediately before that Distribution Date over
- the lesser of:
  - [ ]% for the Fixed Rate Loan Group and [ ]% for the Adjustable Rate Loan Group, of the Stated Principal Balances for that Distribution Date of the Mortgage Loans in that Loan Group, and
  - the Stated Principal Balances for that Distribution Date of the Mortgage Loans in that Loan Group less the OC Floor for the related Loan Group.

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"Class AF-[ ] Distribution Amount," for any Distribution Date, is the product of:

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- a fraction, the numerator of which is the Certificate Principal Balance of the Class AF-[ ] Certificates and the denominator of which is the aggregate Certificate Principal Balances of the Fixed Rate Class A Certificates, in each case immediately before that Distribution Date;
- the Principal Distribution Amount or the Class A Principal Distribution Amount, as applicable, with respect to the Fixed Rate Certificate Group for that Distribution Date; and
- the applicable percentage for that Distribution Date set forth in the following table:

<u>DISTRIBUTION DATE</u>	<u>PERCENTAGE</u>
[ ]	[ ]%
[ ]	[ ]%
[ ]	[ ]%
[ ]	[ ]%
[ ] and thereafter	[ ]%

“Class M-1 Principal Distribution Amount,” for a Loan Group is the excess of:

- the sum for that Loan Group of:
  - the Certificate Principal Balance of the related Class A Certificates (after taking into account distributions of the related Class A Principal Distribution Amount for that Distribution Date), and
  - the Certificate Principal Balance of the related Class M-1 Certificates immediately before that Distribution Date, over
- the lesser of:
  - [ ]% for the Fixed Rate Loan Group and [ ]% for the Adjustable Rate Loan Group of the Stated Principal Balances for that Distribution Date of the Mortgage Loans in that Loan Group, and
  - the Stated Principal Balances for that Distribution Date of the Mortgage Loans in that Loan Group less the OC Floor for the related Loan Group.

“Class M-2 Principal Distribution Amount,” for a Loan Group is the excess of:

- of the sum for that Loan Group of:
  - the Certificate Principal Balance of the related Class A Certificates (after taking into account distributions of the related Class A Principal Distribution Amount for that Distribution Date),
  - the Certificate Principal Balance of the related Class M-1 Certificates (after taking into account distribution of the related Class M-1 Principal Distribution Amount for that Distribution Date), and
  - the Certificate Principal Balance of the related Class M-2 Certificates immediately before that Distribution Date, over

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- the lesser of:
  - [ ]% for the Fixed Rate Loan Group and [ ]% for the Adjustable Rate Loan Group, of the aggregate Stated Principal Balances for that Distribution Date of the Mortgage Loans in that Loan Group, and
  - the Stated Principal Balances of the Mortgage Loans for that Distribution Date in that Loan Group less the OC Floor for the related Loan Group.

“Class B Principal Distribution Amount,” for a Loan Group is the excess of:

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- of the sum for that Loan Group of:
  - the Certificate Principal Balance of the related Class A Certificates (after taking into account distributions of the related Class A Principal Distribution Amount for that Distribution Date),
  - the Certificate Principal Balance of the related Class M-1 Certificates (after taking into account distribution of the related Class M-1 Principal Distribution Amount for that Distribution Date),
  - the Certificate Principal Balance of the related Class M-2 Certificates (after taking into account distributions of the related Class M-2 Principal Distribution Amount for that Distribution Date), and
  - the Certificate Principal Balance of the related Class B Certificates immediately before that Distribution Date over
- the lesser of:
  - [\_\_\_\_]% for the Fixed Rate Loan Group and [\_\_\_\_]% for the Adjustable Rate Loan Group, of the Stated Principal Balances for that Distribution Date of the Mortgage Loans in that Loan Group, and
  - the Stated Principal Balances for that Distribution Date of the Mortgage Loans in that Loan Group less the OC Floor for the related Loan Group;

provided, however, that after the Certificate Principal Balances of the Class A, Class M-1 and Class M-2 Certificates for that Certificate Group are reduced to zero, the Class B Principal Distribution Amount for that Distribution Date will equal 100% of the Principal Distribution Amount for the related Loan Group.

“Extra Principal Distribution Amount,” for a Loan Group and with respect to any Distribution Date, is the lesser of:

- the excess, if any, of:
  - Specified Overcollateralization Amount for that Loan Group and Distribution Date over
  - the Overcollateralization Amount (after giving effect to distributions of principal on the related Certificate Group other than any Extra Principal Distribution Amount) for that Loan Group and Distribution Date, and
- the Excess Cashflow for that Loan Group and Distribution Date available therefor in the priority set forth in this prospectus supplement.

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“Excess Cashflow,” for a Loan Group and with respect to any Distribution Date, is the excess, if any, of the Interest Funds and Principal Funds for that Loan Group and Distribution Date over required distributions of interest and principal (excluding any Extra Principal Distribution Amount) on the Offered Certificates in the related Certificate Group on that Distribution Date.

“OC Floor” for either Loan Group equals [\_\_\_\_]% of the sum of the [Initial] Cut-off Date Principal Balance of the Mortgage Loans in the related Loan Group [plus the amount of the Pre-Funded Amount originally allocated to purchase Subsequent Mortgage Loans to be included in that Loan Group.]

“Remainder Excess Cashflow,” for a Loan Group and with respect to any Distribution Date, is the excess, if any, of the Excess Cashflow for that Loan Group and Distribution Date over the portion, if any, applied to the Offered Certificates in the related Certificate Group in accordance with clauses (2) through (7) under the third paragraph under “— Over-collateralization and Cross-Collateralization Provisions” below.

“Specified Overcollateralization Amount” means:

- with respect to each Loan Group before the Stepdown Date for the related Certificate Group, an amount equal to [\_\_\_\_]% for the Fixed Rate Loan Group and [\_\_\_\_]% for the Adjustable Rate Loan Group of the sum of the [Initial] Cut-off Date Principal Balance of the Mortgage Loans in the related Loan Group [plus the amount of the Pre-Funded Amount originally allocated to purchase Subsequent Mortgage Loans to be included in that Loan Group]; and
- with respect to each Loan Group on and after the Stepdown Date for the related Certificate Group, an amount equal to [\_\_\_\_]% for the Fixed

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Rate Loan Group and [ ]% for the Adjustable Rate Loan Group of the Stated Principal Balances for the current Distribution Date of the Mortgage Loans in that Loan Group, subject to a minimum amount equal to the applicable OC Floor;

provided, however, that, if on any Distribution Date, a Trigger Event for a Certificate Group has occurred, the Specified Overcollateralization Amount shall not be reduced to the applicable percentage of the current Stated Principal Balance of the Mortgage Loans in the related Loan Group until the Distribution Date on which a Trigger Event for that Certificate Group no longer exists.

“Overcollateralization Amount,” with respect to any Distribution Date and Loan Group, is the excess, if any, of:

- the sum of the aggregate Stated Principal Balances for that Distribution Date of the Mortgage Loans in that Loan Group [plus, the amount (if any) in the Pre-Funding Account allocated to purchase Subsequent Mortgage Loans to be included in that Loan Group] over
- the Class Certificate Balance of the Offered Certificates in the related Certificate Group as of that date (after taking into account the payment of principal on those Certificates on that Distribution Date).

“Stepdown Date,” with respect to each Certificate Group, is the later to occur of:

- the Distribution Date in [ ], or
- the first Distribution Date on which the Class A Certificate Principal Balance of that Certificate Group is less than or equal to [ ]% for the Fixed Rate Loan Group and [ ]% for the Adjustable Rate Loan Group, of the Stated Principal Balances for that Distribution Date of the Mortgage Loans in the related Loan Group.

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A “Trigger Event,” with respect to each Certificate Group and a Distribution Date after the Stepdown Date, exists if the product of:

- [ ] times for the Fixed Rate Loan Group and [ ] times for the Adjustable Rate Loan Group, and
- the quotient (expressed as a percentage) of:
  - the numerator of which is the aggregate Stated Principal Balance for that Distribution Date of all Mortgage Loans in that Loan Group 60 or more days delinquent as of the preceding Due Date (including Mortgage Loans in foreclosure and REO Properties), and
  - the denominator of which is the Stated Principal Balance for that Distribution Date of that Loan Group equals or exceeds the Required Percentage.

A “Required Percentage,” with respect to each Certificate Group and a Distribution Date after the Stepdown Date is equal to the quotient (expressed as a percentage) of:

- the excess of:
  - the Stated Principal Balance for that Distribution Date of that Loan Group over
  - the Certificate Principal Balance of the most senior Class of Certificates of that Certificate Group outstanding as of the preceding Master Servicer Advance Date, and
- the Stated Principal Balance for that Distribution Date of that Loan Group.

#### **Overcollateralization and Cross-Collateralization Provisions**

As set forth below, the Excess Cashflow for a Loan Group will be required to be applied as an Extra Principal Distribution Amount with respect to the related Certificate Group whenever the Overcollateralization Amount for that Loan Group is less than the related Specified Overcollateralization Amount. In addition, any Remainder Excess Cashflow with respect to a Loan Group will be required to be applied as an Extra Principal Distribution Amount with respect to the Certificate Group related to the other Loan Group whenever the Overcollateralization Amount for that other Loan Group is less than the related Specified Overcollateralization Amount. If on any Distribution Date, after giving effect to any Extra Principal Distribution Amount, the aggregate Certificate Principal Balances of the Offered Certificates with respect to a Certificate Group exceed the [sum of (x)] the Stated Principal Balances of the Mortgage Loans in the related Loan Group [and (y) the amount on deposit in the Pre-Funded Account (if any) allocated to purchase

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Subsequent Mortgage Loans to be included in that Loan Group], the Certificate Principal Balances of the Subordinated Offered Certificates (but not the Class A Certificates) of that Certificate Group will be reduced, in inverse order of seniority (beginning with the Class B Certificates) by an amount equal to that excess. That reduction, if any, is an "Applied Realized Loss Amount."

If the Certificate Principal Balance of a Class of Subordinated Offered Certificates is reduced, that Class thereafter will be entitled to distributions of interest and principal only with respect to the Certificate Principal Balance as so reduced. On subsequent Distribution Dates, however, as described below, Excess Cashflow from the related Loan Group and Remainder Excess Cashflow from the other Loan Group will be applied to reduce Unpaid Realized Loss Amounts previously allocated to those Certificates in order of seniority.

On each Distribution Date, the Excess Cashflow with respect to a Loan Group will be required to be distributed as follows:

- (1) the Extra Principal Distribution Amount for that Loan Group, to the related Certificate Group as described under "— Distribution of Principal" above,

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- (2) to the Class M-1 Certificates of that Certificate Group, any Interest Carry Forward Amount for that Class,
- (3) to the Class M-1 Certificates of that Certificate Group, any Unpaid Realized Loss Amount for that Class,
- (4) to the Class M-2 Certificates of that Certificate Group, any Interest Carry Forward Amount for that Class,
- (5) to the Class M-2 Certificates of that Certificate Group, any Unpaid Realized Loss Amount for that Class,
- (6) to the Class B Certificates of that Certificate Group, any Interest Carry Forward Amount for that Class, and
- (7) to the Class B Certificates of that Certificate Group, the Unpaid Realized Loss Amount for that Class.

On each Distribution Date, the Remainder Excess Cashflow with respect to a Loan Group will be required to be distributed as follows:

- (1) for distribution to the Certificates in the other Certificate Group to the extent that any of the amounts listed in clauses (2) through (7) in the immediately preceding paragraph with respect to the other Certificate Group have not otherwise been funded in full for that Distribution Date in accordance with the priorities set forth above;
- (2) in the case of the Fixed Rate Loan Group to the Offered Fixed Rate Certificates, on a pro rata basis among all Classes, the Fixed Net Rate Carryover (to be treated as paid from and to the extent of funds on deposit in the Fixed Rate Carryover Reserve Fund, and, in the case of the Fixed Net Rate Carryover for the Class AF-[1] Certificates only, if that amount on deposit in the Fixed Rate Carryover Reserve Fund is not enough to pay that Fixed Net Rate Carryover then from the Adjustable Rate Carryover Reserve Fund after payment of any Adjustable Rate Certificate Carryover in accordance with clause (3) below, in each case after giving effect to distributions in accordance with clause (4) below);
- (3) in the case of the Adjustable Rate Loan Group, to the Offered Adjustable Rate Certificates, on a pro rata basis among all Classes, the Adjustable Rate Certificate Carryover (to be treated as paid from and to the extent of funds on deposit in the Adjustable Rate Carryover Reserve Fund, after giving effect to distributions in accordance with clause (4) below);
- (4) first, (a) to the Class BF-IO Certificates, for deposit in the Fixed Rate Carryover Reserve Fund (for distribution (if any) in accordance with clause (2) above) in an amount equal to the Fixed Rate Carryover Reserve Fund Deposit, and (b) to the Class BV-IO Certificates, for deposit in the Adjustable Rate Carryover Reserve Fund (for distribution (if any) in accordance with clause (3) above) in an amount equal to the Adjustable Rate Carryover Reserve Fund Deposit; and second, to the Class BF-IO and Class BV-IO Certificates for distribution to the holders of those Certificates, in each case as provided in the pooling and servicing agreement;
- (5) to pay the master servicer an extra master servicing fee as provided in the pooling and servicing agreement (the "Extra Master Servicing Fee"); and
- (6) to the Residual Certificates, any remaining amount.

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“Applied Realized Loss Amount,” with respect to any Class of the Subordinated Offered Certificates and as to any Distribution Date, means the sum of the Realized Losses with respect to Mortgage Loans which have been applied in reduction of the Certificate Principal Balance of that Class.

“Realized Loss” is the excess of the Stated Principal Balance of a defaulted Mortgage Loan over the net liquidation proceeds of that Mortgage Loan that are allocated to principal.

“Unpaid Realized Loss Amount,” with respect to any Class of the Subordinated Offered Certificates and as to any Distribution Date, is the excess of:

- Applied Realized Loss Amounts with respect to that Class over
- the sum of all distributions in reduction of the Applied Realized Loss Amounts on all previous Distribution Dates.

Any amounts distributed to a Class of Subordinated Offered Certificates in respect of any Unpaid Realized Loss Amount will not be applied to reduce the Certificate Principal Balance of that Class.

If a Specified Overcollateralization Amount is permitted to decrease or “step down” on a Distribution Date in the future, or if an Excess Overcollateralization Amount (as defined below) for a Certificate Group otherwise exists, then any amounts relating to principal which would otherwise be distributed to the holders of the Certificates in the related Certificate Group on that Distribution Date will (to the extent not otherwise required to be applied to the other Certificate Group) instead be distributed to the holders of the related Class B-IO Certificates, to the master servicer as an Extra Master Servicing Fee and to the holders of the Residual Certificates (in each case as provided in the pooling and servicing agreement) on that Distribution Date until the applicable Excess Overcollateralization Amount is reduced to zero. This has the effect of decelerating the amortization of the Certificates in the related Certificate Group relative to the amortization of the Mortgage Loans in the related Loan Group, and of reducing the related Overcollateralization Amount to the applicable Specified Overcollateralization Amount. With respect to a Certificate Group and any Distribution Date, the excess, if any, of (a) the Overcollateralization Amount on that Distribution Date over (b) the Specified Overcollateralization Amount is the “Excess Overcollateralization Amount” with respect to that Distribution Date.

#### Calculation of One-Month LIBOR

On the second LIBOR Business Day (as defined below) preceding the commencement of each Accrual Period for the Offered Adjustable Rate Certificates and the Class AF-[1] Certificates (each such date, an “Interest Determination Date”), the trustee will determine the One-Month LIBOR for that Accrual Period on the basis of such rate as it appears on Telerate Screen Page 3750, as of 11:00 a.m. (London time) on that Interest Determination Date. If that rate does not appear on such page (or some other page as may replace that page on that service, or if that service is no longer offered, some other service for displaying LIBOR or comparable rates as may be reasonably selected by the trustee), One-Month LIBOR for the applicable Accrual Period will be the Reference Bank Rate as defined in this prospectus supplement. If those quotations cannot be obtained and no Reference Bank Rate is available, One-Month LIBOR will be the One-Month LIBOR applicable to the preceding Accrual Period. The “Reference Bank Rate” with respect to any Accrual Period, means the arithmetic mean (rounded upwards, if necessary, to the nearest whole multiple of 0.03125%) of the offered rates for United States dollar deposits for one month that are quoted by the Reference Banks as of 11:00 a.m., New York City time, on the related Interest Determination Date to prime banks in the London interbank market for one month in amounts approximately equal to the aggregate Certificate Principal Balance of all Adjustable Rate Certificates and the Class AF-[1] Certificates for that Accrual Period, provided that at least two of those Reference Banks provide that rate. If fewer than two offered rates appear, the Reference Bank Rate will be the arithmetic mean (rounded upwards, if necessary, to the nearest whole multiple of 0.03125%) of the rates quoted by one or more major banks in New York City, selected by the trustee, as of 11:00 a.m., New York City time, on that date for loans in U.S. dollars to leading European banks for one month in amounts approximately equal to the Certificate Principal Balance of all Adjustable Rate Certificates and the Class AF-[1] Certificates for that Accrual Period. As used in this section, “LIBOR Business Day” means a day on which banks are open for dealing in foreign currency and exchange in London and New York City; and “Reference Banks” means leading banks selected by the trustee and engaged in transactions in Eurodollar deposits in the international Eurocurrency market:

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- with an established place of business in London,
- which have been designated as that by the trustee, and
- which are not controlling, controlled by, or under common control with, the depositor, First Horizon or any successor master servicer.

The establishment of One-Month LIBOR on each Interest Determination Date by the trustee and the trustee’s calculation of the rate of interest applicable to the Offered Adjustable Rate Certificates and the Class AF-[1] Certificates for the related Accrual Period shall (in the absence of manifest error) be final and binding.

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### **Fixed Rate Carryover Reserve Fund**

The pooling and servicing agreement establishes an account (the “Fixed Rate Carryover Reserve Fund”), which is held in trust by the trustee on behalf of the Offered Fixed Rate Certificateholders. The Fixed Rate Carryover Reserve Fund will not be an asset of any REMIC. Holders of the Offered Fixed Rate Certificates will be entitled to receive payments from the Fixed Rate Carryover Reserve Fund in an amount equal to any Fixed Net Rate Carryover for those Offered Fixed Rate Certificates as described in this prospectus supplement under “— Overcollateralization and Cross-Collateralization Provisions.” The amount required to be deposited in the Fixed Rate Carryover Reserve Fund on any Distribution Date (the “Fixed Rate Carryover Reserve Fund Deposit”) will equal the greater of:

- any Fixed Net Rate Carryover for that Distribution Date, and
- an amount such that when added to other amounts already on deposit in the Fixed Rate Carryover Reserve Fund, the aggregate amount on deposit therein is equal to \$[5,000] (that amount on deposit in the Fixed Rate Carryover Reserve Fund being subject to increase or decrease under certain circumstances, as provided in the pooling and servicing agreement).

Any investment earnings on amounts on deposit in the Fixed Rate Carryover Reserve Fund will be paid to (and for the benefit of) the holders of the Class BF-IO Certificates and will not be available to pay any Fixed Net Rate Carryover.

### **Adjustable Rate Carryover Reserve Fund**

The pooling and servicing agreement also establishes an account (the “Adjustable Rate Carryover Reserve Fund”), which is held in trust by the trustee on behalf of the Offered Adjustable Rate Certificateholders and the Class AF-[1] Certificateholders. The Adjustable Rate Carryover Reserve Fund will not be an asset of any REMIC. Holders of the Offered Adjustable Rate Certificates and, on a subordinated basis, the Class AF-[1] Certificateholders, will be entitled to receive payments from the Adjustable Rate Carryover Reserve Fund in an amount equal to any Adjustable Rate Certificate Carryover for those Certificates (and in the case of the Class AF-[1] Certificates, the Fixed Net Rate Carryover for those Certificates not paid from amounts on deposit in the Fixed Rate Carryover Reserve Fund) as described in this prospectus supplement under “— Overcollateralization and Cross-Collateralization Provisions.” The amount required to be deposited in the Adjustable Rate Carryover Reserve Fund on any Distribution Date (the “Adjustable Rate Carryover Reserve Fund Deposit”) will equal the greater of:

- any Adjustable Rate Certificate Carryover for that Distribution Date plus the Fixed Net Rate Carryover for the Class AF-[1] Certificates for that Distribution Date, and
- an amount such that when added to other amounts already on deposit in the Adjustable Rate Carryover Reserve Fund, the aggregate amount on deposit therein is equal to \$[5,000] (that amount on deposit in the Adjustable Rate Carryover Reserve Fund being subject to increase or decrease under certain circumstances, as provided in the pooling and servicing agreement).

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Any investment earnings on amounts on deposit in the Adjustable Rate Carryover Reserve Fund will be paid to (and for the benefit of) the holders of the Class BV-IO Certificates and will not be available to pay any Adjustable Rate Certificate Carryover.

### **Reports to Certificateholders**

On each Distribution Date, the trustee will forward to each Certificateholder, the master servicer and the depositor a statement generally setting forth, among other information:

- the amount of the related distribution to holders of the Offered Certificates allocable to principal, separately identifying:
  - the aggregate amount of any principal prepayments included in that amount,
  - the aggregate of all scheduled payments of principal included in that amount, and
  - Extra Principal Distribution Amount,
- the amount of that distribution to holders of the Offered Certificates allocable to interest,
- the Interest Carry Forward Amounts for each Class of Offered Certificates (if any),
- the Certificate Principal Balance of the Offered Certificates after giving effect to the distribution of principal on that Distribution Date,

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- the Pool Stated Principal Balance for the following Distribution Date,
  - the amount of the Servicing Fee paid to or retained by the master servicer for the related Due Period,
  - the Pass-Through Rate for each Class of Offered Adjustable Rate Certificates and the Class AF-[1] Certificates for that Distribution Date,
  - the amount of Advances included in the distribution on that Distribution Date,
  - the number and aggregate principal amounts of Mortgage Loans in each Loan Group [and each Loan Subgroup]:
    - delinquent (exclusive of related Mortgage Loans in foreclosure):
      - 30 days,
      - 31 to 60 days,
      - 61 to 90 days, and
      - 91 or more days, and
    - in foreclosure and delinquent:
      - 30 days,
      - 31 to 60 days,
      - 61 to 90 days, and
      - 91 or more days,
- in each case as of the close of business on the last day of the calendar month preceding that Distribution Date,

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- with respect to any Mortgage Loan in each Loan Group [and each Loan Subgroup] that became an REO Property during the preceding calendar month, the loan number and Stated Principal Balance for that Distribution Date of that Mortgage Loan and the date of acquisition of that Mortgage Loan,
  - with respect to each Loan Group, whether a Trigger Event exists,
  - the total number and principal balance of any REO Properties in each Loan Group [and each Loan Subgroup] as of the close of business on the Determination Date preceding that Distribution Date,
  - any Adjustable Rate Certificate Carryover paid and all remaining Adjustable Rate Certificate Carryover remaining on each Class of the Offered Adjustable Rate Certificates on that Distribution Date, and
  - any Fixed Net Rate Carryover paid and all remaining Fixed Net Rate Carryover remaining on each Class of the Offered Fixed Rate Certificates on that Distribution Date.

In addition, within a reasonable period of time after the end of each calendar year, the trustee will prepare and deliver to each Certificateholder of record during the previous calendar year a statement containing information necessary to enable Certificateholders to prepare their tax returns. Such statements will not have been examined and reported upon by an independent public accountant.

#### **Amendment**

The pooling and servicing agreement may be amended by the depositor, the master servicer and the trustee, without the consent of Certificateholders, for any of the purposes set forth under “The Agreements — Amendment” in the prospectus. In addition, the pooling and servicing agreement may be amended by the depositor, the master servicer, the seller and the trustee and the holders of a Majority in Interest of each Class of Certificates affected thereby for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the pooling and

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servicing agreement or of modifying in any manner the rights of the Certificateholders; provided, however, that no such amendment may:

- (1) reduce in any manner the amount of, or delay the timing of, payments required to be distributed on any Certificate without the consent of the holder of that Certificate,
- (2) adversely affect in any material respect the interests of the holders of any Class of Certificates in a manner other than as described in clause (1) above, without the consent of the holders of Certificates of that Class evidencing, as to that Class, Percentage Interests aggregating 66%, or
- (3) reduce the aforesaid percentage of aggregate outstanding principal amounts of Certificates of each Class, the holders of which are required to consent to any such amendment, if any, without the consent of the holders of all Certificates of that Class.

#### **Optional Termination**

The master servicer will have the right to repurchase all remaining Mortgage Loans [in each Loan Group] and thereby effect early retirement of all the Certificates [of the related Certificate Group], subject to the Stated Principal Balance of the Mortgage Loans and REO Properties [in that Loan Group] at the time of repurchase being less than or equal to [10]% of [the sum of (i) the Initial Cut-off Date Principal Balance of that Loan Group and (ii) the portion of the Pre-Funded Amount allocated to purchase Subsequent Mortgage Loans to be included in that Loan Group] (each, an "Optional Termination Date"). If that option is exercised by the master servicer, the repurchase will be made at a price equal to the sum of:

- 100% of the Stated Principal Balance of each Mortgage Loan [in that Loan Group] (other than in respect of REO Property) plus accrued interest thereon at the applicable Mortgage Rate, net of the Servicing Fee; and
- any unreimbursed out-of-pocket costs and expenses and the principal portion of Advances [for that Loan Group];

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in each case previously incurred by the master servicer in the performance of its servicing obligations. Proceeds from that repurchase will be distributed to the Certificateholders [in the related Certificate Group] in the priority described above. The proceeds from that distribution, if any, may not be sufficient to distribute the full amount to which each Class of Certificates [on a Certificate Group] is entitled if, [with respect to the related Loan Group,] the purchase price is based in part on the appraised value of any REO Property and that appraised value is less than the Stated Principal Balance of the related Mortgage Loan. Any repurchase of the Mortgage Loans and REO Properties [of a Loan Group] will result in an early retirement of the Certificates [in the related Certificate Group].

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

As to any Mortgage Loan which is delinquent in payment by 91 days or more, the master servicer may, at its option, purchase that Mortgage Loan at a price equal to 100% of the Stated Principal Balance of that Mortgage Loan plus accrued interest thereon at the applicable Mortgage Rate, from the date through which interest was last paid by the related mortgagor or advanced to the first day of the month in which that amount is to be distributed.

#### **Events of Default**

Events of Default will consist of:

- any failure by the master servicer to deposit in the Certificate Account or the Distribution Account the required amounts or remit to the trustee any payment (including an Advance required to be made under the terms of the pooling and servicing agreement) which continues unremedied for five Business Days after written notice of that failure shall have been given to the master servicer by the trustee or the depositor, or to the master servicer and the trustee by the holders of Certificates evidencing not less than 25% of the Voting Rights evidenced by the Certificates;
- any failure by the master servicer to observe or perform in any material respect any other of its covenants or agreements, or any breach of a representation or warranty made by the master servicer, in the pooling and servicing agreement, which continues unremedied for 60 days after the giving of written notice of that failure to the master servicer by the trustee or the depositor, or to the master servicer and the trustee by the holders of Certificates evidencing not less than 25% of the Voting Rights evidenced by the Certificates; or
- insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings, and certain actions by or on behalf of the master servicer indicating its insolvency or inability to pay its obligations.

As of any date of determination, holders of the Offered Certificates will be allocated 95% of all Voting Rights, allocated among the Offered Certificates in proportion to their respective outstanding Certificate Principal Balances and holders of the Class B-IO Certificates and the Residual

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Certificates will be allocated all of the remaining Voting Rights.

Voting Rights will be allocated among the Certificates of each of those Classes in accordance with their respective Percentage Interests.

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### **Rights Upon Event of Default**

So long as an Event of Default under the pooling and servicing agreement remains unremedied, the trustee shall, but only upon the receipt of instructions from the holders of Certificates having not less than 25% of the Voting Rights evidenced by the Certificates, terminate all of the rights and obligations of the master servicer under the pooling and servicing agreement and in and to the Mortgage Loans, whereupon the trustee will succeed to all of the responsibilities and duties of the master servicer under the pooling and servicing agreement, including the obligation to make Advances. No assurance can be given that termination of the rights and obligations of the master servicer under the pooling and servicing agreement would not adversely affect the servicing of the Mortgage Loans, including the delinquency experience of the Mortgage Loans.

No Certificateholder, solely by virtue of that holder's status as a Certificateholder, will have any right under the pooling and servicing agreement to institute any proceeding with respect to the pooling and servicing agreement, unless that holder previously has given to the trustee written notice of the continuation of an Event of Default and unless the holders of Certificates having not less than 25% of the Voting Rights evidenced by the Certificates have made written request to the trustee to institute that proceeding in its own name as trustee thereunder and have offered to the trustee reasonable indemnity and the trustee for 60 days has neglected or refused to institute any such proceeding.

