Offering Circular

Federal Home Loan Mortgage Corporation

MORTGAGE PARTICIPATION CERTIFICATES

(Guaranteed)

Mortgage Participation Certificates ("PCs") represent undivided interests in specified fixed rate, first lien conventional residential mortgages underwritten and purchased by the Federal Home Loan Mortgage Corporation (the "Mortgage Corporation"). The Mortgage Corporation guarantees the timely payment of interest at the applicable certificate rate on the unpaid principal balance outstanding on the mortgages calculated as described herein and the full collection of principal on the mortgages.

The Mortgage Corporation forms mortgage groups and offers PCs on a continuous basis under two programs: the Standard Program and the Guarantor Program. Mortgage groups formed under either program may differ in certain respects, including original unpaid principal balance, number of mortgages, geographic location of the real properties and types of dwellings securing the mortgages, number of mortgages purchased from a single institution or made to employees of a single employer, instruments on which the mortgages were originated, coupon rates, original maturities and ages of the mortgages. See "Description of Mortgage Participation Certificates" for a more detailed description of the characteristics of mortgages purchased, the programs under which mortgage groups are formed and the likely differences between mortgage groups formed under the Standard and Guarantor Programs.

The manner in which PCs are sold is described under "PC Sales Programs."

This Offering Circular should be read in conjunction with the Mortgage Corporation's current information statement relating to the Mortgage Corporation. See "Availability of Information and Incorporation by Reference."

PCs are exempt from the registration requirements of the Securities Act of 1933 and are "exempted securities" within the meaning of the Securities Exchange Act of 1934.

PCs are not guaranteed by the United States or by any Federal Home Loan Bank and do not constitute debts or obligations of the United States or any Federal Home Loan Bank. Income from the PCs has no exemption from federal, state or local taxation.

OFFERING CIRCULAR DATED OCTOBER 20, 1982

OFFERING CIRCULAR SUMMARY

The following summary information relating to PCs is qualified in its entirety by the detailed information appearing elsewhere herein.

PCs .... PCs represent undivided interests in specified fixed rate, first lien conventional residential mortgages underwritten and purchased by the Mortgage Corporation. The mortgages are identified to PC groups which are formed under the Mortgage Corporation's Standard and Guarantor Programs. PC groups formed under the Guarantor Program are identified by Group Numbers bearing the prefix "18." See "The PC Groups," pages 10-14.

Interest .... Passed through monthly at the certificate rate on the unpaid principal balance as calculated under the group factor system. See "Interest and Principal Payments," pages 15-16, and "Group Factors," pages 14-15.

Principal .... Passed through monthly as collected based upon calculations made under the group factor system. See "Interest and Principal Payments," pages 15-16, and "Group Factors," pages 14-15.

Guarantees .... The Mortgage Corporation unconditionally guarantees to each registered PC holder the timely payment of interest at the applicable certificate rate on the unpaid principal balance outstanding on the mortgages to the extent of such holder's pro rata share thereof. The unpaid principal balance upon which interest is remitted by the Mortgage Corporation may be an estimated amount. See "Group Factors," pages 14-15. The Mortgage Corporation also guarantees to each registered holder of a PC collection of all principal on the mortgages, without any offset or deduction, to the extent of such holder's pro rata share thereof. See "Guarantees," pages 16-17.

Remittances .... One itemized check per month containing principal, interest and prepayment fees, if any, is normally mailed so as to be received by the fifteenth day of each month. A purchaser of a PC will receive its first remittance on or before the fifteenth day of the second month following the month in which the purchaser becomes a registered holder of a PC on the records of the Mortgage Corporation.

Denominations and Registration ... $25,000, $100,000, $200,000, $500,000, $1,000,000 and $5,000,000 and, under the Guarantor Program, "odd denomination PCs"; fully registered only.

Secondary Market .... Certain securities dealers make a market in PCs. The Mortgage Corporation may also repurchase PCs. See "Secondary Market," page 26.

Offering Procedure .... PCs are offered for sale pursuant to the Mortgage Corporation's mandatory and optional delivery sales programs. See "PC Sales Programs," pages 23-25.

Fees .... Fees may be paid to purchasers under certain programs. See "PC Sales Programs," pages 23-25.

Price and Yield Information .... Daily price and yield information may be obtained from the Mortgage Corporation (outside Washington, D.C. metropolitan area, telephone 800-424-5401; within Washington, D.C. metropolitan area, telephone 789-4800).

Legality of Investments

Under the Federal Home Loan Mortgage Corporation Act, PCs are eligible for investment by any person, trust or organization created pursuant to or existing under the laws of the United States or any state to the same extent that the investor is authorized to invest in obligations issued by or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof. A state may enact legislation which specifically names the Mortgage Corporation and limits an investor's authority to invest in PCs but, to the Mortgage Corporation's knowledge, no state has enacted any such legislation.

PCs described herein:

- are legal investments for federal savings and loan associations and federal mutual savings banks;
- are legal investments for surplus and reserve funds of Federal Home Loan Banks;
- are among those securities which national banks may deal in, underwrite and purchase for their own accounts without limitation;
- are legal investments for federal credit unions;
- are considered plan assets for private pension funds (and the underlying mortgages are not considered plan assets);
- are acceptable as security for the deposit of public monies subject to the control of the United States or any of its officers;
- are eligible as collateral for Treasury tax and loan accounts;
- are eligible as collateral for advances by Federal Reserve Banks;
- are eligible as collateral for advances by Federal Home Loan Banks; and
- are eligible to be purchased by financial institutions as "qualified residential financing" for "All Savers Certificate" funds.

For further information regarding eligibility of PCs for investment, see "Legality of Investments," pages 20-21.

Tax Status

PCs owned by institutions that qualify as "domestic building and loan associations" constitute "loans secured by an interest in real property" within the meaning of Section 7701(a)(19)(C)(v) of the Internal Revenue Code. PCs also constitute "qualifying real property loans" within the meaning of Section 593(d) of the Internal Revenue Code with respect to certain thrift institutions. The Mortgage Corporation may be required to withhold 10% of any interest paid after June 30, 1983 to certain individuals and unincorporated entities. See "Tax Status," pages 19-20.

FHLBB Regulatory Matters

The Federal Home Loan Bank Board has adopted certain rules applicable to PCs held by institutions the deposits or accounts of which are insured by the Federal Savings and Loan Insurance Corporation or held by federal savings and loan associations. See "FHLBB Regulatory Matters," pages 21-22.

AVAILABILITY OF INFORMATION AND INCORPORATION BY REFERENCE

The Mortgage Corporation has prepared an Information Statement dated August 4, 1982 and supplemented October 20, 1982 (the "Information Statement") which describes the Mortgage Corporation, its business, operations and financial condition. The Information Statement also contains the Mortgage Corporation's audited financial statements as of December 31, 1981 and December 31, 1980 and its unaudited financial statements as of June 30, 1982. The Information Statement shall be deemed to be incorporated by reference into this Offering Circular and to be a part hereof.

The Information Statement, any subsequent information statement, any supplement to any information statement relating to the Mortgage Corporation and any quarterly report made available by the Mortgage Corporation for fiscal quarters ending after June 30, 1982, once any such subsequent information statement, supplement or quarterly report is available, can be obtained by writing or calling the Treasurer's Office of the Mortgage Corporation at 1776 G Street, N.W., Washington, D. C. 20036 (202/789-4787).

Any information statement relating to the Mortgage Corporation dated after the date of the Information Statement and made available by the Mortgage Corporation shall be deemed to be incorporated by reference into this Offering Circular and to be a part hereof and shall, at the time of its availability, supersede any prior information statement. Any supplement to the Information Statement or quarterly report made available by the Mortgage Corporation subsequent to the date of the Information Statement shall, at the time of its availability, be deemed to be incorporated by reference into this Offering Circular and to be a part hereof.

FEDERAL HOME LOAN MORTGAGE CORPORATION

The Mortgage Corporation is a corporate instrumentality of the United States created pursuant to an Act of Congress (Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§ 1451-1459, hereinafter the "FHLMC Act"). The principal activity of the Mortgage Corporation consists of the purchase of first lien conventional residential mortgages or participation interests in such mortgages from mortgage lending institutions and the resale of the mortgages so purchased in the form of mortgage securities pursuant to Section 305 of the FHLMC Act. In an effort to minimize interest rate risk, the Mortgage Corporation attempts to match its purchases and sales of these mortgages. The Mortgage Corporation earns as income a management and guarantee fee which is the spread between the effective interest received on the mortgages it purchases and the interest paid on the mortgage securities it sells. Mortgages which are not sold are financed with debt.

APPLICATION OF PROCEEDS

The proceeds to be received by the Mortgage Corporation from the sale of the PCs described herein, including commitment fees and management and guarantee fee income, will provide funds for the Mortgage Corporation to engage in activities consistent with its statutory purposes, including the purchase of additional mortgages and interests in mortgages, repayment of borrowings, payment of operating expenses and satisfaction of working capital needs.

DESCRIPTION OF MORTGAGE PARTICIPATION CERTIFICATES

PCs are sold under the terms of the Mortgage Participation Certificate Agreement, Series 700 (October, 1982) (the "PC Agreement"), which is included in this Offering Circular as Exhibit A and to which reference is made for a complete description of the holders' and the Mortgage Corporation's rights and obligations with respect to PCs.

PCs described herein represent undivided interests in specified first lien, fixed rate conventional residential mortgages ("Mortgages") underwritten and purchased by the Mortgage Corporation which comprise mortgage groups ("PC groups") on the records of the Mortgage Corporation. The general characteristics of these mortgages are summarized below. The requirements applicable to the mortgages purchased by the Mortgage Corporation are fully described in the Mortgage Corporation Sellers' Guide which qualifies this summary in its entirety and which may be obtained from the Mortgage Corporation.

Mortgage Purchase Requirements

All mortgages purchased by the Mortgage Corporation must meet certain standards set forth in the FHLMC Act. The Mortgage Corporation is confined to purchasing, so far as practicable, mortgages which it deems to be of such quality, type and class as to meet generally the purchase standards imposed by private institutional mortgage investors. All of the Mortgages are conventional mortgages and therefore do not have the benefit of any guarantee or insurance by, and are not obligations of, the United States or any agency or instrumentality of the United States.

1. Mortgage Standards

Statutory Requirements. The Mortgage Corporation may not purchase a conventional mortgage if the outstanding principal balance at the time of purchase exceeds 80% of the value of the real property securing the mortgage unless one of the following conditions is met: (1) the seller retains a participation interest in the mortgage of not less than 10% of the mortgage; or (2) the seller agrees, for such period and under such circumstances as the Mortgage Corporation may prescribe, to repurchase or replace the mortgage upon demand by the Mortgage Corporation in the event that the mortgage is in default; or (3) the portion of the unpaid principal balance of the mortgage which is in excess of 80% is insured by a qualified mortgage insurer as determined by the Mortgage Corporation.

Maximum Loan-to-Value Ratios and Loan Amounts. At present, the Mortgage Corporation does not purchase a purchase money mortgage having an original loan-to-value ratio exceeding 95% for a one- or two-family dwelling or 90% for a three- or four-family dwelling. The Mortgage Corporation does not purchase a mortgage on a 1-4 family dwelling (a "home mortgage") which was originated in order to refinance a mortgagor's existing mortgage if the loan-to-value ratio exceeds 90% of the appraised value of the property at origination of the refinance mortgage. The maximum loan-to-value ratio is 80% for a multi-family dwelling.

Under the FHLMC Act, the Mortgage Corporation is required to establish limitations governing the maximum principal obligation of any conventional mortgage which it purchases. At present, the maximum principal obligation established by the Mortgage Corporation is $107,000 for a mortgage on a one-family dwelling, $136,800 for a mortgage on a two-family dwelling, $165,100 for a mortgage on a three-family dwelling and $205,300 for a mortgage on a four-family dwelling. These limitations are increased by 50% for mortgages on properties located in Alaska, Hawaii and Guam. The Mortgage Corporation's present limitations on the principal obligation of conventional mortgages purchased by it for multi-family structures range from $24,375 to $54,697 per unit. In addition, the Mortgage Corporation presently imposes an aggregate original loan amount limitation of $7,500,000 for multi-family mortgages.

Mortgage Insurance. The Mortgage Corporation generally purchases a home mortgage with a loan-to-value ratio exceeding 80% only if the unpaid principal balance in excess of 75% of the appraised value of the property (at date of origination) is insured by a qualified mortgage insurer. Under conditions specified by the Mortgage Corporation, mortgage insurance may not be required on such a mortgage if the seller retains a participation of at least 10% or agrees to repurchase the mortgage in the event of default.

Pursuant to the FHLMC Act, the Mortgage Corporation has established minimum requirements which a mortgage insurer must meet in order to be approved as a qualified mortgage insurer under the various purchase programs. As of June 30, 1982, 18 mortgage insurers were approved as qualified insurers. Approximately 49.7% of all mortgages purchased for the five year period ending December 31, 1981 had some portion of their principal balance insured at the time of purchase by a qualified mortgage insurer. For the first six months of 1982, approximately 38.1% of the mortgages purchased under the Standard Program had some portion of their principal balances insured; information on the percentage of mortgages purchased under the Guarantor Program having such insurance is not currently available for 1982. Under certain circumstances, a servicer may cancel mortgage insurance applicable to a particular mortgage if the loan-to-value ratio of that mortgage has been reduced to 80% or less, based on the original value of the property.

Credit, Appraisal and Underwriting Guidelines. All mortgages purchased by the Mortgage Corporation must conform to the credit, appraisal and underwriting guidelines established by the Mortgage Corporation. These guidelines are designed to evaluate the credit standing of the mortgagor and the value of the real property securing the mortgage. Administration of these guidelines by the Mortgage Corporation, including the required documentation and the extent of pre- and post-purchase audits of documentation provided by the seller, may differ based on the Mortgage Corporation's evaluation of and experience with the eligible seller and the loan-to-value ratio and age of the mortgages. Any of the Mortgage Corporation's credit, appraisal and underwriting guidelines and procedures are subject to change at any time and at the Mortgage Corporation's sole discretion so long as the guidelines and procedures as modified continue to be prudent.

For the six months ended June 30, 1982 and for the years ended December 31, 1981, 1980, 1979, 1978, and 1977, approximately 3.5%, 3.4%, 7.5%, 7.3%, 7.8%, and 9.0%, respectively, of the mortgages offered for sale to the Mortgage Corporation under its various purchase programs have been either withdrawn or rejected for failure to meet the guidelines and requirements of the Mortgage Corporation purchase program under which the mortgage was offered.

