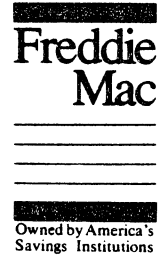


Offering Circular

Federal Home Loan Mortgage Corporation

Multifamily Mortgage Participation Certificates (Guaranteed)



Multifamily Mortgage Participation Certificates ("Multifamily PCs") represent undivided interests in specified fixed-rate, first lien, multifamily mortgages ("Mortgages") purchased by the Federal Home Loan Mortgage Corporation ("Freddie Mac") and placed in discrete pools ("Multifamily PC Pools"). Each Multifamily PC Pool will be comprised entirely either of conventional Mortgages or of Mortgages insured by the Federal Housing Administration. Freddie Mac guarantees to each Holder the timely payment of interest at the applicable Multifamily PC interest rate (the "PC Coupon") on the Holder's pro rata share of the unpaid principal balance of the related Mortgages, as calculated by Freddie Mac under the Pool Factor method. Freddie Mac also guarantees to each Holder the ultimate collection of all principal of the related Mortgages, without offset or deduction, to the extent of the Holder's pro rata share thereof.

This Offering Circular applies to sales by Freddie Mac of Multifamily PCs formed under its Multifamily Guarantor Program. Each Multifamily PC represents an undivided interest in Mortgages which Freddie Mac purchased from a single seller in exchange for Multifamily PCs representing undivided interests in the same Mortgages. The characteristics of the Multifamily PC Pools in which Multifamily PCs represent interests are likely to differ in significant respects from each other and from mortgage pools formed under other Freddie Mac programs for Mortgage Participation Certificates. See "Description of Multifamily Mortgage Participation Certificates—Multifamily PC Pools."

Multifamily PCs are sold in book-entry form only. See "Description of Multifamily Mortgage Participation Certificates—Book-Entry Form, Holders, Minimum Principal Amounts and Transfers."

Currently, there is no secondary market in the Multifamily PCs to be offered pursuant to this Offering Circular, and Freddie Mac can give no assurance that a secondary market in these Multifamily PCs will develop.

This Offering Circular should be read in conjunction with any applicable Offering Circular supplement, Freddie Mac's current Information Statement and any supplements thereto. See "Availability of Information and Incorporation by Reference."

Freddie Mac furnishes to initial purchasers of Multifamily PCs from Freddie Mac an Offering Circular supplement describing certain characteristics of the Mortgages in which such Multifamily PCs represent interests. See "Description of Multifamily Mortgage Participation Certificates—Multifamily PC Pools." If an initial purchaser of Multifamily PCs sells or offers such Multifamily PCs for sale, such seller is required to furnish to prospective purchasers the applicable Offering Circular supplement.

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

Multifamily 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.

Offering Circular Dated July 1, 1988

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Offering Circular Summary	3
Federal Home Loan Mortgage Corporation	7
Availability of Information and Incorporation by Reference	7
Application of Proceeds	7
Description of Multifamily Mortgage Participation Certificates	7
The Mortgages	7
Multifamily PC Pools	9
Pool Factors	11
Interest and Principal Payments	13
Guarantees	13
Final Payment Date	14
Weighted Average Life and Payment Behavior	14
Book-Entry Form, Holders, Minimum Principal Amounts and Transfers	15
Remedies	16
Certain Federal Income Tax Consequences	16
General Tax Characteristics	16
Discount and Premium	17
Backup Withholding and Foreign Withholding	19
Mortgage Purchase Standards	20
Credit, Appraisal and Underwriting Guidelines	20
Loan-to-Value Ratio	20
Mortgage Amount	21
Special Financing Arrangements	21
Eligible Sellers, Servicers, Warranties and Documentation	21
Mortgage Servicing	22
Prepayments	22
Assumption and Due-on-Transfer Policies	23
Fees	24
Defaults and Delinquencies	24
Foreclosures	25
Legality of Investment	26
Regulatory Constraints	27
FHLBB Regulatory Matters	27
Accounting Matters	27
Federal Securities Laws	27
Distribution Arrangements	27
Secondary Market	28
Exhibit A—Multifamily Mortgage Participation Certificate Agreement	A-1