### **The Trustee**

[Name of Trustee] will be the trustee under the pooling and servicing agreement. The depositor and First Horizon may maintain other banking relationships in the ordinary course of business with the trustee. Offered Certificates may be surrendered at the Corporate Trust Office of the trustee located at [Address of Trustee, Attention: Name of Officer] or at any other address the trustee may designate from time to time.

## **YIELD, PREPAYMENT AND MATURITY CONSIDERATIONS**

### **General**

The weighted average life of, and the yield to maturity on each Class of the Offered Certificates generally will be directly related to the rate of payment of principal (including prepayments) of the Mortgage Loans in the related Loan Group], or in the case of the Class AV-[1] and Class AV-[2] Certificates, in the related Loan Subgroup]. The actual rate of principal prepayments on pools of mortgage loans is influenced by a variety of economic, tax, geographic, demographic, social, legal and other factors and has fluctuated considerably in recent years. In addition, the rate of principal prepayments may differ among pools of mortgage loans at any time because of specific factors relating to the mortgage loans in the particular pool, including, among other things, the age of the mortgage loans, the geographic locations of the properties securing the loans, the extent of the mortgagor's equity in those properties, and changes in the mortgagors' housing needs, job transfers and employment status. Furthermore, as described under "The Mortgage Pool — Assignment of the Mortgage Loans," with respect to up to [50]% of the [Initial] Mortgage Loans [and all of the Subsequent Mortgage Loans] (the "Delay Delivery Mortgage Loans"), the depositor may deliver the related Trustee Mortgage Files after the Closing Date [or Subsequent Transfer Date, as applicable]. Should the seller fail to deliver all or a portion of any such Trustee Mortgage Files to the depositor or other designee of the depositor or, at the Depositor's direction, to the trustee within the time periods described under "The Mortgage Pool — Assignment of the Mortgage Loans," the seller will be required to use its best efforts to deliver a Substitute Mortgage Loan for the related Delay Delivery Mortgage Loan or repurchase the related Delay Delivery Mortgage Loan. Any repurchases in accordance with this provision would also have the effect of accelerating the rate of prepayments on the Mortgage Loans. [In addition, approximately [\_\_\_\_\_] % of the Mortgage Loans in the Fixed Rate [Statistical Calculation] Loan Group and approximately [\_\_\_\_\_] % of the Mortgage Loans in the Adjustable Rate [Statistical Calculation] Loan Group require the payment of a penalty in connection with some prepayments, generally during the first five years following origination of the related Mortgage Loan. These penalties, if enforced by the master servicer, may affect the rate of prepayments on the Mortgage Loans.]

The timing of changes in the rate of prepayments may significantly affect the actual yield to investors who purchase the Offered Certificates at prices other than par, even if the average rate of principal prepayments is consistent with the expectations of investors. In general, the earlier the payment of principal of the Mortgage Loans the greater the effect on an investor's yield to maturity. As a result, the effect on an investor's yield of principal prepayments occurring at a rate higher (or lower) than the rate anticipated by the investor during the period immediately following the issuance of the Offered Certificates may not be offset by a subsequent like reduction (or increase) in the rate of principal prepayments. Investors must make their own decisions as to the appropriate prepayment assumptions to be used in deciding whether to purchase any of the Offered Certificates. The depositor does not make any representations or warranties as to the rate of prepayment or the factors to be considered in connection with those determinations.

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The weighted average life and yield to maturity of each Class of Offered Certificates will also be influenced by the amount of Excess Cashflow

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generated by the Mortgage Loans and applied in reduction of the Certificate Principal Balances of those Certificates. The level of Excess Cashflow available on any Distribution Date to be applied in reduction of the Certificate Principal Balances of the Offered Certificates will be influenced by, among other factors:

- the overcollateralization level of the assets in the Loan Group at that time (i.e., the extent to which interest on the Mortgage Loans is accruing on a higher Stated Principal Balance than the Certificate Principal Balance of the related Offered Certificates),
- the delinquency and default experience of the Mortgage Loans,
- the level of One-Month LIBOR and the Mortgage Index for the Adjustable Rate Mortgage Loans, and
- the provisions of the pooling and servicing agreement that permit any principal to be distributed to the Class B-IO Certificates and the Residual Certificates and to the master servicer as an Extra Master Servicing Fee (in each case as provided in the pooling and servicing agreement) when required overcollateralization levels have been met.

To the extent that greater amounts of Excess Cashflow are distributed in reduction of the Certificate Principal Balances of a Class of Offered Certificates, the weighted average life of that Class can be expected to shorten. No assurance, however, can be given as to the amount of Excess Cashflow distributed at any time or in the aggregate. See "Description of the Offered Certificates — Overcollateralization and Cross-Collateralization Provisions" in this prospectus supplement.

The Class AF-[ ] Certificates will not be entitled to distributions of principal until the Distribution Date in [ ] (except as otherwise described in this prospectus supplement). Thereafter, the relative entitlement of the Class AF-[ ] Certificates to payments in respect of principal is subject to increase in accordance with the calculation of the Class AF-[ ] Distribution Amount. See "Description of the Certificates — Distributions" in this prospectus supplement.

#### **Prepayments and Yields for Offered Certificates**

The extent to which the yield to maturity of the Offered Certificates may vary from the anticipated yield will depend upon the degree to which it is purchased at a discount or premium and, correspondingly, the degree to which the timing of payments thereon is sensitive to prepayments, liquidations and purchases of the Mortgage Loans in the related Loan Group [or Loan Subgroup, as applicable]. In particular, in the case of an Offered Certificate purchased at a discount, an investor should consider the risk that a slower than anticipated rate of principal payments, liquidations and purchases of the Mortgage Loans in the related Loan Group [or Loan Subgroup, as applicable], could result in an actual yield to that investor that is lower than the anticipated yield and, in the case of an Offered Certificate purchased at a premium, the risk that a faster than anticipated rate of principal payments, liquidations and purchases of those Mortgage Loans in the related Loan Group [or Loan Subgroup, as applicable], could result in an actual yield to that investor that is lower than the anticipated yield.

All of the Mortgage Loans in the Fixed Rate Loan Group are fixed rate Mortgage Loans. In general, if prevailing interest rates fall significantly below the interest rates on fixed rate mortgage loans, those mortgage loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the interest rates on those mortgage loans. Conversely, if prevailing interest rates rise appreciably above the interest rates on fixed rate mortgage loans, those mortgage loans are likely to experience a lower prepayment rate than if prevailing rates remain at or below the interest rates on those mortgage loans. If Fixed Rate Mortgage Loans with higher mortgage rates prepay at rates higher than other Fixed Rate Mortgage Loans, the Fixed Rate Net Cap may be lower than otherwise would be the case. As a result, the interest payable on the Fixed Rate Certificates on a Distribution Date could be reduced because of the imposition of the Fixed Rate Net Cap. In addition, the pass-through rate on the Class AF-[1] Certificates adjusts monthly based on One-Month LIBOR while the mortgage rates on the Fixed Rate Mortgage Loans are fixed, except for certain mortgage rates that may decline based on payment history.

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Although amounts deposited in the Fixed Rate Carryover Reserve Fund will be available to pay any Fixed Net Rate Carryover, there is no assurance that funds will be available or sufficient to pay that amount. The ratings assigned Offered Fixed Rate Certificates do not address the likelihood of the payment of that amount.

The effective yield to the holders of the Fixed Rate Certificates (other than the Class AF-[1] Certificates) will be lower than the yield otherwise produced by the applicable rate at which interest is passed through to those holders and the purchase price of such Certificates because monthly distributions will not be payable to those holders until the [ ]th 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 related Mortgage Loans (without any additional distribution of interest or earnings thereon in respect of that delay).

All of the Mortgage Loans in the Adjustable Rate Loan Group are adjustable rate Mortgage Loans. As is the case with conventional fixed rate mortgage loans, adjustable rate mortgage loans may be subject to a greater rate of principal prepayments in a declining interest rate environment. For example, if prevailing interest rates fall significantly, adjustable rate mortgage loans could be subject to higher prepayment rates than if prevailing interest

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rates remain constant because the availability of fixed rate mortgage loans at lower interest rates may encourage mortgagors to refinance their adjustable rate mortgage loans to a lower fixed interest rate. Prepayments on the [1/29], [2/28] and [3/27] Mortgage Loans may differ as they approach their respective First Adjustment Dates. No assurance can be given as to the level of prepayment that the Mortgage Loans will experience.

Although the Mortgage Rates on the Adjustable Rate Mortgage Loans are subject to adjustment, those Mortgage Rates adjust less frequently than the Pass-Through Rate on the related Offered Adjustable Rate Certificates and adjust by reference to the Mortgage Index. Changes in One-Month LIBOR may not correlate with changes in the Mortgage Index and also may not correlate with prevailing interest rates. It is possible that an increased level of One-Month LIBOR could occur simultaneously with a lower level of prevailing interest rates which would be expected to result in faster prepayments, thereby reducing the weighted average life of the Offered Adjustable Rate Certificates. The Mortgage Rate applicable to all or substantially all of the Adjustable Rate Mortgage Loans and any Adjustment Date will be based on the Mortgage Index value most recently announced generally as of a date [45] days before that Adjustment Date. Thus, if the Mortgage Index value with respect to an Adjustable Rate Mortgage Loan rises, the lag in time before the corresponding Mortgage Rate increases will, all other things being equal, slow the upward adjustment of the Adjustable Rate Available Funds Cap on the related Offered Adjustable Rate Certificates. [In addition, a substantial portion of the Mortgage Loans in Adjustable Rate [Statistical Calculation] Loan Group have Mortgage Rates which will not adjust for a substantial period of time after origination.] See "The Mortgage Pool" in this prospectus supplement.

Although amounts deposited in the Adjustable Rate Carryover Reserve Fund will be available to pay any Adjustable Rate Carryover, there is no assurance that funds will be available to pay that amount. The ratings assigned to the Offered Adjustable Rate Certificates do not address the likelihood of the payment of that amount.

The "Last Scheduled Distribution Date" for (A) the Class AF-[ ] Certificates is the Distribution Date on which the Certificate Principal Balance of those Certificates would be reduced to zero assuming, among other things, that: no prepayments are received on the Mortgage Loans in the related Loan Group, scheduled monthly payments of principal of and interest on each of those Mortgage Loans are timely received and Excess Cashflow and any Remainder Excess Cashflow is not used to make accelerated payments of principal; or (B) the Class AF-[ ], Class MF-[1], Class MF-[2] and Class BF Certificates and the Offered Adjustable Rate Certificates is the Distribution Date falling in the [ ] calendar month after the calendar month in which the last scheduled monthly payment is due on the Mortgage Loans in (i) the Fixed Rate [Statistical Calculation] Loan Group, (ii) [Statistical Calculation] Loan Subgroup [ ], in the case of the Class AV-[1] Certificates, (iii) [Statistical Calculation] Loan Subgroup [ ], in the case of the Class AV-[2] Certificates and (iv) the Adjustable Rate [Statistical Calculation] Loan Group, in the case of the Class MV-[1], Class MV-[2] and Class BV Certificates.

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The actual final Distribution Date with respect to each Class of Offered Certificates could occur significantly earlier than its Last Scheduled Distribution Date because:

- prepayments are likely to occur which will be applied to the payment of the Certificate Principal Balances of those Classes,
- Excess Cashflow to the extent available will be applied as an accelerated payment of principal on the Offered Certificates as described in this prospectus supplement, and
- the master servicer may purchase all the Mortgage Loans [in a Loan Group] when outstanding Stated Principal Balances thereof has declined to [10]% or less of [the sum of (i) the Initial Cut-off Date Principal Balance of that Loan Group and (ii) the Pre-Funded Amount allocated to purchase Subsequent Mortgage Loans to be included in that Loan Group].

Prepayments on mortgage loans are commonly measured relative to a prepayment model or standard. The prepayment models used in this prospectus supplement ("Prepayment Models") are based on an assumed rate of prepayment each month of the then unpaid principal balance of a pool of mortgage loans similar to the Mortgage Loans in each Loan Group. For the Fixed Rate Mortgage Loans, the Prepayment Model used in this prospectus supplement (the "Prepayment Vector" or "PV") is a prepayment assumption which represents an assumed rate of prepayment each month relative to the then outstanding principal balance of a pool of mortgage loans for the life of those mortgage loans. For example, a [22]% Prepayment Vector assumes prepayment rates of [2.2]% per annum of the then outstanding principal balance of the Fixed Rate Mortgage Loans in the first month of the life of such Mortgage Loans and an additional [2.2]% per annum (i.e. [1/10] of the final per annum rate) in each month thereafter up to and including the [tenth] month. Beginning in the [eleventh] month and in each month thereafter during the life of such Fixed Rate Mortgage Loans, a [22]% Prepayment Vector assumes a constant prepayment rate of [22]% per annum. The other percentages of the Prepayment Vector identified in this prospectus supplement assume that the Fixed Rate Mortgage Loans will prepay at rates which start and increase in a similar manner (i.e., [1/10] of the final per annum rate) until they reach such respective percentages of constant rates of prepayment per annum. For the Adjustable Rate Mortgage Loans, the Prepayment Model used in this prospectus supplement ("Constant Prepayment Rate" or "CPR") is a prepayment assumption which represents a constant assumed rate of prepayment each month relative of the then outstanding principal balance of a pool of mortgage loans for the life of those mortgage loans. [27]% CPR assumes a constant prepayment rate of [27]% per annum.

There is no assurance, however, that prepayments on the Mortgage Loans will conform to any level of the Prepayment Model, and no representation is made that the Mortgage Loans will prepay at the prepayment rates shown or any other prepayment rate. The rate of principal payments on pools of mortgage loans is influenced by a variety of economic, geographic, social and other factors, including the level of interest rates. Other factors affecting prepayment of mortgage loans include changes in obligors' housing needs, job transfers and unemployment. In the case of mortgage loans in

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general, if prevailing interest rates fall significantly below the interest rates on those mortgage loans, the mortgage loans are likely to be subject to higher prepayment rates than if prevailing interest rates remain at or above the rates borne by those mortgage loans. Conversely, if prevailing interest rates rise above the interest on those mortgage loans, the rate of prepayment would be expected to decrease.

The following tables have been prepared on the basis of the following assumptions (collectively, the "Modeling Assumptions"):

- the Mortgage Loans prepay at the indicated percentage of the related Prepayment Model,

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- distributions on the Offered Certificates are received, in cash, on the [ ]th day of each month, commencing in [ ], in accordance with the payment priorities defined in this prospectus supplement,
- no defaults or delinquencies in, or modifications, waivers or amendments respecting, the payment by the Mortgagors of principal and interest on the Mortgage Loans occur,
- scheduled payments are assumed to be received on the first day of each month commencing in [ ], and prepayments represent payment in full of individual Mortgage Loans and are assumed to be received on the last day of each month, commencing in [ ], and include 30 days' interest thereon,
- the level of the six-month LIBOR Mortgage Index remains constant at [ ]% per annum, the level of one-year CMT remains constant at [ ]% per annum and the level of One-Month LIBOR remains constant at [ ]% per annum,
- the Pass-Through Margin for the Offered Adjustable Rate Certificates remains constant at the rates applicable before the [related] Optional Termination Date and the Pass-Through Margin for the Offered Adjustable Rate Certificates is adjusted accordingly on any Distribution Date following the [related] Optional Termination Date,
- the Closing Date for the Certificates is [ ],
- the Mortgage Rate for each Adjustable Rate Mortgage Loan is adjusted on its next Mortgage Rate Adjustment Date (and on subsequent Mortgage Rate Adjustment Dates, if necessary) to equal the sum of
  - the assumed level of the six-month LIBOR Mortgage Index, and
  - the respective Gross Margin (that sum being subject to the applicable periodic adjustment caps and floors and the applicable lifetime adjustment caps and floors),
- a Servicing Fee Rate of [0.50]% for each Loan Group,
- except as indicated with respect to the weighted average lives, no optional termination is exercised [with respect to either Loan Group] on the [respective] Optional Termination Date, and
- [all of Pre-Funded Amount is used to purchase Subsequent Mortgage Loans for inclusion in the related Loan Group or Subgroup (as applicable) during the Funding Period, and]

each Loan Group [or Loan Subgroup] consists of Mortgage Loans having the approximate characteristics described below:

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**FIXED RATE LOAN GROUP**  
[LOAN SUBGROUP [ ]]

Principal Balance (\$)	Mortgage Rate (%)	Original Amortization Term (in Months)	Original Term to Maturity (in Months)	Remaining Term to Maturity (in Months)

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**ADJUSTMENT RATE LOAN GROUP**  
**[LOAN SUBGROUP [ ]]**

Principal Balance (\$)	Mortgage Rate (%)	Original Amortization Term (in Months)	Original Term to Maturity (in Months)	Remaining Term to Maturity (in Months)	Periodic Cap (%)	Initial Periodic Cap (%)
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**PERCENT OF INITIAL CLASS PRINCIPAL BALANCE OUTSTANDING  
OF THE CLASS AF-[1] CERTIFICATES AT THE FOLLOWING CONSTANT  
PERCENTAGES OF SPA**

Distribution Date	Class AF-[1] Certificates				
	%	%	%	%	%
Initial	100	100	100	100	100

Weighted Average Life (in years)(1) . . . . .  
Weighted Average Life (in years)(2) . . . . .

- (1) The weighted average life of the Offered Certificates is determined by:
- (a) multiplying the amount of each principal payment by the number of years from the date of issuance to the related Distribution Date,
  - (b) adding the results, and
  - (c) dividing the sum by the initial respective Certificate Principal Balance for that Class of Offered Certificates.
- (2) To the [respective] Optional Termination Date.

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**PERCENT OF INITIAL CLASS PRINCIPAL BALANCE OUTSTANDING  
OF THE CLASS AF-[ ] CERTIFICATES AT THE FOLLOWING CONSTANT  
PERCENTAGES OF SPA**

Distribution Date	Class AF-[ ] Certificates				
	%	%	%	%	%
Initial	100	100	100	100	100

Weighted Average Life (in years)(1) . . . . .  
Weighted Average Life (in years)(2) . . . . .

- (1) The weighted average life of the Offered Certificates is determined by:
- (a) multiplying the amount of each principal payment by the number of years from the date of issuance to the related Distribution Date,
  - (b) adding the results, and
  - (c) dividing the sum by the initial respective Certificate Principal Balance for that Class of Offered Certificates.

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- (2) To the [respective] Optional Termination Date.

**PERCENT OF INITIAL CLASS PRINCIPAL BALANCE OUTSTANDING  
OF THE CLASS MF-[1] CERTIFICATES AT THE FOLLOWING CONSTANT  
PERCENTAGES OF SPA**

Distribution Date	Class MF-[1] Certificates				
	%	%	%	%	%
Initial	100	100	100	100	100

Weighted Average Life (in years)(1) . . . .

Weighted Average Life (in years)(2) . . . .

- (1) The weighted average life of the Offered Certificates is determined by:
- (a) multiplying the amount of each principal payment by the number of years from the date of issuance to the related Distribution Date,
  - (b) adding the results, and
  - (c) dividing the sum by the initial respective Certificate Principal Balance for that Class of Offered Certificates.
- (2) To the [respective] Optional Termination Date.

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**PERCENT OF INITIAL CLASS PRINCIPAL BALANCE OUTSTANDING  
OF THE CLASS MF-[2] CERTIFICATES AT THE FOLLOWING CONSTANT  
PERCENTAGES OF SPA**

Distribution Date	Class MF-[2] Certificates				
	%	%	%	%	%
Initial	100	100	100	100	100

Weighted Average Life (in years)(1) . . . .

Weighted Average Life (in years)(2) . . . .

- (1) The weighted average life of the Offered Certificates is determined by:
- (a) multiplying the amount of each principal payment by the number of years from the date of issuance to the related Distribution Date,
  - (b) adding the results, and
  - (c) dividing the sum by the initial respective Certificate Principal Balance for that Class of Offered Certificates.
- (2) To the [respective] Optional Termination Date.

**PERCENT OF INITIAL CLASS PRINCIPAL BALANCE OUTSTANDING  
OF THE CLASS BF CERTIFICATES AT THE FOLLOWING CONSTANT  
PERCENTAGES OF SPA**

Distribution Date	Class BF Certificates				
	%	%	%	%	%
Initial	100	100	100	100	100

Weighted Average Life (in years)(1) . . . .

Weighted Average Life (in years)(2) . . . .

- (1) The weighted average life of the Offered Certificates is determined by:
- (a) multiplying the amount of each principal payment by the number of years from the date of issuance to the related Distribution Date,
  - (b) adding the results, and
  - (c) dividing the sum by the initial respective Certificate Principal Balance for that Class of Offered Certificates.
- (2) To the [respective] Optional Termination Date.

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**PERCENT OF INITIAL CLASS PRINCIPAL BALANCE OUTSTANDING  
OF THE CLASS AV-[1] CERTIFICATES AT THE FOLLOWING CONSTANT  
PERCENTAGES OF SPA**

Distribution Date	Class AV-[1] Certificates				
	%	%	%	%	%
Initial	100	100	100	100	100

Weighted Average Life (in years)(1) . . . . .

Weighted Average Life (in years)(2) . . . . .

- (1) The weighted average life of the Offered Certificates is determined by:
- (a) multiplying the amount of each principal payment by the number of years from the date of issuance to the related Distribution Date,
  - (b) adding the results, and
  - (c) dividing the sum by the initial respective Certificate Principal Balance for that Class of Offered Certificates.
- (2) To the [respective] Optional Termination Date.

**PERCENT OF INITIAL CLASS PRINCIPAL BALANCE OUTSTANDING  
OF THE CLASS AV-[2] CERTIFICATES AT THE FOLLOWING CONSTANT  
PERCENTAGES OF SPA**

Distribution Date	Class AV-[2] Certificates				
	%	%	%	%	%
Initial	100	100	100	100	100

Weighted Average Life (in years)(1) . . . . .

Weighted Average Life (in years)(2) . . . . .

- (1) The weighted average life of the Offered Certificates is determined by:
- (a) multiplying the amount of each principal payment by the number of years from the date of issuance to the related Distribution Date,
  - (b) adding the results, and
  - (c) dividing the sum by the initial respective Certificate Principal Balance for that Class of Offered Certificates.
- (2) To the [respective] Optional Termination Date.

**PERCENT OF INITIAL CLASS PRINCIPAL BALANCE OUTSTANDING  
OF THE CLASS MV-[1] CERTIFICATES AT THE FOLLOWING CONSTANT  
PERCENTAGES OF SPA**

Distribution Date	Class MV-[1] Certificates				
	%	%	%	%	%
Initial	100	100	100	100	100

Weighted Average Life (in years)(1) . . . . .

Weighted Average Life (in years)(2) . . . . .

- (1) The weighted average life of the Offered Certificates is determined by:
- (a) multiplying the amount of each principal payment by the number of years from the date of issuance to the related Distribution Date,

- (b) adding the results, and
  - (c) dividing the sum by the initial respective Certificate Principal Balance for that Class of Offered Certificates.
- (2) To the [respective] Optional Termination Date.

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**PERCENT OF INITIAL CLASS PRINCIPAL BALANCE OUTSTANDING  
OF THE CLASS MV-[2] CERTIFICATES AT THE FOLLOWING CONSTANT  
PERCENTAGES OF SPA**

Distribution Date	Class MV-[2] Certificates				
	%	%	%	%	%
Initial	100	100	100	100	100

Weighted Average Life (in years)(1) . . . . .  
Weighted Average Life (in years)(2) . . . . .

- (1) The weighted average life of the Offered Certificates is determined by:
- (a) multiplying the amount of each principal payment by the number of years from the date of issuance to the related Distribution Date,
  - (b) adding the results, and
  - (c) dividing the sum by the initial respective Certificate Principal Balance for that Class of Offered Certificates.
- (2) To the [respective] Optional Termination Date.

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**PERCENT OF INITIAL CLASS PRINCIPAL BALANCE OUTSTANDING  
OF THE CLASS BV CERTIFICATES AT THE FOLLOWING CONSTANT  
PERCENTAGES OF SPA**

Distribution Date	Class BV Certificates				
	%	%	%	%	%
Initial	100	100	100	100	100

Weighted Average Life (in years)(1) . . . . .  
Weighted Average Life (in years)(2) . . . . .

- (1) The weighted average life of the Offered Certificates is determined by:
- (a) multiplying the amount of each principal payment by the number of years from the date of issuance to the related Distribution Date,
  - (b) adding the results, and
  - (c) dividing the sum by the initial respective Certificate Principal Balance for that Class of Offered Certificates.
- (2) To the [respective] Optional Termination Date.

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**Additional Information**

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**IN THE SUPREME COURT OF THE STATE OF NEVADA**

NATIONSTAR MORTGAGE, LLC;  
AND THE BANK OF NEW YORK  
MELLON F/K/A THE BANK OF  
NEW YORK AS TRUSTEE FOR  
THE HOLDERS OF THE  
CERTIFICATES, FIRST HORIZON  
MORTGAGE PASS-THROUGH  
CERTIFICATES SERIES PHAMS  
2005-AA5, BY FIRST HORIZON  
HOME LOANS, A DIVISION OF  
FIRST TENNESSEE BANK  
NATIONAL MASTER SERVICER,  
IN ITS CAPACITY AS AGENT FOR  
THE TRUSTEE UNDER THE  
POOLING AND SERVICING  
AGREEMENT,

Appellants,

vs.

CATHERINE RODRIGUEZ,

Respondent.

Supreme Court Case No. 66761

Electronically Filed  
District Court Case No. A-13-685616  
May 14 2015 11:54 a.m.  
Tracie K. Lindeman  
Clerk of Supreme Court

Appeal from the Eighth Judicial District Court of the State of Nevada, in and for the  
County of Clark, The Honorable Kathleen Delaney, District Judge District Court Case  
No. A-13-685616-J

**APPELLANTS APPENDIX – VOLUME I**

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<b>VOLUME</b>	<b>DOCUMENT</b>	<b>PAGE NUMBER</b>
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I	Original Note (Referred to as Nationstar's Exhibit 200 at the evidentiary hearing on 11-1-13)	0008 - 0013
I	Deed of Trust with Certification dated October 5, 2011	0014 - 0037
I	(Jud Not Ex. 18) Registration Statement filed by First Horizon Asset Securities Inc. on May 23, 2005 (Registration Number 333-125158) with Securities and Exchange Commission	0038 - 0250

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DATED: May 13, 2015

KRAVITZ, SCHNITZER  
& JOHNSON, CHTD.



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## ADJUSTABLE RATE NOTE

(LIBOR Six-Month Index (As Published In *The Wall Street Journal*) - Rate Caps)

**THIS NOTE CONTAINS PROVISIONS ALLOWING FOR CHANGES IN MY INTEREST RATE AND MY MONTHLY PAYMENT. THIS NOTE LIMITS THE AMOUNT MY INTEREST RATE CAN CHANGE AT ANY ONE TIME AND THE MAXIMUM RATE I MUST PAY.**

April 21st, 2005  
[Date]

HENDERSON  
[City]

NEVADA  
[State]

6845 SWEET PECAN STREET, LAS VEGAS, Nevada 89149  
[Property Address]

### 1. BORROWER'S PROMISE TO PAY

In return for a loan that I have received, I promise to pay U.S. \$ 269,000.00 (this amount is called "Principal"), plus interest, to the order of Lender. Lender is FIRST HORIZON HOME LOAN CORPORATION

I will make all payments under this Note in the form of cash, check or money order.

I understand that Lender may transfer this Note. Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note is called the "Note Holder."

### 2. INTEREST

Interest will be charged on unpaid Principal until the full amount of Principal has been paid. I will pay interest at a yearly rate of 5.625 %. The interest rate I will pay may change in accordance with Section 4 of this Note.

The interest rate required by this Section 2 and Section 4 of this Note is the rate I will pay both before and after any default described in Section 7(B) of this Note.

### 3. PAYMENTS

#### (A) Time and Place of Payments

I will pay Principal and interest by making a payment every month.

I will make my monthly payments on the first day of each month beginning on June 1st, 2005

I will make these payments every month until I have paid all of the principal and interest and any other charges described below that I may owe under this Note. Each monthly payment will be applied as of its scheduled due date and will be applied to interest before Principal. If, on May 1st, 2035, I still owe amounts under this Note, I will pay those amounts in full on that date, which is called the "Maturity Date."

I will make my monthly payments at PO BOX 809  
MEMPHIS, TN 38101

or at a different place if required by the Note Holder.

#### (B) Amount of My Initial Monthly Payments

Each of my initial monthly payments will be in the amount of U.S. \$ 1,260.94. This amount may change.

#### (C) Monthly Payment Changes

Changes in my monthly payment will reflect changes in the unpaid Principal of my loan and in the interest rate that I must pay. The Note Holder will determine my new interest rate and the changed amount of my monthly payment in accordance with Section 4 of this Note.

MULTISTATE ADJUSTABLE RATE NOTE - LIBOR SIX-MONTH INDEX (AS PUBLISHED IN THE WALL STREET JOURNAL) -  
Single Family - Fannie Mae UNIFORM INSTRUMENT

UMP-838N (0210)

Form 3520 1/01

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Initials: CAH



0001

#### 4. INTEREST RATE AND MONTHLY PAYMENT CHANGES

##### (A) Change Dates

The interest rate I will pay may change on the first day of May, 2010, and on that day every 6th month thereafter. Each date on which my interest rate could change is called a "Change Date."