Amortization of Principal. Substantially all of the home mortgages purchased by the Mortgage Corporation require monthly amortization of principal in increasing amounts over the life of the mortgage. The Mortgage Corporation has purchased an insignificant principal amount of flexible payment home mortgages, as to which amortization of principal is not required during an initial period (not to exceed five years) of the term of the mortgage. A multi-family mortgage may provide for monthly amortization of principal based upon a term of years exceeding the term of the mortgage, and as a result a large unpaid principal balance may be payable at the expiration of the term of the mortgage.

Individualized Financing Arrangements. Under conditions specified in the Sellers' Guide the Mortgage Corporation purchases first lien mortgages as to which the mortgagor has obtained secondary or individualized financing arrangements. These arrangements include junior lien mortgages containing features such as the absence of regular amortization of principal and deferred interest and/or principal payments. The Mortgage Corporation also purchases mortgages as to which an individual third party makes contributions to the downpayment of the home purchaser-occupant and shares in the equity in the property. The third party may also contribute to the purchaser-occupant's monthly payments. Any agreement for sharing of equity cannot require sale of the property or buyout of the third party's interest prior to seven years following mortgage origination. Individualized payment arrangements in which funds are placed in an account by a third party or the borrower and are used to pay a portion of the monthly payment on the mortgage for a specified period, commonly referred to as "buydown" arrangements, are also permitted under certain conditions. In all circumstances where individualized financing arrangements are involved the Mortgage Corporation purchases only the first mortgage, and the entire arrangement must meet the Mortgage Corporation's credit, appraisal and underwriting guidelines.

Variations in Programs. Consistent with the standards imposed by the FHLMC Act, the Mortgage Corporation purchase programs have differed and may differ with regard to such matters as the percent retained by sellers (in participation purchase programs), loan-to-value ratios and maximum unpaid principal amounts for individual mortgages (not to exceed those described above), required documentation, payment of interest in advance or in arrears, owner-occupancy and primary residence requirements and the particular requirements of the Mortgage Corporation's credit, appraisal and underwriting guidelines. The Mortgage Corporation believes that these variations have had and will have no material impact upon the quality of the mortgages purchased in the various programs.

2. Eligible sellers

The Mortgage Corporation may purchase mortgages from any member of any Federal Home Loan Bank, any other financial institution the deposits or accounts of which are insured by an agency of the United States, certain financial institutions the deposits or accounts of which are insured under state law (chiefly certain Massachusetts institutions), any mortgagee approved by the Secretary of Housing and Urban Development for participation in any mortgage insurance program under the National Housing Act, any Federal Home Loan Bank, the Federal Savings and Loan Insurance Corporation, the Federal Deposit Insurance Corporation and the National Credit Union Administration. In some instances the Mortgage Corporation may purchase from an eligible seller mortgages which were not originated by that seller or by any eligible seller.

All Federal Home Loan Bank members are eligible sellers. In the case of savings banks, commercial banks and other federal or state insured financial institutions, the Mortgage Corporation determines on an individual institution basis whether such institutions will be approved as eligible sellers. Prior to making such a determination, the Mortgage Corporation evaluates the mortgage origination and servicing experience of such sellers. The Mortgage Corporation has also established eligibility requirements for HUD-approved mortgagees, including financial standards, such as net worth and liquidity tests, and standards concerning facilities, origination and servicing experience, and reporting.

3. Warranties of sellers

A seller is required to give certain warranties to the Mortgage Corporation for the benefit of the Mortgage Corporation and purchasers from the Mortgage Corporation. These warranties cover such matters as validity of the mortgage as a first lien, proper recordation of the mortgage, compliance by the originator with the requirements of all state and federal laws including those relating to settlement procedures, truth-in-lending and usury, absence of default in principal or interest payments on the mortgage and absence of any delinquency in any mortgage payment during the year prior to sale to the Mortgage Corporation, sale to the Mortgage Corporation free of all liens and encumbrances prior to the first lien of the mortgage, and validity of title, hazard and private mortgage insurance policies. Sellers also warrant that each mortgage complies with all the terms and conditions of the Mortgage Corporation purchase program pursuant to which the mortgage is being purchased and with such requirements as are generally imposed by private institutional mortgage investors in the area in which the mortgaged property is located. These warranties are made even if the seller is not the originator of the mortgage. In certain circumstances the Mortgage Corporation may permit a seller to provide a warranty in lieu of documentation otherwise required by the Sellers' Guide.

4. Servicing

Sellers agree, subject to the Mortgage Corporation's general supervision, to perform diligently all services and duties customary to the servicing of mortgages. As a fee for servicing the mortgages, sellers retain at least .375% on whole loan home mortgages and, depending on the amount of the unpaid principal balance, .125% to .25% on multi-family mortgages. There is no minimum servicing fee on participation interests. The duties performed by servicers include collection and remittance of principal and interest payments, administration of escrow accounts, collection of insurance claims and, if necessary, foreclosure. Subject to the Mortgage Corporation's approval, sellers may contract to have servicing performed by other servicers acceptable to the Mortgage Corporation. Such use of servicing agents does not, however, relieve the seller of its obligations to the Mortgage Corporation.

The Mortgage Corporation supervises the servicing of the mortgages it has purchased, including those mortgages which it has sold in the form of PCs, in a manner consistent with prudent servicing standards. The Mortgage Corporation monitors servicers' performance through periodic and special reports required to be filed with the Mortgage Corporation and has developed detailed servicing policies and procedures as an aid to the efficient and uniform servicing of mortgages. Any of the Mortgage Corporation's servicing policies and procedures are subject to change at any time and at the Mortgage Corporation's sole discretion so long as the policies and procedures as modified continue to be prudent. Such changes may occur formally, *i.e.,* by amendment of the Mortgage Corporation's Servicers' Guide, or informally in connection with the servicing of a particular mortgage.

Set forth below is a brief description of certain aspects of the Mortgage Corporation's current servicing policies and procedures concerning assumptions, repayments of principal, deliquencies, foreclosures and liquidations. This description is not intended to be complete and is qualified in its entirety by the Mortgage Corporation's Servicers' Guide (as amended from time to time), a copy of which may be obtained from the Mortgage Corporation. Further, in view of the highly individualized nature of many servicing situations, informal adaptation of the policies and procedures in the Servicers' Guide to fit particular situations can be expected to occur with some frequency.

Assumptions. The Mortgage Corporation's current assumption policy requires a credit review of the assuming borrower by either the Mortgage Corporation or the servicer if such review is permitted under the mortgage documents. Mortgage assumptions frequently involve a change in the mortgage coupon rate in jurisdictions where such changes are legal. Under its current policy, the Mortgage Corporation does not permit coupon rate or payment term modifications in connection with assumptions of mortgages which it has purchased. See "Description of Mortgage Participation Certificates—PC Principal Repayment Experience." If the assuming borrower and the servicer agree on a coupon rate increase, the Mortgage Corporation requires such mortgage to be repurchased by the servicer. The proceeds of any such repurchase will be passed through to PC holders as a repayment of principal. See "Description of Mortgage Participation Certificates—Interest and Principal Payments."

Effective July 1, 1983 the Mortgage Corporation will change its current policy with respect to assumptions by requiring servicers to enforce due-on-sale clauses contained in mortgages purchased by the Mortgage Corporation. Under the new policy, the Mortgage Corporation will require its servicers to demand full payment of the remaining principal balance of a mortgage upon sale or transfer of the property securing the mortgage, irrespective of the creditworthiness of the transferee. This policy (referred to herein as a policy of "automatic acceleration") will apply to all mortgages which contain enforceable due-on-sale clauses to the extent permitted under federal and state law as described below.

The extent to which the Mortgage Corporation will be able to require automatic acceleration with respect to the mortgages in any PC group will depend initially upon whether the mortgage documents contain a due-on-sale clause that can be enforced in accordance with this new policy. The FNMA/FHLMC uniform instruments for home mortgages permit automatic acceleration. The FNMA/FHLMC uniform instruments for multi-family mortgages do not; however, the Mortgage Corporation will require that the mortgage documentation on a multi-family mortgage originated after the effective date of the new policy include a due-on-transfer rider which will provide for a right of automatic acceleration substantially equivalent to that conferred by the due-on-sale clause in the

FNMA/FHLMC uniform instruments for home mortgages. Home and multi-family mortgages on non-uniform instruments may or may not permit automatic acceleration. See "Description of Mortgage Participation Certificates—The PC Groups" for a description of the mortgage instruments permissible under various programs. The Mortgage Corporation accordingly makes no representation concerning the extent to which the mortgages in any PC group will contain due-on-sale clauses permitting automatic acceleration.

The extent to which the Mortgage Corporation will be able to require automatic acceleration as of July 1, 1983 will also depend upon whether the mortgages are subject to state laws prohibiting automatic acceleration. The Depository Institutions Amendments of 1982, as signed into law on October 15, 1982 (the "DIA"), provides for federal preemption of state laws and judicial decisions which restrict the exercise of due-on-sale clauses. Except as described below, under the DIA the Mortgage Corporation will be permitted to require automatic acceleration subject to certain specified transactions excluded by the DIA and if permitted under the mortgage documents.

Under the DIA any mortgage originated by a lender other than a federal savings and loan association or a federal savings bank or any such mortgage assumed during the period beginning on the date a state adopted (whether by statute, constitutional provision or specified judicial decision) a restriction on the enforcement of due-on-sale clauses and ending on October 15, 1982 ("window period" mortgages) would remain subject to any applicable state law restriction until October 15, 1985. However, prior to that date: (1) the state may enact legislation applicable to the enforcement of the due-on-sale clauses in window period mortgages originated by lenders other than national banks, federal savings and loan associations, federal savings banks and federal credit unions, and (2) the Comptroller of the Currency and the National Credit Union Administration may promulgate regulations applicable to enforcement of due-on-sale clauses in window period mortgages originated by national banks and federal credit unions. Such state legislation or federal regulations may affect the extent to which the Mortgage Corporation can implement its new policy as to window period mortgages. According to the report of the U.S. Senate Committee on Banking, Housing and Urban Affairs, window period mortgages will exist in approximately 12 states. The Mortgage Corporation makes no representation concerning the extent to which the mortgages in any PC group will be window period mortgages. The Mortgage Corporation will permit a window period mortgage to be assumed by a transferee at the existing coupon rate once the transferee's credit has been reviewed and found acceptable by either the Mortgage Corporation or the servicer.

Repayments of Principal. A full repayment of principal to the PC holder may occur as a result of a transfer of the real property securing the mortgage or a refinancing of the mortgage by the mortgagor. A mortgagor may repay a mortgage in full at any time subject to the payment of any prepayment fee required by the mortgage instruments and permitted by federal and state law. The Mortgage Corporation does not permit the collection of a prepayment fee on any home mortgage purchased by the Mortgage Corporation after December 31, 1979. A full repayment of principal may also occur as a result of the Mortgage Corporation's requiring a seller to repurchase a mortgage having a material breach of warranty or defect in documentation.

A mortgagor may also make a partial repayment of principal at any time. A servicer may approve a request from a mortgagor who has made a partial repayment of principal to reduce subsequent scheduled monthly payments of principal and interest provided that payment on the mortgage is current and that the reduction will not result in an extension of the term of the mortgage or a change in the coupon rate.

Effective November 1, 1980, the Sellers' Guide permits mortgage originators to add a call option rider to the mortgage or deed of trust allowing the lender to demand payment of all principal at a specified date. The seller of such a mortgage warrants that the call option rider will not be exercised without the Mortgage Corporation's prior written approval. The Mortgage Corporation has not yet formulated any policy with respect to the exercise of call option riders included as a result of the November 1, 1980 Sellers' Guide revision and accordingly makes no representation regarding whether it might approve the exercise of such call option riders at some future date.

Standard Program, a home mortgage originated after January 1, 1976 must have been originated on FNMA/FHLMC uniform instruments. See "Description of Mortgage Participation Certificates—Mortgage Purchase Requirements—Servicing—Assumptions." A multi-family mortgage originated after October 1, 1977 must have been originated on FNMA/FHLMC uniform instruments.

The range of coupon rates on the mortgages in a PC group will vary since mortgages are purchased and identified to a PC group based on their yield to the Mortgage Corporation rather than on the coupon rate on the mortgages. However, the interest remittable on the Mortgages to the Mortgage Corporation will, except as described in this paragraph, be equal to or greater than the interest remittable to PC holders at the certificate rate of the PC. Under certain market conditions, the interest remittable to the Mortgage Corporation on certain groups of whole loans, participations or residual participations included in the Mortgages may be less than the certificate rate of the PC. In that event, the Mortgage Corporation will retain a sufficient ownership interest in such groups so that the interest payments attributable to the Mortgage Corporation's retained ownership in each whole loan or participation group will be sufficient for the Mortgage Corporation to pay to PC holders any difference between the interest remittable to PC holders at the certificate rate of the PC and the interest to which the Mortgage Corporation is entitled on the Mortgages.

Historically, the Mortgage Corporation has purchased mortgages in significantly heavier volumes from areas of the United States that are mortgage capital deficit areas. The extent to which the Mortgage Corporation purchases mortgages in any particular capital deficit area is affected by the size of the deficit in that area, the extent to which mortgage originators in the area determine to rely on secondary mortgage market financing and their choice of sources of that financing, and the yields at which particular mortgage originators offer to sell mortgages to the Mortgage Corporation as compared to other yields offered to the Mortgage Corporation. The area of geographic concentration may change as national or regional economic developments cause changes in areas of capital deficit and surplus. In addition, the Mortgage Corporation's purchases of mortgages in specific states may be constrained from time to time as a result of legal impediments to the purchase and sale of mortgages including, for example, statutory prohibitions of credit review of mortgage transferees. Where restrictions operate to prevent purchases in a particular locality, the geographic concentration in the Mortgages may be affected. Accordingly, the Mortgages may reflect a significant degree of geographic concentration. A particular PC may represent undivided interests in Mortgages which are located in a single geographic area or in a single state.

The Mortgage Corporation may identify the whole loans, participations and residual participations which will comprise a PC group up to the day prior to the date that the first remittance of principal and interest is payable to PC holders. See "Description of Mortgage Participation Certificates—Interest and Principal Payments." Accordingly, the percentage undivided interest in the mortgages which comprise a particular PC group owned by each PC holder is fixed as of the first remittance date to PC holders.

2. *PC Groups Formed under the Guarantor Program*

Under the Guarantor Program, which began in 1981, the Mortgage Corporation purchases mortgages generally from one seller and, in exchange for the mortgages purchased, sells to the same seller PCs representing interests in the mortgages purchased. All of these mortgages are home mortgages. PCs sold under the Guarantor Program are identified by a PC group number bearing the prefix "18" on the face of the PC certificate.