No dealer, salesperson or other person has been authorized by Freddie Mac to give any information or to make any representations on behalf of Freddie Mac other than those contained in this Offering Circular, Freddie Mac's current Information Statement, any subsequent Information Statement or any supplement to any of the foregoing prepared by Freddie Mac for use 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 Freddie Mac. Neither the delivery of this Offering Circular nor any sale of Multifamily 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 to sell or a solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

OFFERING CIRCULAR SUMMARY

The information set forth below summarizes, and is qualified in its entirety by, the information appearing elsewhere in this Offering Circular.

- Issuer and Guarantor** Federal Home Loan Mortgage Corporation, a corporate instrumentality of the United States.
- The Securities** Multifamily PCs represent undivided interests in specified Mortgages purchased by Freddie Mac and placed in Multifamily PC Pools in accordance with Freddie Mac's Multifamily Guarantor Program. Under the Multifamily Guarantor Program each Multifamily PC Pool is comprised of Mortgages purchased by Freddie Mac from a single seller in exchange for Multifamily PCs representing interests in the same Mortgages. The aggregate original unpaid principal balance of each Multifamily PC Pool will be at least \$5 million.
- The Mortgages** The Mortgages are fixed-rate, first lien, whole loan mortgages, secured by properties containing five or more units and designed primarily for residential use. The Mortgages in any Multifamily PC Pool are all either conventional Mortgages or Mortgages insured by the Federal Housing Administration ("FHA"). The Mortgages may be level payment, fully amortizing Mortgages; Mortgages providing for level monthly payments of interest only, with the principal balance due at maturity; or Mortgages providing for level monthly payments of principal and interest based on an amortization period longer than the original term of the Mortgages, with the remaining principal balance due at maturity. See "Description of Multifamily Mortgage Participation Certificates—The Mortgages."
- Book-Entry Form; Holders** The Multifamily PCs are issued and maintained, and may be transferred by Holders (as defined below), only on the book-entry system of a Federal Reserve Bank. Multifamily PCs may be held of record only by entities eligible to maintain book-entry accounts with a Federal Reserve Bank. The term "Holder" shall mean the entity whose name appears on the book-entry records of a Federal Reserve Bank as the entity for whose account the Multifamily PC has been deposited.
- A Holder is not necessarily the beneficial owner of a Multifamily PC. Beneficial owners ordinarily hold Multifamily PCs through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A Holder that is not the beneficial owner of a Multifamily PC, and each other financial intermediary in the chain between the Holder and the beneficial owner, will have the responsibility of establishing

and maintaining accounts for their customers. The rights of a beneficial owner of a Multifamily PC with respect to Freddie Mac and a Federal Reserve Bank may be exercised only through the Holder of that Multifamily PC. Freddie Mac and the Federal Reserve Bank will have no direct obligation to a beneficial owner of a Multifamily PC that is not also the Holder of the Multifamily PC. The Federal Reserve Bank will act only upon the instructions of the Holder in recording transfers of a Multifamily PC.

Minimum Principal Amount and Transfers

Multifamily PCs for any Multifamily PC Pool are issued and must be maintained and transferred in minimum original principal amounts of \$1,000 and additional increments of \$1. Such amounts represent the Holder's pro rata share of the original unpaid principal balance of the related Mortgages as of the date of the Multifamily PC Pool formation.

Payment Dates; Method of Payment

Freddie Mac will pass through payments of principal and interest to Holders on the 15th day of each month, or if such day is not a Business Day (as defined in Exhibit A attached hereto), on the next succeeding Business Day (a "Payment Date"). Payments are credited monthly on each Payment Date by Federal Reserve Banks to Holders' accounts. The Holder and each other financial intermediary in the chain to the beneficial owner will have the responsibility of remitting payments for the accounts of their customers.