##### (B) The Index

Beginning with the first Change Date, my interest rate will be based on an Index. The "Index" is the average of interbank offered rates for six month U.S. dollar-denominated deposits in the London market ("LIBOR"), as published in *The Wall Street Journal*. The most recent Index figure available as of the first business day of the month immediately preceding the month in which the Change Date occurs is called the "Current Index."

If the Index is no longer available, the Note Holder will choose a new index that is based upon comparable information. The Note Holder will give me notice of this choice.

##### (C) Calculation of Changes

Before each Change Date, the Note Holder will calculate my new interest rate by adding TWO AND ONE-QUARTER percentage points ( 2.250 %) to the Current Index. The Note Holder will then round the result of this addition to the nearest one-eighth of one percentage point (0.125%). Subject to the limits stated in Section 4(D) below, this rounded amount will be my new interest rate until the next Change Date.

The Note Holder will then determine the amount of the monthly payment that would be sufficient to repay the unpaid Principal that I am expected to owe at the Change Date in full on the Maturity Date at my new interest rate in substantially equal payments. The result of this calculation will be the new amount of my monthly payment.

##### (D) Limits on Interest Rate Changes

The interest rate I am required to pay at the first Change Date will not be greater than 11.625 % or less than 2.250 %. Thereafter, my interest rate will never be increased or decreased on any single Change Date by more than TWO & 00/100 percentage point(s) ( 2.00 %) from the rate of interest I have been paying for the preceding 6 months. My interest rate will never be greater than 11.625 %.

##### (E) Effective Date of Changes

My new interest rate will become effective on each Change Date. I will pay the amount of my new monthly payment beginning on the first monthly payment date after the Change Date until the amount of my monthly payment changes again.

##### (F) Notice of Changes

The Note Holder will deliver or mail to me a notice of any changes in my interest rate and the amount of my monthly payment before the effective date of any change. The notice will include information required by law to be given to me and also the title and telephone number of a person who will answer any question I may have regarding the notice.

#### 5. BORROWER'S RIGHT TO PREPAY

I have the right to make payments of Principal at any time before they are due. A payment of Principal only is known as a "Prepayment." When I make a Prepayment, I will tell the Note Holder in writing that I am doing so. I may not designate a payment as a Prepayment if I have not made all the monthly payments due under this Note.

I may make a full Prepayment or partial Prepayments without paying any Prepayment charge. The Note Holder will use my Prepayments to reduce the amount of Principal that I owe under this Note. However, the Note Holder may apply my Prepayment to the accrued and unpaid interest on the Prepayment amount before applying my Prepayment to reduce the Principal amount of this Note. If I make a partial Prepayment, there will be no changes in the due dates of my monthly payments unless the Note Holder agrees in writing to those changes. My partial Prepayment may reduce the amount of my monthly payments after the first Change Date following my partial Prepayment. However, any reduction due to my partial Prepayment may be offset by an interest rate increase.

#### 6. LOAN CHARGES

If a law, which applies to this loan and which sets maximum loan charges, is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from me that exceeded permitted limits will be refunded to me. The Note Holder may choose to make this refund by reducing the Principal I owe under this Note or by making a direct payment to me. If a refund reduces Principal, the reduction will be treated as a partial Prepayment.



**7. BORROWER'S FAILURE TO PAY AS REQUIRED****(A) Late Charges for Overdue Payments**

If the Note Holder has not received the full amount of any monthly payment by the end of 15 calendar days after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be 5.00 % of my overdue payment of principal and interest. I will pay this late charge promptly but only once on each late payment.

**(B) Default**

If I do not pay the full amount of each monthly payment on the date it is due, I will be in default.

**(C) Notice of Default**

If I am in default, the Note Holder may send me a written notice telling me that if I do not pay the overdue amount by a certain date, the Note Holder may require me to pay immediately the full amount of Principal that has not been paid and all the interest that I owe on that amount. That date must be at least 30 days after the date on which the notice is mailed to me or delivered by other means.

**(D) No Waiver By Note Holder**

Even if, at a time when I am in default, the Note Holder does not require me to pay immediately in full as described above, the Note Holder will still have the right to do so if I am in default at a later time.

**(E) Payment of Note Holder's Costs and Expenses**

If the Note Holder has required me to pay immediately in full as described above, the Note Holder will have the right to be paid back by me for all of its costs and expenses in enforcing this Note to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorneys' fees.

**8. GIVING OF NOTICES**

Unless applicable law requires a different method, any notice that must be given to me under this Note will be given by delivering it or by mailing it by first class mail to me at the Property Address above or at a different address if I give the Note Holder a notice of my different address.

Unless the Note Holder requires a different method, any notice that must be given to the Note Holder under this Note will be given by mailing it by first class mail to the Note Holder at the address stated in Section 3(A) above or at a different address if I am given a notice of that different address.

**9. OBLIGATIONS OF PERSONS UNDER THIS NOTE**

If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all of the promises made in this Note. The Note Holder may enforce its rights under this Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note.

**10. WAIVERS**

I and any other person who has obligations under this Note waive the rights of Presentment and Notice of Dishonor. "Presentment" means the right to require the Note Holder to demand payment of amounts due. "Notice of Dishonor" means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

**11. UNIFORM SECURED NOTE**

This Note is a uniform instrument with limited variations in some jurisdictions. In addition to the protections given to the Note Holder under this Note, a Mortgage, Deed of Trust, or Security Deed (the "Security Instrument"), dated the same date as this Note, protects the Note Holder from possible losses that might result if I do not keep the promises that I make in this Note. That Security Instrument describes how and under what conditions I may be required to make immediate payment in full of all amounts I owe under this Note. Some of those conditions read as follows:

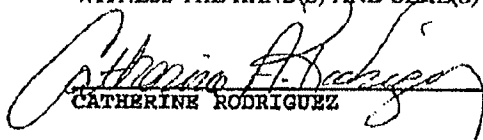
**Transfer of the Property or a Beneficial Interest in Borrower.** As used in this Section 18, "Interest in the Property" means any legal or beneficial interest in the Property, including, but not limited to, those beneficial interests transferred in a bond for deed, contract for deed, installment sales contract or escrow agreement, the intent of which is the transfer of title by Borrower at a future date to a purchaser.

If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law. Lender also shall not exercise this option if: (a) Borrower causes to be submitted to Lender information required by Lender to evaluate the intended transferee as if a new loan were being made to the transferee; and (b) Lender reasonably determines that Lender's security will not be impaired by the loan assumption and that the risk of a breach of any covenant or agreement in this Security Instrument is acceptable to Lender.

To the extent permitted by Applicable Law, Lender may charge a reasonable fee as a condition to Lender's consent to the loan assumption. Lender also may require the transferee to sign an assumption agreement that is acceptable to Lender and that obligates the transferee to keep all the promises and agreements made in the Note and in this Security Instrument. Borrower will continue to be obligated under the Note and this Security Instrument unless Lender releases Borrower in writing.

If Lender exercises the option to require immediate payment in full, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given in accordance with Section 15 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

WITNESS THE HAND(S) AND SEAL(S) OF THE UNDERSIGNED.

  
CATHERINE RODRIGUEZ

(Seal)  
-Borrower

(Seal)  
-Borrower

(Seal)  
-Borrower

(Seal)  
-Borrower

(Seal)  
-Borrower

(Seal)  
-Borrower

(Seal)  
-Borrower

(Seal)  
-Borrower

[Sign Original Only]

Pay to the order of Nationstar Mortgage LLC  
Without recourse  
First Horizon Home Loan Corporation

by   
B. J. Beeley, Vice President

## INTEREST ONLY ADDENDUM TO ADJUSTABLE RATE NOTE

**THIS ADDENDUM** is made this 21st day of April, 2005, and is incorporated into and intended to form a part of the Adjustable Rate Note (the "Note") dated the same date as this Addendum executed by the undersigned and payable to **FIRST HORIZON HOME LOAN CORPORATION** (the "Lender").

**THIS ADDENDUM** supercedes Section 3(A), 3(B), 4(C) and 7(A) of the Note. None of the other provisions of the Note are changed by this Addendum.

### 3. PAYMENTS

#### (A) Time and Place of Payments

I will pay interest by making payments every month for the first 120 payments (the "Interest Only Period") in the amount sufficient to pay interest as it accrues. I will pay principal and interest by making payments every month thereafter for the next 240 payments in an amount sufficient to fully amortize the outstanding principal balance of the Note at the end of the Interest Only Period over the remaining term of the Note in equal monthly payments.

I will make my monthly payments on the first day of each month beginning on June 1st, 2005. I will make these payments every month until I have paid all of the principal and interest and any other charges described below that I may owe under this Note. Each monthly payment will be applied as of its scheduled due date and will be applied to interest before principal. If, on May 1st, 2035, I still owe amounts under this Note, I will pay those amounts in full on that date, which is called the "Maturity Date".

I will make my payments at PO BOX 809, MEMPHIS, TN 38101, or at a different place if required by the Note Holder.

#### (B) Amount of My Initial Monthly Payments

Each of my initial monthly payments will be in the amount of U.S. \$ 1,260.94. This payment amount is based on the original principal balance of the Note. This payment amount may change.

### 4. INTEREST RATE AND MONTHLY PAYMENT CHANGES

#### (C) Calculation of Changes

Before each Change Date, the Note Holder will calculate my new interest rate by adding TWO AND ONE-QUARTER percentage points (2.250%) to the Current Index. The Note Holder will then round the result of this addition to the nearest one-eighth of one percentage point (0.125%). Subject to the limits stated in Section 4(D), this rounded amount will be my new interest rate until the next Change Date.


During this Interest Only Period, the Note Holder will then determine the amount of the monthly payment that would be sufficient to repay accrued interest. This will be the amount of my monthly payment until the earlier of the next Change Date or the end of the Interest Only Period unless I make a voluntary prepayment of principal during such period. If I make a voluntary prepayment of principal during the Interest Only Period, my payment amount for subsequent payments will be reduced to the amount necessary to pay interest on the lower principal balance. At the end of the Interest Only Period and on each Change Date thereafter, the Note Holder will determine the amount of the monthly payment that would be sufficient to repay in full the unpaid principal that I am expected to owe at the end of the Interest Only Period or Change Date, as applicable, in equal monthly payments over the remaining term of the Note. The result of this calculation will be the new amount of my monthly payment. After the end of the Interest Only Period, my payment amount will not be reduced due to voluntary prepayments.

**7. BORROWER'S FAILURE TO PAY AS REQUIRED**

**(A) Late Charge for Overdue Payments**

If the Note Holder has not received the full amount of any monthly payment by the end of 15 calendar days after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be 5.00 % of my overdue payment of interest, during the period when my payment is interest only, and of principal and interest thereafter. I will pay this late charge promptly but only once on each late payment.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Addendum.

 04-22-05  
 CATHERINE RODRIGUEZ Date

\_\_\_\_\_  
 Date

\_\_\_\_\_  
 Date

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 Date

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 Date

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 Date

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 Date

# ADJUSTABLE RATE NOTE

(LIBOR Six-Month Index (As Published In *The Wall Street Journal*) - Rate Caps)

THIS NOTE CONTAINS PROVISIONS ALLOWING FOR CHANGES IN MY INTEREST RATE AND MY MONTHLY PAYMENT. THIS NOTE LIMITS THE AMOUNT MY INTEREST RATE CAN CHANGE AT ANY ONE TIME AND THE MAXIMUM RATE I MUST PAY.

April 21st, 2005

[Date]

HENDERSON

[City]

NEVADA

[State]

6845 SWEET PECAN STREET, LAS VEGAS, Nevada 89149

[Property Address]

## 1. BORROWER'S PROMISE TO PAY

In return for a loan that I have received, I promise to pay U.S. \$ 269,000.00 (this amount is called "Principal"), plus interest, to the order of Lender. Lender is FIRST HORIZON HOME LOAN CORPORATION

I will make all payments under this Note in the form of cash, check or money order.

I understand that Lender may transfer this Note. Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note is called the "Note Holder."

## 2. INTEREST

Interest will be charged on unpaid Principal until the full amount of Principal has been paid. I will pay interest at a yearly rate of 5.625 %. The interest rate I will pay may change in accordance with Section 4 of this Note.

The interest rate required by this Section 2 and Section 4 of this Note is the rate I will pay both before and after any default described in Section 7(B) of this Note.

## 3. PAYMENTS

### (A) Time and Place of Payments

I will pay Principal and interest by making a payment every month.

I will make my monthly payments on the first day of each month beginning on June 1st, 2005

I will make these payments every month until I have paid all of the principal and interest and any other charges described below that I may owe under this Note. Each monthly payment will be applied as of its scheduled due date and will be applied to interest before Principal. If, on May 1st, 2035, I still owe amounts under this Note, I will pay those amounts in full on that date, which is called the "Maturity Date."

I will make my monthly payments at PO BOX 809  
MEMPHIS, TN 38101

or at a different place if required by the Note Holder.

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MULTISTATE ADJUSTABLE RATE NOTE - LIBOR SIX-MONTH INDEX (AS PUBLISHED IN THE WALL STREET JOURNAL) -  
Single Family - Fannie Mae UNIFORM INSTRUMENT

838N (0210)

Form 3520 1/01

VMP MORTGAGE FORMS - (800)521-7291

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Initials: CAL



Ex2-NATIONSTAR\_00001

**7. BORROWER'S FAILURE TO PAY AS REQUIRED****(A) Late Charges for Overdue Payments**

If the Note Holder has not received the full amount of any monthly payment by the end of 15 calendar days after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be 5.00 % of my overdue payment of principal and interest. I will pay this late charge promptly but only once on each late payment.

**(B) Default**

If I do not pay the full amount of each monthly payment on the date it is due, I will be in default.

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If I am in default, the Note Holder may send me a written notice telling me that if I do not pay the overdue amount by a certain date, the Note Holder may require me to pay immediately the full amount of Principal that has not been paid and all the interest that I owe on that amount. That date must be at least 30 days after the date on which the notice is mailed to me or delivered by other means.

**(D) No Waiver By Note Holder**

Even if, at a time when I am in default, the Note Holder does not require me to pay immediately in full as described above, the Note Holder will still have the right to do so if I am in default at a later time.

**(E) Payment of Note Holder's Costs and Expenses**

If the Note Holder has required me to pay immediately in full as described above, the Note Holder will have the right to be paid back by me for all of its costs and expenses in enforcing this Note to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorneys' fees.

**8. GIVING OF NOTICES**

Unless applicable law requires a different method, any notice that must be given to me under this Note will be given by delivering it or by mailing it by first class mail to me at the Property Address above or at a different address if I give the Note Holder a notice of my different address.

Unless the Note Holder requires a different method, any notice that must be given to the Note Holder under this Note will be given by mailing it by first class mail to the Note Holder at the address stated in Section 3(A) above or at a different address if I am given a notice of that different address.

**9. OBLIGATIONS OF PERSONS UNDER THIS NOTE**

If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all of the promises made in this Note. The Note Holder may enforce its rights under this Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note.

**10. WAIVERS**

I and any other person who has obligations under this Note waive the rights of Presentment and Notice of Dishonor. "Presentment" means the right to require the Note Holder to demand payment of amounts due. "Notice of Dishonor" means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

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This Note is a uniform instrument with limited variations in some jurisdictions. In addition to the protections given to the Note Holder under this Note, a Mortgage, Deed of Trust, or Security Deed (the "Security Instrument"), dated the same date as this Note, protects the Note Holder from possible losses that might result if I do not keep the promises that I make in this Note. That Security Instrument describes how and under what conditions I may be required to make immediate payment in full of all amounts I owe under this Note. Some of those conditions read as follows:

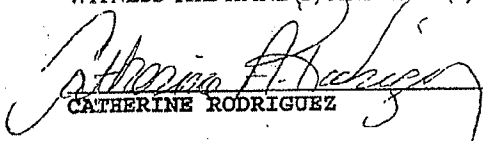
**Transfer of the Property or a Beneficial Interest in Borrower.** As used in this Section 18, "Interest in the Property" means any legal or beneficial interest in the Property, including, but not limited to, those beneficial interests transferred in a bond for deed, contract for deed, installment sales contract or escrow agreement, the intent of which is the transfer of title by Borrower at a future date to a purchaser.

If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law. Lender also shall not exercise this option if: (a) Borrower causes to be submitted to Lender information required by Lender to evaluate the intended transferee as if a new loan were being made to the transferee; and (b) Lender reasonably determines that Lender's security will not be impaired by the loan assumption and that the risk of a breach of any covenant or agreement in this Security Instrument is acceptable to Lender.

To the extent permitted by Applicable Law, Lender may charge a reasonable fee as a condition to Lender's consent to the loan assumption. Lender also may require the transferee to sign an assumption agreement that is acceptable to Lender and that obligates the transferee to keep all the promises and agreements made in the Note and in this Security Instrument. Borrower will continue to be obligated under the Note and this Security Instrument unless Lender releases Borrower in writing.

If Lender exercises the option to require immediate payment in full, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given in accordance with Section 15 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

WITNESS THE HAND(S) AND SEAL(S) OF THE UNDERSIGNED.

  
CATHERINE RODRIGUEZ

(Seal)  
-Borrower

(Seal)  
-Borrower

(Seal)  
-Borrower

(Seal)  
-Borrower

(Seal)  
-Borrower

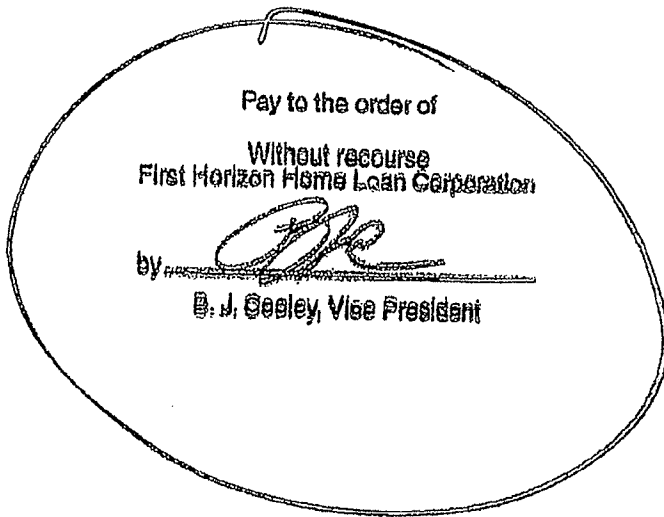
(Seal)  
-Borrower

(Seal)  
-Borrower

(Seal)  
-Borrower

[Sign Original Only]





## INTEREST ONLY ADDENDUM TO ADJUSTABLE RATE NOTE

THIS ADDENDUM is made this 21st day of April, 2005, and is incorporated into and intended to form a part of the Adjustable Rate Note (the "Note") dated the same date as this Addendum executed by the undersigned and payable to FIRST HORIZON HOME LOAN CORPORATION (the "Lender").

THIS ADDENDUM supercedes Section 3(A), 3(B), 4(C) and 7(A) of the Note. None of the other provisions of the Note are changed by this Addendum.

### 3. PAYMENTS

#### (A) Time and Place of Payments

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#### (C) Calculation of Changes


Before each Change Date, the Note Holder will calculate my new interest rate by adding TWO AND ONE-QUARTER percentage points (2.250%) to the Current Index. The Note Holder will then round the result of this addition to the nearest one-eighth of one percentage point (0.125%). Subject to the limits stated in Section 4(D), this rounded amount will be my new interest rate until the next Change Date.

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BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Addendum.

 04-22-05  
\_\_\_\_\_  
CATHERINE RODRIGUEZ Date

\_\_\_\_\_  
Date

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Date

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Date

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Date

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Date

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Date

20050427-0003843

Assessor's Parcel Number:  
County: 125-20-212-037 City:  
Return To:  
FHRLC - POST CLOSING MAIL ROOM

1555 W. WALNUT HILL LN. #200 MC 6712  
IRVING, TX 75038  
Prepared By: FIRST HORIZON HOME LOAN CORPORATION

7375 PRAIRIE FALCON DR STE 120  
LAS VEGAS, NV 89128  
Recording Requested By:  
FIRST HORIZON HOME LOAN CORPORATION  
4000 HORIZON WAY  
IRVING, TX 75063

Fee: \$35.00  
N/C Fee: \$0.00

04/27/2005 14:01:32  
T20050077114

Requestor:  
OLD REPUBLIC TITLE COMPANY OF NEVADA

Frances Deane ARO  
Clark County Recorder Pgs: 23

5116003582GM [Space Above This Line For Recording Data]

## DEED OF TRUST

MIN

0053334520

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### DEFINITIONS

Words used in multiple sections of this document are defined below and other words are defined in Sections 3, 11, 13, 18, 20 and 21. Certain rules regarding the usage of words used in this document are also provided in Section 16.

(A) "Security Instrument" means this document, which is dated April 21st, 2005 together with all Riders to this document.

(B) "Borrower" is  
CATHERINE RODRIGUEZ, An Unmarried Woman

Borrower is the trustor under this Security Instrument.

(C) "Lender" is FIRST HORIZON HOME LOAN CORPORATION

Lender is a CORPORATION  
organized and existing under the laws of THE STATE OF KANSAS

NEVADA-Single Family-Fannie Mae/Freddie Mac UNIFORM INSTRUMENT  
WITH MERS

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VMP Mortgage Solutions (800)521-7291

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Lender's address is 4000 Horizon Way, Irving, Texas 75063

(D) "Trustee" is OLD REPUBLIC TITLE

140 N. STEPHANIE ST., HENDERSON, NV 89074

(E) "MERS" is Mortgage Electronic Registration Systems, Inc. MERS is a separate corporation that is acting solely as a nominee for Lender and Lender's successors and assigns. MERS is the beneficiary under this Security Instrument. MERS is organized and existing under the laws of Delaware, and has an address and telephone number of P.O. Box 2026, Flint, MI 48501-2026, tel. (888) 679-MERS.

(F) "Note" means the promissory note signed by Borrower and dated April 21st, 2005

The Note states that Borrower owes Lender

TWO HUNDRED SIXTY NINE THOUSAND & 00/100

Dollars

(U.S. \$ 269,000.00 ) plus interest. Borrower has promised to pay this debt in regular Periodic

Payments and to pay the debt in full not later than MAY 1, 2035

(G) "Property" means the property that is described below under the heading "Transfer of Rights in the Property."

(H) "Loan" means the debt evidenced by the Note, plus interest, any prepayment charges and late charges due under the Note, and all sums due under this Security Instrument, plus interest.

(I) "Riders" means all Riders to this Security Instrument that are executed by Borrower. The following Riders are to be executed by Borrower [check box as applicable]:

- |   |  |   |
|---|--|---|
| <input checked="" type="checkbox"/> Adjustable Rate Rider | <input type="checkbox"/> Condominium Rider                         | <input type="checkbox"/> Second Home Rider  |
| <input type="checkbox"/> Balloon Rider                    | <input checked="" type="checkbox"/> Planned Unit Development Rider | <input type="checkbox"/> 1-4 Family Rider   |
| <input type="checkbox"/> VA Rider                         | <input type="checkbox"/> Biweekly Payment Rider                    | <input type="checkbox"/> Other(s) [specify] |

(J) "Applicable Law" means all controlling applicable federal, state and local statutes, regulations, ordinances and administrative rules and orders (that have the effect of law) as well as all applicable final, non-appealable judicial opinions.

(K) "Community Association Dues, Fees, and Assessments" means all dues, fees, assessments and other charges that are imposed on Borrower or the Property by a condominium association, homeowners association or similar organization.

(L) "Electronic Funds Transfer" means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic terminal, telephonic instrument, computer, or magnetic tape so as to order, instruct, or authorize a financial institution to debit or credit an account. Such term includes, but is not limited to, point-of-sale transfers, automated teller machine transactions, transfers initiated by telephone, wire transfers, and automated clearinghouse transfers.

(M) "Escrow Items" means those items that are described in Section 3.

(N) "Miscellaneous Proceeds" means any compensation, settlement, award of damages, or proceeds paid by any third party (other than insurance proceeds paid under the coverages described in Section 5) for: (i) damage to, or destruction of, the Property; (ii) condemnation or other taking of all or any part of the Property; (iii) conveyance in lieu of condemnation; or (iv) misrepresentations of, or omissions as to, the value and/or condition of the Property.

(O) "Mortgage Insurance" means insurance protecting Lender against the nonpayment of, or default on, the Loan.

(P) "Periodic Payment" means the regularly scheduled amount due for (i) principal and interest under the Note, plus (ii) any amounts under Section 3 of this Security Instrument.

(Q) "RESPA" means the Real Estate Settlement Procedures Act (12 U.S.C. Section 2601 et seq.) and its implementing regulation, Regulation X (24 C.F.R. Part 3500), as they might be amended from time to

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time, or any additional or successor legislation or regulation that governs the same subject matter. As used in this Security Instrument, "RESPA" refers to all requirements and restrictions that are imposed in regard to a "federally related mortgage loan" even if the Loan does not qualify as a "federally related mortgage loan" under RESPA.

(R) "Successor in Interest of Borrower" means any party that has taken title to the Property, whether or not that party has assumed Borrower's obligations under the Note and/or this Security Instrument.

**TRANSFER OF RIGHTS IN THE PROPERTY**

The beneficiary of this Security Instrument is MERS (solely as nominee for Lender and Lender's successors and assigns) and the successors and assigns of MERS. This Security Instrument secures to Lender: (i) the repayment of the Loan, and all renewals, extensions and modifications of the Note; and (ii) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, the following described property located in the \_\_\_\_\_ County \_\_\_\_\_ [Type of Recording Jurisdiction] of \_\_\_\_\_ [Name of Recording Jurisdiction]

CLARK

All that tract or parcel of land as shown on Schedule "A" attached hereto which is incorporated herein and made a part hereof.

Parcel ID Number: County: 125-20-212-037 City: \_\_\_\_\_ which currently has the address of  
6845 SWEET PECAN STREET [Street]  
LAS VEGAS [City], Nevada 89149 [Zip Code]  
("Property Address"):

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property." Borrower understands and agrees that MERS holds only legal title to the interests granted by Borrower in this Security Instrument, but, if necessary to comply with law or custom, MERS (as nominee for Lender and Lender's successors and assigns) has the right: to exercise any or all of those interests, including, but not limited to, the right to foreclose and sell the Property; and to take any action required of Lender including, but not limited to, releasing and canceling this Security Instrument.

BORROWER COVENANTS that Borrower is lawfully seised of the estate hereby conveyed and has the right to grant and convey the Property and that the Property is unencumbered, except for encumbrances

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of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

1. **Payment of Principal, Interest, Escrow Items, Prepayment Charges, and Late Charges.** Borrower shall pay when due the principal of, and interest on, the debt evidenced by the Note and any prepayment charges and late charges due under the Note. Borrower shall also pay funds for Escrow Items pursuant to Section 3. Payments due under the Note and this Security Instrument shall be made in U.S. currency. However, if any check or other instrument received by Lender as payment under the Note or this Security Instrument is returned to Lender unpaid, Lender may require that any or all subsequent payments due under the Note and this Security Instrument be made in one or more of the following forms, as selected by Lender: (a) cash; (b) money order; (c) certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality, or entity; or (d) Electronic Funds Transfer.

Payments are deemed received by Lender when received at the location designated in the Note or at such other location as may be designated by Lender in accordance with the notice provisions in Section 15. Lender may return any payment or partial payment if the payment or partial payments are insufficient to bring the Loan current. Lender may accept any payment or partial payment insufficient to bring the Loan current, without waiver of any rights hereunder or prejudice to its rights to refuse such payment or partial payments in the future, but Lender is not obligated to apply such payments at the time such payments are accepted. If each Periodic Payment is applied as of its scheduled due date, then Lender need not pay interest on unapplied funds. Lender may hold such unapplied funds until Borrower makes payment to bring the Loan current. If Borrower does not do so within a reasonable period of time, Lender shall either apply such funds or return them to Borrower. If not applied earlier, such funds will be applied to the outstanding principal balance under the Note immediately prior to foreclosure. No offset or claim which Borrower might have now or in the future against Lender shall relieve Borrower from making payments due under the Note and this Security Instrument or performing the covenants and agreements secured by this Security Instrument.

2. **Application of Payments or Proceeds.** Except as otherwise described in this Section 2, all payments accepted and applied by Lender shall be applied in the following order of priority: (a) interest due under the Note; (b) principal due under the Note; (c) amounts due under Section 3. Such payments shall be applied to each Periodic Payment in the order in which it became due. Any remaining amounts shall be applied first to late charges, second to any other amounts due under this Security Instrument, and then to reduce the principal balance of the Note.