The size and composition of PC groups formed under the Guarantor Program may differ in several respects from PC groups formed under the Standard Program. The original unpaid principal balance of and the number of mortgages in a PC group formed under the Guarantor Program are dependent on the minimum dollar amount a seller may offer for sale to the Mortgage Corporation as well as the dollar amount and number of mortgages accepted for purchase by the Mortgage Corporation. The minimum delivery amount currently accepted by the Mortgage Corporation is $5 million. The minimum purchase amount and minimum PC group balance is currently $4.9 million. The minimum delivery and purchase amounts are subject to change from time to time. There is no maximum delivery or purchase amount.

Because a PC group formed under the Guarantor Program is comprised of mortgages purchased by the Mortgage Corporation generally from one seller, the real properties securing the mortgages may be concentrated in one geographic area. Where a PC group is comprised solely of mortgages purchased from one seller, the seller will be identified on the list of group factors for PC groups. See "Description of Mortgage Participation Certificates—Group Factors." However, the seller need not be the originator of the mortgages, and the real property securing the mortgages need not be located in the same state as the principal office or any office of the seller.

The documentation requirements and the range of original maturities, coupon rates and ages of the mortgages comprising PC groups formed under the Guarantor Program may differ from those of PC groups formed under the Standard Program. To date a substantial majority of the mortgages purchased under the Guarantor Program were originated more than one year prior to purchase.

Mortgages originated more than two years prior to delivery under the Guarantor Program need not be on FNMA/FHLMC uniform instruments and, as a result, may not contain provisions comparable to those in the uniform instruments, such as the provision permitting automatic acceleration of the unpaid principal balance upon transfer of the real property securing the mortgage.

For mortgages at least two years old, in specified circumstances the Mortgage Corporation may also not require that the property be occupied by the mortgagor or occupied as a primary residence at the time of purchase. However, these mortgages must have an original loan-to-value ratio of 80% or less, the mortgagor must have made a cash equity payment of 20% and, where the property is not occupied as a primary residence, the property must be suitable for occupancy as a primary residence. Generally not more than 25% of the original unpaid principal balance of a PC group may consist of such mortgages.

Under the Guarantor Program both whole loans and participations are purchased at par and the certificate rate of a PC is based upon the lowest coupon rate on any mortgage in the PC group. See "PC Sales Programs—PCs Sold under the Guarantor Program." Since the certificate rate of a PC will always be lower than the lowest coupon rate on any mortgage in the PC group, interest remittable by the servicer on the mortgages comprising the PC group will always be greater than the interest remittable to PC holders at the applicable PC certificate rate. For PC group numbers beginning with 18-012, the range between the lowest and highest coupon rates on the mortgages in a PC group may not exceed 2.00%.

The original unpaid principal balance of a PC group sold to a seller under the Guarantor Program is equal to the unpaid principal balance of the Mortgages as of the date of their delivery to the Mortgage Corporation. Principal repayments on the Mortgages made during the period between delivery and settlement dates are reflected in the group factor of the PC group for the month following the month of initial issue of the PC group and are remitted to the PC holder accordingly. See "Description of Mortgage Participation Certificates—Group Factors."

The maturity dates of the mortgages comprising a PC group need not fall within a circumscribed range. As a result the final payment date specified on a PC certificate, which is determined based upon the latest maturity date on any mortgage in the PC group, may not reflect the maturity date of any other mortgage in the PC group. See "Description of Mortgage Participation Certificates—Maturity and Weighted Average Life."

Under the Guarantor Program the Mortgage Corporation may also purchase mortgages from a seller or group of sellers participating in programs designed to assist in the relocation of employees ("relocation programs"). Such mortgages could be any combination of: (1) the mortgages of transferred employees of a corporation at their new locations, including the refinancing of mortgages previously made to such employees, and (2) the mortgages of purchasers of the former residences of the transferred corporate employees. Such mortgages would generally be originated or refinanced no more than two years prior to their purchase by the Mortgage Corporation at coupon rates below current market rates. These PC groups may be comprised of a large number of for any differences by adjustment of subsequent group factors. See "Description of Mortgage Participation Certificates—Group Factors."

PC holders are also entitled to receive their pro rata share of any prepayment fees collected by the Mortgage Corporation with respect to the Mortgages. Any such prepayment fees represent additional income to holders over and above interest at the certificate rate. Late payment fees are retained by the servicers and are not passed through to the Mortgage Corporation or to the holders of PCs.

The PC Agreement provides that the Mortgage Corporation shall remit each registered PC holder's pro rata share of principal payments on the Mortgages, including full and partial repayments, and condemnation, insurance, liquidation and foreclosure proceeds, including proceeds resulting from acquisition by the Mortgage Corporation of the real property securing the mortgage, interest to the extent of the certificate rate and any other sums such as prepayment fees, within 60 days of the date on which such payments are received by the Mortgage Corporation. Under the group factor procedure and as permitted by the PC Agreement, the adjustment of principal amounts described in the foregoing paragraph may occur more than 60 days after the related principal amounts are received by the Mortgage Corporation. See "Description of Mortgage Participation Certificates—Group Factors."

The Mortgage Corporation's servicers report the receipt of interest and principal payments, including full and partial repayments of principal, and actions taken with respect to the Mortgages on a fiscal month reporting cycle rather than a calendar month reporting cycle.

The Mortgage Corporation will normally receive from servicers scheduled principal and interest payments and partial repayments of principal made with respect to the Mortgages during the first week of the month following the month in which the payments were made and full repayments of principal within five business days of the date on which payments were made. Pending remittance to PC holders as described above, the Mortgage Corporation may invest these funds at its own risk and for its own benefit.

If the Mortgage Corporation acquires any PCs, it shares pro rata with the holders of all other PCs included in the same PC group.

Guarantees

The Mortgage Corporation guarantees to each registered holder of a PC the timely payment of interest by each mortgagor to the extent of the applicable certificate rate on the registered holder's pro rata share of the unpaid principal balance outstanding on the Mortgages as determined by the applicable group factor. The Mortgage Corporation also guarantees to each registered holder of a PC collection by such holder of all principal on the Mortgages, without any offset or deduction, to the extent of such holder's pro rata share thereof, but does not guarantee the timely payment of scheduled principal. Pursuant to its guarantees, the Mortgage Corporation indemnifies holders of PCs against any diminution in principal by reason of charges for property repairs, maintenance and foreclosure.

The Mortgage Corporation may remit the amount due on account of its guarantee of collection of principal at any time after default on an underlying mortgage, but not later than (i) thirty days following foreclosure sale, (ii) thirty days following payment of the claim by any mortgage insurer, or (iii) thirty days following the expiration of any right of redemption, whichever occurs later, but in any event no later than one year after demand has been made upon the mortgagor for accelerated payment of principal.

In taking actions regarding the collection of principal after default on mortgages in a PC group, including the timing of the demand for acceleration, the Mortgage Corporation will exercise its servicing judgment with respect to the Mortgages in the same manner as for mortgages which it has purchased but has not sold. Prior to making demand for accelerated payment of principal, the Mortgage Corporation may grant a period of forebearance, alter the mortgage terms or permit repayment of delinquent amounts over a period of six months or more. For further information concerning the Mortgage Corporation's servicing policies, see "Description of Mortgage Participation Certificates—Mortgage Purchase Requirements—Servicing—Delinquencies."

The Mortgage Corporation is subrogated to all the rights, interests, remedies, powers and privileges of each holder of a PC on which guarantee payments have been made by the Mortgage Corporation in respect of principal and/or interest.

PCs are not guaranteed by the United States or by any Federal Home Loan Bank and do not constitute debts or obligations of the United States or any Federal Home Loan Bank.

Maturity and Weighted Average Life

PCs represent undivided interests in mortgages which have a maximum original maturity of thirty years, subject to extension by virtue of forbearance. The weighted average life of an investment is dependent upon the amount of principal returned periodically. The Mortgage Corporation uses a 12-year prepayment assumption as the basis for yield quotations with respect to PCs. The 12-year prepayment assumption is based on the premise that only scheduled amortization will occur in a group of mortgages until the end of the twelfth year at which time all mortgages included in the group are assumed to prepay. Although the 12-year prepayment assumption is the common industry norm for quoting yields on mortgage pass-through securities, the actual yield associated with a PC purchased at a given price will be determined by the actual timing of mortgage repayments.

General economic conditions, mortgage market interest rates, the age of a mortgage, the geographic location of the real property security and other factors may influence repayments of mortgages. See "Description of Mortgage Participation Certificates—The PC Groups" and "Description of Mortgage Participation Certificates—PC Principal Repayment Experience." Since the actual life of the Mortgages is influenced by such factors, the actual repayment pattern of the mortgages included in a PC group is likely to be different than the mortgage repayment pattern associated with the 12-year prepayment assumption described above. The limited experience of the Mortgage Corporation indicates that the repayment patterns of mortgages included in PC groups will produce a weighted average life that is less than the weighted average life resulting from the 12-year prepayment assumption. The Mortgage Corporation currently purchases mortgages and sells PCs and amortizes purchase and sales discount on its mortgage purchases and PC sales based on the assumption that the repayment pattern of mortgages included in PC groups will produce a weighted average life ranging between approximately 7 and 10 years. See "Description of Mortgage Participation Certificates—PC Principal Repayment Experience." The Mortgage Corporation anticipates that holders of PCs will receive principal payments in excess of scheduled amortization payments applicable to the Mortgages, but that final repayment of all principal may not be received until the maturity of the PC.

PC Principal Repayment Experience

The table included as Exhibit B to this Offering Circular sets forth with respect to 151 PC groups the cumulative percentage of the original principal balances which have been paid to PC holders at the end of various yearly intervals. The table includes all PCs sold by the Mortgage Corporation from December 1, 1972 which have had at least one year of payment experience based upon the group factors applicable through September 30, 1982. The PC groups listed in the table and those offered hereby may differ with regard to the original unpaid principal balance, number of mortgages, geographic location of the real properties and types of dwellings securing the mortgages, number of mortgages purchased from a single institution or made to employees of a single employer, instruments on which the mortgages were originated, coupon rates, original maturities and ages of the mortgages. See "Description of Mortgage Participation Certificates—Mortgage Purchase Requirements" and "Description of Mortgage Participation Certificates—The PC Groups."

The Mortgage Corporation has formed no definitive view with regard to the factors which account for the variations in repayment experience shown in the table included as Exhibit B. The repayment of a PC group may be influenced by a variety of economic, social, geographic, demographic, financial and other factors. Among these are the age distribution of the mortgages in the PC group, characteristics of the mortgagors including personal income levels and ages, population migration, the availability and cost of mortgage financing, the differential between current mortgage interest rates and coupon rates of the mortgages in the PC group, the extent to which mortgages in the PC group are assumed or are refinanced by mortgagors and the use of second-lien or other individualized financing arrangements as well as economic conditions generally. The relative contribution of these factors may vary over time. The number of foreclosures in a PC group and the number of mortgages which sellers are required to repurchase as a result of material breaches of warranty or defects in documentation will affect repayment. In addition, servicing decisions made with respect to the Mortgages, including the use of modification plans and the exercise of forebearance prior to demand for acceleration, may also have an impact upon the principal repayment history of particular PC groups. For a description of the Mortgage Corporation's servicing policies, see "Description of Mortgage Participation Certificates—Mortgage Purchase Requirements—Servicing." For information concerning foreclosures, see "Business—Delinquencies, Defaults and Foreclosures" in the Information Statement. In the future PC groups comprised of relocation program mortgages may be formed under the Guarantor Program. The principal repayment experience of such PC groups may be affected by the practices of employers in transferring employees and the number of mortgages in a PC group made to such employees.

The Mortgage Corporation makes no representation as to the percentage of the original principal balance of the PCs described herein which will have been paid to holders at any particular point in time. The mortgages applicable to any particular PC group may experience a rate of principal repayment which is greater than or less than the range shown in the table included as Exhibit B.

Transfers and Exchanges

PCs are sold in fully registered form only and are freely transferable. The Mortgage Corporation reserves the right to designate its agent for purposes of transfer and to change that designation at any time. Any sale or transfer of a PC must be evidenced by completion of the form of transfer on the reverse side of the PC or the Form of Detached Assignment of Mortgage Corporation PCs (FHLMC Form 548), which may be obtained from the Mortgage Corporation, from any dealer in PCs or from the transfer agent for PCs. A charge may be made for any exchange or transfer of a PC. A charge will be made for any tax or other governmental charge imposed in connection with an exchange or transfer of a PC. *Form PD 1832 may not be used to effect transfers.* Notice with respect to a transfer shall be sent or delivered to the transfer agent at the address stated below or to such other agent as is subsequently designated by the Mortgage Corporation for receipt of transfers of PCs:

Deliver to:	Mail to:
Chemical Bank 55 Water Street Corporate Tellers Window #22 Room #234 New York, New York	Chemical Bank Corporate Trust Department Post Office Box 25983 Church Street Station New York, New York 10249 Attn: MBS Department

The Mortgage Corporation maintains a register of the holders of PCs. A holder who acquires a PC from another holder acquires such PC subject to all the terms and conditions of the PC Agreement. Accordingly, any such subsequent holder will receive the first remittance of principal and interest payments with respect to the Mortgages on or before the fifteenth day of the second month following the month in which a purchaser becomes a registered holder. Thereafter, a holder will receive, on or before the fifteenth day of each month, monthly remittances with respect to the Mortgages. The Mortgage Corporation makes payments of principal, interest and any other payments with respect to a PC only to the registered holder of a PC, as the holder's name and address appear on the PC register. Transfer of PCs duly presented for registration of transfer on or before the last business day of each month are registered effective as of the opening of business on the first day of that month.

Remedies

In the event of the Mortgage Corporation's default in the payment of principal or interest or in the performance of any other covenant in the PC Agreement, all to the extent and as set forth in the PC Agreement, the holders of a majority in aggregate unpaid principal balance of the PCs in any given PC group may, subject to certain notice requirements and the rights of the Mortgage Corporation and other PC holders, remove the Mortgage Corporation and nominate a successor under the PC Agreement. Appointment of a successor does not relieve the Mortgage Corporation of its guarantee obligations as set forth in the PC Agreement. The right of a PC holder to receive payment of interest or principal due in respect of the holder's PC or to institute suit for enforcement of any such payment cannot be impaired without the consent of such holder but is subject to certain notice and indemnity requirements and the rights of other PC holders as set forth in the PC Agreement. For complete information concerning holders' rights and remedies with respect to a PC, see the PC Agreement.

Tax Status

Neither the PCs nor the income derived therefrom is exempt from federal income, estate or gift taxes under the Internal Revenue Code of 1954, as amended (the "Code") by virtue of the status of the Mortgage Corporation as a corporate instrumentality of the United States. Further, neither the Code nor the FHLMC Act contains an exemption from taxation of the PCs or the income derived therefrom by any state, any possession of the United States or any local taxing authority. It is suggested that purchasers residing in states or localities which impose intangible property or income taxes consult their own tax advisers as to the status of the PCs and the income thereon.