Interest

Interest at a specified annual rate (the "PC Coupon") is passed through pro rata monthly on the Payment Date, commencing on the Payment Date in the second month following the month in which the Holder becomes a holder of record. See "Record Date" below. Interest is passed through in the amount of one month's interest on the Holder's pro rata share of the unpaid principal balance of the related Mortgages as calculated by Freddie Mac under the Pool Factor method. See "Description of Multifamily Mortgage Participation Certificates—Interest and Principal Payments" and "—Pool Factors."

Principal

Principal is passed through pro rata monthly on the Payment Date, commencing on the Payment Date in the second month following the month in which the Holder becomes a holder of record. See "Record Date" below. All principal payments and determinations of the unpaid principal balance of the related Mortgages are calculated by Freddie Mac under the Pool Factor method. See "Description of Multifamily Mortgage Participation Certificates —Interest and Principal Payments" and "—Pool Factors."

Record Date	A Holder of a Multifamily PC on the books and records of a Federal Reserve Bank as of the last business day of a month (the "Record Date") will be entitled to payment of principal and interest on the Multifamily PC for the entire month, which payment will be made on the Payment Date in the second month following the month in which the Holder becomes a holder of record.
Guarantees	Freddie Mac guarantees to each Holder the timely payment of interest at the applicable PC Coupon on the Holder's pro rata share of the aggregate unpaid principal balance of the Mortgages in a Multifamily PC Pool, as calculated by Freddie Mac under the Pool Factor method. Freddie Mac also guarantees to each Holder ultimate collection of all principal of the Mortgages in a Multifamily PC Pool, without offset or deduction, to the extent of such Holder's pro rata share thereof. See "Description of Multifamily Mortgage Participation Certificates—Guarantees."
Tax Status	Income from the Multifamily PCs has no exemption under federal law from federal, state or local taxation. Multifamily PCs constitute (i) "loans secured by an interest in real property" for purposes of determining whether an institution qualifies as a "domestic building and loan association," (ii) "qualifying real property loans" with respect to certain thrift institutions, and (iii) "real estate assets" with respect to real estate investment trusts, and interest thereon constitutes "interest on obligations secured by mortgages on real property" with respect to real estate investment trusts. See "Certain Federal Income Tax Consequences."
Legality of Investment	Multifamily PCs described herein: <ul style="list-style-type: none"> ● 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 among those securities which national banks may deal in, underwrite and purchase for their own accounts without limitation; ● are eligible as collateral for advances by Federal Reserve Banks; ● are legal investments for federal savings and loan associations and federal savings banks; ● are eligible as collateral for advances from Federal Home Loan Banks; ● are legal investments for surplus and reserve funds of Federal Home Loan Banks; ● are legal investments for federal credit unions; and

- are considered plan assets for private pension funds under the Employee Retirement Income Security Act of 1974 (and the underlying mortgages are not considered plan assets).

In addition, any person, trust or business entity created pursuant to or existing under the laws of the United States or any state is authorized to purchase, hold and invest in Multifamily PCs to the same extent that the investor is authorized to purchase, hold or invest in obligations issued or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof. See "Legality of Investment."

Offering Procedure Multifamily PCs are initially offered for sale by Freddie Mac pursuant to Freddie Mac's Multifamily Guarantor Program. See "Distribution Arrangements."

FEDERAL HOME LOAN MORTGAGE CORPORATION

Freddie Mac is a corporate instrumentality of the United States created pursuant to the Federal Home Loan Mortgage Corporation Act (Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§1451-1459, the "Freddie Mac Act"). The principal activity of Freddie Mac consists of the purchase of first lien, conventional, residential mortgage loans and participation interests in such mortgage loans from mortgage lending institutions and the resale of the whole loans and participations so purchased in the form of guaranteed mortgage securities. Freddie Mac generally matches its purchases of mortgages and sales of guaranteed mortgage securities. Mortgages retained by Freddie Mac are financed with debt and equity capital.