If Lender receives a payment from Borrower for a delinquent Periodic Payment which includes a sufficient amount to pay any late charge due, the payment may be applied to the delinquent payment and the late charge. If more than one Periodic Payment is outstanding, Lender may apply any payment received from Borrower to the repayment of the Periodic Payments if, and to the extent that, each payment can be paid in full. To the extent that any excess exists after the payment is applied to the full payment of one or more Periodic Payments, such excess may be applied to any late charges due. Voluntary prepayments shall be applied first to any prepayment charges and then as described in the Note.

Any application of payments, insurance proceeds, or Miscellaneous Proceeds to principal due under the Note shall not extend or postpone the due date, or change the amount, of the Periodic Payments.

3. **Funds for Escrow Items.** Borrower shall pay to Lender on the day Periodic Payments are due under the Note, until the Note is paid in full, a sum (the "Funds") to provide for payment of amounts due for: (a) taxes and assessments and other items which can attain priority over this Security Instrument as a lien or encumbrance on the Property; (b) leasehold payments or ground rents on the Property, if any; (c) premiums for any and all insurance required by Lender under Section 5; and (d) Mortgage Insurance premiums, if any, or any sums payable by Borrower to Lender in lieu of the payment of Mortgage Insurance premiums in accordance with the provisions of Section 10. These items are called "Escrow Items." At origination or at any time during the term of the Loan, Lender may require that Community Association Dues, Fees, and Assessments, if any, be escrowed by Borrower, and such dues, fees and assessments shall be in Escrow Item. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this Section. Borrower shall pay Lender the Funds for Escrow Items unless Lender waives Borrower's obligation to pay the Funds

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for any or all Escrow Items. Lender may waive Borrower's obligation to pay to Lender Funds for any or all Escrow Items at any time. Any such waiver may only be in writing. In the event of such waiver, Borrower shall pay directly, when and where payable, the amounts due for any Escrow Items for which payment of Funds has been waived by Lender and, if Lender requires, shall furnish to Lender receipts evidencing such payment within such time period as Lender may require. Borrower's obligation to make such payments and to provide receipts shall for all purposes be deemed to be a covenant and agreement contained in this Security Instrument, as the phrase "covenant and agreement" is used in Section 9. If Borrower is obligated to pay Escrow Items directly, pursuant to a waiver, and Borrower fails to pay the amount due for an Escrow Item, Lender may exercise its rights under Section 9 and pay such amount and Borrower shall then be obligated under Section 9 to repay to Lender any such amount. Lender may revoke the waiver as to any or all Escrow Items at any time by a notice given in accordance with Section 15 and, upon such revocation, Borrower shall pay to Lender all Funds, and in such amounts, that are then required under this Section 3.

Lender may, at any time, collect and hold Funds in an amount (a) sufficient to permit Lender to apply the Funds at the time specified under RESPA, and (b) not to exceed the maximum amount a lender can require under RESPA. Lender shall estimate the amount of Funds due on the basis of current data and reasonable estimates of expenditures of future Escrow Items or otherwise in accordance with Applicable Law.

The Funds shall be held in an institution whose deposits are insured by a federal agency, instrumentality, or entity (including Lender, if Lender is an institution whose deposits are so insured) or in any Federal Home Loan Bank. Lender shall apply the Funds to pay the Escrow Items no later than the time specified under RESPA. Lender shall not charge Borrower for holding and applying the Funds, annually analyzing the escrow account, or verifying the Escrow Items, unless Lender pays Borrower interest on the Funds and Applicable Law permits Lender to make such a charge. Unless an agreement is made in writing or Applicable Law requires interest to be paid on the Funds, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Borrower and Lender can agree in writing, however, that interest shall be paid on the Funds. Lender shall give to Borrower, without charge, an annual accounting of the Funds as required by RESPA.

If there is a surplus of Funds held in escrow, as defined under RESPA, Lender shall account to Borrower for the excess funds in accordance with RESPA. If there is a shortage of Funds held in escrow, as defined under RESPA, Lender shall notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount necessary to make up the shortage in accordance with RESPA, but in no more than 12 monthly payments. If there is a deficiency of Funds held in escrow, as defined under RESPA, Lender shall notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount necessary to make up the deficiency in accordance with RESPA, but in no more than 12 monthly payments.

Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any Funds held by Lender.

4. **Charges; Liens.** Borrower shall pay all taxes, assessments, charges, fines, and impositions attributable to the Property which can attain priority over this Security Instrument, leasehold payments or ground rents on the Property, if any, and Community Association Dues, Fees, and Assessments, if any. To the extent that these items are Escrow Items, Borrower shall pay them in the manner provided in Section 3.

Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender, but only so long as Borrower is performing such agreement; (b) contests the lien in good faith by, or defends against enforcement of the lien in, legal proceedings which in Lender's opinion operate to prevent the enforcement of the lien while those proceedings are pending, but only until such proceedings are concluded; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien which can attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Within 10

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days of the date on which that notice is given, Borrower shall satisfy the lien or take one or more of the actions set forth above in this Section 4.

Lender may require Borrower to pay a one-time charge for a real estate tax verification and/or reporting service used by Lender in connection with this Loan.

**5. Property Insurance.** Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage," and any other hazards including, but not limited to, earthquakes and floods, for which Lender requires insurance. This insurance shall be maintained in the amounts (including deductible levels) and for the periods that Lender requires. What Lender requires pursuant to the preceding sentences can change during the term of the Loan. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's right to disapprove Borrower's choice, which right shall not be exercised unreasonably. Lender may require Borrower to pay, in connection with this Loan, either: (a) a one-time charge for flood zone determination, certification and tracking services; or (b) a one-time charge for flood zone determination and certification services and subsequent charges each time remappings or similar changes occur which reasonably might affect such determination or certification. Borrower shall also be responsible for the payment of any fees imposed by the Federal Emergency Management Agency in connection with the review of any flood zone determination resulting from an objection by Borrower.

If Borrower fails to maintain any of the coverages described above, Lender may obtain insurance coverage, at Lender's option and Borrower's expense. Lender is under no obligation to purchase any particular type or amount of coverage. Therefore, such coverage shall cover Lender, but might or might not protect Borrower, Borrower's equity in the Property, or the contents of the Property, against any risk, hazard or liability and might provide greater or lesser coverage than was previously in effect. Borrower acknowledges that the cost of the insurance coverage so obtained might significantly exceed the cost of insurance that Borrower could have obtained. Any amounts disbursed by Lender under this Section 5 shall become additional debt of Borrower secured by this Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

All insurance policies required by Lender and renewals of such policies shall be subject to Lender's right to disapprove such policies, shall include a standard mortgage clause, and shall name Lender as mortgagee and/or as an additional loss payee. Lender shall have the right to hold the policies and renewal certificates. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. If Borrower obtains any form of insurance coverage, not otherwise required by Lender, for damage to, or destruction of, the Property, such policy shall include a standard mortgage clause and shall name Lender as mortgagee and/or as an additional loss payee.

In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower. Unless Lender and Borrower otherwise agree in writing, any insurance proceeds, whether or not the underlying insurance was required by Lender, shall be applied to restoration or repair of the Property, if the restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to hold such insurance proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such insurance proceeds, Lender shall not be required to pay Borrower any interest or earnings on such proceeds. Fees for public adjusters, or other third parties, retained by Borrower shall not be paid out of the insurance proceeds and shall be the sole obligation of Borrower. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to

the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower. Such insurance proceeds shall be applied in the order provided for in Section 2.

If Borrower abandons the Property, Lender may file, negotiate and settle any available insurance claim and related matters. If Borrower does not respond within 30 days to a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may negotiate and settle the claim. The 30-day period will begin when the notice is given. In either event, or if Lender acquires the Property under Section 22 or otherwise, Borrower hereby assigns to Lender (a) Borrower's rights to any insurance proceeds in an amount not to exceed the amounts unpaid under the Note or this Security Instrument, and (b) any other of Borrower's rights (other than the right to any refund of unearned premiums paid by Borrower) under all insurance policies covering the Property, insofar as such rights are applicable to the coverage of the Property. Lender may use the insurance proceeds either to repair or restore the Property or to pay amounts unpaid under the Note or this Security Instrument, whether or not then due.

**6. Occupancy.** Borrower shall occupy, establish, and use the Property as Borrower's principal residence within 60 days after the execution of this Security Instrument and shall continue to occupy the Property as Borrower's principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing, which consent shall not be unreasonably withheld, or unless extenuating circumstances exist which are beyond Borrower's control.

**7. Preservation, Maintenance and Protection of the Property; Inspections.** Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate or commit waste on the Property. Whether or not Borrower is residing in the Property, Borrower shall maintain the Property in order to prevent the Property from deteriorating or decreasing in value due to its condition. Unless it is determined pursuant to Section 5 that repair or restoration is not economically feasible, Borrower shall promptly repair the Property if damaged to avoid further deterioration or damage. If insurance or condemnation proceeds are paid in connection with damage to, or the taking of, the Property, Borrower shall be responsible for repairing or restoring the Property only if Lender has released proceeds for such purposes. Lender may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. If the insurance or condemnation proceeds are not sufficient to repair or restore the Property, Borrower is not relieved of Borrower's obligation for the completion of such repair or restoration.

Lender or its agent may make reasonable entries upon and inspections of the Property. If it has reasonable cause, Lender may inspect the interior of the improvements on the Property. Lender shall give Borrower notice at the time of or prior to such an interior inspection specifying such reasonable cause.

**8. Borrower's Loan Application.** Borrower shall be in default if, during the Loan application process, Borrower or any persons or entities acting at the direction of Borrower or with Borrower's knowledge or consent gave materially false, misleading, or inaccurate information or statements to Lender (or failed to provide Lender with material information) in connection with the Loan. Material representations include, but are not limited to, representations concerning Borrower's occupancy of the Property as Borrower's principal residence.

**9. Protection of Lender's Interest in the Property and Rights Under this Security Instrument.** If (a) Borrower fails to perform the covenants and agreements contained in this Security Instrument, (b) there is a legal proceeding that might significantly affect Lender's interest in the Property and/or rights under this Security Instrument (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture, for enforcement of a lien which may attain priority over this Security Instrument or to enforce laws or regulations), or (c) Borrower has abandoned the Property, then Lender may do and pay for whatever is reasonable or appropriate to protect Lender's interest in the Property and rights under this Security Instrument, including protecting and/or assessing the value of the Property, and securing and/or repairing the Property. Lender's actions can include, but are not limited to: (a) paying any sums secured by a lien which has priority over this Security Instrument; (b) appearing in court; and (c) paying reasonable attorneys' fees to protect its interest in the Property and/or rights under this Security Instrument, including its secured position.

in a bankruptcy proceeding. Securing the Property includes, but is not limited to, entering the Property to make repairs, change locks, replace or board up doors and windows, drain water from pipes, eliminate building or other code violations or dangerous conditions, and have utilities turned on or off. Although Lender may take action under this Section 9, Lender does not have to do so and is not under any duty or obligation to do so. It is agreed that Lender incurs no liability for not taking any or all actions authorized under this Section 9.

Any amounts disbursed by Lender under this Section 9 shall become additional debt of Borrower secured by this Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

If this Security Instrument is on a leasehold, Borrower shall comply with all the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

**10. Mortgage Insurance.** If Lender required Mortgage Insurance as a condition of making the Loan, Borrower shall pay the premiums required to maintain the Mortgage Insurance in effect. If, for any reason, the Mortgage Insurance coverage required by Lender ceases to be available from the mortgage insurer that previously provided such insurance and Borrower was required to make separately designated payments toward the premiums for Mortgage Insurance, Borrower shall pay the premiums required to obtain coverage substantially equivalent to the Mortgage Insurance previously in effect, at a cost substantially equivalent to the cost to Borrower of the Mortgage Insurance previously in effect, from an alternate mortgage insurer selected by Lender. If substantially equivalent Mortgage Insurance coverage is not available, Borrower shall continue to pay to Lender the amount of the separately designated payments that were due when the insurance coverage ceased to be in effect. Lender will accept, use and retain these payments as a non-refundable loss reserve in lieu of Mortgage Insurance. Such loss reserve shall be non-refundable, notwithstanding the fact that the Loan is ultimately paid in full, and Lender shall not be required to pay Borrower any interest or earnings on such loss reserve. Lender can no longer require loss reserve payments if Mortgage Insurance coverage (in the amount and for the period that Lender requires) provided by an insurer selected by Lender again becomes available, is obtained, and Lender requires separately designated payments toward the premiums for Mortgage Insurance. If Lender required Mortgage Insurance as a condition of making the Loan and Borrower was required to make separately designated payments toward the premiums for Mortgage Insurance, Borrower shall pay the premiums required to maintain Mortgage Insurance in effect, or to provide a non-refundable loss reserve, until Lender's requirement for Mortgage Insurance ends in accordance with any written agreement between Borrower and Lender providing for such termination or until termination is required by Applicable Law. Nothing in this Section 10 affects Borrower's obligation to pay interest at the rate provided in the Note.

Mortgage Insurance reimburses Lender (or any entity that purchases the Note) for certain losses it may incur if Borrower does not repay the Loan as agreed. Borrower is not a party to the Mortgage Insurance.

Mortgage insurers evaluate their total risk on all such insurance in force from time to time, and may enter into agreements with other parties that share or modify their risk, or reduce losses. These agreements are on terms and conditions that are satisfactory to the mortgage insurer and the other party (or parties) to these agreements. These agreements may require the mortgage insurer to make payments using any source of funds that the mortgage insurer may have available (which may include funds obtained from Mortgage Insurance premiums).

As a result of these agreements, Lender, any purchaser of the Note, another insurer, any reinsurer, any other entity, or any affiliate of any of the foregoing, may receive (directly or indirectly) amounts that derive from (or might be characterized as) a portion of Borrower's payments for Mortgage Insurance, in exchange for sharing or modifying the mortgage insurer's risk, or reducing losses. If such agreement provides that an affiliate of Lender takes a share of the insurer's risk in exchange for a share of the premiums paid to the insurer, the arrangement is often termed "captive reinsurance." Further:

(a) Any such agreements will not affect the amounts that Borrower has agreed to pay for Mortgage Insurance, or any other terms of the Loan. Such agreements will not increase the amount Borrower will owe for Mortgage Insurance, and they will not entitle Borrower to any refund.

(b) Any such agreements will not affect the rights Borrower has - if any - with respect to the

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Mortgage Insurance under the Homeowners Protection Act of 1998 or any other law. These rights may include the right to receive certain disclosures, to request and obtain cancellation of the Mortgage Insurance, to have the Mortgage Insurance terminated automatically, and/or to receive a refund of any Mortgage Insurance premiums that were unearned at the time of such cancellation or termination.

**11. Assignment of Miscellaneous Proceeds; Forfeiture.** All Miscellaneous Proceeds are hereby assigned to and shall be paid to Lender.

If the Property is damaged, such Miscellaneous Proceeds shall be applied to restoration or repair of the Property, if the restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to hold such Miscellaneous Proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may pay for the repairs and restoration in a single disbursement or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such Miscellaneous Proceeds, Lender shall not be required to pay Borrower any interest or earnings on such Miscellaneous Proceeds. If the restoration or repair is not economically feasible or Lender's security would be lessened, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower. Such Miscellaneous Proceeds shall be applied in the order provided for in Section 2.

In the event of a total taking, destruction, or loss in value of the Property, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower.

In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss in value is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the Miscellaneous Proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the partial taking, destruction, or loss in value divided by (b) the fair market value of the Property immediately before the partial taking, destruction, or loss in value. Any balance shall be paid to Borrower.

In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss in value is less than the amount of the sums secured immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise agree in writing, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the Opposing Party (as defined in the next sentence) offers to make an award to settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the Miscellaneous Proceeds either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due. "Opposing Party" means the third party that owes Borrower Miscellaneous Proceeds or the party against whom Borrower has a right of action in regard to Miscellaneous Proceeds.

Borrower shall be in default if any action or proceeding, whether civil or criminal, is begun that, in Lender's judgment, could result in forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. Borrower can cure such a default and, if acceleration has occurred, reinstate as provided in Section 19, by causing the action or proceeding to be dismissed with a ruling that, in Lender's judgment, precludes forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. The proceeds of any award or claim for damages that are attributable to the impairment of Lender's interest in the Property are hereby assigned and shall be paid to Lender.

All Miscellaneous Proceeds that are not applied to restoration or repair of the Property shall be applied in the order provided for in Section 2.

**12. Borrower Not Released; Forbearance By Lender Not a Waiver.** Extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender

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to Borrower or any Successor in Interest of Borrower shall not operate to release the liability of Borrower or any Successors in Interest of Borrower. Lender shall not be required to commence proceedings against any Successor in Interest of Borrower or to refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or any Successors in Interest of Borrower. Any forbearance by Lender in exercising any right or remedy including, without limitation, Lender's acceptance of payments from third persons, entities or Successors in Interest of Borrower or in amounts less than the amount then due, shall not be a waiver of or preclude the exercise of any right or remedy.

**13. Joint and Several Liability; Co-signers; Successors and Assigns Bound.** Borrower covenants and agrees that Borrower's obligations and liability shall be joint and several. However, any Borrower who co-signs this Security Instrument but does not execute the Note (a "co-signer"): (a) is co-signing this Security Instrument only to mortgage, grant and convey the co-signer's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower can agree to extend, modify, forbear or make any accommodations with regard to the terms of this Security Instrument or the Note without the co-signer's consent.

Subject to the provisions of Section 18, any Successor in Interest of Borrower who assumes Borrower's obligations under this Security Instrument in writing, and is approved by Lender, shall obtain all of Borrower's rights and benefits under this Security Instrument. Borrower shall not be released from Borrower's obligations and liability under this Security Instrument unless Lender agrees to such release in writing. The covenants and agreements of this Security Instrument shall bind (except as provided in Section 20) and benefit the successors and assigns of Lender.

**14. Loan Charges.** Lender may charge Borrower fees for services performed in connection with Borrower's default, for the purpose of protecting Lender's interest in the Property and rights under this Security Instrument, including, but not limited to, attorneys' fees, property inspection and valuation fees. In regard to any other fees, the absence of express authority in this Security Instrument to charge a specific fee to Borrower shall not be construed as a prohibition on the charging of such fee. Lender may not charge fees that are expressly prohibited by this Security Instrument or by Applicable Law.

If the Loan is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the Loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge (whether or not a prepayment charge is provided for under the Note). Borrower's acceptance of any such refund made by direct payment to Borrower will constitute a waiver of any right of action Borrower might have arising out of such overcharge.

**15. Notices.** All notices given by Borrower or Lender in connection with this Security Instrument must be in writing. Any notice to Borrower in connection with this Security Instrument shall be deemed to have been given to Borrower when mailed by first class mail or when actually delivered to Borrower's notice address if sent by other means. Notice to any one Borrower shall constitute notice to all Borrowers unless Applicable Law expressly requires otherwise. The notice address shall be the Property Address unless Borrower has designated a substitute notice address by notice to Lender. Borrower shall promptly notify Lender of Borrower's change of address. If Lender specifies a procedure for reporting Borrower's change of address, then Borrower shall only report a change of address through that specified procedure. There may be only one designated notice address under this Security Instrument at any one time. Any notice to Lender shall be given by delivering it or by mailing it by first class mail to Lender's address stated herein unless Lender has designated another address by notice to Borrower. Any notice in connection with this Security Instrument shall not be deemed to have been given to Lender until actually received by Lender. If any notice required by this Security Instrument is also required under Applicable Law, the Applicable Law requirement will satisfy the corresponding requirement under this Security Instrument.

**16. Governing Law; Severability; Rules of Construction.** This Security Instrument shall be governed by federal law and the law of the jurisdiction in which the Property is located. All rights and obligations

Initials: CAR

contained in this Security Instrument are subject to any requirements and limitations of Applicable Law. Applicable Law might explicitly or implicitly allow the parties to agree by contract or it might be silent, but such silence shall not be construed as a prohibition against agreement by contract. In the event that any provision or clause of this Security Instrument or the Note conflicts with Applicable Law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision.

As used in this Security Instrument: (a) words of the masculine gender shall mean and include corresponding neuter words or words of the feminine gender; (b) words in the singular shall mean and include the plural and vice versa; and (c) the word "may" gives sole discretion without any obligation to take any action.

**17. Borrower's Copy.** Borrower shall be given one copy of the Note and of this Security Instrument.

**18. Transfer of the Property or a Beneficial Interest in Borrower.** As used in this Section 18, "Interest in the Property" means any legal or beneficial interest in the Property, including, but not limited to, those beneficial interests transferred in a bond for deed, contract for deed, installment sales contract or escrow agreement, the intent of which is the transfer of title by Borrower at a future date to a purchaser.

If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given in accordance with Section 15 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

**19. Borrower's Right to Reinstate After Acceleration.** If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earliest of: (a) five days before sale of the Property pursuant to any power of sale contained in this Security Instrument; (b) such other period as Applicable Law might specify for the termination of Borrower's right to reinstate; or (c) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Security Instrument and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees, property inspection and valuation fees, and other fees incurred for the purpose of protecting Lender's interest in the Property and rights under this Security Instrument; and (d) takes such action as Lender may reasonably require to assure that Lender's interest in the Property and rights under this Security Instrument, and Borrower's obligation to pay the sums secured by this Security Instrument, shall continue unchanged. Lender may require that Borrower pay such reinstatement sums and expenses in one or more of the following forms, as selected by Lender: (a) cash; (b) money order; (c) certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality or entity; or (d) Electronic Funds Transfer. Upon reinstatement by Borrower, this Security Instrument and obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under Section 18.

**20. Sale of Note; Change of Loan Servicer; Notice of Grievance.** The Note or a partial interest in the Note (together with this Security Instrument) can be sold one or more times without prior notice to Borrower. A sale might result in a change in the entity (known as the "Loan Servicer") that collects Periodic Payments due under the Note and this Security Instrument and performs other mortgage loan servicing obligations under the Note, this Security Instrument, and Applicable Law. There also might be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change which will state the name and address of the new Loan Servicer, the

Initials: CAR

address to which payments should be made and any other information RESPA requires in connection with a notice of transfer of servicing. If the Note is sold and thereafter the Loan is serviced by a Loan Servicer other than the purchaser of the Note, the mortgage loan servicing obligations to Borrower will remain with the Loan Servicer or be transferred to a successor Loan Servicer and are not assumed by the Note purchaser unless otherwise provided by the Note purchaser.

Neither Borrower nor Lender may commence, join, or be joined to any judicial action (as either an individual litigant or the member of a class) that arises from the other party's actions pursuant to this Security Instrument or that alleges that the other party has breached any provision of, or any duty owed by reason of, this Security Instrument, until such Borrower or Lender has notified the other party (with such notice given in compliance with the requirements of Section 15) of such alleged breach and afforded the other party hereto a reasonable period after the giving of such notice to take corrective action. If Applicable Law provides a time period which must elapse before certain action can be taken, that time period will be deemed to be reasonable for purposes of this paragraph. The notice of acceleration and opportunity to cure given to Borrower pursuant to Section 22 and the notice of acceleration given to Borrower pursuant to Section 18 shall be deemed to satisfy the notice and opportunity to take corrective action provisions of this Section 20.

**21. Hazardous Substances.** As used in this Section 21: (a) "Hazardous Substances" are those substances defined as toxic or hazardous substances, pollutants, or wastes by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials; (b) "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection; (c) "Environmental Cleanup" includes any response action, remedial action, or removal action, as defined in Environmental Law; and (d) an "Environmental Condition" means a condition that can cause, contribute to, or otherwise trigger an Environmental Cleanup.

Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances, or threaten to release any Hazardous Substances, on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property (a) that is in violation of any Environmental Law, (b) which creates an Environmental Condition, or (c) which, due to the presence, use, or release of a Hazardous Substance, creates a condition that adversely affects the value of the Property. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property (including, but not limited to, hazardous substances in consumer products).

Borrower shall promptly give Lender written notice of (a) any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge, (b) any Environmental Condition, including but not limited to, any spilling, leaking, discharge, release or threat of release of any Hazardous Substance, and (c) any condition caused by the presence, use or release of a Hazardous Substance which adversely affects the value of the Property. If Borrower learns, or is notified by any governmental or regulatory authority, or any private party, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law. Nothing herein shall create any obligation on Lender for an Environmental Cleanup.

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

22. Acceleration; Remedies. Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument (but not prior to acceleration under Section 18 unless Applicable Law provides otherwise). The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to Borrower, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Security Instrument and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured on or before the date specified in the notice, Lender at its option, and without further demand, may invoke the power of sale, including the right to accelerate full payment of the Note, and any other remedies permitted by Applicable Law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this Section 22, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If Lender invokes the power of sale, Lender shall execute or cause Trustee to execute written notice of the occurrence of an event of default and of Lender's election to cause the Property to be sold, and shall cause such notice to be recorded in each county in which any part of the Property is located. Lender shall mail copies of the notice as prescribed by Applicable Law to Borrower and to the persons prescribed by Applicable Law. Trustee shall give public notice of sale to the persons and in the manner prescribed by Applicable Law. After the time required by Applicable Law, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Lender or its designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it.

23. Reconveyance. Upon payment of all sums secured by this Security Instrument, Lender shall request Trustee to reconvey the Property and shall surrender this Security Instrument and all notes evidencing debt secured by this Security Instrument to Trustee. Trustee shall reconvey the Property without warranty to the person or persons legally entitled to it. Such person or persons shall pay any recordation costs. Lender may charge such person or persons a fee for reconveying the Property, but only if the fee is paid to a third party (such as the Trustee) for services rendered and the charging of the fee is permitted under Applicable Law.

24. Substitute Trustee. Lender at its option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by Applicable Law.

25. Assumption Fee. If there is an assumption of this loan, Lender may charge an assumption fee of U.S. \$ Varies per investor

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Form 3029 1/01



BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Security Instrument and in any Rider executed by Borrower and recorded with it.

Witnesses:

\_\_\_\_\_  
Catherine Rodriguez (Seal)  
-Borrower

\_\_\_\_\_  
\_\_\_\_\_  
-Borrower (Seal)  
-Borrower

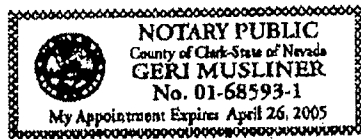
\_\_\_\_\_  
-Borrower (Seal)  
-Borrower

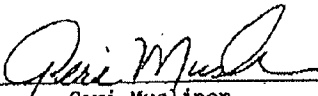
\_\_\_\_\_  
-Borrower (Seal)  
-Borrower

\_\_\_\_\_  
-Borrower (Seal)  
-Borrower

STATE OF NEVADA  
COUNTY OF CLARK

This instrument was acknowledged before me on April 22, 2005 by  
CATHERINE RODRIGUEZ



  
Geri Musliner

Mail Tax Statements To: TOTAL MORTGAGE SOLUTIONS, LP  
1555 W. WALNUT HILL LANE, SUITE 200A  
IRVING, TX 75038

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-6A(NV) (0307)

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Form 3029 1/01

Order No. : 5116003582-GM

EXHIBIT "A"

The land referred to is situated in the State of Nevada, County of Clark, City of Las Vegas, and is described as follows:

Lot 37 in Block 3 of Concordia @ Deer Springs Unit 3, as shown by map thereof on file in Book 112 of Plats, Page 28, in the Office of the County Recorder, Clark County, Nevada.

## PLANNED UNIT DEVELOPMENT RIDER

THIS PLANNED UNIT DEVELOPMENT RIDER is made this 21st day of April, 2005, and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust, or Security Deed (the "Security Instrument") of the same date, given by the undersigned (the "Borrower") to secure Borrower's Note to  
**FIRST HORIZON HOME LOAN CORPORATION**

(the "Lender") of the same date and covering the Property described in the Security Instrument and located at:  
**6845 SWEET PECAN STREET, LAS VEGAS, Nevada 89149**

[Property Address]

The Property includes, but is not limited to, a parcel of land improved with a dwelling, together with other such parcels and certain common areas and facilities, as described in  
**PER C&R'S**

(the "Declaration"). The Property is a part of a planned unit development known as  
**CONCORDIA @ DEER SPRINGS**

[Name of Planned Unit Development]

(the "PUD"). The Property also includes Borrower's interest in the homeowners association or equivalent entity owning or managing the common areas and facilities of the PUD (the "Owners Association") and the uses, benefits and proceeds of Borrower's interest.

**PUD COVENANTS.** In addition to the covenants and agreements made in the Security Instrument, Borrower and Lender further covenant and agree as follows:

**A. PUD Obligations.** Borrower shall perform all of Borrower's obligations under the PUD's Constituent Documents. The "Constituent Documents" are the (i) Declaration; (ii) articles of incorporation, trust instrument or any equivalent document which creates the Owners Association; and (iii) any by-laws or other rules or regulations of the Owners Association. Borrower shall promptly pay, when due, all dues and assessments imposed pursuant to the Constituent Documents.