The Mortgage Corporation will furnish each PC holder with annual information for federal income tax purposes that will itemize with respect to each PC held the total amount of interest paid by mortgagors at the underlying coupon rates, seller/servicers' fees (if any), the Mortgage Corporation's management and guarantee fees (if any), the total amount of interest at the certificate rate on the PCs and prepayment fees (if any) received by that holder for the calendar year.

PCs have the following characteristics for federal income tax purposes:

(A) A PC group formed as described herein will not be classified as an association taxable as a corporation, but rather will be classified as a grantor trust under subpart E, Part I of subchapter J of the Code. Each PC holder will be treated as the owner of a pro rata undivided interest in the ordinary income and the corpus of the grantor trust attributable to that particular PC group and will be considered the beneficial owner of a pro rata undivided interest in each of the whole loans and/or participations included therein. Accordingly, PC holders will be required to report on their federal income tax returns their pro rata share of the entire income from the Mortgages, including gross interest income at the coupon rate on the Mortgages and incidental fees, if any. PC holders will be entitled to deduct, under Sections 162 or 212 of the Code, their pro rata shares of seller/servicers' fees, including incidental fees retained by seller/servicers, if any, and the Mortgage Corporation's management and guarantee fees, if any.

(B) A PC held by a "domestic building and loan association" within the meaning of Section 7701(a) (19) of the Code represents "loans secured by an interest in real property" within the meaning of Section 7701(a) (19) (C) (v) of the Code. A PC also represents "qualifying real property loans" within the meaning of Section 593(d) of the Code with respect to certain thrift institutions.

(C) Interest income on PCs is "interest on obligations secured by mortgages on real property" as that phrase is used in Section 856(c) (3) (B) of the Code; ownership of a PC by a real estate investment trust is ownership of "real estate assets" as that phrase is used in Section 856(c) (5) (A) of the Code.

(D) In the case of a PC held by a holder other than the seller of the mortgages under the Guarantor Program, each undivided interest in a mortgage included in the PC group will be treated as bearing discount income or incurring premium expense over the life of such mortgage, as follows. If interest at the certificate rate on the PC plus the Mortgage Corporation's management and guarantee fee exceeds interest at the coupon rate of the mortgage, the amount of such excess will be characterized as "discount." If interest at the certificate rate plus the Mortgage Corporation's management and guarantee fee is exceeded by interest at the coupon rate of the mortgage, the amount of such excess will be characterized as "premium." The Mortgage Corporation will report the aggregate of such amounts to PC holders, as well as the gross interest income at the coupon rate on the Mortgages, as a part of the annual information furnished for federal income tax purposes. A market discount or premium incurred upon the purchase of a PC will increase or decrease, respectively, the amount of discount or premium reportable by the holder by virtue of ownership of the PC.

(E) The qualification of an employees' pension or profit-sharing trust under Section 401 of the Code and its exemption under Section 501(a) will not be adversely affected by the purchase of PCs, provided that the purchase meets the investment requisites applicable to such trust.

With respect to certain federal income tax aspects of fees received by purchasers in connection with optional delivery programs, see "PC Sales Programs—PCs Sold Under the Standard Program—Federal Income Tax Consequences of Fees."

The Tax Equity and Fiscal Responsibility Act of 1982 establishes a new system of withholding that may apply to interest payments on PCs made after June 30, 1983. It is not yet clear whether these withholding provisions will apply to PCs. If such provisions are applicable, the amount withheld would be equal to 10% of each interest payment made to a PC holder who is subject to the withholding requirements. Only individuals who are citizens or residents of the United States and certain unincorporated entities would be subject to the withholding requirements. Corporations, certain individuals and certain unincorporated entities would be exempt from the withholding requirements if they furnish the Mortgage Corporation with an exemption certificate or are specifically identified in regulations to be promulgated by the Secretary of the Treasury. Information returns would be furnished to holders and to the Internal Revenue Service regarding the amount of interest paid and tax withheld. The Treasury will soon promulgate temporary regulations concerning the new withholding requirements, and the Mortgage Corporation expects such regulations to address these issues.

Legality of Investments

Pursuant to Section 306(e) of the FHLMC Act, 12 U.S.C. § 1455(e), PCs are lawful investments for any person, trust, corporation, partnership, association, business trust or business entity created pursuant to or existing under the laws of the United States or any state (including the District of Columbia and Puerto Rico) to the same extent as the investor is authorized to invest in obligations issued by or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof. The investment authority of investors who are authorized to invest in PCs solely pursuant to Section 306(e) of the FHLMC Act will expire on June 30, 1985, and other applicable laws will then govern. The expiration of the investment authority granted under Section 306(e) will not affect the validity of any commitments made prior to June 30, 1985 to purchase PCs. A state may enact legislation which specifically names the Mortgage Corporation and limits an investor's authority to invest in PCs but, to the Mortgage Corporation's knowledge, no state has enacted any such legislation.

Pursuant to 12 U.S.C. §§ 1430 and 1455(e) and 12 C.F.R. § 525.10, PCs are eligible as security for advances by Federal Home Loan Banks to federal savings and loan associations and other members for which PCs are legal investments.

Federal Home Loan Banks are specifically authorized to invest their surplus and reserve funds in PCs by U.S.C. §§ 1431(h) and 1436, respectively.

Funds of federal savings and loan associations and federal mutual savings banks may be invested in PCs without regard to limitations generally applicable to investments. 12 U.S.C. § 1464(c)(1)(E).

National banks may deal in, underwrite and purchase PCs for their own accounts without regard to limitations generally applicable to investment securities. 12 U.S.C. § 24, seventh paragraph.

Pursuant to 12 U.S.C. § 347 and 12 C.F.R. § 201.108(b)(16), PCs are eligible as security for advances for periods not exceeding 90 days by Federal Reserve Banks to member banks.

Federal credit unions may purchase PCs without regard to limitations generally applicable to investments. 12 U.S.C. § 1757(7)(E).

For private pension funds subject to the Employee Retirement Income Security Act of 1974 the PCs, and not the mortgages underlying the PCs, are considered to be plan assets. 29 U.S.C. § 1103(a); 29 C.F.R. § 2550.401 b-1.

Pursuant to 12 U.S.C. § 1452(f), PCs are lawful investments, and may be accepted as security, for all fiduciary, trust, and public funds, the investment or deposits of which are under the authority and control of the United States or any officers thereof; accordingly, PCs are acceptable as collateral for Treasury tax and loan accounts pursuant to 31 C.F.R. § 203.15(d)(1).

The Economic Recovery Tax Act of 1981 ("ERTA") authorizes certain financial institutions to issue tax-exempt savings certificates, commonly referred to as "All Savers Certificates." Subject to certain limitations, PCs are eligible to be purchased by financial institutions as "qualified residential financing" for purposes of Section 301 of the ERTA.

Regulatory Constraints

Any financial institution which is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, the Government National Mortgage Association, the National Credit Union Administration or other agencies with similar authority should review any applicable rules, guidelines and regulations prior to purchasing PCs.

Reverse Repurchase Agreements

The Mortgage Corporation has been advised that certain financial institutions have indicated that they are willing to enter into reverse repurchase agreements for PCs. A reverse repurchase agreement consists of a financial institution's buying a PC from a current holder with a simultaneous agreement from the holder to repurchase the PC on a specific date, normally within 30 days. The effect is to provide PC holders with access to short-term funds, possibly at relatively favorable rates. A reverse repurchase agreement is solely between the holder and the institution, and the Mortgage Corporation is not obligated in any way to either party. There is no assurance that any financial institutions will continue to be willing to enter into reverse repurchase agreements for PCs.

FHLBB Regulatory Matters

Pursuant to FHLBB Memorandum R-29a, the Federal Home Loan Bank Board has taken the position that PCs are to be reported in the asset classification "Mortgages, participations, or mortgage-backed securities insured or guaranteed by an agency or instrumentality of the U.S." For this purpose, the Mortgage Corporation is considered an instrumentality of the United States.

Pursuant to FHLBB Memoranda R-49 and R-49-1, the Federal Home Loan Bank Board has taken the position that no loss need be taken for regulatory accounting purposes on sales of mortgages or interests in mortgages in exchange for PCs backed by the same or substantially identical mortgages.

The Director of the Office of Examinations and Supervision of the Federal Home Loan Bank Board has informed the Mortgage Corporation that PCs current with respect to guaranteed principal and interest payments are not "scheduled items" for institutions the deposit or accounts of which are insured by the Federal Savings and Loan Insurance Corporation, notwithstanding the performance of any underlying loan.

Pursuant to a letter ruling of the Federal Home Loan Bank Board, for federally chartered savings and loan associations, PCs are exempt from all percent of assets lending limitations.

A Supervisory Memorandum of the Federal Home Loan Bank Board Office of Examinations and Supervision states that discounts or premiums in connection with the purchase of PCs should be amortized in the same manner as permitted for mortgage loans. Amortization may be by any "approved method" as that term is defined in 12 C.F.R. § 563.23-1.

The Federal Home Loan Bank Board has taken the position that PCs constitute "home mortgage loans" for the purpose of computing a Federal Home Loan Bank member's stock requirement under section 6(c)(4) of the Federal Home Loan Bank Act.

The Federal Home Loan Bank Board has issued its opinion that obligations issued or guaranteed by the Federal Home Loan Mortgage Corporation are eligible collateral for use by savings and loan associations engaging in retail repurchase agreements.

Fees received by PC purchasers the deposits or accounts of which are insured by the Federal Savings and Loan Insurance Corporation shall be recorded according to generally accepted accounting principles for loan commitment fees. The Federal Home Loan Bank Board requires that, if the commitment period is 30 days or less, the fee shall be deferred over at least ten years.

Accounting Matters

A sale of PCs is treated by the Mortgage Corporation as a sale of assets and accordingly does not affect the Mortgage Corporation's capitalization. However, the Mortgage Corporation provides for losses as a consequence of its guarantees of principal and interest.

Federal Securities Laws

The PCs described herein may be offered and sold without registration under the Securities Act of 1933 and constitute "exempted securities" within the meaning of the Securities Exchange Act of 1934.

PC SALES PROGRAMS

PCs are issued in fully registered form only, generally in face amounts of $25,000, $100,000, $200,000, $500,000, $1,000,000 and $5,000,000. PCs are issued in denominations between $25,000 and $50,000 ("odd denomination PCs") in connection with the Guarantor Program.

The face amount of a PC represents the unpaid principal balance of the PC upon formation of the PC group. As used herein, the term "unpaid principal balance of a PC" refers to the PC holder's pro rata share of the unpaid principal balance of the Mortgages represented by that PC.

The certificate rate of the PCs normally varies by increments of no less than one-quarter of one percent.

1. ***PCs Sold under the Standard Program***

The Mortgage Corporation purchases groups of mortgages, aggregates them to form PC groups and sells PCs representing interests in the PC groups on a continuous basis. The Mortgage Corporation currently offers PCs formed in this manner pursuant to the various mandatory and optional delivery sales programs described below. The Mortgage Corporation reserves the right to vary at any time both the terms and the availability of these sales programs.

Mandatory Delivery Program. Purchasers may currently contract for mandatory delivery of PCs for a settlement date of not less than 7 nor more than 150 days from the trade date.

Optional Delivery Program. Purchasers may contract for optional delivery of PCs under any of the optional programs which may, from time to time, be offered by the Mortgage Corporation. Under an optional delivery contract the Mortgage Corporation may, at its option, complete the sale of PCs by delivering, on the settlement date agreed upon with the purchaser, either the entire principal amount subject to the contract, or any portion thereof. The Mortgage Corporation may also exercise its option not to deliver any PCs. In the event the Mortgage Corporation elects to deliver PCs, the purchaser will be notified prior to the date of settlement. Such notice will specify the principal amount of PCs to be delivered by the Mortgage Corporation and the amount due at settlement from the purchaser. Currently, purchasers may contract for optional delivery by agreeing with the Mortgage Corporation upon a settlement date not less than 270 days from the trade date. The Mortgage Corporation will pay the purchaser a fee of not more than 1.0%.

Offer, Acceptance and Settlement. All offers to purchase PCs are subject to acceptance by the Mortgage Corporation. At the time an offer to purchase is made, a purchaser will be asked to specify the face amount of PCs to be purchased, the delivery program desired, the settlement date proposed, the denominations of the certificates to be purchased and the purchaser's federal taxpayer identification number. Offers to purchase PCs will be considered firm offers. An offer will generally be accepted or rejected by telephone on the business day following the day on which the offer is received. The date of acceptance of any offer is the trade date.

Within three business days of the acceptance of an offer to purchase a PC, a confirmation of the order will be mailed to the purchaser. The purchaser must execute and return the confirmation to the Mortgage Corporation immediately. Neither a mandatory delivery contract nor an optional delivery contract may be assigned or transferred by a purchaser without the prior written consent of the Mortgage Corporation.

The settlement date will be established on the trade date. Settlements may be held on any business day mutually agreed upon by the purchaser and the Mortgage Corporation within the range of settlement dates applicable to any particular delivery program. Notification of the exact amount due from the purchaser at settlement will be mailed to the purchaser at least 5 business days prior to settlement for all programs other than when settlement is scheduled for not more than 10 days from the trade date. In the latter case, notification of the exact amount due at settlement will be mailed with the confirmation of the purchaser's order. Payment for PCs is due on the date of settlement.

While the face amount of a PC represents the unpaid principal balance of that PC during the month in which the applicable PC group is formed, the unpaid principal balance of a PC as of the trade date may be less than the face amount of the PC certificate as a result of principal payments made on the Mortgages between the date of formation of the PC group and the trade date. Likewise, the unpaid principal balance of a PC at settlement may be less than the principal balance contracted for as a result of principal payments on the Mortgages made between the trade date and the settlement date. Interest and principal payments made with respect to the Mortgages between the trade date and the settlement date are for the account of and are retained by the Mortgage Corporation. The purchase amount of a PC to be paid on the settlement date will be based on the group factor for the month of settlement. See "Description of Mortgage Participation Certificates—Group Factors." In addition, the purchase amount of a PC to be paid on the settlement date may be more or less than the unpaid principal balance of the PC on the settlement date due to a premium or discount.

Fees. No fees are currently paid by the Mortgage Corporation in connection with its mandatory delivery program. As described above, fees are paid under the optional delivery program. The specific percentage amount of the fee will be stated in the confirmation of the order mailed to the purchaser. The amount of the fee payable by the Mortgage Corporation for an optional delivery contract is determined by multiplying the principal balance of the PC as of the trade date by the applicable fee expressed as a percentage. Any fee due the purchaser on an optional delivery contract will be mailed by the Mortgage Corporation to the purchaser within five business days following receipt of a confirmation duly executed by the purchaser. The Mortgage Corporation may reduce, eliminate or reinstate at any time the fees paid in connection with any of its programs.