AVAILABILITY OF INFORMATION AND INCORPORATION BY REFERENCE

Freddie Mac prepares an Information Statement annually which describes Freddie Mac, its business and operations and contains Freddie Mac's audited financial statements for the two most recent fiscal years ending prior to the date of such Information Statement. From time to time Freddie Mac prepares an Information Statement supplement which includes certain unaudited financial data and other information concerning the business and operations of Freddie Mac. The most current Information Statement and Information Statement supplement, if any, are incorporated by reference into this Offering Circular and made a part hereof. Any of these documents and any quarterly report prepared and made available by Freddie Mac can be obtained by writing or calling the Investor Inquiry Department at Freddie Mac at P.O. Box 4112, Reston, Virginia 22090 (outside Washington, D.C. metropolitan area, telephone 800/424-5401, extension 8160; within Washington, D.C. metropolitan area, telephone 703/759-8160).

APPLICATION OF PROCEEDS

The net proceeds received by Freddie Mac from the sale of the Multifamily PCs described herein will provide funds for Freddie Mac to engage in activities consistent with its statutory purposes, including the purchase of additional mortgages and interests in mortgages, repayment of borrowings and satisfaction of working capital needs. In the case of Multifamily PCs described herein, such net proceeds are derived from Freddie Mac's management and guarantee fees.

DESCRIPTION OF MULTIFAMILY MORTGAGE PARTICIPATION CERTIFICATES

Multifamily PCs represent undivided interests in the Mortgages which comprise the related Multifamily PC Pools. Multifamily PCs are sold under the terms of the Multifamily Mortgage Participation Certificate Agreement, dated as of July 1, 1988 (the "Multifamily PC Agreement"), included in this Offering Circular as Exhibit A, which qualifies this summary in its entirety. Holders and anyone having a beneficial interest in Multifamily PCs should refer to the Multifamily PC Agreement for a complete description of their rights and obligations and the rights and obligations of Freddie Mac with respect to the Multifamily PCs. Each Holder acquires a Multifamily PC subject to all the terms and conditions of the Multifamily PC Agreement.

The Mortgages

The Mortgages are fixed-rate, first lien mortgages secured by properties containing five or more units and designed primarily for residential use. Freddie Mac purchases the entire interest in the Mortgages ("whole loans"). The Mortgages may be level payment, fully amortizing Mortgages ("Fully Amortizing Mortgages"); or Mortgages providing for level monthly payments of principal and interest based on an amortization period longer than the original term of the Mortgage, with the remaining principal balance due at maturity ("Amortizing Balloon Mortgages"); or Mortgages providing for level monthly payments of interest only, with the principal balance due at maturity ("Interest Only Balloon Mortgages"). To the extent

the Mortgages in a Multifamily PC Pool differ from the description of Mortgages contained herein, such variations will be set forth in the applicable Offering Circular supplement.

The Mortgages may be conventional mortgages, which do not have the benefit of any guarantee or insurance by the United States or any agency or instrumentality of the United States other than the Freddie Mac guarantees described herein (“Conventional Mortgages”), or Mortgages which are insured by the FHA (“FHA Mortgages”). The Mortgages do not include mortgages insured by the FHA under Sections 232, 234 or 518(a) or Titles I or X of the National Housing Act.

The Mortgages may be secured by any type of multifamily dwellings acceptable to Freddie Mac, including high-rise buildings, low-rise buildings, garden apartments and townhouse apartments. Under certain conditions, the Mortgages may be secured by dwellings subject to subordinate or superior ground or similar leases or to subordinate liens. Freddie Mac may also purchase first lien mortgages secured by multifamily dwellings owned by cooperative corporations or associations. Borrowers may be partnerships, corporations, individuals or other entities.