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**MULTISTATE PUD RIDER - Single Family - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT**  
Form 3150 1/01

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**B. Property Insurance.** So long as the Owners Association maintains, with a generally accepted insurance carrier, a "master" or "blanket" policy insuring the Property which is satisfactory to Lender and which provides insurance coverage in the amounts (including deductible levels), for the periods, and against loss by fire, hazards included within the term "extended coverage," and any other hazards, including, but not limited to, earthquakes and floods, for which Lender requires insurance, then: (i) Lender waives the provision in Section 3 for the Periodic Payment to Lender of the yearly premium installments for property insurance on the Property; and (ii) Borrower's obligation under Section 5 to maintain property insurance coverage on the Property is deemed satisfied to the extent that the required coverage is provided by the Owners Association policy.

What Lender requires as a condition of this waiver can change during the term of the loan.

Borrower shall give Lender prompt notice of any lapse in required property insurance coverage provided by the master or blanket policy.

In the event of a distribution of property insurance proceeds in lieu of restoration or repair following a loss to the Property, or to common areas and facilities of the PUD, any proceeds payable to Borrower are hereby assigned and shall be paid to Lender. Lender shall apply the proceeds to the sums secured by the Security Instrument, whether or not then due, with the excess, if any, paid to Borrower.

**C. Public Liability Insurance.** Borrower shall take such actions as may be reasonable to insure that the Owners Association maintains a public liability insurance policy acceptable in form, amount, and extent of coverage to Lender.

**D. Condemnation.** The proceeds of any award or claim for damages, direct or consequential, payable to Borrower in connection with any condemnation or other taking of all or any part of the Property or the common areas and facilities of the PUD, or for any conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender. Such proceeds shall be applied by Lender to the sums secured by the Security Instrument as provided in Section 11.

**E. Lender's Prior Consent.** Borrower shall not, except after notice to Lender and with Lender's prior written consent, either partition or subdivide the Property or consent to: (i) the abandonment or termination of the PUD, except for abandonment or termination required by law in the case of substantial destruction by fire or other casualty or in the case of a taking by condemnation or eminent domain; (ii) any amendment to any provision of the "Constituent Documents" if the provision is for the express benefit of Lender; (iii) termination of professional management and assumption of self-management of the Owners Association; or (iv) any action which would have the effect of rendering the public liability insurance coverage maintained by the Owners Association unacceptable to Lender.

**F. Remedies.** If Borrower does not pay PUD dues and assessments when due, then Lender may pay them. Any amounts disbursed by Lender under this paragraph F shall become additional debt of Borrower secured by the Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

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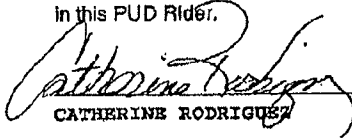
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Initials: CAF

Form 3150 1/01

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained  
in this PUD Rider.

  
CATHERINE RODRIGUEZ

\_\_\_\_\_  
(Seal)  
-Borrower

\_\_\_\_\_  
(Seal)  
-Borrower

\_\_\_\_\_  
(Seal)  
-Borrower

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(Seal)  
-Borrower


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(Seal)  
-Borrower

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-Borrower

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(Seal)  
-Borrower

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## ADJUSTABLE RATE RIDER 0053334520

(LIBOR Six-Month Index (As Published In The Wall Street Journal) - Rate Caps)

THIS ADJUSTABLE RATE RIDER is made this 21st day of April, 2005, and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust, or Security Deed (the "Security Instrument") of the same date given by the undersigned ("Borrower") to secure Borrower's Adjustable Rate Note (the "Note") to FIRST HORIZON HOME LOAN CORPORATION

("Lender") of the same date and covering the property described in the Security Instrument and located at:

6845 SWEET PECAN STREET  
LAS VEGAS, NV 89149

[Property Address]

THE NOTE CONTAINS PROVISIONS ALLOWING FOR CHANGES IN THE INTEREST RATE AND THE MONTHLY PAYMENT. THE NOTE LIMITS THE AMOUNT BORROWER'S INTEREST RATE CAN CHANGE AT ANY ONE TIME AND THE MAXIMUM RATE BORROWER MUST PAY.

**ADDITIONAL COVENANTS.** In addition to the covenants and agreements made in the Security Instrument, Borrower and Lender further covenant and agree as follows:

### A. INTEREST RATE AND MONTHLY PAYMENT CHANGES

The Note provides for an initial interest rate of 5.625 %. The Note provides for changes in the interest rate and the monthly payments, as follows:

### 4. INTEREST RATE AND MONTHLY PAYMENT CHANGES

#### (A) Change Dates

The interest rate I will pay may change on the first day of May, 2010 and on that day every 6th month thereafter. Each date on which my interest rate could change is called a "Change Date."

#### (B) The Index

Beginning with the first Change Date, my interest rate will be based on an Index. The "Index" is the average of interbank offered rates for six month U.S. dollar-denominated deposits in the London market ("LIBOR"), as published in The Wall Street Journal. The most recent Index figure available as of the first business day of the month immediately preceding the month in which the Change Date occurs is called the "Current Index."

If the Index is no longer available, the Note Holder will choose a new index that is based upon comparable information. The Note Holder will give me notice of this choice.

#### (C) Calculation of Changes

Before each Change Date, the Note Holder will calculate my new interest rate by adding TWO AND ONE-QUARTER percentage points (2.250 %) to the Current Index. The Note Holder will then round the result of

MULTISTATE ADJUSTABLE RATE RIDER - LIBOR SIX-MONTH INDEX (AS PUBLISHED IN THE WALL STREET JOURNAL) - Single Family - Fannie Mae Uniform Instrument

VMP-838R (0402) Form 3138 1/01

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this addition to the nearest one-eighth of one percentage point (0.125%). Subject to the limits stated in Section 4(D) below, this rounded amount will be my new interest rate until the next Change Date.

The Note Holder will then determine the amount of the monthly payment that would be sufficient to repay the unpaid principal that I am expected to owe at the Change Date in full on the Maturity Date at my new interest rate in substantially equal payments. The result of this calculation will be the new amount of my monthly payment.

**(D) Limits on Interest Rate Changes**

The interest rate I am required to pay at the first Change Date will not be greater than 11.625 % or less than 2.250 %. Thereafter, my interest rate will never be increased or decreased on any single Change Date by more than

TWO & 00/100 percentage points  
( 2.00 %) from the rate of interest I have been paying for the preceding  
6 months. My interest rate will never be greater than 11.625 %.

**(E) Effective Date of Changes**

My new interest rate will become effective on each Change Date. I will pay the amount of my new monthly payment beginning on the first monthly payment date after the Change Date until the amount of my monthly payment changes again.

**(F) Notice of Changes**

The Note Holder will deliver or mail to me a notice of any changes in my interest rate and the amount of my monthly payment before the effective date of any change. The notice will include information required by law to be given to me and also the title and telephone number of a person who will answer any question I may have regarding the notice.

**B. TRANSFER OF THE PROPERTY OR A BENEFICIAL INTEREST IN BORROWER**

Uniform Covenant 18 of the Security Instrument is amended to read as follows:

**Transfer of the Property or a Beneficial Interest in Borrower.** As used in this Section 18, "Interest in the Property" means any legal or beneficial interest in the Property, including, but not limited to, those beneficial interests transferred in a bond for deed, contract for deed, installment sales contract or escrow agreement, the intent of which is the transfer of title by Borrower at a future date to a purchaser.

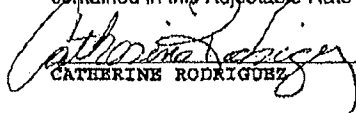
If all or any part of the Property or any interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law. Lender also shall not exercise this option if: (a) Borrower causes to be submitted to Lender information required by Lender to evaluate the intended transferee as if a new loan were being made to the transferee; and (b) Lender reasonably determines that Lender's security will not be impaired by the loan assumption and that the risk of a breach of any covenant or agreement in this Security Instrument is acceptable to Lender.

To the extent permitted by Applicable Law, Lender may charge a reasonable fee as a condition to Lender's consent to the loan assumption. Lender also may require the transferee to sign an assumption agreement that is acceptable to Lender and that obligates the transferee to keep all the promises and agreements made in the Note and in this Security Instrument. Borrower will continue to be obligated under the Note and this Security Instrument unless Lender releases Borrower in writing.



If Lender exercises the option to require immediate payment in full, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given in accordance with Section 15 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Adjustable-Rate Rider.

  
CATHERINE RODRIGUEZ

(Seal)  
-Borrower

(Seal)  
-Borrower

(Seal)  
-Borrower

(Seal)  
-Borrower

(Seal)  
-Borrower

(Seal)  
-Borrower

(Seal)  
-Borrower

(Seal)  
-Borrower

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VMP-838R (0402)

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**INTEREST ONLY ADDENDUM  
TO ADJUSTABLE RATE RIDER**

THIS ADDENDUM is made this 21<sup>st</sup> day of April, 2005, and is incorporated into and intended to form a part of the Adjustable Rate Rider (the "Rider") dated the same date as this Addendum executed by the undersigned and payable to FIRST HORIZON HOME LOAN CORPORATION (the "Lender").

THIS ADDENDUM supercedes Section 4(C) of the Rider. None of the other provisions of the Rider are changed by this Addendum.


**4. INTEREST RATE AND MONTHLY PAYMENT CHANGES**

**(C) Calculation of Changes**

Before each Change Date, the Note Holder will calculate my new interest rate by adding TWO AND ONE-QUARTER percentage points ( 2.250 %) to the Current Index. The Note Holder will then round the result of this addition to the nearest one-eighth of one percentage point (0.125%). Subject to the limits stated in Section 4(D), this rounded amount will be my new interest rate until the next Change Date.

During this Interest Only Period, the Note Holder will then determine the amount of the monthly payment that would be sufficient to repay accrued interest. This will be the amount of my monthly payment until the earlier of the next Change Date or the end of the Interest Only Period unless I make a voluntary prepayment of principal during such period. If I make a voluntary prepayment of principal during the Interest Only Period, my payment amount for subsequent payments will be reduced to the amount necessary to pay interest on the lower principal balance. At the end of the Interest Only Period and on each Change Date thereafter, the Note Holder will determine the amount of the monthly payment that would be sufficient to repay in full the unpaid principal that I am expected to owe at the end of the Interest Only Period or Change Date, as applicable, in equal monthly payments over the remaining term of the Note. The result of this calculation will be the new amount of my monthly payment. After the end of the Interest Only Period, my payment amount will not be reduced due to voluntary prepayments.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Addendum.

 04-22-05  
CATHERINE RODRIGUEZ Date

\_\_\_\_\_ Date

\_\_\_\_\_ Date

\_\_\_\_\_ Date

\_\_\_\_\_ Date

\_\_\_\_\_ Date

\_\_\_\_\_ Date

\_\_\_\_\_ Date

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Interest Only Addendum to ARM Rider

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CERTIFIED COPY, THIS  
DOCUMENT IS A TRUE AND  
CORRECT COPY OF THE  
RECORDED DOCUMENT MINUS  
ANY REDACTED PORTIONS

OCT. 04 2011



As filed with the Securities and Exchange Commission on May 23, 2005  
Registration No. 333-\_\_\_\_\_

SECURITIES AND EXCHANGE COMMISSION  
Washington D.C. 20549

# FORM S-3

## REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

### FIRST HORIZON ASSET SECURITIES INC.

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**75-2808384**

(I.R.S. Employer Identification No.)

**4000 Horizon Way  
Irving, Texas 75063  
(214) 441-4000**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Gerald L. Baker  
4000 Horizon Way  
Irving, Texas 75063  
(214) 441-4000**

(Name, address, including zip code, and telephone number including area code, of agent for service)

The Commission is requested to send copies of all communication to:

**David Barbour  
Andrews Kurth LLP  
1717 Main Street  
Suite 3700  
Dallas, Texas 75201  
(214) 659-4400**

**Clyde A. Billings, Jr.  
Senior Vice President and Counsel  
First Horizon National Corporation  
165 Madison Avenue  
Memphis, Tennessee 38103  
(901) 523-5679**

**John Arnholz  
McKee Nelson LLP  
1919 M Street, N.W., Suite 800  
Washington, DC 20036  
(202) 775-1880**

**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this Registration Statement, as determined by market conditions.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ☐ G

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or reinvestment plans, please check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐ G

RFJN\_EX 18\_000001

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration for the same offering. G

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. G

#### CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per unit(2)	Proposed maximum aggregate offering price(2)	Amount of registration fee
Mortgage and Asset Backed Securities	\$ 1,000,000	100%	\$ 1,000,000	\$ 117.70

- (1) This Registration Statement relates to the offering from time to time of up to \$1,000,000 aggregate principal amount of Mortgage and Asset Backed Securities and to any resales of them in market making transactions by FTN Financial Securities Corp. or FTN Financial Capital Markets, each an affiliate of the Registrant, to the extent required.
- (2) Estimated for the purpose of calculating the registration fee pursuant to Rule 457(o).

Pursuant to Rule 429 under the Securities Act, the Prospectus which is part of this Registration Statement is a combined Prospectus that also relates to \$5,282,086,310 of Asset Backed Certificates which were registered under the Registrant's Registration Statement No. 333-119657 and remain unissued as of the date hereof.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.

The information in this Prospectus is not complete and may be changed. We may not sell these securities until the Registration Statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION; DATED MAY 23, 2005**

#### PROSPECTUS SUPPLEMENT

(To Prospectus dated [ ], 200[ ]-[ ] )

\$[ ]

[FIRST HORIZON HOME LOAN CORPORATION LOGO]

*Seller and Master Servicer*

**First Horizon Mortgage Pass-Through Trust 200[ ]-[ ]**

*Issuer*

**Mortgage Pass-Through Certificates, Series 200[ ]-[ ]**

Distributions payable monthly commencing in [ ], 200[ ]

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 A-1	\$	%	Class A-7	N/A	%		
				RFJN_EX 18_000002			

Class A-2	\$	% Class PO	\$	N/A
Class A-3	\$	% Class A-R	\$	%
Class A-4	\$	% Class B-1	\$	%
Class A-5	\$	% Class B-2	\$	%
Class A-6	\$	% Class B-3	\$	%

You should carefully consider the risk factors beginning on page S-[ ] of this prospectus supplement and on page 6 of the accompanying prospectus.

The assets of the trust will include a pool of conventional, fixed rate, first lien, fully amortizing, one-to four-family residential mortgage loans. The stated maturities of the mortgage loans will range from 29 to 30 years.

- The Class A-1, Class A-2, Class A-3, Class A-4, Class A-5, Class A-6, Class A-7 and Class PO Certificates will be senior certificates.
- The Class B-1, Class B-2 and Class B-3 Certificates will be subordinate to, and provide credit enhancement for, the senior certificates. The Class B-2 Certificates will also be subordinate to, and provide credit enhancement to, the Class B-1 Certificates. The Class B-3 Certificates will also be subordinate to, and provide credit enhancement to, the Class B-1 and Class B-2 Certificates.
- The Class PO Certificates are principal only certificates and the Class A-7 Certificates are interest only certificates.
- The Class A-5 Certificates will have the benefit of a financial guaranty insurance policy issued by [ ].

The SEC and state securities regulators have not approved or disapproved of these securities or determined if this prospectus supplement or the prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

[Underwriter] will purchase the offered certificates (other than the Class PO Certificates) from the depositor on a firm commitment basis and[, together with [ ] and [ ] (solely with respect to the Class A-5 Certificates),] will sell them to investors at varying prices to be determined at the time of sale. The proceeds to the depositor from the sale of the certificates will be approximately [ ] of the total principal balance of those certificates, plus accrued interest, before deducting expenses. The underwriter's commission will be the difference between the price it pays for the certificates and the amount it receives from their sale to the public. The certificates will be available for delivery to investors on or about [ ], 200[ ].

#### [UNDERWRITERS]

[ ], 200[ ]

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#### *Important notice about information presented in this prospectus supplement and the accompanying prospectus:*

We provide information to you about the certificates offered by this prospectus supplement in two separate documents that progressively provide more detail: (1) the accompanying prospectus, which provides general information, some of which may not apply to your certificates, and (2) this prospectus supplement, which describes the specific terms of your certificates.

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

We are not offering the certificates in any state where the offer is not permitted. We do not claim that the information in this prospectus supplement and the accompanying prospectus is accurate as of any date other than the dates stated on their respective covers.

We include cross-references in this prospectus supplement and the accompanying prospectus to captions in these materials where you can find further related discussions. The following table of contents and the table of contents included in the accompanying prospectus provide the pages on which these captions are located.

After the initial distribution of the certificates offered hereby, this prospectus supplement and the accompanying prospectus may be used by FTN Financial Securities Corp., an affiliate of the depositor, the seller and the master servicer, in connection with market making transactions in such certificates. FTN Financial Securities Corp. may act as principal or agent in these transactions. These transactions will be at market prices at the time of sale and not at the prices of the initial offering. Certain information in this prospectus supplement may be updated from time to time in connection with

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transactions in which FTN Financial Securities Corp. acts as a market maker.

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YIELD, PREPAYMENT AND MATURITY CONSIDERATIONS

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## 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, you should read carefully this entire document and the accompanying prospectus.*

*For the definitions of certain capitalized terms used in this prospectus supplement, see "Glossary of Terms" on page S-1.*

### The Issuer

The Issuer of the certificates will be First Horizon Mortgage Pass-Through Trust 200[ ]-[ ]. The trust was created for the sole purpose of issuing the certificates.

### Offered Certificates

On the closing date, the trust will issue sixteen classes of certificates, thirteen of which are being offered by this prospectus supplement and the accompanying prospectus. The assets of the trust that will support both the offered certificates and the non-offered certificates will consist of a pool of mortgage loans with a principal balance of approximately \$[ ] as of [ ], 200[ ].

The following table shows the approximate initial principal balance, annual pass-through rate and type of each class of offered certificates:

Class	Class Certificate Balance	Pass-Through Rate	Type
Class A-1	\$	%	senior/sequential pay
Class A-2	\$	%	senior/sequential pay
Class A-3	\$	%	senior/sequential pay
Class A-4	\$	%	senior/sequential pay
Class A-5	\$	%	senior/retail/insured
Class A-6	\$	%	senior/lockout
Class A-7	(1)	%	senior/interest only
Class PO	\$	(2)	senior/principal only
Class A-R	\$	%	senior/residual
Class B-1	\$	%	subordinated

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Class B-2	\$	%	subordinated
Class B-3	\$	%	subordinated

- (1) The Class A-7 Certificates are interest only certificates and will accrue interest during each interest accrual period based on a notional principal amount. The initial notional principal amount will be \$[ ]. Reductions in the notional principal amount of the Class A-7 Certificates will occur concurrently with certain reductions in the class certificate balance of the Class A-5 Certificates. See "Yield, Prepayment and Maturity Considerations — Yield Sensitivity of Class A-7 Certificates" in this prospectus supplement.
- (2) The Class PO Certificates are principal only certificates and will not accrue interest.

The trust will also issue Class B-4, Class B-5 and Class B-6 Certificates which are not offered by this prospectus supplement.

Depending on the final composition of the pool of mortgage loans sold to the trust, the principal balance of each class of certificates may increase or decrease from the amount listed above. Any difference between the total principal amount of the certificates on the date they are issued and the approximate total principal amount of the certificates on the date of this prospectus supplement will not exceed 5%.

All classes of the offered certificates, other than the Class PO and Class A-R Certificates, will be book-entry certificates.

The trust will issue the certificates in the following minimum denominations:

Class	Minimum Denomination
Class A-1	\$
Class A-2	\$
Class A-3	\$
Class A-4	\$
Class A-5	\$
Class A-6	\$
Class A-7	\$
Class PO	\$
Class A-R	\$
Class B-1	\$
Class B-2	\$
Class B-3	\$

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Certificates with principal balances (or notional principal amounts) in excess of these amounts, other than the Class A-R Certificates, will be issued in multiples of \$1,000 above the minimum denomination.

See "The Mortgage Pool," "Description of the Certificates—General" and "—Book-Entry Certificates" in this prospectus supplement and "Description of the Securities—General," "—Categories of Classes of Securities" and "—Book-entry Registration of Securities" in the prospectus.

### The Mortgage Loans

First Horizon Home Loan Corporation originated or acquired all of the mortgage loans. The mortgage loans expected to be sold to the trust have the following characteristics as of [ ], 200[ ]:

- Total original principal balance<sup>(1)</sup>: \$[ ]
- Original terms to maturity: 29 to 30 years
- Range of maturities: between [ ] and [ ] months
- Range of annual interest rates: between [ ]% and [ ]%
- Largest geographic concentration: [ ]% of the mortgage loans are secured by property located in [California]

- (1) Approximate, after deducting payments of principal due on or before [ ], 200[ ], and subject to the variance described in this prospectus supplement.

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See "The Mortgage Pool — General".

**Cut-off Date**

[ ], 200[ ], the date as of which the aggregate principal balance of the mortgage loans is determined for purposes of this prospectus supplement, unless a different date is specified.

**Closing Date**

On or about [ ], 200[ ].

**Depositor**

First Horizon Asset Securities Inc.

**Seller and Master Servicer**

First Horizon Home Loan Corporation

**Trustee**

[The Bank of New York]

**Custodian**

[First Tennessee Bank National Association]

**Distributions on the Certificates**

The trustee will make distributions on the certificates on the 25th day of each month. If the 25th is not a business day, the trustee will make distributions on the next business day. The first distribution date will be [ ], 200[ ].

On each distribution date, the trustee will first pay to the senior certificates the amounts of interest and principal distributable to them from available funds. The trustee will then pay interest and principal to the subordinated certificates from the remaining available funds.

*Interest Payments*

- The actual amount of interest you receive on your certificates (if your certificates are interest bearing) on each distribution date will depend on:
  - the amount of interest accrued on your certificates;
  - the total amount of funds available for distribution; and
  - the amount of any accrued interest not paid on your certificates on earlier distribution dates.
- If you are the holder of a senior certificate, the amount of interest payable to you will be in proportion to the interest payable on all of the senior certificates together. All of the senior certificates entitled to interest payments will receive these payments at the same time.

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- If you are the holder of a subordinated certificate, you will receive interest payments only after the trustee has paid interest and principal to:
    - all of the senior certificates; and
    - each class of subordinated certificates that ranks higher than your certificates.
  - The holders of the Class PO Certificates are not entitled to any interest distributions.

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- The trustee will calculate interest on the basis of a 360-day year consisting of twelve 30-day months.

#### *Principal Payments*

- After interest payments have been made on all senior certificates entitled to interest, each class of senior certificates entitled to principal distributions will also receive a payment of principal. If you are the holder of subordinated certificates, you will receive principal payments after (1) interest and principal have been paid on all the senior certificates and the subordinated certificates ranking senior to yours (if any) and (2) interest has been paid on your certificates. You should refer to “Description of the Certificates — Distributions on the Certificates” for a description of the amount of principal payable to you and the priority in which it will be paid.
- The amount and timing of principal you receive on your certificates will depend on:
  - the various priorities and formulas described in this prospectus supplement that determine the allocation of principal payments to your certificates; and
  - the amounts actually available for distribution as principal.
- Because of the principal allocation formulas described in this prospectus supplement, the senior certificates entitled to principal distributions -- other than the Class PO Certificates -- will receive principal payments at a faster rate than the subordinated certificates for at least the first nine years after the issuance of the certificates. The Class A-6 Certificates will not necessarily benefit from this accelerated repayment.
- If you are the holder of a Class A-5 Certificate, you will have the option to request redemption of all or any part of your certificate, in any amount that is a multiple of \$[ ]. However, in certain instances, you may receive principal payments by random lottery regardless of whether you have submitted a request for redemption. Accordingly, the timing of the principal payments you receive will be determined by whether your redemption request is honored and whether your certificates are selected for payment. You should refer to “Description of the Certificates — Principal Distributions on the Class A-5 Certificates” for a description of how principal payments will be made on these certificates. You should also see the risk factor relating to these certificates on page S-[ ].
- The holders of the Class A-7 Certificates are not entitled to any principal distributions.

You should refer to “Description of the Certificates — Distributions on the Certificates — Allocation of Available Funds.”

#### **Optional Termination**

The master servicer may purchase all of the remaining assets of the trust after the principal balance of the mortgage loans owned by the trust declines below 10% of the principal balance of the mortgage loans on[ ], 200[ ]. Except as described under “Description of the Certificates — Optional Termination,” if the trust assets are purchased, certificateholders will be paid accrued interest and principal equal to the outstanding principal amount of the certificates.

See “Description of the Certificates — Optional Termination”.

#### **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.

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See “Servicing of Mortgage Loans — Advances”.

#### **Credit Enhancement**

If you are the holder of a senior certificate, your certificate will benefit from the credit enhancement provided by the subordination of the subordinated certificates.

This subordination will benefit the senior certificates in two ways:

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- The senior certificates will have a preferential right over the subordinated certificates to receive funds available for interest and principal distributions.
- The subordinated certificates will absorb all losses on the mortgage loans up to the level described in this prospectus supplement.

If you are the holder of a senior certificate, you should keep in mind, however, that the subordination of the subordinated certificates offers only limited protection against the loss of your investment. If you are the holder of a subordinated certificate, your certificate will benefit from the credit enhancement provided by the subordination of any lower-ranking classes of subordinated certificates. This subordination will, however, offer only limited protection against the loss of your investment.

In addition, losses on mortgage loans that are allocated to the Class A-5 Certificates will be covered by the certificate guaranty insurance policy provided by [ ], as described in this prospectus supplement. Additionally, some interest shortfalls allocated to the Class A-5 Certificates will be offset to the extent that funds are available in the reserve fund and, to the extent that funds are not so available, by the certificate guaranty insurance policy. *See* “Description of the Certificates — Interest Distributions,” “The Policy” and “The Insurer” in this prospectus supplement.

### **Tax Status**

For federal income tax purposes, the trust will consist of one or more real estate mortgage investment conduits: one or more underlying REMICs (if any) and the master REMIC. The assets of the lowest underlying REMIC in this tiered structure (or the master REMIC if there are no underlying REMICs) will consist of the mortgage loans and any other assets designated in the pooling and servicing agreement. The master REMIC will issue several classes of certificates, which, other than the Class A-R Certificates, will represent the regular interests in the master REMIC. The Class A-R Certificates will represent ownership of both the residual interest in the master REMIC and the residual interests in any underlying REMICs.

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

### **ERISA Considerations**

A pension or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974 or Section 4975 of the Internal Revenue Code of 1986 may purchase the offered certificates, other than the Class A-R Certificates, so long as the conditions described under “ERISA Considerations” are met.

*See* “ERISA Considerations” in this prospectus supplement and in the prospectus.

### **Legal Investment**

The senior certificates and the Class B-1 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-2 and Class B-3 Certificates will not be mortgage related securities for purposes of that act.

*See* “Legal Investment” in the prospectus.

### **Ratings**

The classes of certificates listed below will not be offered unless they are assigned the following ratings by Fitch and S&P.

Class	Fitch Rating	S&P Rating
Class A-1	AAA	AAA
Class A-2	AAA	AAA
Class A-3	AAA	AAA
Class A-4	AAA	AAA
Class A-5	AAA	AAA
Class A-6	AAA	AAA
Class A-7	AAA	AAA
Class PO	AAA	AAA
Class A-R	AAA	AAA
Class B-1	AA	N/A
Class B-2	A	N/A
Class B-3	BBB	N/A

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.

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You should refer to “Ratings” in this prospectus supplement to learn more about the significance and limitations of ratings.

*[remainder of page intentionally left blank]*

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## RISK FACTORS

*The following information, which you should carefully consider, identifies known material sources of risk associated with an investment in the certificates. You should also carefully consider the information set forth under “Risk Factors” on page 6 of the prospectus.*

### *Certificates may not be appropriate investments for some investors*

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

- if you purchase your certificates at a price other than par, your yield to maturity will be sensitive to the uncertain rate and timing of principal prepayments on the mortgage loans;
- the certificates may be inappropriate investments for you if you require a distribution of a particular amount of principal on a specific date or an otherwise predictable stream of distributions because the rate of principal distributions on, and the weighted average lives of, the certificates will be sensitive to the uncertain rate and timing of principal prepayments on the mortgage loans and the priority of principal distributions among the classes of certificates;
- you may not be able to reinvest the principal amounts distributed on your certificates, which in general are expected to be greater during periods of relatively low interest rates, at a rate that is as high as the applicable pass-through rate or your expected yield;
- unless a secondary market for the certificates develops, the certificates may be illiquid investments; and
- you must report interest as well as original issue discount, if any, on the accrual method of accounting, even if you are otherwise using the cash method of accounting.

You should also carefully consider the further risks discussed below and under the heading “Yield, Prepayment and Maturity Considerations” in this prospectus supplement and under the heading “Risk Factors” in the prospectus.

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### *Prepayments are unpredictable and will affect the yield on your certificates*

Borrowers may 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 usually result in a prepayment on the certificates and will affect the yield to maturity on your certificates. In addition, you will be subject to any reinvestment risks resulting from faster or slower prepayments of mortgage loans.