Federal Income Tax Consequences of Fees. A fee received by a prospective purchaser under an optional delivery program is not income for federal income tax purposes at the time of receipt. If the Mortgage Corporation elects to complete the sale by delivering the entire principal balance of the PC subject to the contract, such fee will be an offset against the selling price in determining the aggregate cost basis of the PC holder in the holder's undivided interests in the Mortgages. If the Mortgage Corporation does not exercise, in whole or in part, its election to complete the sale under an optional delivery program, the fee will constitute income upon the termination of the option, which income may be ordinary income or may be characterized as short-term capital gain under Section 1234(b) of the Internal Revenue Code of 1954, as amended, and may not be qualifying income for purposes of the 75% of gross income test of Treasury Regulation §301.7701-13A(c)(3)(i) classifying an organization as a "domestic building and loan association." If the Mortgage Corporation elects to complete the sale under an optional delivery program by delivering less than the entire principal balance of the PC subject to the contract, the offset against the selling price, as described above, may be limited to that portion of the fee which is allocable to the principal balance of the PC delivered, and the remaining portion of the fee would constitute ordinary income or short-term capital gain as described above.

Deposits. If the purchaser's ability to fulfill his obligations pursuant to either the mandatory or optional delivery programs is not known to the Mortgage Corporation, the Mortgage Corporation may require a good faith deposit of up to 5% of the face amount of the PC. Such deposit must be received within five business days of the trade date. The amount of the deposit will be credited against the amount due from the purchaser at settlement or, in the case of an optional delivery program, will be returned to the purchaser if, and at the time that, the Mortgage Corporation elects not to complete the sale.

Distribution Arrangements. PCs can be purchased from the Mortgage Corporation or from certain securities dealers selected by the Mortgage Corporation. The Mortgage Corporation presently allows a sales concession to such dealers in an amount no greater than .250% of the purchase price of the PCs sold to such dealers. If a PC is purchased from a dealer, such dealer is required to confirm sales to purchasers, to notify purchasers of settlement dates and amounts, to forward any fees, to deliver a copy of the PC Offering Circular to the purchaser and to otherwise communicate and deal with purchasers within the time limits applicable to sales of PCs effected directly by the Mortgage Corporation.

Special Circumstances. Under special circumstances, the Mortgage Corporation is willing to entertain requests for modification of certain of the terms of the above programs to meet the specific needs of purchasers.

2. ***PCs Sold under the Guarantor Program***

Under the Guarantor Program, the Mortgage Corporation will sell to an eligible seller PCs representing undivided interests in a group of mortgages purchased by the Mortgage Corporation from that seller at par. The contractual terms of the Guarantor Program are set forth in the Agreement to Purchase Conventional Home Mortgages and to Sell Mortgage Participation Certificates ("Purchase and Sale Agreement") between the Mortgage Corporation and the seller, except as otherwise agreed with the seller. The Mortgage Corporation's commitment to sell PCs to a seller under the Guarantor Program is conditioned on the seller's full compliance with the terms and conditions of the Purchase and Sale Agreement including, but not limited to, the seller's timely delivery of mortgages acceptable to the Mortgage Corporation in the amount specified in the Purchase and Sale Agreement, the ability of the Mortgage Corporation and the seller to verify the terms of purchase as provided in the Purchase and Sale Agreement and the seller's transfer to the Mortgage Corporation of ownership in the mortgages.

Both delivery of acceptable mortgages and purchase of PCs is mandatory. Settlement date for the sale of the mortgages and purchase of PCs is established by the Mortgage Corporation in its sole discretion subsequent to the underwriting of the mortgages.

The certificate rate on PCs sold by the Mortgage Corporation under the Guarantor Program is established based on the lowest coupon rate on the mortgages, minus the minimum servicing spread on whole loans, and minus the amount of the Mortgage Corporation's management and guarantee fee as agreed upon by the seller and the Mortgage Corporation. The management and guarantee fee or "spread" is the difference between the required yield on the Mortgages paid to the Mortgage Corporation by the seller and the certificate rate on PCs purchased by the seller.

PCs will be issued in the largest currently available denominations which correspond to the unpaid principal balance of the Mortgages accepted for purchase. In order for the Mortgage Corporation to sell PCs having a face amount corresponding to the unpaid principal balance of mortgages purchased by the Mortgage Corporation from a seller, at least one PC in each transaction under the Guarantor Program will usually have a denomination other than those generally sold by the Mortgage Corporation ("odd-denomination PCs").

The Mortgage Corporation currently sells PCs under the Guarantor Program pursuant to the programs described below.

Auction sales. Sellers may offer to sell mortgages and purchase PCs in exchange for those mortgages on both competitive and non-competitive bases on the first and third Mondays of each month in accordance with the terms and procedures of the current Invitation for the Guarantor Program. Under the current program sellers may commit to deliver mortgages for underwriting either within 60 days or within 180 days after acceptance of a seller's offer. The Mortgage Corporation currently charges fees of .01% and .05% of the unpaid principal balance which the seller has committed to deliver in the 60-day and 180-day mandatory delivery programs, respectively.

Negotiated transactions. Sellers may also offer to sell mortgages having an aggregate unpaid principal balance of $50 million or more upon terms other than those specified above.

The Mortgage Corporation reserves the right at any time to alter both the terms and availability of the Guarantor Program.

Price and Yield Information

The price at which PCs are offered by the Mortgage Corporation under the Standard Program may be at a discount, at par, or at a premium depending upon current market conditions, the certificate rate of the PC and the delivery program selected. The net price of a PC, after subtracting any fees which are paid by the Mortgage Corporation, may vary from program to program. The yield quoted by the Mortgage Corporation includes the increase in yield resulting from the payment of any fee to the PC purchaser.

The yields quoted by the Mortgage Corporation under the Standard Program at various certificate rates and price levels are based upon a thirty year maturity, 12 year prepayment assumption. See "Description of Mortgage Participation Certificates—Maturity and Weighted Average Life." Yields also are quoted based on the assumption that there will be a 75 day delay in the receipt by a PC holder of the first remittance check. See "Description of Mortgage Participation Certificates—Interest and Principal Payments." Yield tables for PCs are available from Financial Publishing Co., 82 Brookline Avenue, Boston, Massachusetts 02215, and show yields at various certificate rates and price levels under various payment assumptions.

Price and yield quotations are available from the Mortgage Corporation (outside Washington, D.C. metropolitan area, telephone 800-424-5401; within Washington, D.C. metropolitan area, telephone 789-4800).

Secondary Market

Certain securities dealers make a market in PCs. The Mortgage Corporation may also sell and repurchase PCs in the secondary market. The Mortgage Corporation makes no representation, however, as to the nature of secondary market trading of PCs.

Information concerning the repurchase of PCs by the Mortgage Corporation is available from the Mortgage Corporation (outside Washington, D.C. metropolitan area, telephone 800-424-5401; within the Washington, D.C. metropolitan area, telephone 789-4800). There may be a spread between the Mortgage Corporation's bid price for the repurchase of PCs and its offering price for currently issued PCs as well as a differential between the Mortgage Corporation's bid price for the repurchase of PCs and bid prices of securities dealers making a market in PCs. Prospective PC purchasers and PC holders wishing to obtain prices may contact the Mortgage Corporation and the securities dealers selling and making a market in PCs.

Federal Home Loan Mortgage Corporation

MORTGAGE PARTICIPATION CERTIFICATE AGREEMENT
(Guaranteed)

Series 700

AGREEMENT among the Federal Home Loan Mortgage Corporation (the "Mortgage Corporation") and purchasers ("Holders") of undivided interests in certain mortgages (and/or interests therein) which are owned by and identified in the records maintained by the Mortgage Corporation and which are represented by Mortgage Participation Certificates (the "PCs").

Whereas:

(a) The Mortgage Corporation is a corporation duly organized and existing under and by virtue of the laws of the United States (Title III of the Emergency Home Finance Act of 1970, as amended (the "Act")) and has full corporate power and authority to enter into this Agreement and to undertake the obligations undertaken by it herein; and

(b) Pursuant to Section 305 of the Act, the Mortgage Corporation owns certain conventional residential mortgages (as defined in Section 302 of the Act), including Whole Loans, Participations and Residual Participations, all of which are identified in the records maintained by the Mortgage Corporation; and

(c) Pursuant to Section 305 of the Act, the Mortgage Corporation wishes to create and sell undivided interests in certain Whole Loans, Participations, and/or Residual Participations acquired as set forth above, and to guarantee timely payment of interest and ultimate collection of principal, for the benefit of Holders; and

(d) The Mortgage Corporation intends to transfer said undivided interests to Holders by sale of the PCs.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereby agree that the following terms and conditions of this Agreement shall govern the creation by the Mortgage Corporation of undivided interests in specified Whole Loans, Participations, and/or Residual Participations and the transfer, sale and assignment of such interests as are represented by the PCs:

ARTICLE I
Definitions

Whenever used in this Agreement, the following words and phrases shall have the following meanings, unless the context otherwise requires:

Certificate Rate: The annual rate of interest payable to Holders and set forth on the face of a PC. Interest at the Certificate Rate shall be computed on the basis of a 360 day year, each month being assumed to have 30 days.

Group Factor: A seven digit decimal calculated by the Mortgage Corporation with respect to a calendar month which, when multiplied by the face amount of the PC which reflects the Holder's pro rata share of the Initial Unpaid Principal Balance of the Mortgages, represents the amount determined by the Mortgage Corporation to be the Holder's pro rata share of the aggregate unpaid principal balance of the Mortgages with respect to that calendar month.

Guarantor Program: Any one or more of the programs offered by the Mortgage Corporation from time to time pursuant to which all of the Mortgages comprising a PC Group are acquired by the Mortgage Corporation from the person or persons to which the PCs with respect to such PC Group are sold by the Mortgage Corporation.

Holder: The person in whose name a PC is registered in the register maintained for such purpose described in Section 5.03.

Initial Unpaid Principal Balance: In the case of PCs representing undivided interests in a PC Group formed pursuant to the Standard Program, the Initial Unpaid Principal Balance shall be the aggregate unpaid principal balance of the Mortgages as of the last day of the Month of Initial Issue after the identity of all the Mortgages has been finally determined pursuant to Section 2.02. In the case of PCs representing undivided interests in a PC Group formed pursuant to a Guarantor Program, the Initial Unpaid Principal Balance shall be the aggregate unpaid principal balance of the Mortgages as of the date the Whole Loans and/or Participations included in the Mortgages are delivered to the Mortgage Corporation, which shall be equal to the aggregate face amount of such PCs.

Month of Initial Issue: The month in which occurs the first settlement of a PC against a PC Group bearing the group number set forth on the face of that PC.

Mortgages: The Whole Loans, Participations, and/or Residual Participations identified in the records maintained by the Mortgage Corporation as comprising a PC Group.

PC: A Mortgage Participation Certificate executed by the Mortgage Corporation and issued pursuant to this Agreement, representing undivided interests in the Mortgages identified by the PC Group number on the face of such PC.

PC Group: A discrete group of Whole Loans, Participations and/or Residual Participations identified in records maintained by the Mortgage Corporation and bearing a unique group number.

Participation: A percentage undivided interest in one or more conventional residential mortgages purchased and owned by the Mortgage Corporation and represented by a participation certificate held by the Mortgage Corporation.

Residual Participation: An undivided interest in Whole Loans and/or Participations identified to a PC Group where an undivided interest in the same Whole Loans and/or Participations is identified to a different PC Group.

Standard Program: The program pursuant to which the Mortgage Corporation purchases Whole Loans and Participations from eligible sellers, holds them and periodically forms PC Groups and sells PCs.

Whole Loan: A conventional residential mortgage purchased and owned by the Mortgage Corporation and as to which the Mortgage Corporation holds the mortgage note.

ARTICLE II

Conveyance of Undivided Interests in Mortgages

Section 2.01. Sale of PCs. Sale of a PC by the Mortgage Corporation pursuant to this Agreement shall be deemed to occur upon the date of settlement and payment for such PC and shall constitute a sale, assignment, transfer, and conveyance by the Mortgage Corporation to the Holder of the Holder's pro rata undivided interest in the Mortgages determined in accordance with Section 4.02. The Mortgage Corporation shall be bound by all of the terms and conditions of this Agreement at such time as a PC is sold to such Holder. Upon settlement of and payment for a PC, a Holder shall, by virtue thereof, acknowledge, accept and agree to be bound by all of the terms and conditions of this Agreement.

Section 2.02. Identity of the Mortgages; Substitution and Repurchase. In the case of a PC Group formed under the Mortgage Corporation's Standard Program, the Mortgage Corporation shall have power and authority to determine the amount and identity of the Whole Loans, Participations and/or Residual Participations which comprise the Mortgages up to the day prior to the date the first remittance of principal and interest is payable to Holders pursuant to Section 4.05. Whole Loans, Participations or Residual Participations added to or withdrawn from such a PC Group after the Month of Initial Issue shall be added or withdrawn at their unpaid principal balances as of the last day of the Month of Initial Issue. A PC Group formed under the Guarantor Program shall be comprised of only those Whole Loans and/or Participations transferred to the Mortgage Corporation under such Guarantor Program. Once the identity of the Mortgages has been so determined, it shall not thereafter be changed; provided, however, that the Mortgage Corporation may, in the exercise of its judgment in performing its servicing responsibilities pursuant to Section 3.02, agree to a repurchase by the seller of any Whole Loan or of any Participation included in the Mortgages at its then unpaid principal balance, and, in the case of a material breach of warranty by a seller of any such Whole Loan or Participation, or a material defect in documentation, the Mortgage Corporation may require such a repurchase or may, within two years of the settlement for the first PC representing an undivided interest in such Whole Loan or Participation, permit a substitution for such Whole Loan or Participation of another Whole Loan or Participation of comparable type, unpaid principal balance, remaining term and yield.

Section 2.03. Post-Settlement Purchase Adjustments. The Mortgage Corporation shall make such post-settlement purchase adjustments with respect to the unpaid principal balances of the Whole Loans and/or Participations included in the Mortgages as may be necessary to reflect the actual unpaid principal balances of such Whole Loans and/or Participations as of the date of their purchase by the Mortgage Corporation. The Mortgage Corporation shall also make such post-settlement purchase adjustments with respect to PCs issued pursuant to a Guarantor Program as may be necessary to reflect the difference between the aggregate face amount of such PCs and the actual unpaid principal balance of the Whole Loans and/or Participations included in the Mortgages as of the last day of the Month of Initial Issue. The foregoing adjustments shall not affect the Holder's entitlement to interest at the Certificate Rate and to receipt of the Holder's pro rata share of principal payments made with respect to the Mortgages.