Freddie Mac purchases Mortgages with maximum original unpaid principal balances of \$50 million. Mortgages in a Multifamily PC Pool may be (i) either all Conventional or all FHA Mortgages; (ii) either all Fully Amortizing Mortgages, all Amortizing Balloon Mortgages or all Interest Only Balloon Mortgages and (iii) either all assumable Mortgages or all non-assumable Mortgages.

Fully Amortizing Mortgages have original maturities of 10 to 30 years (up to 40 years for FHA Mortgages), are amortized over the same period as that of their original maturity, and provide for level payments of principal and interest. Amortizing Balloon Mortgages have original maturities of 5 to 15 years, are amortized by payments of principal and interest over an assumed period of 10 to 30 years and therefore require a balloon payment at maturity. Interest Only Balloon Mortgages have original maturities of 3.5 to 10 years, provide for interest-only payments during their terms and require a balloon payment at maturity. The original maturity of a Mortgage is calculated from the date one month prior to the date the first principal and interest payment is due on such Mortgage. If a Mortgage has been modified with respect to the term, interest rate, principal and interest payment or principal amount, the original maturity is calculated from the date one month prior to the date the first principal and interest payment is due on the modified Mortgage.

The Mortgages may or may not be assumable. Assumable Mortgages are assumable at any time, subject to a credit review of the assumptors by Freddie Mac in accordance with the applicable requirements of Freddie Mac’s *Sellers’ & Servicers’ Guide*. Mortgages that are not assumable may contain due-on-transfer clauses. Mortgage documents which contain due-on-transfer clauses allow, subject to enforceability under applicable law, acceleration of the remaining principal balances of the Mortgages upon the sale or transfer of the real property security, irrespective of the creditworthiness of the transferees. See “Mortgage Purchase Standards—Assumption and Due-on-Transfer Policies.”

The Mortgages may or may not have been originated on FNMA/FHLMC Multifamily Uniform Instruments. Any Mortgage originated on a non-Uniform Instrument may or may not permit automatic acceleration, depending upon its terms. The Uniform Instruments do not allow automatic acceleration unless the security instrument is accompanied by a FHLMC Multifamily Due-on-Transfer Rider, and therefore any Mortgage originated on a Uniform Instrument which does not include a Due-on-Transfer Rider may be assumed, subject to a credit review of the assumptor by Freddie Mac.

FHA Mortgages are originated on mortgage instruments approved by the FHA, which instruments contain provisions different from those contained in the Uniform Instruments. The sale or transfer of title to the real property securing an FHA Mortgage, if done in accordance with applicable FHA regulations, generally does not constitute an event entitling the holder of the mortgage to demand full payment of principal. Accordingly, FHA Mortgages are generally assumable subject to compliance with FHA regulations. See “Mortgage Purchase Standards—Mortgage Servicing—Assumption and Due-on-Transfer Policies.”

The servicers will collect any assumption fees paid with respect to assumable Mortgages. Freddie Mac and/or the servicers will retain such assumption fees. No assumption fees will be passed through to Holders. See “Mortgages Purchase Standards—Fees.”

Mortgages purchased by Freddie Mac allow partial or full prepayment at any time and usually require the payment of a prepayment penalty fee. The prepayment penalty fees may vary significantly, and the Mortgages in a Multifamily PC Pool may have more than one type of prepayment penalty. Generally, Mortgages with higher prepayment penalty fees will tend to be prepaid less often than Mortgages with lower prepayment penalty fees. Therefore, a high prepayment penalty fee on a Mortgage tends to increase the life of that Mortgage. Information regarding the nature of prepayment penalty fees in the Mortgages in a Multifamily PC Pool will be provided to Freddie Mac by the seller and will be described in the applicable Offering Circular supplement. The servicer will collect and pay to Freddie Mac any prepayment penalty fees paid with respect to the Mortgages. Freddie Mac will not pass through to Holders any such prepayment penalty fees.

For a description of Freddie Mac’s general mortgage purchase requirements, see “Mortgage Purchase Standards.”