The rate of principal payments on the mortgage loans will be affected by, among other things:

- the amortization schedules of the mortgage loans;

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- the rate of principal prepayments, including partial prepayments and those resulting from refinancing, by mortgagors;
- liquidations of defaulted mortgage loans;
- repurchases of mortgage loans by the seller as a result of defective documentation or breaches of representations and warranties;
- optional purchase by the master servicer of defaulted mortgage loans; and
- the optional purchase by the seller of all of the mortgage loans in connection with the termination of the trust.

The rate of payments, including prepayments, on the mortgage loans may be influenced by a variety of economic, geographic, social and other factors, including the following:

- If prevailing rates for similar mortgage loans fall below the mortgage rates on the mortgage loans owned by the trust, we would expect the rate of prepayment to increase. Increased prepayments could result in a faster return of principal to you at a time when you may not be able to reinvest the principal at an interest rate as high as the pass-through rate or expected yield on your certificates.
- If interest rates on similar mortgage loans rise above the mortgage rates on the mortgage loans owned by the trust, we would expect the rate of prepayment to decrease. Reduced prepayments could result in a slower return of principal to you at a time when you may be able to reinvest the principal at a higher rate of interest than the pass-through rate or expected yield on your certificates.
- Refinancing programs, which may involve soliciting all or some of the mortgagors to refinance their mortgage loans, may increase the rate of prepayments on the mortgage loans. The master servicer or its affiliates may offer these refinancing programs from time to time, including streamlined documentation programs as well as programs under which a mortgage loan is modified to reduce the interest rate.

See “Yield, Prepayment and Maturity Considerations” and “Description of the Certificates — Optional Termination” in this prospectus supplement and “The Agreements — Assignment of the Trust Fund Assets,” and “— Termination; Optional Termination” in the prospectus.

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*The effect of prepayments on principal only certificates, interest only certificates and certificates purchased at a premium or discount may be severe*

The rate of payments, including prepayments, on the mortgage loans owned by the trust can adversely affect the yield you receive on your certificates. For example:

- If you purchase principal only certificates or if 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 interest only certificates (e.g., the Class A-7 Certificates) or if you purchase your certificates at a premium and principal is repaid faster than you anticipate, then your yield may be lower than you anticipate and, in the case of the Class A-7 Certificates, you could lose your entire investment.

See “Yield, Prepayment and Maturity Considerations”.

*We cannot guarantee you regular payments on your certificates*

The amounts you receive on your certificates will depend on the amount of the payments borrowers make on the mortgage loans. Because we cannot predict the rate at which borrowers will repay their loans, you may receive distributions on your

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certificates in amounts that are larger or smaller than you expect. In addition, the life of your certificates may be longer or shorter than anticipated. Because of this, we cannot guarantee that you will receive distributions at any specific future date or in any specific amount.

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*Principal payments on the Class A-5 Certificates may be less predictable than on other classes because of special rules for distributing principal*

As described in this prospectus supplement, special rules apply to determining which holders receive principal distributions on the Class A-5 Certificates and when these distributions are made. Amounts available for principal on the Class A-5 Certificates will first be paid to holders who have submitted requests for principal payments in the order submitted and with certain priorities given to holders who have died. Any amounts not paid to these requesting holders will be paid by random lot to other holders of the Class A-5 Certificates. If you submitted a request for principal payments, you may not receive the amount requested, either because other requests had priority over yours or because the amount available for principal payments on your Class A-5 Certificate was insufficient to honor your request. If the amount available for principal distributions on the Class A-5 Certificates exceeds the amount requested by all holders of the Class A-5 Certificates, you may receive distributions in excess of the amount you requested or, even if you did not make a request, you may receive distributions.

As a result, holders may not receive principal payments when they are expecting them, and may receive principal payments when they are not expecting them. In addition to making distributions on the Class A-5 Certificates somewhat unpredictable, your yield may be affected by the timing of these payments, as described in some of the other risk factors in this prospectus supplement.

Investors in the Class A-5 Certificates should pay particular attention to the risk that they may be less likely to receive principal payments when prevailing interest rates available for reinvestment are high, and may be more likely to receive principal payments when prevailing interest rates available for reinvestment are low. See "Description of the Certificates — Distributions on the Certificates — Principal Distributions on the Class A-5 Certificates."

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*Subordination may not be sufficient to protect senior certificates from losses*

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 subordinate to them and, second, by the allocation of realized losses to junior classes in the inverse order of their subordination. This form of credit enhancement is provided by using collections on the mortgage loans otherwise payable to holders of junior classes to pay amounts due on more senior classes. Collections otherwise payable to junior classes comprise the sole source of funds from which this type of credit enhancement is provided. Realized losses are allocated to the subordinated certificates, beginning with the subordinated certificates with the lowest payment priority, until the principal amount of that class has been reduced to zero. Subsequent realized losses will be allocated to the next most subordinate classes of subordinated certificates sequentially, until the class certificate balances of each succeeding class has been reduced to zero.

Accordingly, if the class certificate balance of each junior 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 senior certificates. Furthermore, the junior classes will provide only limited protection against some categories of losses such as special hazard losses, bankruptcy losses and fraud losses in excess of the amounts specified in this prospectus supplement. Any losses in excess of those amounts will be allocated pro rata to each class, even if the class certificate

balance of each junior class has not been reduced to zero. Among the subordinated certificates the Class B-1 Certificates are the least subordinated, that is, they have the highest payment priority. Then come the Class B-2, Class B-3, Class B-4, Class B-5 and Class B-6 Certificates, in that order.

See "Credit Enhancement — Subordination of Certain Classes".

In addition, the Class A-5 Certificates will be entitled to the benefits of a certificate guaranty insurance policy to be issued by [ ], referred to in this prospectus supplement as the insurer. See "The Policy" and "The Insurer" in this prospectus supplement.

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*Geographic Concentration of mortgage loans may increase risk of losses on your certificates*

Approximately [ ]% of the mortgage loans expected to be in the trust on the cut-off date are secured by property in California. Accordingly, you should consider the following risks associated with property located in California:

- Property in California may be more susceptible than homes located in other parts of the country to certain types of uninsurable or uninsured hazards, such as earthquakes, floods, mudslides and other natural disasters.
- 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.
- California's economic condition and housing market may be adversely affected by a variety of events, including natural disasters such as earthquakes, hurricanes, floods and eruptions, mudslides and brushfires and civil disturbances such as riots. If these occur, the rates of delinquency, foreclosure, bankruptcy and loss on the mortgage loans may increase.
- 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.

See "Servicing of Mortgage Loans — Management's Discussion and Analysis of Delinquency and Foreclosure Trends."

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*Residual Certificates have adverse tax consequences*

The Class A-R Certificates will represent the "residual interests" in each of the master REMIC and the underlying REMICs (if any) for federal income tax purposes.

Holders of Class I-A-R Certificates must report as ordinary income or loss their pro rata share of the net income or the net loss of each REMIC whether or not any cash distributions are made to them. This allocation of income or loss may result in a zero or negative after-tax return. No cash distributions are expected to be made with respect to the Class A-R Certificates, except for the initial principal balance for each such class of \$100 and related interest.

Due to their tax consequences, the Class A-R Certificates will be subject to restrictions on transfer that may affect their liquidity. In addition, the Class A-R Certificates may

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not be acquired by employee benefit plans subject to ERISA.

See “Description of the Certificates — Restrictions on Transfer of the Residual Certificates,” “ERISA Considerations” and “Material Federal Income Tax Consequences” in this prospectus supplement.

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*The effects of terrorist attacks and military action are not determinable*

The effects that possible future terrorist attacks or other incidents and related military action, or the military action by United States forces in Iraq and other regions, may have on the performance of the mortgage loans or on the values of the related mortgaged properties cannot be determined at this time. Investors should consider the possible effects of such incidents on delinquency, default and prepayment experience of the mortgage loans. Federal agencies and non-government lenders have and may continue to defer, reduce or forgive payments and delay foreclosure proceedings in respect of loans to borrowers affected in some way by future attacks or other incidents and the related military action.

The current deployment of U.S. military reservists and members of the National Guard and any further such deployments may significantly increase the proportion of loans whose interest rates are reduced by application of the Servicemembers Civil Relief Act (the “Relief Act”). The Relief Act provides, generally, that a borrower who is covered by the Relief Act may not be charged interest on the related mortgage loan in excess of 6% annually during the period of the borrower’s active duty. Under the Military Reservist Relief Act, which is a California statute, under certain circumstances, California residents called into active duty with the reserves can delay payments on mortgage loans for a period not to exceed 180 days, beginning with the order to active duty and ending 30 days after release. Interest payable to holders of the certificates will be reduced by any reductions in the amount of interest not collectible as a result of the application of such Acts. These shortfalls are not required to be paid by the borrower at any future time. Neither the seller, the depositor or the master servicer is required to advance these shortfalls as delinquent payments, and such shortfalls are not covered by any form of credit enhancement on the certificates, including in the case of Class A-5 Certificates, the certificate guaranty insurance policy. Any reductions resulting from such Acts will be allocated pro rata among the senior certificates and the subordinated certificates. In addition, legislation granting similar loan payment relief to certain persons not covered by the Relief Act has been proposed and may be enacted in various states.

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## FORWARD LOOKING STATEMENTS

*We caution you that certain 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, effects of prepayments, changes in interest rates 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.*

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THE TRUST FUND

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First Horizon Mortgage Pass-Through Trust 200[ ]-[ ] is a [grantor][statutory] trust formed under the laws of the State of [New York][Delaware]. The trust fund will own a pool of conventional, fixed rate, first lien, fully amortizing, one-to-four family residential mortgage loans.

The assets of the trust fund will also include:

- collections on the mortgage loans received after the cut-off date (exclusive of payments in respect of accrued interest due on or prior to the cut-off date);
- mortgaged properties relating to the mortgage loans that are acquired by foreclosure or deed in lieu of foreclosure;
- amounts on deposit from time to time in the Collection Account (as defined in the pooling and servicing agreement) for the certificates (excluding net earnings thereon);
- [amounts on deposit from time to time in the Reserve Fund (excluding net earnings thereon);]
- the certificate quarterly insurance policy and any further credit enhancement for the Class A-5 Certificates only; and
- the Depositor's rights with respect to the representations, warranties and covenants of the Seller under the pooling and servicing agreement.

## THE MORTGAGE POOL

### General

The depositor will purchase the mortgage loans in each mortgage pool from the seller pursuant to a mortgage loan purchase agreement between First Horizon, as seller, and the depositor, as purchaser. Simultaneously with the depositor's purchase of the mortgage loans, the seller will transfer the servicing rights for the mortgage loans to First Tennessee Mortgage Services, Inc. ("FTMSI") pursuant to a servicing rights transfer and subservicing agreement (the "Servicing Rights Transfer and Subservicing Agreement") between the seller, as transferor, and FTMSI, as transferee. FTMSI will agree to service the mortgage loans for the depositor and its assigns pursuant to a servicing agreement (the "Servicing Agreement") between the depositor, as owner, and FTMSI, as servicer. In addition, the seller will agree to subservice the mortgage loans for FTMSI pursuant to the Servicing Rights Transfer and Subservicing Agreement. The seller will have directly originated or acquired the mortgage loans from various unaffiliated third parties. All of the mortgage loans were underwritten substantially in accordance with the seller's underwriting standards. See "Loan Program - Underwriting Standards" in the prospectus. The depositor will assign the mortgage loans to the trustee for the benefit of the certificateholders pursuant to a pooling and servicing agreement among the depositor, First Horizon, as master servicer, and The Bank of New York, as trustee. First Tennessee Bank National Association ("FTBNA"), an affiliate of the depositor and the master servicer, will act as custodian of the mortgage files for the mortgage loans pursuant to the terms of a custodial agreement by and between the trustee, First Horizon, as servicer and FTBNA.

Under the mortgage loan purchase agreement, the seller will make certain representations, warranties and covenants to the depositor relating to, among other things, the due execution and enforceability of the mortgage loan purchase agreement and certain characteristics of the mortgage loans and, subject to the limitations described under "- Assignment of the Mortgage Loans," 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 the mortgage loan. The seller will represent and warrant to the depositor in the

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mortgage loan purchase agreement that the mortgage loans were selected from among the outstanding one-to-four family mortgage loans in the seller's portfolio as to which the representations and warranties set forth in the mortgage loan purchase agreement can be made and that the selection was not made in a manner intended to adversely affect the interests of the certificateholders. See "Loan Program - Representations by Sellers; Repurchases" in the prospectus. Under the pooling and servicing agreement, the depositor will assign all its interest in the seller's representations, warranties and covenants under the mortgage loan purchase agreement, including the seller's repurchase 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 seller is selling the mortgage loans to the depositor without recourse and the depositor is selling the mortgage loans to the trustee for the benefit of the certificateholders without recourse. Neither the depositor nor the seller will have any obligation with respect to the certificates in its capacity as a mortgage loan seller other than the repurchase and substitution obligations 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 obligations of FTBNA with respect to the mortgage loans are limited to FTBNA's contractual obligations as custodian of the related mortgage files under the custodial agreement.

Information with respect to the mortgage loans expected to be included in the mortgage pool is set forth under this heading. Before the closing

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date, mortgage loans may be removed from the mortgage pool and other mortgage loans may be substituted for them. The depositor believes that the information set forth in this prospectus supplement with respect to the mortgage pool as presently constituted is representative of the characteristics of the mortgage pool as it will be constituted at the closing date, but some characteristics of the mortgage loans in the mortgage pool may vary. Unless otherwise indicated, information presented in this prospectus supplement expressed as a percentage, other than rates of interest, are approximate percentages based on the aggregate Stated Principal Balances of the mortgage loans as of the cut-off date. No more than 5% of the mortgage loans relative to the cut-off date pool principal balance will deviate from the mortgage loan characteristics described under this heading.

As of the cut-off date, the aggregate of the Stated Principal Balances of the mortgage loans is expected to be approximately \$[ ], which is referred to as the cut-off date pool principal balance. The mortgage loans provide for the amortization of the amount financed over a series of substantially equal monthly payments. The due date for each mortgage loan is the first day of each calendar month. At origination, substantially all of the mortgage loans had stated terms to maturity of 30 years. Scheduled monthly payments made by the mortgagors on the mortgage loans 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. The mortgagors may prepay their mortgage loans at any time without penalty.

Substantially all of the mortgage loans are jumbo mortgage loans that have principal balances at origination that exceed the then applicable limitations for purchase by Fannie Mae and Freddie Mac. Substantially all of the mortgage loans were underwritten pursuant to full/alternative documentation loan programs. See "Loan Program — Underwriting Standards — Guide Standards" in the prospectus.

Each mortgage loan was originated after [ ].

The latest stated maturity date of any mortgage loan is [ ]. The earliest stated maturity date of any mortgage loan is [ ].

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

Substantially all of the mortgage loans will not be subject to buydown agreements. No mortgage loan provides for deferred interest or negative amortization.

No mortgage loan has a loan-to-value ratio at origination of more than 95%. Generally, each mortgage loan with a loan-to-value ratio at origination of greater than 80% is covered by a primary mortgage guaranty insurance policy issued by mortgage insurance company acceptable to Fannie Mae or Freddie Mac. The primary mortgage guaranty insurance policy provides coverage in an amount equal to a specified percentage times the sum of the Stated Principal Balance of the related mortgage loan, the accrued interest on the related mortgage loan and the related foreclosure expenses. The specified percentage is generally 12% for loan-to-value ratios between 80.01% and 85.00%, 25% for loan-to-value ratios between 85.01% and 90.00%, and 30% for loan-to-value ratios between 90.01% and 95.00%.

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No primary mortgage guaranty insurance policy will be required with respect to any mortgage loan

- after the date on which the related loan-to-value ratio is 80% or less or, based on a new appraisal, the Stated Principal Balance of the mortgage loan represents 80% or less of the new appraised value or
- if maintaining the primary mortgage guaranty insurance policy is prohibited by applicable 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 Stated 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 refinancing, the appraised value of the mortgaged property at the time of refinancing, except in the case of a mortgage loan underwritten pursuant to First Horizon's Streamlined Documentation Program as described in the prospectus under "Loan Program — Underwriting Standards."

For mortgage loans originated pursuant to First Horizon's Streamlined Documentation Program

- if the loan-to-value ratio at the time of the origination of the mortgage loan being refinanced was 90% or less, the loan-to-value ratio will be the ratio of the principal amount of the mortgage loan outstanding at the date of determination divided by the appraised value of the related mortgaged property at the time of the origination of the mortgage loan being refinanced or
- if the loan-to-value ratio at the time of the origination of the mortgage loan being refinanced was greater than 90%, then the loan-to-value ratio will be the ratio of the principal amount of the mortgage loan outstanding at the date of determination divided by the appraised value as

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determined by a limited appraisal report at the time of the origination of the mortgage loan.

See "Loan Program — Underwriting Standards" in the prospectus.

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 affected mortgage loans.

The following information sets forth in tabular format certain information, as of the cut-off date, as to the mortgage loans. Other than with respect to rates of interest, percentages (approximate) are reported by aggregate Stated Principal Balance of the mortgage loans as of the cut-off date and have been rounded in order to total 100%.

#### **MORTGAGE RATES**

<u>Mortgage Rates (%)</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percentage of Mortgage Pool</u>
		\$	%
<b>Total:</b>		\$	%

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As of the cut-off date, the weighted average mortgage rate of the mortgage loans, as so adjusted, is expected to be approximately [ ]%.

#### **CURRENT MORTGAGE LOAN PRINCIPAL BALANCES**

<u>Current Mortgage Loan Amounts</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percentage of Mortgage Pool</u>
		\$	%
<b>Total:</b>		\$	%

As of the cut-off date, the average principal balance of the mortgage loans is expected to be approximately \$[ ].

#### **ORIGINAL LOAN-TO-VALUE RATIOS**

<u>Original Loan-to-Value Ratios (%)</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percentage of Mortgage Pool</u>
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As a result, the system is able to handle a wide range of input data, including text, images, and audio. The system is designed to be scalable and flexible, allowing it to be adapted to different environments and use cases. The system is also designed to be secure, with robust security measures in place to protect user data and privacy. The system is also designed to be user-friendly, with a simple and intuitive interface that makes it easy for users to interact with the system. The system is also designed to be reliable, with a high level of uptime and availability. The system is also designed to be cost-effective, with a low total cost of ownership. The system is also designed to be easy to integrate with other systems and applications. The system is also designed to be easy to maintain and update. The system is also designed to be easy to deploy and configure. The system is also designed to be easy to use and learn. The system is also designed to be easy to support and troubleshoot. The system is also designed to be easy to scale and expand. The system is also designed to be easy to integrate with other systems and applications. The system is also designed to be easy to maintain and update. The system is also designed to be easy to deploy and configure. The system is also designed to be easy to use and learn. The system is also designed to be easy to support and troubleshoot. The system is also designed to be easy to scale and expand.

**Total:** \$ %

The weighted average original loan-to-value ratio of the mortgage loans is expected to be approximately [        ]%.

Source: <http://www.bureauofeconomicanalysis.gov/tables/tables.cfm?table=1000>

## STATE DISTRIBUTION OF MORTGAGE PROPERTIES

State	Number of Mortgage Loans	Aggregate Principal Balance Outstanding \$	Percentage of Mortgage Pool %
Alabama			
Alaska			
Arizona			
Arkansas			
California			
Colorado			
Connecticut			
Delaware			
Florida			
Georgia			
Hawaii			
Idaho			
Illinois			
Indiana			
Iowa			
Kansas			
Kentucky			
Louisiana			
Maine			
Maryland			
Massachusetts			
Michigan			
Minnesota			
Mississippi			
Missouri			
Montana			
Nebraska			
Nevada			
New Hampshire			
New Jersey			
New Mexico			
New York			
North Carolina			
North Dakota			
Ohio			
Oklahoma			
Oregon			
Pennsylvania			
Rhode Island			
South Carolina			
South Dakota			
Tennessee			
Texas			
Utah			
Vermont			
Virginia			
Washington			
West Virginia			
Wisconsin			
Wyoming			
<b>Total:</b>		\$	%

No more than approximately [ ]% of the mortgage loans are secured by mortgaged properties located in any one postal zip code area.

[illegible]

## PURPOSE OF MORTGAGE LOANS

Loan Purpose	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percentage of Mortgage Pool
Purchase		\$	%
Refinance (rate/term)			
Refinance (cash out)			
<b>Total:</b>		\$	%

## TYPES OF MORTGAGED PROPERTIES

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Property Type	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percentage of Mortgage Pool
Single Family*		\$	%
Attached Planned Unit Condominium			
2-4 Family			
<b>Total:</b>		\$	%

\* Includes detached units within planned unit developments.

#### OCCUPANCY TYPES

Occupancy Type	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percentage of Mortgage Pool
Primary Residence		\$	%
Second Residence			
Investor Property			
<b>Total:</b>		\$	%

The information shown in the above table is based upon representations of the mortgagor at the time of origination of the mortgage loans.

#### REMAINING TERMS TO MATURITY

Remaining Terms to Maturity (Months)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percentage of Mortgage Pool
Primary Residence		\$	%
Second Residence			
Investor Property			
<b>Total:</b>		\$	%

As of the cut-off date, the weighted average remaining term to maturity of the mortgage loans is expected to be approximately [ ] months.

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#### Assignment of the Mortgage Loans

Pursuant to the pooling and servicing agreement and on the closing date, the depositor will sell, without recourse, all of its interest in the mortgage loans and the other assets included in the trust fund, including all principal and interest due and received on the mortgage loans after the cut-off date, to the trustee in trust for the benefit of the certificateholders.

In connection with the sale, the depositor will deliver or cause to be delivered to FTBNA, as a custodian for the trustee, the mortgage file for each mortgage loan, which contains, among other things,

- the original mortgage note, including any modifications or amendments, 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 mortgage creating a first lien on the related mortgaged property with evidence of recording,
- an assignment in recordable form of the mortgage,
- the title policy with respect to the related mortgaged property, if available, provided that the title policy will be delivered as soon as it becomes available, and if the title policy is not available, and to the extent required in connection with the rating of the certificates, a written commitment or interim binder or preliminary report of the title issued by the title insurance or escrow company with respect to the mortgaged property, or in lieu of a title policy, provided the applicable mortgage loan meets required criteria, an alternative title insurance product ("alternative title product"), and

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- 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 or an original or certified copy of the applicable title policy, to the extent unavailable, unless an alternative title product is used, each of which will be delivered to the custodian as soon as the same is available to the depositor.

With respect to up to 25% of the mortgage loans, the depositor may deliver all or a portion of each related mortgage file to the custodian 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 in each state where recording is required in order 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 the seller.

The custodian will review each mortgage file within 90 days of the closing date, or promptly after the custodian'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 materially defective and the seller does not cure the defect within 90 days after receiving notice of the defect from the custodian, 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 or in the case of the original or certified copy of the applicable title policy, unless an alternative title product is used), the seller will be obligated to repurchase the affected mortgage loan from the trust fund. Rather than repurchase the mortgage loan as provided above, the seller may, at its option, remove the affected mortgage loan (referred to as a deleted mortgage loan) from the corresponding mortgage pool and substitute in its place another mortgage loan (referred to as a replacement mortgage loan); however, a substitution will only be permitted 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 the substitution will not disqualify any REMIC or result in a prohibited transaction tax under the Code.

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On the date of substitution, any replacement mortgage loan will

- 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 principal balance of the deleted mortgage loan, provided that the seller will deposit a Substitution Adjustment Amount into the Certificate Account for distribution to the certificateholders on the related distribution date,
- have a mortgage rate not lower than, and not more than one percentage point 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, the remaining term to maturity of the deleted mortgage loan, and
- comply with all of the representations and warranties set forth in the mortgage loan purchase 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 delivering a duly executed assignment of the mortgage to the custodian 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 the custodian with evidence that the related mortgage is held through the MERS® System. In addition, the mortgage for some or all of the mortgage loans in the trust fund that are not already held through the MERS® System may, at the discretion of the master servicer, in the future be held through the MERS® System. For any mortgage held through the MERS® 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® 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.

## SERVICING OF MORTGAGE LOANS

### General

Pursuant to the Servicing Rights Transfer and Subservicing Agreement, First Horizon will transfer the servicing rights for the mortgage loans to FTMSI on the closing date and will agree to subservice the mortgage loans for FTMSI. Pursuant to the Servicing Agreement between the depositor, or its assigns, and FTMSI, FTMSI will service the mortgage loans in each mortgage pool. In addition, pursuant to the Servicing Rights Transfer and Subservicing Agreement, First Horizon will agree to subservice the mortgage loans for FTMSI in accordance with the terms set forth in the pooling and servicing agreement. In the event of a conflict between the terms of the Servicing Rights Transfer and Subservicing Agreement and the pooling and servicing agreement, the pooling and servicing agreement provisions will prevail. See "The Agreements" in the prospectus. The master servicer may perform any of its obligations under the pooling and servicing agreement through one or more subservicers. Notwithstanding any subservicing

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arrangement, the master servicer will remain liable for its servicing duties and obligations under the pooling and servicing agreement as if the master servicer alone were servicing the mortgage loans.

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### The Master Servicer

First Horizon will act as master servicer for the mortgage loans pursuant to the pooling and servicing agreement. First Horizon is engaged primarily in the mortgage banking business, and as such, originates, purchases, sells and services mortgage loans. First Horizon originates mortgage loans through a retail branch system and through mortgage loan brokers and correspondents nationwide. First Horizon's mortgage loans are principally first-lien, fixed or adjustable rate mortgage loans secured by single-family residences.

At [ ], 200[ ], First Horizon provided servicing for approximately \$[ ] billion aggregate principal amount of mortgage loans, including certain mortgage loans for which First Horizon has sold, but not yet transferred, the servicing rights. First Horizon is servicing substantially all of these mortgage loans for unaffiliated persons.

The principal executive offices of First Horizon are located at 4000 Horizon Way, Irving, Texas 75063.

First Horizon initially services substantially all of the mortgage loans it originates or acquires. In addition, First Horizon has purchased in bulk the rights to service mortgage loans originated by other lenders. Servicing includes collecting and remitting loan payments, accounting for principal and interest, holding escrow (impound) funds for payment of taxes and insurance, making inspections as required of the mortgaged premises, contacting delinquent mortgagors, supervising foreclosures in the event of unremedied defaults and generally administering the loans, for which First Horizon receives servicing fees. First Horizon has in the past and may in the future sell to other mortgage bankers a portion of its portfolio of loan servicing rights. For a description of the annual servicing report and the report of the independent public accountants required to be provided by First Horizon in its capacity as master servicer under the pooling and servicing agreement, see "The Agreements — Evidence as to Compliance" in the prospectus.

### Foreclosure, Delinquency and Loss Experience

Historically, a variety of factors, including the appreciation of real estate values, have limited First Horizon's loss and delinquency experience on its portfolio of serviced mortgage loans. There can be no assurance that factors beyond First Horizon's control, such as weakening national or local economic conditions, higher interest rates, higher unemployment rates, a decline in the availability of refinancing, or downturns in real estate markets, 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, First Horizon may experience an increase in delinquencies on the loans it services and higher net losses on liquidated loans.

First Horizon generally follows the guidelines established by Fannie Mae with respect to foreclosure and liquidation of mortgage loans. These guidelines provide for the commencement of foreclosure proceedings when a scheduled monthly payment has become 90 days past due.

The following table summarizes the delinquency, foreclosure and loss experience, respectively, on the dates indicated, of all jumbo first lien mortgage loans serviced, subserviced, or master serviced by First Horizon. The delinquency, foreclosure and loss percentages may be affected by the size and relative lack of seasoning of First Horizon's jumbo loan servicing portfolio which increased from approximately \$[ ] billion at [ ], to approximately \$[ ] billion at [ ], to approximately \$[ ] billion at [ ], and to approximately \$[ ] billion at [ ]. 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 table below will be indicative of the experience on the mortgage loans underlying the certificates:

*[remainder of page intentionally left blank]*

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### Delinquency and Foreclosure Experience in First Horizon's Portfolio of One-to-Four Family, Jumbo Residential Mortgage Loans

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	As of December 31, 2002				As of December 31, 2003			
	No. of Loans	% of Loans	Principal Balance	% of Balance	No. of Loans	% of Loans	Principal Balance	% of Balance
<b>JUMBO LOAN PORTFOLIO</b>								
Total Portfolio	18,686		7,734,635		16,424		7,603,793	
Period of Delinquency								
30-59 Days	240	1.28%	94,054	1.22%	128	0.78%	50,030	0.66%
60-89 Days	25	0.13%	7,733	0.10%	22	0.13%	7,690	0.10%
90 Days or more	23	0.12%	7,654	0.10%	20	0.12%	6,797	0.09%
Foreclosures Pending	26	0.14%	9,551	0.12%	25	0.15%	9,894	0.13%
Total Delinquencies	314	1.68%	118,991	1.54%	195	1.19%	74,411	0.98%

	As of December 31, 2004				As of March 31, 2005			
	No. of Loans	% of Loans	Principal Balance	% of Balance	No. of Loans	% of Loans	Principal Balance	% of Balance
<b>JUMBO LOAN PORTFOLIO</b>								
Total Portfolio	20,602		9,814,558		22,397		10,754,136	
Period of Delinquency								
30-59 Days	139	0.67%	67,344	0.69%	154	0.69%	72,610	0.68%
60-89 Days	20	0.10%	8,100	0.08%	20	0.09%	8,650	0.08%
90 Days or more	25	0.12%	10,793	0.11%	27	0.12%	13,757	0.13%
Foreclosures Pending	19	0.09%	8,121	0.08%	17	0.08%	6,790	0.06%
Total Delinquencies	203	0.99%	94,358	0.96%	218	0.97%	101,808	0.95%

The above table shows mortgage loans which were delinquent or for which foreclosure proceedings had been instituted as of the date indicated. All dollar amounts are reported in thousands.