Section 2.04. Custody of Mortgage Documents. The Mortgage Corporation shall hold and maintain custody of the original mortgage note when Whole Loans are included in the Mortgages and of the original participation certificate executed by the seller when Participations are included in the Mortgages.

Section 2.05. Retention of Undivided Interest by the Mortgage Corporation. In the event that the interest to be received by the Mortgage Corporation on any group of Whole Loans, Participations or Residual Participations included in the Mortgages shall be less than the Certificate Rate, the Mortgage Corporation shall retain ownership in a sufficient undivided interest in each Whole Loan and in each mortgage underlying a Participation in such group so that the interest payments attributable to the Mortgage Corporation's retained undivided interest shall be sufficient to remit to Holders pro rata any difference between the interest received by the Mortgage Corporation with respect to the undivided interests in each such Whole Loan or in each such mortgage underlying a Participation sold to such Holders and interest payable to Holders pro rata at the Certificate Rate with respect to such undivided interests.

Section 2.06. PCs Acquired by the Mortgage Corporation. PCs acquired by the Mortgage Corporation from time to time shall have an equal and proportionate benefit to PCs owned by Holders, without preference, priority or distinction. Except as provided in Section 2.05, in the event that the Mortgage Corporation retains any interest in the Mortgages not represented by a PC, the

Mortgage Corporation and Holders shall share pro rata, without preference, priority or distinction. No Holder shall have any priority over any other Holder.

ARTICLE III

Administration and Servicing of the Mortgages

Section 3.01. Mortgage Corporation to Act as Principal Servicer. The Mortgage Corporation shall service or supervise servicing of the Mortgages, including management of any property acquired through foreclosure or otherwise, for the benefit of Holders and shall have full power and authority to do or cause to be done any and all things in connection with such servicing which it deems necessary or desirable. The Mortgage Corporation shall act as the representative of Holders in the control, management, and servicing of the Mortgages or property acquired in realization or liquidation of the Mortgages.

Section 3.02. Servicing Responsibilities. The Mortgage Corporation shall service or supervise servicing of the Mortgages in a manner consistent with and to the extent required by prudent servicing standards and in the same manner as for unsold mortgages in its own portfolio. In performing its servicing responsibilities hereunder, the Mortgage Corporation may employ servicer agents or independent contractors. The Mortgage Corporation shall be entitled to discharge its responsibility to supervise servicing of the Mortgages by monitoring servicers' performance on a reporting and exception basis. In discharging its responsibility pursuant to this Article III, the Mortgage Corporation shall not be subject to the control of Holders in any manner whatsoever. Except with regard to its guarantee obligations pursuant to Section 4.09, the Mortgage Corporation shall have no liability to any Holder other than for any direct damage resulting from the Mortgage Corporation's failure to exercise that degree of ordinary care which it exercises in the conduct and management of its own affairs. The Mortgage Corporation shall have no liability of whatever nature for consequential damages.

Section 3.03. Realization Upon Defaulted Mortgages. The Mortgage Corporation shall foreclose upon or otherwise comparably convert, or cause to be foreclosed upon or comparably converted, the ownership of any real property securing a mortgage included in the Mortgages which comes into and continues in default and as to which no satisfactory arrangements can be made for collection of delinquent payments. In connection with such foreclosure or other conversion, the Mortgage Corporation shall cause to be followed such practices or procedures as it shall deem necessary or advisable and as shall be normal and usual in general mortgage servicing activities.

Section 3.04. Assumptions. If permitted by the underlying mortgage documents, the Mortgage Corporation may allow assumption by a new mortgagor of a mortgage included in the Mortgages only if the assuming borrower is found by the servicer or by the Mortgage Corporation to meet credit requirements established by the Mortgage Corporation. If permitted by the underlying mortgage documents, the Mortgage Corporation may require that the unpaid principal balance of any mortgage included in the Mortgages be paid in full in the event of a sale of any interest in the real property securing the mortgage. While the Mortgage Corporation currently requires, in connection with any assumption of a mortgage, that no change be made in the rate of interest or the terms of payment applicable to the mortgage, the Mortgage Corporation reserves the right to amend its policy as it shall deem necessary or advisable.

Section 3.05. Mortgage Insurance. To the extent that a mortgage included in the Mortgages may be insured by a mortgage insurer, such insurer shall have no obligation to recognize or deal with any person with respect to such mortgage, other than the Mortgage Corporation, with regard to the rights, benefits and obligations of the mortgagee under the respective contracts of insurance relating to each such mortgage insured by such insurer.

ARTICLE IV

Remittances to Holders and Guarantees

Section 4.01. Monthly Reporting Period. For purposes of this Agreement, the payments of principal, interest or any other sums, including insurance proceeds, liquidation proceeds and repurchase proceeds, with respect to the Mortgages and the occurrence of any event with respect to any mortgage included in the Mortgages, including foreclosure sale, payment by any insurer and expiration of any redemption period, reported to the Mortgage Corporation by servicers for a monthly reporting period employed by the Mortgage Corporation for the purpose of accounting for such payments and of reporting such occurrences, shall be deemed to be received or to occur within the calendar month within which such monthly reporting period ends, and the last day of such monthly reporting period shall be deemed to correspond to the last day of such calendar month. For purposes of Section 4.04, scheduled payment dates on all mortgages included in the Mortgages shall be deemed to be the first day of the calendar month within which such a monthly reporting period ends, and all scheduled principal payments and full and partial repayments of principal, including amounts treated as full prepayments under Section 4.03, with respect to the Mortgages made within such a monthly reporting period shall be deemed to be made on the first day of the calendar month within which such monthly reporting period ends.

Section 4.02. Holder's Undivided Interest. A person registered as a Holder of a PC on the last day of a month pursuant to Section 5.03 shall be the owner of a pro rata share of the aggregate unpaid principal balance outstanding on the Mortgages as of such date and shall be entitled to interest at the Certificate Rate on such pro rata undivided interest from the first day of that month. Such pro rata undivided interest in the Mortgages will change if Whole Loans, Participations and/or Residual Participations are added to or removed from the PC Group in accordance with Section 2.02. For purposes of determining a Holder's pro rata undivided interest in the Mortgages evidenced by a PC, the original unpaid principal balance stated on the face of the PC shall be divided by the Initial Unpaid Principal Balance of the Mortgages.

Section 4.03. Pass-Through of Principal. The Mortgage Corporation shall pass through to each Holder such Holder's pro rata share of principal payments made in respect of the Mortgages, such Holder's pro rata share of any net income, net profits or proceeds of the Mortgages, and such Holder's pro rata share of the net proceeds realized from any property of whatever character received or acquired in substitution or realization thereof, whether through insurance, condemnation, foreclosure, or otherwise; provided, however, that the Mortgage Corporation's obligations herein shall be subject to the Mortgage Corporation's rights pursuant to Section 4.10 with respect to payments made pursuant to the Mortgage Corporation's guarantees. Insurance proceeds, the proceeds of any liquidation of a mortgage included in the Mortgages, including proceeds resulting from acquisition by the Mortgage Corporation of the real property securing the mortgage, and the proceeds of any repurchase of a mortgage included in the Mortgages as described in Section 2.02 shall be treated in the same manner as a full prepayment of principal and shall be passed through to Holders in accordance with this Article IV.

Section 4.04. Pass-Through of Interest. The Mortgage Corporation shall pass through to each Holder such Holder's pro rata share of the interest paid by mortgagors and passed through to the Mortgage Corporation by servicers with respect to each Whole Loan and with respect to each mortgage underlying a Participation or Residual Participation included in the Mortgages in an amount sufficient to produce the Certificate Rate, including, if necessary for such purpose, interest received by servicers attributable to their retained undivided interest in any Participation or interest received by the Mortgage Corporation attributable to its retained undivided interest in accordance with Section 2.05.

Section 4.05. Remittances of Principal and Interest. A Holder shall receive the first remittance of principal and interest payments with respect to the Mortgages on or before the fifteenth day of the second month following the month in which the Holder becomes registered as such pursuant to

Section 5.03. Thereafter, a Holder shall receive on or before the fifteenth day of each month remittances with respect to the Mortgages. Subject to the provisions of this Article IV, the Mortgage Corporation shall remit to each Holder such Holder's pro rata share of principal received by the Mortgage Corporation, interest to the extent of the Certificate Rate and any other sums due to Holders under this Agreement within sixty days of the date on which such payments are received by the Mortgage Corporation from servicers of the Mortgages. The Mortgage Corporation requires that a servicer remit all funds received for mortgages paid in full within five business days of the date of payment in full. All other principal payments must be remitted to the Mortgage Corporation not later than the first week of the second month following the month of the mortgagor's payment. The Mortgage Corporation reserves the right to change the period during which a servicer may hold funds prior to remittance to the Mortgage Corporation, provided, however, that any such change shall not delay the time of payments to Holders as otherwise provided in this Section 4.05. Pending remittance to Holders of funds received by the Mortgage Corporation from servicers, the Mortgage Corporation shall be entitled to invest and reinvest such funds for the Mortgage Corporation's sole risk and benefit. The Mortgage Corporation's guarantees as set forth in Section 4.09 shall continue to be effective or shall be reinstated in the event that any payment of principal or interest with respect to a mortgage remitted under this Agreement to a Holder is, for any reason, returned by the Holder pursuant to an order, decree or judgment of any court of competent jurisdiction that the Holder was not entitled to retain such payment pursuant to this Agreement.

Section 4.06. Group Factors. On or about the first business day of each month, the Mortgage Corporation may publish a Group Factor with respect to the PC Group identified on the face of the Holder's PC. Interest at the Certificate Rate may be remitted by the Mortgage Corporation on the Holder's pro rata share of the unpaid principal balance of the Mortgages as determined by the Group Factor for the second month prior to the month in which payment to Holders is made. Principal payments may be remitted to Holders by the Mortgage Corporation in an amount equal to the difference between the Holder's pro rata share of the unpaid principal balance of the Mortgages as determined by the Group Factor for the month prior to the month in which payment is made to Holders and such pro rata share as determined by the Group Factor for the second month prior to the month in which payment is made to Holders. To the extent a given Group Factor does not reflect the monthly principal payments actually received by the Mortgage Corporation in respect of the Mortgages, the Mortgage Corporation shall correct any difference as soon as practicable by adjustment of subsequent Group Factors. The Group Factor method of determining principal payments shall not affect the Mortgage Corporation's guarantee of collection of principal as set forth in Section 4.09.

Section 4.07. Amounts Retained by Servicers. Pursuant to their contractual arrangements with the Mortgage Corporation, servicers shall be entitled to retain an amount equal to the excess, if any, of interest at the mortgage coupon rate on each mortgage serviced by them which is included in the Mortgages and interest at the contractual net yield which they are obligated to remit monthly to the Mortgage Corporation. Each servicer shall be required to pay all expenses incurred by it in connection with its servicing activities and shall not be entitled to reimbursement therefor, except as provided in Section 4.08. Servicers shall be entitled to retain all incidental fees with respect to the Mortgages other than prepayment fees, if any.

Section 4.08. Amounts Retained by the Mortgage Corporation. The Mortgage Corporation shall retain as a management and guarantee fee an amount equal to the excess, if any, of interest payments received by the Mortgage Corporation from servicers at its contractual net yield on each Whole Loan or Participation included in the Mortgages over the amount of such interest remitted to Holders at the Certificate Rate; provided, however, that the amounts retained by the Mortgage Corporation hereunder shall be automatically adjusted, to the extent a Group Factor does not reflect the monthly principal payments actually received by the Mortgage Corporation in respect of the Mortgages. Any such adjustment shall be equal to the difference between (i) interest at the Certificate Rate computed on the unpaid principal balance of the Mortgages for such month based on monthly principal payments actually received by the Mortgage Corporation and (ii) interest at the Certificate Rate computed on such principal balance derived from the Group Factor based on the Mortgage Corporation's determination of monthly principal payments. The Mortgage Corporation shall pay all expenses incurred by it in connection with administration of the PC Group and the Mortgages; provided, however, that any amounts expended by the Mortgage Corporation or on the Mortgage Corporation's behalf by servicers for the protection, preservation or maintenance of the Mortgages, or property received in liquidation or realization thereof, shall be deemed expenses to be borne pro rata by the Mortgage Corporation and the Holders in accordance with their interests in each of the Mortgages. Such expenses borne pro rata by Holders may be paid by the Mortgage Corporation from remittances otherwise due to Holders. In no event shall the Mortgage Corporation's guarantee of principal or interest at the Certificate Rate as set forth in Section 4.09 be affected by fees deducted by the Mortgage Corporation or servicers or by amounts expended by the Mortgage Corporation or servicers for the protection, preservation or maintenance of the Mortgages.

Section 4.09. Mortgage Corporation Guarantees. The Mortgage Corporation hereby guarantees to each Holder of a PC:

(a) Timely payment of interest by each mortgagor at the applicable Certificate Rate on the Holder's pro rata share of the unpaid principal balance outstanding on the Mortgages as determined pursuant to this Agreement.

(b) Collection of principal, without offset or deduction of any fees due the Mortgage Corporation or servicers hereunder. For purposes of this guarantee, principal shall include the Holder's pro rata share of the unpaid principal plus the Holder's pro rata share of amounts expended by any servicer of the Mortgages or by the Mortgage Corporation under Section 4.08. The Mortgage Corporation shall remit the amount due on account of its guarantee of collection of principal at any time after default on an underlying mortgage, but not later than: (i) thirty days following foreclosure sale, (ii) thirty days following payment of a claim by any mortgage insurer, if applicable, or (iii) thirty days following the expiration of any redemption period, whichever occurs later, but in any event no later than one year after demand upon the mortgagor for accelerated payment of principal.

Section 4.10. Mortgage Corporation Subrogation. The Mortgage Corporation shall be subrogated to all the rights, interests, remedies, powers and privileges of each Holder in respect of any Whole Loans or Participations included in the Mortgages on which guarantee payments have been made by the Mortgage Corporation of principal and/or interest.

Section 4.11. Termination Upon Final Payment. Except as provided in Section 4.05, the Mortgage Corporation's obligations and responsibilities to a Holder created by this Agreement shall terminate upon: (i) the payment to the Holder of all principal and interest due the Holder pursuant to the Group Factor procedure or by reason of the Mortgage Corporation's guarantee of collection of principal and payment of interest, or (ii) the payment to the Holder of all amounts held by the Mortgage Corporation and required to be paid hereunder or required to be paid under the Mortgage Corporation's guarantee of collection of principal and payment of interest.

Section 4.12. Modification of Final Payment Date. The final payment date specified in a PC may be accelerated by virtue of prepayments of principal or extended by virtue of (i) forbearance affecting any of the Whole Loans, Participations or Residual Participations comprising the Mortgages, or (ii) payment under the Mortgage Corporation's guarantee of collection of principal after a mortgagor default as described in Section 4.09(b).