Multifamily PC Pools

Each Multifamily PC Pool is comprised of Mortgages purchased from a single seller in exchange for Multifamily PCs representing undivided interests in the same Mortgages. The interest rates of the Mortgages in any Multifamily PC Pool may vary. Under the Multifamily Guarantor Program, whole loan mortgages are purchased at par, so that the original unpaid principal balance of a Multifamily PC Pool is equal to the aggregate unpaid principal balance of the related Mortgages as of the date of their delivery to Freddie Mac rounded down to the nearest dollar. The original unpaid principal balance of and the number of Mortgages in a Multifamily PC Pool are dependent on the minimum dollar amount a seller may offer for sale to Freddie Mac, as well as the dollar amount and number of Mortgages accepted for purchase by Freddie Mac. Each Multifamily PC Pool will have a minimum original unpaid principal balance of \$5 million as of the date of settlement.

Mortgages in a Multifamily PC Pool may be (i) either all Conventional or all FHA Mortgages; (ii) either all Fully Amortizing Mortgages, all Amortizing Balloon Mortgages or all Interest Only Balloon Mortgages and (iii) either all assumable Mortgages or all non-assumable Mortgages. Each Multifamily PC Pool will be identified by a two-digit prefix of the Multifamily PC Pool number which indicates the type of Mortgages in the Multifamily PC Pool. Prefixes for Multifamily PCs relate to the following types of mortgages:

23—Fully Amortizing Mortgages

24—Amortizing Balloon Mortgages and Interest Only Balloon Mortgages

Multifamily PC Pools also may vary with respect to matters such as: number of Mortgages; interest rates of the Mortgages; original unpaid principal balances of the Mortgages; geographic location of the mortgaged properties; remaining maturities and ages of the Mortgages; types of mortgage instruments; types of borrowers; types of multifamily dwellings securing the Mortgages; percentage of the pool represented by the largest mortgage; presence and nature of prepayment penalty fees; existence and size of balloon payments on the maturity dates of the Mortgages; and the nature and extent of buydowns and other special financing arrangements. The mortgaged properties in a particular Multifamily PC Pool may be located in a single geographic area or in a single state. Except as specifically set forth herein or in any Offering Circular supplement prepared by Freddie Mac in connection with the sale of Multifamily PCs, Freddie Mac makes no representation as to the characteristics of the Mortgages which comprise any Multifamily PC Pool. See “The Mortgages.”

Unless otherwise agreed in connection with a particular offering of Multifamily PCs, once a Mortgage is identified to a Multifamily PC Pool, the Mortgage will remain in that Multifamily PC Pool unless paid in full, foreclosed, repurchased or replaced with another Mortgage. A Mortgage may be repurchased from a Multifamily PC Pool as a result of a material breach of warranty, representation or agreement by a seller; as a result of defects in documentation or other rights of recourse to a seller; in order to permit assumption of a Mortgage containing an enforceable due-on-transfer clause; in connection with certain payment plans and bankruptcy court actions; by virtue of Freddie Mac's guarantee of principal collection; in order to maintain proper servicing of the Mortgages or to minimize loss; and under certain other circumstances. In determining whether a Mortgage should be repurchased, Freddie Mac considers a variety of factors, including whether a repurchase will reduce Freddie Mac's administrative costs or Freddie Mac's likely exposure under its guarantee of collection of principal. The proceeds of any Mortgage repurchased will be passed through to the Holders as if the Mortgage had been prepaid.

In the event of a material breach of a warranty, representation or agreement contained in the Freddie Mac's *Sellers' & Servicers' Guide* or the Purchase Documents (as defined in the *Sellers' & Servicers' Guide*), a failure to comply with any term or condition in the Purchase Documents, or a defect in documentation, Freddie Mac, in lieu of requiring the repurchase of a Mortgage, may also require the seller, within six months of the purchase of the Mortgage by Freddie Mac, to substitute another Mortgage of comparable type, unpaid principal balance, remaining maturity and yield.