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The master servicer believes that the delinquency levels for its jumbo loan servicing portfolio are attributable primarily to the growth and relative lack of seasoning in its jumbo loan servicing portfolio over this time period. There can be no assurance that the experience shown in the above tables will be indicative of future loss and delinquency experience of the master servicer's jumbo loan servicing portfolio or of the mortgage loans in the trust.

The following table summarizes the delinquency and foreclosure experience, respectively, on the dates indicated, of all mortgage loans serviced or master serviced by First Horizon, including certain mortgage loans for which First Horizon has sold, but not yet transferred, the servicing rights. These mortgage loans have a variety of underwriting, payment and other characteristics, many of which differ from those of the mortgage loans underlying the certificates, and no assurances can be given that the delinquency and foreclosure experience presented in the table below will be indicative of the experience of the mortgage loans underlying the certificates.

**Delinquency and Foreclosure Experience in First Horizon's Total Portfolio  
of One-to-Four Family, Residential Mortgage Loans**

	As of December 31, 2002				As of December 31, 2003			
	No. of Loans	% of Loans	Principal Balance(\$)	% of Balance	No. of Loans	% of Loans	Principal Balance(\$)	% of Balance
<b>TOTAL SERVICING PORTFOLIO</b>								
Total Portfolio	444,472		55,961,130		505,502		68,855,658	
Period of Delinquency								
30-59 Days	15,113	3.40%	1,509,111	2.70%	11,599	2.29%	1,220,816	1.77%
60-89 Days	3,514	0.79%	325,279	0.58%	2,677	0.53%	263,125	0.38%
90 Days or more	5,698	1.28%	509,319	0.91%	4,423	0.87%	401,377	0.58%
Foreclosures Pending	3,523	0.79%	264,764	0.47%	3,093	0.61%	252,608	0.37%
Total Delinquencies	27,848	6.27%	2,608,474	4.66%	21,792	4.31%	2,137,926	3.10%

	As of December 31, 2004				As of March 31, 2005			
	No. of	% of	Principal	% of	No. of	% of	Principal	% of

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	<u>Loans</u>	<u>Loans</u>	<u>Balance(\$)</u>	<u>Balance</u>	<u>Loans</u>	<u>Loans</u>	<u>Balance(\$)</u>	<u>Balance</u>
TOTAL SERVICING PORTFOLIO								
Total Portfolio	556,185		79,738,340		581,748		85,984,294	
Period of Delinquency								
30-59 Days	11,363	2.04%	1,278,625	1.60%	9,404	1.62%	1,106,567	1.29%
60-89 Days	2,591	0.47%	261,445	0.33%	2,055	0.35%	219,434	0.26%
90 Days or more	4,079	0.73%	386,851	0.49%	3,582	0.62%	348,886	0.41%
Foreclosures Pending	3,157	0.57%	265,957	0.33%	3,056	0.53%	250,959	0.29%
Total Delinquencies	21,190	3.81%	2,192,878	2.75%	18,097	3.11%	1,925,846	2.24%

The above table shows mortgage loans which were delinquent or for which foreclosure proceedings had been instituted as of the date indicated. All dollar amounts are reported in thousands.

There can be no assurance that factors beyond First Horizon's control, such as weakening national or local economic conditions, higher interest rates, higher unemployment rates, a decline in the availability of refinancing, or downturns in real estate markets, will not result in increased rates of delinquencies and foreclosure losses in the future. In addition, because substantially all of the mortgage loans were underwritten under guidelines that are less restrictive than First Horizon's standard underwriting guidelines, such mortgage loans are likely to experience rates of delinquency, foreclosure and loss that are higher, and that may be substantially higher, than those set forth in the tables above.

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### Management's Discussion and Analysis of Delinquency and Foreclosure Trends

For First Horizon's total portfolio, mortgage loan delinquencies generally have decreased since December 31, 2002. Although these decreases may be due to a variety of factors, First Horizon believes the amount of turnover and decreased seasoning in First Horizon's servicing portfolio are contributing factors to the decreases in these categories. There can be no assurance that factors beyond First Horizon's control, such as weakening national or local economic conditions, higher interest rates, higher unemployment rates, a decline in the availability of refinancing, or downturns in real estate markets, will not result in increased rates of delinquencies and foreclosure losses in the future.

If the residential real estate market should experience an overall decline in property values such that the outstanding balances of the mortgage loans, and any secondary financing on the mortgaged properties by a lender, become equal to or greater than the value of the mortgaged properties, the actual rates of delinquencies, foreclosures and losses could be significantly higher than the rates indicated in the tables above. To the extent that such losses occur in connection with the mortgage loans and are not otherwise covered by the forms of credit enhancement described in this prospectus supplement, they will be passed through as losses on the related certificates and such losses will be borne by the related certificateholders.

### Servicing Compensation and Payment of Expenses

The master servicing fee with respect to the mortgage pool is payable out of the interest payments on each mortgage loan. The master servicing fee with respect to substantially all of the mortgage loans will be equal to 0.25% per annum of the Stated Principal Balance of each such mortgage loan and the master servicing fee will be utilized to pay certain other fees, including the trustee's fee. The master servicer is obligated to pay some, but not all, of the ongoing expenses associated with the trust fund and incurred by the master servicer in connection with its responsibilities under the pooling and servicing agreement. Those amounts will be paid by the master servicer out of its master servicing fee. The amount of the master servicing fee is subject to adjustment with respect to prepaid mortgage loans, as described under "4 Adjustment to Master Servicing Fee in Connection with Principal Prepayments." The master servicer is also entitled to receive, as additional servicing compensation, any Prepayment Interest Excess, all late payment fees, assumption fees and other similar charges and all reinvestment income earned on amounts on deposit in the Certificate Account.

In addition to the master servicing compensation described above, First Horizon, in its individual capacity, will be entitled to receive excess interest with respect to the mortgage loans on each distribution date in an amount equal to the product of (i) the excess of the mortgage rate thereof over [ ]% per annum and (ii) the Stated Principal Balance thereof.

### Adjustment to Master Servicing Fee in Connection with 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 for the month of the cut-off date, principal prepayments by borrowers received by the master servicer 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 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 by borrowers received by the master servicer from the sixteenth day or, in the case of the first distribution date, from the cut-off date through the last day of a calendar month will be distributed to certificateholders on the distribution date in the month after 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

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than 0.0083% of the Pool Principal Balance as of the related determination date, by an amount sufficient to pass through to certificateholders the full amount of interest to which they would be entitled in respect of each such prepaid mortgage loan on the related distribution date. If shortfalls in interest as a result of prepayments in full during the period from the sixteenth day of the month prior to a distribution date through the last day of such month exceed an amount equal to 0.0083% of the Pool Principal Balance as of the related determination date, the amount of interest available to be distributed to certificateholders will be reduced by the amount of the excess. *See* "Description of the Certificates — Interest". Notwithstanding the foregoing, the master servicer will not be required to pass-through interest to the certificateholders in respect of partial principal prepayments.

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## 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 the distribution date, an amount equal to the aggregate of payments of principal and interest on the mortgage loans (net of the master servicing fee with respect to the related mortgage loans) 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 will be the third business day after the 15th day of each month; provided that the determination date in each month will always 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 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 master servicer is terminated as a result of the occurrence of an Event of Default, the trustee or a successor master servicer appointed by the trustee will be obligated to make advances in accordance with the terms of the pooling and servicing agreement.

## Unanticipated Recoveries of Losses on the Mortgage Loans

Holders of certificates that had previously been allocated a Realized Loss in respect of a mortgage loan (which holders may, in the event of a transfer of any such certificate, be different from the holders at the time the Realized Loss was allocated) may receive distributions if the servicer subsequently makes an Unanticipated Recovery in respect of such mortgage loan as a result of events such as an unanticipated insurance settlement, tax refund or mortgagor bankruptcy distribution. In such event the class certificate balance of each class of certificates to which the Realized Losses were allocated shall be increased, sequentially in the order of payment priority, by the amount of Unanticipated Recoveries, but not by more than the amount of losses previously allocated to reduce such class certificate balances. Holders of any class of certificates for which the class certificate balance has been increased by the amount of any Unanticipated Recoveries will not be entitled to any payment in respect of interest on the amount of any such increase for any interest accrual period preceding the distribution date on which such increase occurs. Unanticipated Recoveries, if any, will be distributed on each distribution date pursuant to the Available Funds Allocation. This distribution will be made on the distribution date in the calendar month following receipt of the Unanticipated Recovery. No certificateholder will be entitled to receive any share of an Unanticipated Recovery following the distribution date on which the principal balance of its certificates has been reduced to zero, including following the termination of the trust.

## DESCRIPTION OF THE CERTIFICATES

### General

The certificates will be issued pursuant to the pooling and servicing agreement.

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The certificates will have the respective initial class certificate balances, subject to a variance of  $\pm 5\%$ , and pass-through rates set forth on page S-5.

The class certificate balance of any class of certificates, other than the Class A-7 Certificates, as of any distribution date is the initial class certificate balance of the class, as reduced by:

- all amounts previously distributed to certificateholders of the class as payments of principal,
- the amount of Realized Losses, including Excess Losses, allocated to the class, and

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- 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.”

The Class A-7 Certificates are interest only certificates and will have no class certificate balance.

In addition, the class certificate balance of the class of subordinated certificates then outstanding with the highest numerical class designation will be reduced if and to the extent that the aggregate of the class certificate balances of all classes of the 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.

The senior certificates will have an initial aggregate class certificate balance of approximately \$[ ] and will evidence in the aggregate an initial beneficial ownership interest of approximately [ ]% in the trust fund. The Class B-1, Class B-2, Class B-3, Class B-4, Class B-5 and Class B-6 Certificates will each evidence in the aggregate an initial beneficial ownership interest of approximately [ ]%, [ ]%, [ ]%, [ ]%, [ ]% and [ ]%, respectively, in the trust fund.

The Class A-5 Certificates will be entitled to the benefits of a certificate guaranty insurance policy, or the policy, to be issued by [ ], referred to in this prospectus supplement as the insurer. The insurer shall be subrogated to the rights of each holder of a Class A-5 Certificate to receive distributions, as applicable, on those Class A-5 Certificates to the extent of any payment by the insurer under the policy. See “The Policy” and “The Insurer” in this prospectus supplement.

The Class PO and Class A-R Certificates will be issued in fully registered certificated form. All of the other classes of offered 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 as two certificates in denominations of \$[ ] and \$[ ].

### Separate REMIC Structure

For federal income tax purposes, the trust fund will comprise multiple real estate mortgage investment conduits; one or more underlying REMICs (if any) and the master REMIC. The assets of the lowest underlying REMIC in this tiered structure (or the master REMIC if there are no underlying REMICs) will consist of the mortgage loans and any other assets designated in the pooling and servicing agreement. The master REMIC will issue several classes of certificates, which, other than the Class A-R Certificates, will represent the regular interests in the master REMIC. The Class A-R Certificates will represent ownership of both the residual interest in the master REMIC and the residual interests in any underlying REMICs.

### Book-Entry Certificates

Each class of book-entry certificates will be issued in one or more certificates which equal the aggregate initial class certificate balance of the 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 beneficial interests in the book-entry certificates in the minimum denominations set forth on page S-[ ] and integral multiples of \$[ ] in excess thereof. One investor of each class of book-entry certificates may hold a beneficial interest in a book entry certificate that is not an integral multiple of \$[ ]. The depository has been informed by the depository that its nominee will be CEDE & Co. Accordingly, CEDE & Co. is expected to be the holder of record of the book-entry certificates. Except as described in the prospectus under “Description of the Securities — Book-entry Registration of Securities,” no beneficial owner of a book-entry certificate will be entitled to receive a physical certificate.

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Unless and until definitive certificates are issued, it is anticipated that the only certificateholder of the book-entry certificates will be CEDE & Co., 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 & Co., 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 Securities — Book-entry Securities” in the prospectus.

### Payments on Mortgage Loans; Accounts

On or before the closing date, the master servicer will establish a Certificate Account, which will be maintained in trust for the benefit of the certificateholders. 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 before each distribution date, the master servicer will withdraw from the Certificate Account the amount of Available Funds and will deposit the Available Funds into the Distribution Account. The trustee will be entitled to withdraw its fee from the amounts on deposit in the

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Distribution Account each month immediately prior to making the distributions on the Certificates.

### **Distributions on the Certificates**

#### *Allocation of Available Funds*

Interest and principal on the certificates will be distributed monthly on the 25th day of each month or, if such 25th day is not a business day, on the succeeding business day, commencing in [ ]. These distributions will be made to the certificates of a certificate group in an aggregate amount equal to the Available Funds for the related mortgage pool for the related distribution date. Distributions will be made to holders of record on the close of business on the last business day of the month prior to the month in which the related distribution date occurs.

The rights of the subordinated certificates to receive distributions with respect to the mortgage loans will be based on interest and principal received or advanced with respect to the mortgage loans in each mortgage pool, and will be subordinated to the rights of the holders of the senior certificates of each certificate group to the extent described in this prospectus supplement.

On each distribution date, the Available Funds for each mortgage pool will be distributed among the classes of certificates in the related certificate group in the following order of priority:

*first*, to the classes of senior certificates entitled to distributions of interest, the Accrued Certificate Interest on each such class for such distribution date, any shortfall in available amounts being allocated among such classes in proportion to the amount of Accrued Certificate Interest otherwise distributable thereon;

*second*, to the classes of senior certificates entitled to distributions of interest, any Accrued Certificate Interest thereon remaining undistributed from previous distribution dates, to the extent of remaining Available Funds, any shortfall in available amounts being allocated among such classes in proportion to the amount of such Accrued Certificate Interest remaining undistributed for each such class for such distribution date;

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*third*, to the classes of senior certificates entitled to principal distributions, in reduction of the class certificate balances thereof, to the extent of remaining Available Funds, concurrently, as follows:

(1) to the classes of senior certificates, other than the Class PO Certificates, the Senior Optimal Principal Amount for such distribution date, in the order of priority set forth below; and

(2) to the Class PO Certificates, the Class PO Principal Distribution Amount for such distribution date;

*fourth*, to the Class PO Certificates, to the extent of remaining Available Funds, the Class PO Deferred Amount for such distribution date, until the class certificate balance thereof has been reduced to zero; provided that, (1) on any distribution date, distributions pursuant to this priority *fourth* shall not exceed the Subordinated Optimal Principal Amount for such distribution date, (2) such distributions shall not reduce the class certificate balance of the Class PO Certificates and (3) no distribution will be made in respect of the Class PO Deferred Amount after the Cross Over Date;

*fifth*, to the Class B-1 Certificates, to the extent of remaining Available Funds, in the following order: (1) the Accrued Certificate Interest thereon for such distribution date, (2) any Accrued Certificate Interest thereon remaining undistributed from previous distribution dates and (3) such class's Allocable Share for such distribution date;

*sixth*, to the Class B-2 Certificates, to the extent of remaining Available Funds, in the following order: (1) the Accrued Certificate Interest thereon for such distribution date, (2) any Accrued Certificate Interest thereon remaining undistributed from previous distribution dates and (3) such class's Allocable Share for such distribution date;

*seventh*, to the Class B-3 Certificates, to the extent of remaining Available Funds, in the following order: (1) the Accrued Certificate Interest thereon for such distribution date, (2) any Accrued Certificate Interest thereon remaining undistributed from previous distribution dates and (3) such class's Allocable Share for such distribution date; and

*eighth*, to the Class B-4, Class B-5 and Class B-6 Certificates, to the extent of remaining Available Funds: (1) the Accrued Certificate Interest thereon for such distribution date, (2) any Accrued Certificate Interest thereon remaining undistributed from previous distribution dates and (3) such class's Allocable Share for such distribution date.

The trustee will distribute to the insurer the applicable premium payable in respect of the policy for the Class A-5 Certificates concurrently with the distribution of interest in respect of the Class A-5 Certificates pursuant to priority *first* above.

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Amounts allocated to the senior certificates (other than the Class PO Certificates) pursuant to priority third above will be distributed in the following order of priority:

- (a) to the Class A-6 Certificates, in an amount equal to the Class A-6 Principal Distribution Amount for such distribution date, until the class certificate balance thereof has been reduced to zero; and
- (b) to the classes of senior certificates, other than the Class A-6 and Class A-7 Certificates, the Senior Optimal Principal Amount, less the Class A-6 Principal Distribution Amount, in the following order of priority:
  - (i) to the Class A-R Certificates, until the class certificate balance thereof has been reduced to zero;

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- (ii) commencing on the distribution date in [ ], an amount equal to approximately [ ] to the Class A-5 Certificates, until the class certificate balance thereof has been reduced to zero;
- (iii) sequentially, to the Class A-1 and Class A-2 Certificates, in that order, until the respective class certificate balances thereof have been reduced to zero;
- (iv) concurrently until the class certificate balances of the Class A-3 and Class A-4 Certificates have been reduced to zero, (A) approximately [ ]% to the Class A-5 Certificates, until the class certificate balance thereof has been reduced to zero, and (B) approximately [ ]% sequentially to the Class A-3 and Class A-4 Certificates, in that order, until the respective class certificate balances thereof have been reduced to zero; and
- (v) the remaining amount, to the Class A-5 Certificates, until the class certificate balance thereof has been reduced to zero.

On each distribution date after the Cross-Over Date, distributions of principal on the outstanding senior certificates entitled to principal distributions (other than the Class PO Certificates) will be made pro rata among all such certificates, regardless of the allocation, or sequential nature, of principal payments described above.

#### *Interest*

Interest will accrue on the class certificate balances (or the Notional Amount, in the case of the Class A-7 Certificates) of the certificates offered hereby at the respective pass-through rates set forth in the table on page S-5 during each interest accrual period. The interest accrual period for each class of certificates entitled to distributions of interest will be the one-month period ending on the last day of the month preceding the month in which a distribution date occurs. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Notional Principal Amount of the Class A-7 Certificates will be determined by reference to the class certificate balances of the Class A-3, Class A-4 and Class A-5 Certificates. See "Yield, Prepayment and Maturity Considerations — Yield Sensitivity of Class A-7 Certificates" in this prospectus supplement.

The Class PO Certificates are principal only certificates and will not accrue interest.

As to any distribution date and any mortgage loan with respect to which a prepayment in full has occurred during the period from the sixteenth day of the month preceding the distribution date through the last day of such month, the resulting "Interest Shortfall" generally will equal the difference between (a) one month's interest at the Net Mortgage Rate on the Stated Principal Balance of such mortgage loan, and (b) the amount of interest at the Net Mortgage Rate actually received with respect to such mortgage loan during such period. In the case of a partial prepayment, the resulting "Interest Shortfall" will equal one month's interest at the applicable Net Mortgage Rate on the amount of such prepayment.

Any Net Interest Shortfall, the interest portion of any Excess Losses through the Cross-Over Date and, after the Cross-Over Date, the interest portion of any Realized Losses (see "— Allocation of Realized Losses on the Certificates" below) will, on each distribution date, be allocated among all the outstanding certificates entitled to distributions of interest in proportion to the amount of Accrued Certificate Interest that would have been allocated thereto in the absence of such shortfall and losses. See "Servicing of the Mortgage Loans — Adjustment to Master Servicing Fee in Connection with Prepaid Mortgage Loans" herein. Notwithstanding the foregoing, any Net Interest Shortfalls in respect of the Class A-5 Certificates will be covered by the Reserve Fund described below (to the extent of funds on deposit in the Reserve Fund) or the policy (if there are no amounts remaining on deposit in the Reserve Fund). However, the policy will not cover any interest shortfalls resulting from Relief Act Reductions. See "The Policy" in this prospectus supplement.

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[Underwriter] will establish the Reserve Fund with the trustee on the closing date and will deposit approximately \$10,000 into the Reserve Fund on such date. The Reserve Fund will be maintained by the trustee in a separate account. The Reserve Fund will be beneficially owned by [Underwriter] and will not be an asset of the trust. The trustee will make withdrawals of amounts on deposit in the Reserve Fund, to the extent funds are available in the Reserve Fund, on each distribution date to cover any Net Interest Shortfalls allocated to the Class A-5 Certificates. Once the amounts on deposit in the Reserve Fund have been reduced to zero, the policy will cover any Net Interest Shortfalls, other than interest shortfalls resulting from Relief Act Reductions, allocated to the Class A-5 Certificates. Any amount remaining on deposit in the Reserve Fund on the distribution date on which the class certificate balance of the Class A-5 Certificates has been reduced to zero will be distributed to [Underwriter].

The interest portion of any Realized Losses (other than Excess Losses) occurring prior to the Cross-Over Date will not be allocated among any certificates, but will reduce the amount of Available Funds on the related distribution date. As a result of the subordination of the subordinated certificates in right of distribution, such losses will be borne first by the outstanding subordinated certificates in inverse order of priority.

If Available Funds are insufficient on any distribution date to distribute the aggregate Accrued Certificate Interest on the senior certificates entitled to distributions of interest to their certificateholders, any shortfall in available amounts will be allocated among such classes of senior certificates in proportion to the amounts of Accrued Certificate Interest otherwise distributable thereon. The amount of any such undistributed Accrued Certificate Interest will be added to the amount of interest to be distributed on the senior certificates entitled to distributions of interest on subsequent distribution dates in accordance with priority *second* of the second paragraph under “— Allocations of Available Funds” above. No interest will accrue on any Accrued Certificate Interest remaining undistributed from previous distribution dates.

#### *Principal*

Distributions in reduction of the class certificate balance of each class of certificates entitled to principal distributions will be made on each distribution date.

The Class A-7 Certificates are interest only certificates and will not receive distributions of principal.

All payments and other amounts received in respect of principal of the mortgage loans will be allocated between (1) the senior certificates entitled to principal distributions (other than the Class PO Certificates) and the subordinated certificates, on the one hand, and (2) the Class PO Certificates, on the other, in each case based on the applicable Non-PO Percentage and the applicable PO Percentage, respectively, of such amounts.

The initial class certificate balance of the Class PO Certificates will be approximately \$[        ].

Distributions in reduction of the class certificate balance of each class of senior certificates entitled to principal distributions will be made on each distribution date as described under “— Allocation of Available Funds” above. In accordance with priority *third* of the Available Funds Allocation, the Available Funds remaining after the distribution of interest will be allocated to such senior certificates in an aggregate amount not to exceed the sum of the Senior Optimal Principal Amount and the Class PO Principal Distribution Amount for such distribution date. Distributions in reduction of the class certificate balances of the Class B-1, Class B-2 and Class B-3 Certificates will be made pursuant to priorities *fifth*, *sixth* and *seventh*, respectively, of the Available Funds Allocation. In accordance with each such priority, the Available Funds, if any, remaining after distributions of principal and interest on the senior certificates and payments in respect of the Class PO Deferred Amount on such distribution date will be allocated to each class of the Class B Certificates in an amount equal to each such class’s Allocable Share for such distribution date, provided that no distribution of principal will be made on any such class until any class ranking prior thereto has received distributions of interest and principal, and such class has received distributions of interest, on such distribution date. The Class A-6 Certificates will not receive any distributions in respect of scheduled payments of principal and prepayments or certain other unscheduled recoveries of principal on the mortgage loans during the first five years after the date of initial issuance of the certificates, except as otherwise described herein on or following the earlier of the Group I Final Distribution Date and the Cross-Over Date.

If, on any distribution date, the class certificate balance of any class of Class B Certificates for which the related Class Prepayment Distribution Trigger was satisfied on such distribution date is reduced to zero, any amounts distributable to such class under clauses (2), (3) and (5) of the definition of Subordinated Optimal Principal Amount, to the extent of such class’s remaining Allocable Share, will be distributed to the remaining classes of subordinated certificates in reduction of their respective class certificate balances in order of priority. If the Class Prepayment Distribution Trigger is not satisfied for any class of Class B Certificates (other than the Class B-1 Certificates, to which it is not applicable) on any distribution date, this may have the effect of accelerating the amortization of more senior ranking classes of subordinated certificates because the amount otherwise distributable to such class under clauses (2), (3) and (5) of the definition of Subordinated Optimal Principal Amount will be distributable among the outstanding classes of the Class B Certificates as to which the related Class Prepayment Distribution Trigger has been satisfied on a pro rata basis subject to the priority of payments described herein. On any distribution date, any reduction in funds available for distribution to the classes of subordinated certificates resulting from a distribution of the Class PO Deferred Amount to the Class PO Certificates will be allocated to the classes of subordinated certificates, in reduction of the Allocable Shares thereof, in inverse order of priority.

## Principal Distributions on the Class A-5 Certificates

*General.* Beneficial owners of the Class A-5 Certificates have the right to request that distributions of principal be made with respect to their certificates on any distribution date on which that class of certificates is entitled to receive distributions of principal. As to distributions of principal among holders of the Class A-5 Certificates, Deceased Holders who request distributions will be entitled to first priority, and Living Holders who request distributions will be entitled to a second priority.

Prospective certificateholders in the Class A-5 Certificates should be aware that distributions of principal on those certificates may be significantly earlier or later than the date that may be desired by that certificateholder. All such requested distributions are subject to the priorities described below under “— Priority of Requested Distributions” and are further subject to the limitation that they be made (i) only in lots equal to integral multiples of \$1,000 of initial class certificate balance, each such certificate referred to as an “*Individual Class A-5 Certificate*” and (ii) only to the extent that the portion of the Senior Optimal Principal Amount allocated to the Class A-5 Certificates on the applicable distribution date (plus any amounts available from the Rounding Account) provides sufficient funds for such requested distributions. To the extent that amounts available for distributions in respect of principal on the Class A-5 Certificates on any distribution date exceed the aggregate amount of the requests made by Deceased Holders and Living Holders for principal distributions applicable to that distribution date, such excess amounts will be distributed to the beneficial owners of Class A-5 Certificates by random lot, as described below under “— Mandatory Distributions of Principal on the Class A-5 Certificates.”

On each distribution date on which amounts are available for distributions in reduction of the class certificate balance of the Class A-5 Certificates, the aggregate amount allocable to such distributions for that class will be rounded, as necessary, to an amount equal to an integral multiple of \$1,000, except as provided below, in accordance with the limitations set forth in this prospectus supplement. Such rounding will be accomplished on the first distribution date on which distributions of principal on the Class A-5 Certificates are made by withdrawing from the Rounding Account the amount of funds, if any, needed to round the amount otherwise available for that distribution with respect to the Class A-5 Certificates upward to the next higher integral multiple of \$1,000. On each succeeding distribution date on which distributions of principal on the Class A-5 Certificates are to be made, the aggregate amount allocable to the Class A-5 Certificates will be applied first to repay any funds withdrawn from the Rounding Account on the prior distribution date, and then the remainder of such allocable amount, if any, will be similarly rounded upward through another withdrawal from the Rounding Account and distributed in reduction of the class certificate balance of the Class A-5 Certificates. This process will continue on succeeding distribution dates until the class certificate balance of the Class A-5 Certificates has been reduced to zero. Thus, the aggregate distribution made in reduction of the class certificate balance of the Class A-5 Certificates on each distribution date may be slightly more or less than would be the case in the absence of such rounding procedures, but such difference will be no more than \$999.99 on any distribution date. Under no circumstances will the sum of all distributions made in reduction of the class certificate balance of the Class A-5 Certificates, through any distribution date, be less than the sum of such distributions that would have resulted in the absence of such rounding procedures. The Class A-RL Certificates will be entitled to any amount remaining in the Rounding Account after the class certificate balance of the Class A-5 Certificates has been reduced to zero.

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Notwithstanding any provisions in this prospectus supplement to the contrary, on each distribution date following the first distribution date on which any Realized Losses are allocated to the Class A-5 Certificates for which payment is not made under the policy, distributions in reduction of the class certificate balance of the Class A-5 Certificates will be made pro rata among the holders of the Class A-5 Certificates and will not be made in integral multiples of \$1,000 or pursuant to requested distributions or mandatory distributions by random lot.