ARTICLE V
The PCs

Section 5.01. Denominations; Execution. PCs shall be issued in denominations of $25,000, $100,000, $200,000, $500,000, $1,000,000 and $5,000,000; provided, however, that in connection with a Guarantor Program PCs may be issued in denominations between $25,000 and $50,000 as may be necessary to correspond to the Initial Unpaid Principal Balance. PCs shall be executed by manual or facsimile signature on behalf of the Mortgage Corporation by its Chairman of the Board of Directors, its President, or one of its Executive Vice Presidents or Vice Presidents under its seal imprinted thereon and attested by the manual or facsimile signature of its Secretary or one of its Assistant Secretaries. Certificates bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Mortgage Corporation shall bind the Mortgage Corporation, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the date such PCs are issued to Holders. The PCs shall not be validly issued until executed as provided above in this Section 5.01 and until the certificate of authentication thereon has been manually executed by the Mortgage Corporation's authenticating agent.

Section 5.02. Transfer of PCs. Any sale, transfer or other disposition of a PC by a Holder shall be evidenced by completion of the form of transfer on the reverse side of the PC or by completion of such other document as may be provided for this purpose by the Mortgage Corporation. Holders shall comply with all requirements and limitations promulgated by the Mortgage Corporation, if any, on the sale, transfer and registration of PCs. Holders shall, in the event of transfer, assign only their entire interest in any PC or only such portion of their interest in a PC as will correspond to any multiple of the minimum denomination in which PCs are issued. For the purpose of permitting proper allocation of payments of principal and interest in the event that a PC is sold, each Holder of a PC expressly consents to the release by the Mortgage Corporation of such Holder's name and address to any person who has acquired a PC owned by such Holder.

Section 5.03. Register of PCs. The Mortgage Corporation and/or its designated agent shall maintain a register in which shall be registered the Holders of PCs. A purchaser of a PC from the Mortgage Corporation is registered as a Holder of the PC effective as of the opening of business on the first day of the month of settlement for that purchase. Transfer of a PC duly presented for registration of transfer on or before the last business day of each month is registered effective as of the opening of business on the first day of that month. A charge may be made for any exchange or transfer. A charge will be made for any tax or other governmental charge imposed in connection with an exchange or transfer of a PC. Notice with respect to a transfer shall be sent or delivered to the transfer agent at the address stated below or to such other agent as is subsequently designated by the Mortgage Corporation for receipt of transfers of PCs:

Deliver to:	**Mail to:**
Chemical Bank	Chemical Bank
55 Water Street	Corporate Trust Department
Corporate Tellers	Post Office Box 25983
Window #22	Church Street Station
Room #234	New York, New York 10249
New York, New York	Attn: MBS Department

Section 5.04. Mutilated or Lost PCs. If any mutilated PC is surrendered to the Mortgage Corporation or its designated agent, or evidence satisfactory to the Mortgage Corporation of destruction, loss or theft of any PC is received by the Mortgage Corporation or its designated agent, together with such security or indemnity as the Mortgage Corporation may require to hold the Mortgage Corporation harmless, the Mortgage Corporation or its designated agent shall execute and deliver, in exchange for or in lieu of such mutilated, destroyed, lost or stolen PC, a new PC of like tenor.

ARTICLE VI
Remedies

Section 6.01. Events of Default. "Event of Default" wherever used herein means any one of the following events:

(a) Default in the payment to Holders of interest at the Certificate Rate as and when the same shall become due and payable as herein provided, and continuance of such default for a period of thirty days; or

(b) Default in the payment to Holders of principal as and when the same shall become due and payable as herein provided, and continuance of such default for a period of thirty days; or

(c) Failure on the part of the Mortgage Corporation to observe or perform any other of the covenants of this Agreement, continued for a period of sixty days after the date on which written notice of such failure, requiring the Mortgage Corporation to remedy the same, shall have been given to the Mortgage Corporation by the Holders of not less than 25 percent in aggregate unpaid principal balance of the PCs in any given PC Group; or

(d) A court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Mortgage Corporation in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, sequestrator (or similar official) of the Mortgage Corporation or for all or substantially all of its property, or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of sixty consecutive days; or

(e) The Mortgage Corporation shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Mortgage Corporation or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or the Mortgage Corporation shall fail generally to pay its debts as they become due.

Section 6.02. Remedies. If an Event of Default occurs and is continuing, then and in each and every such case, the Holders of a majority in aggregate unpaid principal balance of the PCs in any given PC Group may by written notice to the Mortgage Corporation remove the Mortgage Corporation and nominate a successor to the Mortgage Corporation under this Agreement, which nominee shall be deemed appointed as successor to the Mortgage Corporation unless within ten days after such nomination the Mortgage Corporation objects thereto, in which case the Mortgage Corporation may petition any court of competent jurisdiction for the appointment of a successor or any Holder who has been a bona fide Holder for at least six months may, on behalf of himself and all others similarly situated, petition any such court for appointment of a successor to the Mortgage Corporation. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor to the Mortgage Corporation. Upon the appointment of any successor pursuant to this Section 6.02, the Mortgage Corporation shall submit to its successor a complete written report and accounting of the Mortgages and shall take all other steps necessary or desirable to transfer its interest in and administration of this Agreement to the successor. Subject to the Act, such successor may take such action with respect to the Mortgages as may be reasonable and appropriate in the circumstances. Prior to any such designation of a successor, the Holders of a majority in aggregate unpaid principal balance of the PCs in any given PC Group may waive any past default or Event of Default. Appointment of a successor will not, however, relieve the Mortgage Corporation of its guarantee obligations as set forth in this Agreement.

Section 6.03. Limitation on Suits by Holders. Except as provided in Section 6.02, no Holder shall have any right to institute any action or proceeding at law or in equity or in bankruptcy or otherwise, upon, under or with respect to this Agreement, the PCs or the Mortgages, or for the appointment of a receiver or trustee, or for any other remedy whatever, unless such Holder previously shall have given to the Mortgage Corporation written notice of default and of the continuance thereof, as hereinbefore provided, and unless also the Holders of a majority in aggregate unpaid principal balance of the PCs in any given PC Group shall have made written request upon the Mortgage Corporation to institute such action or proceedings in its own name and shall have offered to the Mortgage Corporation such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Mortgage Corporation for sixty days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action or proceedings, and no direction inconsistent with such written request has been given to the Mortgage Corporation during such sixty day period by the Holders of a majority in aggregate unpaid principal balance of the PCs in any given PC Group, it being understood and intended, and being expressly covenanted by the Holder of every PC in a given PC Group with every other Holder in such PC Group and the Mortgage Corporation, that no one or more Holders shall have any right in any manner whatever by virtue of or by availing himself of any provision of this Agreement, to affect, disturb or prejudice the rights of any other Holder, or to obtain or seek to obtain priority over or preference to any other such Holder or to enforce any right under this Agreement, except in the manner herein provided and for the ratable and common benefit of all Holders of PCs in any given PC Group. For the protection and enforcement of the provisions of this Section 6.03, each and every Holder and the Mortgage Corporation shall be entitled to such relief as can be given either at law or in equity. Notwithstanding any other provision in this Agreement, the right of any Holder to receive payment of principal and interest as herein provided, on or after the respective due date of such payment, or to institute suit for the enforcement of any such payment on or after such date, shall not be impaired or affected without the consent of such Holder.

ARTICLE VII

Miscellaneous Provisions

Section 7.01. Annual Statements. The Mortgage Corporation shall furnish, within a reasonable time after the end of each calendar year, to each Holder of record at any time during such year, information regarding the amount of the Holder's pro rata share of coupon interest on the Mortgages, net interest remitted at the Certificate Rate, and such other customary information as the Mortgage Corporation deems necessary or desirable to enable Holders to prepare their United States income tax returns.

Section 7.02. Limitation on Liability of the Mortgage Corporation and Others. Neither the Mortgage Corporation nor any of the directors, officers, employees or agents of the Mortgage Corporation shall be under any liability to Holders for any action taken by them or by a servicer or for their or any servicer's refraining from the taking of any action in good faith pursuant to this Agreement, or for errors in judgment; provided, however, that this provision shall not protect the Mortgage Corporation or any such person against any liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of reckless disregard of obligations and duties hereunder. The Mortgage Corporation and any director, officer, employee or agent of the Mortgage Corporation may rely in good faith on any document of any kind properly executed and submitted by any person respecting any matters arising hereunder. Holders shall jointly and severally indemnify and hold harmless the Mortgage Corporation and any director, officer, employee or agent of the Mortgage Corporation against any loss, liability or expense incurred in connection with any legal action relating to this Agreement or the PCs, other than any loss, liability or expense relating to any mortgage included in the Mortgages (other than as otherwise permitted in this Agreement) or incurred by reason of willful misfeasance, bad faith or gross negligence in the performance of duties hereunder or by reason of reckless disregard of obligations and duties hereunder. The Mortgage Corporation shall not be under any obligation to appear in, prosecute or defend any legal action which is not incidental to its duties to service the mortgages included in the Mortgages in accordance with this Agreement and which in its opinion may involve it in any expense or liability; provided, however, that the Mortgage Corporation may in its discretion undertake any such action which it may deem necessary or desirable in respect of any mortgage included in the Mortgages, this Agreement, the PCs or the rights and duties of the parties hereto and the interests of the Holders hereunder. In such event, the legal expenses and costs of such action and any liability resulting therefrom shall be expenses for the protection, preservation, and maintenance of the Mortgages borne pro rata by the Mortgage Corporation and Holders as provided by Section 4.08.

Section 7.03. Limitation on Rights of Holders. The death or incapacity of any Holder shall not operate to terminate this Agreement or any PC Group, nor entitle such Holder's legal representatives or heirs to claim an accounting or to take any action or proceeding in any court for a partition or winding up of any PC Group nor otherwise to affect the rights, obligations and liabilities of the parties hereto or any of them.

Section 7.04. Control by Holders. Except as otherwise provided in Article VI, no Holder shall have any right to vote or in any manner otherwise control the operation and management of the Mortgages or any PC Group, or the obligations of the parties hereto, nor shall anything herein set forth, or contained in the terms of the PCs, be construed so as to constitute the Holders from time to time as partners or members of an association; nor shall a Holder be under any liability to any third person by reason of any action taken by the parties to this Agreement pursuant to any provision hereof.

Section 7.05. Amendment. This Agreement may be amended from time to time by the Mortgage Corporation, without the consent of any Holder or Holders, to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Agreement, which shall not be inconsistent with the provisions of this Agreement, provided that such action shall not adversely affect in any material respect the interests of any Holder. This Agreement shall be deemed to amend, supersede and restate in its entirety each Mortgage Participation Certificate Agreement of the Mortgage Corporation prior to the date hereof.

Section 7.06. Registered Holder Treated as Owner. The Mortgage Corporation or its designated agent may deem and treat the person in whose name a PC shall be registered as the absolute owner of such PC and the undivided interests in the Mortgages represented by such PC for the purpose of receiving payment of or on account of principal or interest and for all other purposes; and the Mortgage Corporation and its designated agent shall not be affected by any notice to the contrary. All such payments so made to any such person, or upon his order, shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the duty for monies payable by the Mortgage Corporation upon such PC.

Section 7.07. Governing Law. This Agreement and the Holder's and the Mortgage Corporation's rights and obligations with respect to PCs shall be construed in accordance with and governed by the laws of the United States. Insofar as there may be no applicable precedent, and insofar as to do so would not frustrate the purposes of the Act or any provision of this Agreement or the transactions governed thereby, the local laws of the State of New York shall be deemed reflective of the laws of the United States.

Section 7.08. Payments Due on Non-Business Days. If the date fixed for any payment on any PC shall be a day which in either the City of New York, the State of New York, or the District of Columbia is a legal holiday or a day on which banking institutions are authorized by law to close, then payment need not be made on such date, but may be made on the next succeeding day which is not such a holiday or day on which such banking institutions are authorized by law to close, with the same force and effect as though made on the date fixed for such payment, and no interest shall accrue for the period after such date.

Section 7.09. Successors. This Agreement shall be binding upon and shall inure to the benefit of any successor to the Mortgage Corporation, including any successor by operation of law.

Section 7.10. Effect of Section Headings. The Article and Section headings herein are for convenience only and shall not affect the construction of this Agreement.

Section 7.11. Notice and Demand. Any notice, demand or other communication which by any provision of this Agreement is required or permitted to be given or served to or upon any Holder may be given or served in writing by deposit thereof postage prepaid in the United States mail addressed to such Holder at the address as shown on the register of PC holders maintained by the Mortgage Corporation or its designated agent. Such notice, demand or other communication to or upon a Holder shall be deemed to have been sufficiently given or made, for all purposes, upon mailing.

Any notice, demand or other communication which by any provision of this Agreement is required or permitted to be given or served to or upon the Mortgage Corporation shall be given or served in a writing addressed (until another address is published by the Mortgage Corporation) as follows: Federal Home Loan Mortgage Corporation, 1776 G Street, N.W., P.O. Box 37248, Washington, D.C. 20013, Attention: Vice President—Treasurer.

Such notice, demand or other communication to or upon the Mortgage Corporation shall be deemed to have been sufficiently given or made only upon actual receipt of the writing by the Mortgage Corporation.

THIS DOCUMENT IS INCORPORATED BY REFERENCE IN THE MORTGAGE CORPORATION MORTGAGE PARTICIPATION CERTIFICATES AND SHALL REQUIRE NO SIGNATURE FOR ITS OPERATION OR EFFECT AMONG THE MORTGAGE CORPORATION OR HOLDERS.