The PC Coupon is fixed by reference to the lowest interest rate of any Mortgage in the Multifamily PC Pool. The range of interest rates on the Mortgages in any Multifamily PC Pool can be determined by investors approximately two months after the month of Multifamily PC Pool formation, when Freddie Mac provides the Quartiles of the Mortgages in Multifamily PC Pools, as discussed below. The highest interest rate on any Mortgage in a Multifamily PC Pool may be not more than 250 basis points above the applicable PC Coupon.

The PC Coupon always will be lower than the lowest interest rate of any Mortgage in the Multifamily PC Pool. The difference between the interest rate of a Mortgage and Freddie Mac's required yield is retained by the servicer as its servicing fee, and the difference between Freddie Mac's required yield and the PC Coupon is retained by Freddie Mac as its management and guarantee fee.

Approximately two months after the month of Multifamily PC Pool formation, Freddie Mac will provide the weighted average remaining terms to maturity ("WARMs"), the quartile distributions of the mortgage interest rates ("Mortgage Coupons"), the weighted average Mortgage Coupons ("WACs"), and remaining terms to maturity ("Quartiles") of the Mortgages as of the date of Multifamily PC Pool formation in a separate Bond Buyer publication. Freddie Mac expects to update such information on an annual basis as of July 1 of each year in a separate Bond Buyer publication.

Freddie Mac determines the Quartiles by arranging the Mortgages in a Multifamily PC Pool in ascending order according to the interest rate of each Mortgage, and, separately, according to the remaining term to maturity of each Mortgage. The Mortgages are then segregated into four groups, each group consisting of 25 percent of the total unpaid principal balance of the Mortgages in the Multifamily PC Pool, and Freddie Mac identifies the lowest and highest interest rates or remaining terms to maturity of the Mortgages within each grouping.

Freddie Mac prepares an Offering Circular supplement which contains the following information regarding the Mortgages for each Multifamily PC Pool as of the date of delivery of the Mortgages to Freddie Mac for purchase: (i) the weighted average remaining term to maturity and weighted average interest rate of the Mortgages; (ii) the location by state of the real property securing the Mortgages; (iii) whether the Multifamily PC Pool is composed of (a) either all Fully Amortizing Mortgages, Amortizing Balloon Mortgages or Interest Only Balloon Mortgages, (b) either all assumable mortgages or all nonassumable

mortgages, (c) either all Conventional or all FHA Mortgages; (iv) original weighted average origination date and origination date range; (v) average mortgage unpaid principal balance and mortgage unpaid principal balance range; (vi) original weighted average remaining amortization period and remaining amortization period range, if applicable; (vii) a summary description of the terms of any prepayment penalty fees called for by the Mortgages; (viii) the location by state of the real property securing the Mortgages; and (ix) the number of Mortgages (including whether any one mortgage comprises more than 20% of the related Multifamily Pool). The first day of the month of settlement of the Multifamily PC Pool is the date of Multifamily PC Pool formation. Principal payments on the Mortgages made subsequent to the date of delivery of the Mortgages to Freddie Mac but before purchase may result in changes in the characteristics of the Multifamily PC Pool as described in the applicable Offering Circular supplement. The initial purchaser of Multifamily PCs sold under the Multifamily Guarantor Program which sells or offers for sale such Multifamily PCs is required to furnish to prospective purchasers the applicable Offering Circular supplement.

Pool Factors

A Pool Factor for a given month is a seven-digit decimal calculated by Freddie Mac which represents the unpaid principal balance of the Mortgages in the related Multifamily PC Pool as of the end of the previous month, stated as a fraction of the original unpaid principal balance of such Mortgages. The amount of a Holder's pro rata share of the unpaid principal balance of the Mortgages for a given month can be determined by multiplying the original unpaid principal balance of such Holder's Multifamily PC by the Pool Factor published in that month. Pool Factors for Multifamily PCs will be published on or about the seventh business day of each month. The names of the publishers from which a compilation of Pool Factors may be purchased may be obtained by calling Freddie Mac's Investor Inquiry department (outside Washington, D.C. metropolitan area, telephone 800/424-5401, extension 8160; within Washington, D.C. metropolitan area, telephone 703/759-8160).