There is no assurance that a beneficial owner of a Class A-5 Certificate who has submitted a request for a distribution will receive the distribution at any particular time after the distribution is requested, since there can be no assurance that funds will be available for making those distributions on any particular distribution date, or, even if funds are available for making principal distributions on the Class A-5 Certificates, that such distributions will be made to any particular beneficial owner whether that beneficial owner is a Deceased Holder or a Living Holder. Also, due to the procedure for mandatory distributions described below under “—Mandatory Distributions of Principal on the Class A-5 Certificates,” there can be no assurance that on any distribution date on which the funds available for distribution in respect of principal of the Class A-5 Certificates exceed the aggregate amount of distributions requested by beneficial owners of certificates of that class, any particular beneficial owner will receive a principal distribution from those excess funds. *Thus, the timing of distributions in reduction of the class certificate balance for any particular Class A-5 Certificate, whether or not the subject of a request for distribution by a Deceased Holder or a Living Holder, is highly uncertain and may be made earlier or later than the date that may be desired by a beneficial owner of that certificate.*

*Priority of Requested Distributions.* Subject to the limitations described in this prospectus supplement, including the timing and the order of the receipt of the request for distributions as described below under “— Procedure for Requested Distributions,” beneficial owners of the Class A-5 Certificates have the right to request that distributions be made in reduction of the class certificate balance of those certificates. On each distribution date on which distributions in reduction of the class certificate balance of the Class A-5 Certificates are made, those distributions will be made in the following order of priority: (i) any request by a Deceased Holder, in an amount up to but not exceeding \$100,000 per request; and (ii) any request by a Living Holder, in an amount up to but not exceeding \$10,000 per request. Thereafter, distributions will be made as provided in clauses (i) and (ii) above up to a second \$100,000 and \$10,000, respectively. This sequence of priorities will be repeated for each request for principal distributions made by the beneficial owners of those Class A-5 Certificates until all such requests have been honored.

*Procedure for Requested Distributions.* Under the current procedures of DTC, a beneficial owner may request that distributions in reduction of

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the class certificate balance of its Class A-5 Certificates be made on a distribution date by delivering a written request for those distributions to the participant or indirect participant that maintains the beneficial owner's account with respect to the Class A-5 Certificates so that such request is received by the trustee from DTC on DTC's "participant terminal system" on or before the close of business on the last business day of the month next preceding the month in which the related distribution date occurs, or the record date for such distribution date. In the case of a request on behalf of a Deceased Holder, appropriate evidence of death and any tax waivers are required to be forwarded to the participant under separate cover. Furthermore, those requests of Deceased Holders that are incomplete may not be honored by the participant. The participant shall forward a certification satisfactory to the trustee certifying the death of the beneficial owner and the receipt of the appropriate death and tax waivers. The participant should in turn make the request of DTC (or, in the case of an indirect participant, such firm must notify the related participant of such request, which participant should make the request of DTC) on DTC's participant terminal system. The trustee will not accept a request from a person other than DTC. DTC may establish such procedures as it deems fair and equitable to establish the order of receipt of requests for those requests for distributions received by it on the same day. None of the master servicer, the depositor or the trustee shall be liable for any delay by DTC, any participant or any indirect participant in the delivery of requests for distributions or withdrawals of those distributions to the trustee or for any changes made to the procedures described herein by DTC, any participant or any indirect participant. Requests for distributions are to be honored in the order of their receipt (subject to the priorities described in the previous paragraph). The exact procedures to be followed by the trustee for purposes of determining the order of receipt of such requests will be those established from time to time by DTC. Requests for distributions of principal received by DTC and forwarded to the trustee on DTC's participant terminal system after the record date for such distribution date and requests for principal distributions received in a timely manner but not accepted with respect to a given distribution date, will be treated as requests for distributions on the next succeeding distribution date and each succeeding distribution date thereafter until each request is accepted or is withdrawn as described below. Each request for distributions in reduction of the class certificate balance of a Class A-5 Certificate submitted by a beneficial owner of that certificate will be held on DTC's participant terminal system until such request has been accepted by the trustee or has been withdrawn by the participant in writing. Each Individual Class A-5 Certificate covered by that request will continue to bear interest at the related pass-through rate through the interest accrual period related to such distribution date.

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In the case of a request on behalf of a Deceased Holder, the related participant shall forward certification satisfactory to the trustee certifying the death of the beneficial owner and the receipt of the appropriate death and tax waivers. Class A-5 Certificates beneficially owned by tenants by the entirety, joint tenants or tenants in common will be considered to be beneficially owned by a single owner. The death of a tenant by the entirety, joint tenant or tenant in common will be deemed to be the death of the beneficial owner, and the Class A-5 Certificates so beneficially owned will be eligible to request priority with respect to distributions in reduction of the class certificate balance of those certificates, subject to the limitations stated in this prospectus supplement. The Class A-5 Certificates beneficially owned by a trust will be considered to be beneficially owned by each beneficiary of the trust to the extent of such beneficiary's beneficial interest in that trust, but in no event will a trust's beneficiaries collectively be deemed to be beneficial owners of a number of Individual Class A-5 Certificates greater than the number of Individual Class A-5 Certificates of which such trust is the owner. The death of a beneficiary of a trust will be deemed to be the death of a beneficial owner of the Class A-5 Certificates beneficially owned by the trust but only to the extent of such beneficiary's beneficial interest in that trust. The death of an individual who was a tenant by the entirety, joint tenant or tenant in common in a tenancy which is the beneficiary of a trust will be deemed to be the death of the beneficiary of the trust. The death of a person who, during his or her lifetime, was entitled to substantially all of the beneficial ownership interests in Class A-5 Certificates will be deemed to be the death of the beneficial owner of those certificates regardless of the registration of ownership, if that beneficial interest can be established to the satisfaction of the participant. Such beneficial interest will be deemed to exist in typical cases of street name or nominee ownership, ownership by a trustee, ownership under the applicable Uniform Gift to Minors Act or Uniform Transfers to Minors Act and community property or other joint ownership arrangements between a husband and wife. Beneficial interest shall include the power to sell, transfer or otherwise dispose of a Class A-5 Certificate and the right to receive the proceeds therefrom, as well as interest and distributions of principal with respect thereto. As used in this prospectus supplement, a request for a distribution in reduction of the class certificate balance of a Class A-5 Certificate by a Deceased Holder shall mean a request by the personal representative, surviving tenant by the entirety, surviving joint tenant or a surviving tenant in common of the Deceased Holder.

With respect to Class A-5 Certificates as to which beneficial owners have requested distributions to be made on a particular distribution date and on which distributions of principal are being made, the trustee will notify DTC prior to that distribution date whether, and the extent to which, those certificates have been accepted for distributions. Participants and indirect participants holding Class A-5 Certificates are required to forward such notices to the beneficial owners of those certificates. Individual Class A-5 Certificates that have been accepted for a distribution will be due and payable on the applicable distribution date and will cease to bear interest after the interest accrual period related to such distribution date.

Any beneficial owner of a Class A-5 Certificate who has requested a distribution may withdraw its request by so notifying in writing the participant or indirect participant that maintains that beneficial owner's account. In the event that such account is maintained by an indirect participant, the indirect participant must notify the related participant which in turn must forward the withdrawal of such request, on DTC's participant terminal system. If that notice of withdrawal of a request for distribution has not been received on DTC's participant terminal system on or before the record date for such distribution date, the previously made request for distribution will be irrevocable with respect to the making of distributions in reduction of the class certificate balance of that Class A-5 Certificate on the applicable distribution date.

*Mandatory Distributions of Principal on the Class A-5 Certificates.* To the extent, if any, that distributions in reduction of the class certificate balance of the Class A-5 Certificates on a distribution date exceed the outstanding class certificate balance of Class A-5 Certificates with respect to which distribution requests have been received by the applicable record date, additional Class A-5 Certificates in lots equal to Individual Class A-5 Certificates will be selected to receive principal distributions in accordance with the then-applicable established random lot procedures of DTC, and the then-applicable established procedures of the participants and indirect participants, which may or may not be by random lot. No prior notice will be provided by the depositor, the master servicer or the trustee to the beneficial owners of the Class A-5 Certificates for those distributions made by random lot. Investors

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may ask those participants or indirect participants what allocation procedures they use. Participants and indirect participants holding Class A-5 Certificates selected for mandatory distributions of principal are required to provide notice of those mandatory distributions to the affected beneficial owners.

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#### **Allocation of Realized Losses on the Certificates**

##### *Losses Allocable to the Class PO Certificates*

On each distribution date, the applicable PO Percentage of the principal portion of any Realized Loss (including any Excess Loss) on a Discount Mortgage Loan will be allocated to the Class PO Certificates until the class certificate balance thereof is reduced to zero.

To the extent funds are available therefor on any distribution date through the Cross-Over Date, distributions in respect of the Class PO Deferred Amount will be made on the Class PO Certificates in accordance with priority *fourth* of the second paragraph under “— Distributions on the Certificates — Allocation of Available Funds” above. Any distribution of Available Funds in respect of the Class PO Deferred Amount will not reduce the class certificate balance of the Class PO Certificates. No interest will accrue on the Class PO Deferred Amount. On each distribution date through the Cross-Over Date, the class certificate balance of the lowest ranking class of subordinated certificates then outstanding will be reduced by the amount of any distributions made to the Class PO Certificates in respect of the Class PO Deferred Amount on such distribution date, through the operation of the Class PO Deferred Payment Writedown Amount. After the Cross-Over Date, no distributions will be made in respect of the Class PO Deferred Amount and Realized Losses allocated to the Class PO Certificates will be borne by them without a right of reimbursement from any other class of certificates. Any distribution of Unanticipated Recoveries on the Class PO Certificates will be adjusted to take into account the Class PO Deferred Amount previously paid to such class as specified in the Agreement. *See* “Servicing of the Mortgage Loans — Unanticipated Recoveries of Losses on the Mortgage Loans.”

##### *Losses Allocable to Certificates other than the Class PO Certificates*

Prior to the Cross-Over Date (and on such date under certain circumstances), the applicable Non-PO Percentage of the principal portion of any Non-Excess Loss will be allocated among the outstanding classes of subordinated certificates, in inverse order of priority, until the class certificate balance of each such class has been reduced to zero (i.e., Non-Excess Losses will be allocated first to the Class B-6 Certificates while such certificates are outstanding, second to the Class B-5 Certificates, and so on). The Non-PO Percentage of the principal portion of any Fraud Losses, Special Hazard Losses and Bankruptcy Losses occurring prior to the reduction of the Fraud Loss Coverage Amount, the Special Hazard Loss Coverage Amount and the Bankruptcy Loss Coverage Amount, respectively, to zero will also be allocated to the subordinated certificates in the manner described in the preceding sentence.

Commencing on the Cross-Over Date, the applicable Non-PO Percentage of the principal portion of any Realized Loss will be allocated among the outstanding classes of senior certificates entitled to principal distributions (other than the Class PO Certificates) pro rata based upon their class certificate balances.

As indicated above, Fraud Losses, Special Hazard Losses and Bankruptcy Losses occurring after the Fraud Loss Coverage Amount, Special Hazard Loss Coverage Amount and the Bankruptcy Loss Coverage Amount, respectively, have been reduced to zero will be Excess Losses. The applicable Non-PO Percentage of the principal portion of any Excess Loss on a mortgage loan for any distribution date (whether occurring before, on or after the Cross-Over Date) will be allocated pro rata among all outstanding classes of certificates entitled to principal distributions (other than the Class PO Certificates) based on their class certificate balances.

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Upon the initial issuance of the certificates, the Fraud Loss Coverage Amount will equal approximately \$[ ] (approximately 1.0% of the aggregate Stated Principal Balances of the mortgage loans as of the Cut-off Date). As of any distribution date prior to the third anniversary of the Cut-off Date, the Fraud Loss Coverage Amount will equal approximately \$[ ] minus the aggregate amount of Fraud Losses that would have been allocated to the subordinated certificates in the absence of the Loss Allocation Limitation since the Cut-off Date. As of any distribution date from the third to the fifth anniversaries of the Cut-off Date, the Fraud Loss Coverage Amount will equal (1) the lesser of (a) the Fraud Loss Coverage Amount as of the most recent anniversary of the Cut-off Date and (b) 0.5% of the aggregate outstanding principal balance of all of the mortgage loans as of the most recent anniversary of the Cut-off Date minus (2) the Fraud Losses that would have been allocated to the subordinated certificates in the absence of the Loss Allocation Limitation since the most recent anniversary of the Cut-off Date. As of any distribution date on or after the earlier of the Cross-Over Date or the fifth anniversary of the Cut-off Date, the Fraud Loss Coverage Amount shall be zero.

Upon the initial issuance of the certificates, the Special Hazard Loss Coverage Amount will equal approximately \$[ ] (approximately 1.1% of the aggregate Stated Principal Balances of the mortgage loans as of the Cut-off Date). As of any distribution date, the Special Hazard Loss Coverage Amount will equal the greater of

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- 1% (or if greater than 1%, the highest percentage of mortgage loans by principal balance secured by mortgaged properties in any single California zip code) of the outstanding principal balance of all the mortgage loans as of the related Determination Date, and
- twice the outstanding principal balance of the mortgage loan which has the largest outstanding principal balance as of the related Determination Date,

less, in each case, the aggregate amount of Special Hazard Losses that would have been previously allocated to the subordinated certificates in the absence of the Loss Allocation Limitation.

As of any distribution date on or after the Cross-Over Date, the Special Hazard Loss Coverage Amount will be zero.

On each distribution date, the Bankruptcy Loss Coverage Amount will equal approximately \$[ ], subject to reduction as described in the Agreement, minus the aggregate amount of previous Deficient Valuations and Debt Service Reductions. As of any distribution date on or after the Cross-Over Date, the Bankruptcy Loss Coverage Amount will be zero. The Bankruptcy Loss Coverage Amount and the manner of reduction thereof described in the Agreement may be reduced or modified upon written confirmation from each of the Rating Agencies that such reduction or modification will not adversely affect the then current ratings of the senior certificates. Such reduction may adversely affect the coverage provided by subordination with respect to Bankruptcy Losses.

#### *Method of Allocating Realized Losses*

All allocations of Realized Losses to a class of certificates will be accomplished on a distribution date by reducing the class certificate balance thereof by the appropriate share of any such losses occurring during the month preceding the month of such distribution date and, accordingly, will be taken into account in determining the distributions of principal and interest on such certificates commencing on the following distribution date. The aggregate amount of the principal portion of any Non-Excess Losses to be allocated to the Class PO Certificates on any distribution date through the Cross-Over Date will also be taken into account in determining distributions in respect of the Class PO Deferred Amount for such distribution date.

The interest portion of all Realized Losses will be allocated among the outstanding classes of certificates entitled to distributions of interest to the extent described under “— Distributions on the Certificates — Interest” above.

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No reduction of the class certificate balance of any class will be made on any distribution date on account of any Realized Loss to the extent that such reduction would have the effect of reducing the aggregate class certificate balances of all classes of the certificates as of such distribution date to an amount less than the Pool Principal Balance as of the first day of the month of such distribution date, less any Deficient Valuations occurring before the Bankruptcy Loss Coverage Amount has been reduced to zero (such limitation being the “*Loss Allocation Limitation*”).

Debt Service Reductions are not treated as Realized Losses, and the principal portion thereof will not be allocated in reduction of the class certificate balance of any class of certificates. However, after the Bankruptcy Loss Coverage Amount has been reduced to zero, the amounts distributable under clause (1) of the definitions of Senior Optimal Principal Amount, Class PO Principal Distribution Amount and Subordinated Optimal Principal Amount will be reduced by the amount of the principal portion of any Debt Service Reductions. Regardless of when they occur, Debt Service Reductions may reduce the amount of Available Funds otherwise available for distribution on a distribution date. As a result of the subordination of the subordinated certificates in right of distribution, the reduction in Available Funds resulting from any Debt Service Reductions before the Bankruptcy Loss Coverage Amount has been reduced to zero will be borne by the subordinated certificates (to the extent then outstanding) in inverse order of priority.

Notwithstanding the foregoing, with respect to the Class A-5 Certificates, the policy will cover the interest and principal portions of all Realized Losses allocated thereto. See “The Policy” in this prospectus supplement. If payments are not made as required under the policy, Realized Losses allocated to the Class A-5 Certificates will be borne by the holders of such certificates.

#### **Voting Rights**

There are actions specified in the prospectus that may be taken by holders of certificates evidencing a specified percentage of all undivided interests in the trust and may be taken by holders of certificates entitled in the aggregate to that percentage of the voting rights. 98% of all voting rights will be allocated among all holders of the certificates, other than the Class A-7 and Class A-R Certificates, in proportion to their then outstanding class certificate balances. In addition, 1% of all voting rights will be allocated among the holders of the Class A-7 Certificates in proportion to their then outstanding Notional Principal Amounts, and 1% of all voting rights will be allocated among the holders of the Class A-R Certificates, in each case in proportion to the percentage interests evidenced by their respective certificates. The pooling and servicing agreement may be amended without the consent of the certificateholders in specified circumstances.

Notwithstanding the foregoing, so long as there does not exist a failure by the insurer to make a required payment under the policy, the insurer shall have the right to exercise all rights of the holders of the Class A-5 Certificates under the pooling and servicing agreement without any consent of such holders, and such holders may exercise such rights only with the prior written consent of the insurer except as provided in the pooling and servicing

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agreement.

#### **Additional Rights of the Residual Certificateholders**

In addition to distributions of principal and interest the holders of the Residual Certificates will be entitled to receive:

- (a) the amount, if any, of Available Funds remaining in the related REMIC on any distribution date after distributions of interest and principal and in respect of the Class PO Deferred Amount are made on the certificates on such date; and
- (b) as to the Class A-RL Certificates only, the amount of any Unanticipated Recoveries received by the Master Servicer in the calendar month preceding the month of a distribution date and not otherwise allocated to other classes of certificates as described in "Servicing of the Mortgage Loans — Unanticipated Recoveries of Losses on the Mortgage Loans"; and

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- (c) the proceeds, if any, of the assets of the trust remaining in the related REMIC after the class certificate balances of all classes of the certificates have each been reduced to zero.

It is not anticipated that any material assets will be remaining for such distributions on the Residual Certificates at any such time. *See* "Federal Income Tax Consequences — Residual Certificates" herein.

#### **Subordination**

##### *Priority of Senior Certificates*

As of the date of the initial issuance of the certificates, the aggregate class certificate balance of the classes of subordinated certificates will equal approximately 4.25% of the aggregate class principal balance of all the classes of certificates. The rights of the holders of the subordinated certificates to receive distributions with respect to the mortgage loans will be subordinate to such rights of the holders of the senior certificates, to the extent described above. The subordination of the subordinated certificates is intended:

- (a) to enhance the likelihood of timely receipt by the holders of the senior certificates (to the extent of the subordination of the subordinated certificates) of the full amount of the scheduled monthly distributions of principal and interest allocable to the senior certificates; and
- (b) to afford the holders of the senior certificates (to the extent of the subordination of the subordinated certificates) protection against Realized Losses, to the extent described above.

If Realized Losses exceed the credit support provided to the senior certificates through subordination, or if Excess Losses occur, all or a portion of such losses will be borne by the senior certificates.

The protection afforded to the holders of senior certificates by means of the subordination feature will be accomplished by:

- (1) the preferential right of such holders to receive, prior to any distribution being made on a distribution date in respect of the subordinated certificates, in accordance with the paydown rules specified above under "— Distributions on the Certificates — Allocation of Available Funds," the amounts due to the senior certificateholders on each distribution date out of the Available Funds with respect to such date and, if necessary, by the right of such holders to receive future distributions on the mortgage loans that would otherwise have been payable to the holders of the subordinated certificates;
- (2) the allocation to the subordinated certificates of the applicable Non-PO Percentage of the principal portion of any Non-Excess Loss to the extent set forth herein; and
- (3) the allocation to the subordinated certificates of the applicable PO Percentage of the principal portion of any Non-Excess Loss to the extent set forth herein through the operation of the Class PO Deferred Payment Writedown Amount.

The allocation of the principal portion of Realized Losses (as set forth herein) to the subordinated certificates on any distribution date will decrease the protection provided to the senior certificates then outstanding on future distribution dates by reducing the aggregate class certificate balance of the classes of subordinated certificates then outstanding.

In addition, in order to extend the period during which the subordinated certificates remain available as credit enhancement for the senior certificates, the entire amount of the applicable Non-PO Percentage of any prepayment or other unscheduled recovery of principal with respect to a mortgage loan will be allocated to the senior certificates as a whole entitled to principal distributions (other than the Class PO Certificates) during at least

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the first five years after the date of initial issuance of the certificates, with such allocation being subject to reduction thereafter as described herein. This allocation has the effect of accelerating the amortization of such senior certificates as a group while, in the absence of losses in respect of the mortgage loans, increasing the percentage interest in the principal balance of the mortgage loans evidenced by the subordinated certificates. Among such senior certificates, such amounts will be allocated to the outstanding Group I Senior Certificates during the first five years after the date of initial issuance of the certificates (except as otherwise described herein on or following the Group I Final Distribution Date) with such allocation being subject to reduction thereafter as described herein, except that such amounts will be allocated pro rata among all of the outstanding senior certificates entitled to principal distributions (other than the Class PO Certificates) on each distribution date after the Cross-Over Date. In addition, the Class A-6 Certificates are not entitled to receive scheduled principal payments or prepayments during the first five years after the closing date (except as otherwise described herein on or after the Group I Final Distribution Date).

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After the payment of amounts distributable in respect of the senior certificates on each distribution date, the subordinated certificates will be entitled on such date to the remaining portion, if any, of the Available Funds in an aggregate amount equal to the Accrued Certificate Interest on the subordinated certificates for such date, any remaining undistributed Accrued Certificate Interest thereon from previous distribution dates and the sum of the Allocable Shares of the classes of subordinated certificates. Amounts so distributed to subordinated certificateholders will not be available to cover any delinquencies or any Realized Losses in respect of subsequent distribution dates.

#### *Priority Among Subordinated Certificates*

As of the date of the initial issuance of the certificates, the aggregate class certificate balance of the Class B-4, Class B-5 and Class B-6 Certificates, all of which are subordinate in right of distribution to the subordinated certificates offered hereby, will equal approximately [ ]% of the initial aggregate class certificate balance of all of the classes of certificates and approximately [ ]% of the initial aggregate class certificate balance of all of the classes of subordinated certificates. On each distribution date, the holders of any particular class of subordinated certificates, other than the Class B-6 Certificates, will have a preferential right to receive the amounts due them on such distribution date out of Available Funds, prior to any distribution being made on such date on each class of certificates ranking subordinated to such class. In addition, except as described herein, the applicable Non-PO Percentage of the principal portion of any Non-Excess Loss with respect to a mortgage loan and any Class PO Deferred Payment Writedown Amount will be allocated, to the extent set forth herein, in reduction of the class certificate balances of the subordinated certificates in inverse order of priority of such certificates. The effect of the allocation of such Realized Losses and of the Class PO Deferred Payment Writedown Amount to a class of subordinated certificates will be to reduce future distributions allocable to such class and increase the relative portion of distributions allocable to more senior classes of certificates.

In order to maintain the relative levels of subordination among the subordinated certificates, the applicable Non-PO Percentage of prepayments and certain other unscheduled recoveries of principal in respect of the mortgage loans (which will not be distributable to such certificates for at least the first five years after the date of initial issuance of the certificates, except as otherwise described herein on or following the Senior Final Distribution Date) will not be distributable to the holders of the Class B-2, Class B-3, Class B-4 or Class B-5 Certificates on any distribution date for which the related Class Prepayment Distribution Trigger is not satisfied, except as described above. See “— Distributions on the Certificates — Principal.” If the Class Prepayment Distribution Trigger is not satisfied with respect to any such class of Class B Certificates, the amortization of more senior ranking classes of subordinated certificates may occur more rapidly than would otherwise have been the case and, in the absence of losses in respect of the mortgage loans, the percentage interest in the principal balance of the mortgage loans evidenced by such Class B Certificates may increase.

As a result of the subordination of any class of certificates, such class of certificates will be more sensitive than more senior ranking classes of certificates to the rate of delinquencies and defaults on the mortgage loans, and under certain circumstances investors in such certificates may not recover their initial investment.

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#### **Structuring Assumptions**

Unless otherwise specified, the information in the tables in this prospectus supplement has been prepared on the basis of the following Structuring Assumptions:

- the mortgage pool consists of two mortgage loans with the following characteristics:

Principal Balance	Mortgage Rate	Net Mortgage Rate	Original Term to Maturity (in Months)	Remaining Term to Maturity (in Months)
\$	%	%		

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- the mortgage loans prepay at the specified constant percentages of PSA,
- no defaults in the payment by mortgagors of principal of and interest on the mortgage loans are experienced,
- scheduled payments on the mortgage loans 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 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 has been calculated so 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,
- the initial class certificate balance of each class of certificates is as set forth on page S-5,
- the approximate initial class certificate balances of the Class B-4, Class B-5 and Class B-6 Certificates are \$[       ], \$[       ] and \$[       ], respectively,
- interest accrues on each interest bearing class of certificates during each interest accrual period at the applicable pass-through rate set forth on page S-5,
- 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 [       ],
- the seller is not required to repurchase or substitute for any mortgage loan, and
- the master servicer does not exercise the option to repurchase the mortgage loans described under “— Optional Purchase of Defaulted Loans” and “— Optional Termination.”

Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used in this prospectus supplement is PSA, which represents an assumed rate of prepayment each month of the then outstanding principal balance of a pool of new mortgage loans. PSA does not purport to be either a historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the mortgage loans. 100% PSA assumes prepayment rates of 0.2% per annum of the then unpaid principal balance of the pool of mortgage loans in the first month of the life of the mortgage loans and an additional 0.2% per annum in each month thereafter (e.g., 0.4% per annum in the second month) until the 30th month. Beginning in the 30th month and in each month thereafter during the life of the mortgage loans, 100% PSA assumes a constant prepayment rate of 6% per annum. Multiples may be calculated from this prepayment rate sequence. For example, 150% PSA assumes prepayment rates will be 0.3% per annum in month one, 0.6% per annum in month two, and increasing by 0.3% in each succeeding month until reaching a rate of 9.0% per annum in month 30 and remaining constant at 9.0% per annum thereafter. 0% PSA assumes no prepayments. There is no assurance that prepayments will occur at any PSA rate or at any other constant rate.

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#### Optional Purchase of Defaulted Loans

The master servicer may, at its option and with the consent of the trustee, purchase from the trust fund any mortgage loan which is delinquent in payment by 91 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 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 in the mortgage pool and thereby effect early retirement of the certificates, subject to the Pool Principal Balance of the mortgage loans in respect of the mortgage pool at the time of repurchase being less than 10% of the Pool Principal Balance of the mortgage pool as of the cut-off date. In the event the master servicer exercises its repurchase option, the purchase price distributed with respect to each class of certificates will be 100% of its then outstanding class certificate balance plus any Class PO Deferred Amounts in the case of the Class PO Certificates and, in the case of an interest bearing certificate, any unpaid accrued interest at the applicable pass-through rate, in

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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 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.

No holder of any certificates will be entitled to any Unanticipated Recoveries received with respect to any mortgage loan after the termination of the trust. See "Servicing of the Mortgage Loans — Unanticipated Recoveries of Losses on the Mortgage Loans."

#### **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 [ ], Attention: or at any [ ] or at any other address the trustee designates.

#### **Restrictions on Transfer of the Residual Certificates**

The Residual Certificates will be subject to the restrictions on transfer described in the prospectus under "Material Federal Income Tax Consequences — Taxation of Holders of Residual Interest Securities — Restrictions on Ownership and Transfer of Residual Securities" and "— Tax Treatment of Foreign Investors." The pooling and servicing agreement provides that the Residual Certificates, in addition to certain other ERISA restricted classes of certificates, may not be acquired by an ERISA Plan. See "ERISA Considerations." Each Residual Certificate will contain a legend describing these restrictions.

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### **YIELD, PREPAYMENT AND MATURITY CONSIDERATIONS**

#### **General**

The effective yield to the holders of each interest bearing class of certificates will be lower than the yield otherwise produced by the applicable pass-through rate 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 after the applicable interest accrual period without any additional distribution of interest or earnings to compensate for the delay.

Delinquencies on the mortgage loans which are not advanced by or on behalf of the master servicer because such amounts, if advanced, would not be recoverable, will adversely affect the yield on the 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. If, as a result of shortfalls, the aggregate of the class certificate balances of all classes of the 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 on the classes of offered certificates, other than the Class A-5 Certificates. Any Net Interest Shortfalls in respect of the Class A-5 Certificates will be covered by the Reserve Fund (to the extent of amounts on deposit in the Reserve Fund) or the policy (if there are no amounts remaining on deposit in the Reserve Fund), provided that the policy will not cover interest shortfalls resulting from Relief Act Reductions. See "The Policy" in this prospectus supplement.

In addition, although all losses initially will be borne by the subordinated certificates, in the reverse order of their numerical class designations, either directly or through distributions of Class PO Deferred Amounts on the Class PO Certificates, Excess Losses will be borne by all classes of certificates on a pro rata basis. Moreover, since the amounts available for distribution to the subordinated certificates 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, including Excess Losses. Excess Losses could occur at a time when one or more classes of subordinated certificates are still outstanding and otherwise available to absorb other types of Realized Losses. With respect to the Class A-5 Certificates only, Realized Losses allocated thereto will be covered by the policy to the extent set forth in the policy. See "The Policy" in this prospectus supplement.

#### **General 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

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