(October, 1982)

EXHIBIT B

PC PRINCIPAL REPAYMENT EXPERIENCE

		Cumulative Principal Payments								
Mortgage Yields (a)	Groups (b)	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year	7th Year	8th Year	9th Year
7.19%	17-028 ($ 26.7)(c)	4.77%	11.24%							
7.48%	17-021 ($ 30.0)(c)	7.45%	13.07%	16.21%	18.76%					
7.66%	17-001 ($175.4)	2.98%	7.25%	15.01%	25.21%	38.04%	46.77%	52.12%	54.80%	56.29%
7.79%	16-002 ($ 17.5)	7.99%	17.84%	25.48%	32.68%	40.14%	56.76%	61.07%	63.06%	65.88%
7.83%	16-004 ($ 38.3)	5.46%	10.03%	19.67%	31.32%	42.79%	51.00%	55.27%	57.90%	59.60%
7.87%	16-001 ($113.3)	7.15%	16.43%	22.65%	32.90%	40.88%	48.77%	53.80%	56.34%	58.49%
7.87%	16-003 ($101.2)	5.10%	10.98%	18.64%	27.39%	39.05%	46.82%	51.84%	54.54%	56.68%
7.91%	16-006 ($ 50.0)	6.38%	12.79%	24.14%	36.76%	45.81%	50.90%	54.85%	57.55%	
7.97%	16-005 ($249.7)	6.29%	13.64%	22.86%	34.10%	42.90%	49.42%	54.29%	57.23%	59.83%
8.02%	16-020 ($ 94.4)	15.09%	27.18%	34.59%	38.65%	42.41%				
8.02%	16-014 ($ 99.0)	10.75%	23.37%	31.74%	37.61%	40.96%	45.04%			
8.06%	17-007 ($108.6)	13.97%	25.52%	32.60%	36.03%	38.70%				
8.48%	16-021 ($111.3)	12.79%	25.26%	34.31%	38.60%	41.20%				
8.48%	17-008 ($100.0)	10.93%	23.40%	31.19%	35.17%	36.94%				
8.50%	17-003 ($191.8)	10.29%	23.92%	34.12%	40.34%	43.45%	45.74%			
8.57%	16-012 ($111.2)	13.83%	28.15%	39.09%	46.38%	49.91%	52.53%			
8.62%	16-008 ($118.6)	7.85%	22.18%	33.62%	41.69%	46.01%	48.86%	50.89%		
8.63%	17-009 ($202.0)	17.04%	30.60%	39.08%	42.83%	44.27%				
8.64%	16-011 ($100.0)	12.59%	27.03%	39.76%	46.86%	50.74%	54.07%			
8.69%	16-009 ($109.3)	8.72%	22.33%	34.44%	43.25%	48.38%	51.41%	53.20%		
8.75%	17-002 ($ 99.8)	10.20%	24.94%	35.50%	42.54%	45.48%	46.77%			
8.75%	17-011 ($155.8)	19.10%	31.39%	38.54%	41.83%	43.25%				
8.75%	17-012 ($201.9)	15.04%	27.89%	34.69%	38.10%	40.49%				
8.75%	17-013 ($203.0)	15.94%	28.63%	37.24%	41.41%	44.62%				
8.77%	16-022 ($200.7)	12.52%	23.75%	30.45%	33.65%	36.27%				
8.77%	17-010 ($ 20.0)(c)	17.63%	36.46%	42.43%	47.53%	50.09%				
8.89%	17-020 ($101.8)	6.52%	11.15%	13.78%	15.73%					
8.90%	16-013 ($ 20.0)(c)	9.66%	26.35%	41.07%	46.44%	49.88%	52.72%			
8.90%	16-023 ($201.0)	10.01%	21.84%	29.15%	31.82%	33.57%				
8.94%	16-024 ($257.0)	9.78%	21.51%	28.31%	31.64%	33.25%				
8.94%	16-035 ($100.9)	8.14%	16.99%	21.14%	23.68%					
8.95%	16-025 ($107.5)	10.86%	23.14%	28.13%	30.47%	31.48%				
8.95%	16-027 ($100.0)	11.67%	22.98%	27.51%	30.68%	31.36%				
8.98%	16-037 ($101.7)	7.90%	17.19%	21.15%	22.80%					

(a) Weighted average mortgage coupon rate of the mortgages in the PC group computed as of a specific time during the calendar year 1982. The coupon rates on some underlying mortgages may be less than the certificate rate.

(b) Group number digits (000001) and (000000) omitted; ($-) indicates the initial principal balance of the PC group in millions.

(c) This group was specially formulated to meet specific purchaser requirements.

Mortgage Yields (a)	Groups (b)	Cumulative Principal Payments 1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year	7th Year	8th Year	9th Year
8.98%	17-014 ($204.3)	16.57%	27.48%	34.90%	38.55%	41.06%				
8.99%	16-039 ($163.9)	8.83%	16.45%	20.51%	23.44%					
8.99%	17-015 ($101.8)	8.46%	18.88%	26.40%	29.35%	31.84%				
9.01%	16-026 ($308.0)	13.24%	25.50%	29.95%	33.37%	33.97%				
9.01%	16-031 ($306.9)	9.74%	19.99%	23.82%	26.32%					
9.01%	16-036 ($156.2)	10.06%	19.95%	23.55%	25.76%					
9.03%	16-015 ($133.0)	10.17%	24.96%	35.15%	40.08%	42.94%	44.69%			
9.03%	16-032 ($202.7)	9.93%	19.03%	23.78%	27.03%					
9.04%	16-034 ($200.6)	7.58%	15.96%	19.80%	21.87%					
9.04%	16-028 ($296.0)	11.23%	22.31%	25.98%	29.06%					
9.04%	16-033 ($300.9)	8.74%	18.23%	22.24%	24.15%					
9.05%	17-018 ($126.7)	7.67%	15.28%	18.29%	20.47%					
9.06%	16-038 ($175.8)	8.87%	17.12%	20.74%	22.02%					
9.08%	16-030 ($201.2)	13.37%	24.36%	28.87%	31.60%					
9.10%	16-016 ($151.4)	14.39%	29.50%	37.47%	42.05%	45.01%	46.43%			
9.11%	16-029 ($237.8)	12.79%	23.53%	28.71%	32.83%					
9.12%	16-041 ($108.4)	8.77%	15.87%	19.68%	22.75%					
9.12%	17-016 ($120.5)	12.16%	24.28%	30.94%	35.00%	36.74%				
9.13%	16-040 ($202.4)	9.47%	16.21%	19.47%	21.07%					
9.16%	16-042 ($152.9)	8.35%	15.83%	19.44%	21.42%					
9.17%	16-019 ($100.6)	16.81%	31.12%	40.17%	43.34%	46.70%				
9.17%	17-017 ($125.0)	11.46%	22.22%	28.01%	32.16%	34.10%				
9.19%	17-019 ($100.0)	9.93%	19.26%	22.57%	24.27%					
9.20%	16-044 ($103.7)	8.34%	14.08%	17.39%	18.99%					
9.21%	16-043 ($157.3)	9.57%	15.54%	19.34%	21.64%					
9.24%	16-045 ($176.7)	7.53%	14.85%	18.09%	19.80%					
9.30%	17-022 ($102.2)	8.14%	15.87%	20.02%	22.33%					
9.30%	16-010 ($103.3)	12.27%	29.61%	43.27%	51.60%	54.76%	57.64%	59.04%		
9.33%	16-017 ($ 11.0) (c)	15.92%	35.19%	46.30%	52.14%	55.17%				
9.35%	16-046 ($204.9)	6.78%	13.69%	17.13%	18.81%					
9.40%	16-047 ($105.4)	6.22%	12.05%	15.49%	17.37%					
9.45%	16-007 ($112.8)	13.32%	29.93%	44.51%	54.77%	60.28%	63.33%	65.09%		
9.46%	16-048 ($232.4)	5.73%	11.12%	14.10%	15.75%					
9.46%	17-006 ($102.2)	15.87%	28.96%	39.05%	43.33%	48.35%	49.45%			
9.47%	16-049 ($103.9)	5.01%	9.82%	12.46%	13.83%					
9.47%	16-050 ($136.3)	6.14%	11.45%	14.70%	16.54%					
9.52%	16-053 ($102.5)	5.77%	11.08%	14.51%	16.03%					
9.55%	16-051 ($104.6)	4.60%	10.21%	12.86%	14.34%					
9.56%	16-052 ($107.5)	5.66%	9.56%	12.96%	14.48%					

(a) Weighted average mortgage coupon rate of the mortgages in the PC group computed as of a specific time during the calendar year 1982. The coupon rates on some underlying mortgages may be less than the certificate rate.

(b) Group number digits (000001) and (000000) omitted; ($-) indicates the initial principal balance of the PC group in millions.

(c) This group was specially formulated to meet specific purchaser requirements.

Mortgage Yields (a)	Groups (b)	Cumulative Principal Payments 1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year	7th Year	8th Year	9th Year
9.63%	17-004 ($ 4.0) (c)	14.80%	29.88%	44.74%	52.13%	55.32%				
9.64%	16-055 ($171.8)	5.44%	10.54%	13.77%	15.73%					
9.68%	16-054 ($188.6)	4.98%	10.96%	13.50%	15.16%					
9.68%	16-083 ($102.6)	2.38%	4.93%	6.48%						
9.70%	16-057 ($106.2)	4.94%	9.54%	12.94%	14.27%					
9.73%	16-059 ($107.6)	5.04%	9.32%	12.71%	13.48%					
9.80%	16-056 ($256.2)	5.21%	9.09%	12.65%	13.47%					
9.80%	16-058 ($273.0)	5.05%	8.85%	11.55%						
9.81%	16-061 ($107.3)	3.29%	6.03%	8.15%						
9.83%	16-066 ($132.0)	5.03%	9.30%	11.84%						
9.85%	16-062 ($160.4)	4.85%	9.37%	12.48%						
9.85%	16-073 ($109.6)	5.18%	8.64%	9.68%						
9.86%	16-060 ($102.7)	4.37%	7.79%	10.93%						
9.86%	16-064 ($182.5)	4.54%	8.01%	10.42%						
9.86%	16-065 ($102.6)	4.99%	8.90%	11.25%						
9.87%	16-072 ($216.2)	5.77%	9.92%	11.39%						
9.88%	16-063 ($287.0)	4.67%	8.32%	11.67%						
9.88%	16-075 ($128.2)	5.27%	8.48%	10.79%						
9.89%	16-067 ($104.2)	4.21%	8.58%	11.22%						
9.90%	16-068 ($108.5)	5.66%	8.51%	10.23%						
9.90%	16-070 ($105.4)	4.52%	7.48%	9.52%						
9.90%	17-048 ($112.1)	1.61%								
9.93%	16-069 ($106.9)	4.93%	8.20%	11.05%						
9.94%	16-071 ($ 60.8)	8.07%	11.44%	12.82%						
9.96%	16-074 ($275.9)	5.31%	8.55%	11.13%						
10.00%	16-077 ($107.0)	4.32%	8.54%	11.02%						
10.03%	16-076 ($123.0)	4.95%	9.21%	11.30%						
10.07%	16-078 ($170.4)	5.15%	7.75%	9.62%						
10.22%	16-079 ($126.4)	4.53%	7.75%	9.95%						
10.30%	18-003 ($108.4)	4.15%								
10.40%	16-080 ($108.1)	4.06%	7.45%	8.91%						
10.44%	16-082 ($121.0)	4.30%	7.15%	8.36%						
10.47%	16-081 ($112.0)	3.76%	6.26%	7.80%						
10.57%	16-085 ($105.6)	3.49%	6.65%	8.14%						
10.60%	16-084 ($391.1)	3.94%	7.03%	8.26%						
10.64%	16-086 ($106.8)	3.14%	7.43%	8.05%						
10.64%	16-089 ($120.9)	2.49%	6.50%	7.07%						
10.65%	16-092 ($230.3)	2.25%	5.67%							
10.74%	16-087 ($106.5)	2.91%	5.52%	6.77%						

(a) Weighted average mortgage coupon rate of the mortgages in the PC group computed as of a specific time during the calendar year 1982. The coupon rates on some underlying mortgages may be less than the certificate rate.

(b) Group number digits (000001) and (000000) omitted; ($-) indicates the initial principal balance of the PC group in millions.

(c) This group was specially formulated to meet specific purchaser requirements.

Mortgage Yields (a)	Groups (b)	Cumulative Principal Payments								
		1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year	7th Year	8th Year	9th Year
10.74%	16-090 ($106.9)	2.59%	6.04%							
10.76%	16-088 ($124.8)	2.74%	6.10%	6.68%						
10.79%	18-001 ($103.8)	1.46%								
10.80%	16-095 ($124.2)	2.79%	5.47%							
10.84%	16-091 ($103.8)	2.65%	6.32%							
10.93%	16-094 ($101.3)	2.75%	6.25%							
10.98%	17-026 ($100.7)	2.49%	4.48%							
11.03%	16-093 ($121.6)	2.04%	4.89%							
11.08%	16-096 ($117.3)	2.35%	4.75%							
11.12%	18-002 ($132.8)	1.84%								
11.13%	17-024 ($100.8)	2.56%	4.56%							
11.14%	16-099 ($101.5)	2.97%	5.09%							
11.14%	17-049 ($117.4)	1.26%								
11.15%	17-030 ($100.0)	2.92%	4.88%							
11.19%	16-097 ($101.4)	3.40%	4.95%							
11.22%	16-098 ($ 39.6)	2.91%	5.51%							
11.25%	17-023 ($101.4)	3.38%	5.34%							
11.25%	17-027 ($174.4)	3.13%	5.16%							
11.28%	17-033 ($100.0)	3.03%	5.59%							
11.33%	17-025 ($122.4)	4.21%	5.61%							
11.66%	17-032 ($100.0)	3.26%	4.62%							
12.55%	17-038 ($100.0)	2.53%								
12.77%	17-029 ($255.6)	5.03%	8.35%							
12.82%	17-050 ($126.4)	1.93%								
12.84%	17-035 ($139.1)	3.94%	5.43%							
12.94%	17-031 ($128.6)	4.74%	7.15%							
13.12%	17-036 ($151.1)	4.60%	5.85%							
13.25%	17-043 ($ 42.8)	1.72%								
13.32%	17-034 ($231.1)	5.79%	8.96%							
13.35%	17-037 ($172.8)	3.55%								
13.58%	17-039 ($100.1)	3.41%								
13.91%	17-042 ($100.0)	2.58%								
14.41%	17-041 ($ 86.8)	3.52%								
14.49%	17-047 ($105.6)	2.91%								
14.62%	17-040 ($ 60.7)	5.49%								
14.70%	17-044 ($ 43.9)	2.25%								
14.72%	17-045 ($138.0)	4.88%								
14.99%	17-046 ($100.0)	4.08%								
15.38%	17-051 ($112.4)	4.35%								
15.40%	17-053 ($100.2)	3.46%								
16.23%	17-052 ($ 96.5)	5.26%								

(a) Weighted average mortgage coupon rate of the mortgages in the PC group computed as of a specific time during the calendar year 1982. The coupon rates on some underlying mortgages may be less than the certificate rate.

(b) Group number digits (000001) and (000000) omitted; ($-) indicates the initial principal balance of the PC group in millions.

(c) This group was specially formulated to meet specific purchaser requirements.

No dealer, salesman or any other person has been authorized to give any information or to make any representations other than those contained in the Mortgage Corporation's current Information Statement or in this Offering Circular in connection with the offer made by this Offering Circular and, if given or made, such information or representations must not be relied upon as having been authorized by the Mortgage Corporation. Neither the delivery of this Offering Circular nor any sale of PCs made hereunder shall under any circumstances create an implication that the information provided herein is correct at any time subsequent to the date hereof. This Offering Circular does not constitute an offer or solicitation by anyone in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation.

Table of Contents

Federal Home Loan Mortgage Corporation

Mortgage Participation Certificates (Guaranteed)

Offering Circular

Dated October 20, 1982