Servicers report to Freddie Mac with respect to a reporting period that commences on the 16th day of a given month and concludes on the 15th day of the following month. For example, principal payments reported to Freddie Mac by servicers for the month of February are those reported by the servicer for the period from January 16 through February 15.

The Multifamily PC Agreement permits Freddie Mac to make payments to Holders of principal and interest based on the unpaid principal balance of the related Mortgages as determined by the Pool Factor. Interest on Multifamily PCs is paid based on the unpaid principal balance of the Mortgages as determined by the Pool Factor for the second month prior to the month in which a payment is made. Principal on Multifamily PCs is paid in an amount based on the difference between the Pool Factor for the second month prior to the month in which payment is made and the Pool Factor for the month prior to the month in which payment is made. For example, a Holder's April payment contains an interest payment at the PC Coupon on the Holder's pro rata share of the principal balance represented by the Pool Factor published in February and a principal payment based on the difference between the Pool Factors published in February and March.

The Pool Factor for a Multifamily PC Pool for a particular month reflects the unpaid principal balance of the Mortgages in that Multifamily PC Pool as of the end of the preceding monthly reporting period, based on the unpaid principal balances reported by the servicers. For example, the Pool Factor for a Multifamily PC Pool published in March represents the unpaid principal balance of the related Mortgages as of February 15.

The following illustrates the payment of principal by application of the Pool Factor method to a hypothetical Multifamily PC Pool formed on April 22 (i.e., after the 15th day of the month):

April 1 The initial Pool Factor, which is not published, is equal to 1.0000000.

April 22	The Multifamily PC Pool is formed. The original unpaid principal balance of the Multifamily PCs is equal to the unpaid principal balance of the Mortgages as of April 1, as reported at delivery to Freddie Mac by the seller (the "Original Unpaid Principal Balance").
By April 29	Within five business days after Multifamily PC Pool formation, servicers report and remit any prepayments in full of Mortgages received from April 1 through April 22 and repurchase any Mortgages that became delinquent during such period.
On or about May 9	The May Pool Factor is published. The May Pool Factor, which will be equal to 1.0000000, will not reflect a reduction in the unpaid principal balance because the servicer's first report of the outstanding principal balance of the Mortgages is not due until May 15th and, therefore will not be available as of the date of Pool Factor publication.
By May 22	Within five business days after May 15, servicers report the outstanding principal balance of the Mortgages as of May 15. This balance will be used in calculating the June Pool Factor and will reflect principal payments reported by servicers to Freddie Mac (including full and partial prepayments), and any repurchases of Mortgages by servicers, from April 1 through May 15.
On or about June 9	The June Pool Factor is published reflecting the May 15 unpaid principal balance reported by servicers (including repurchases of Mortgages and prepayments reported by servicers).
June 15	The first payment is made to Holders. The aggregate principal payment to Holders is equal to the difference between the April and May Pool Factors multiplied by the Original Unpaid Principal Balance. (Since both the April and May Pool Factors are 1.0000000 for a PC Pool formed after April 15, there is no principal payment to Holders.)
By June 22	Within five business days after June 15, servicers report the outstanding principal balance of the Mortgages as of June 15. This balance will be used in calculating the July Pool Factor and will reflect principal payments received by servicers (including full and partial prepayments) from May 16 through June 15.
On or about July 9.....	The July Pool Factor is published, reflecting the June 15 unpaid principal balance reported by servicers.
July 15	The second payment is made to Holders. The aggregate principal payment to Holders is equal to the difference between the May and June Pool Factors multiplied by the Original Unpaid Principal Balance.

Subsequent months follow the pattern as illustrated for July. Application of the Pool Factor method to a hypothetical Multifamily PC Pool formed on or before the 15th day of a month differs from the illustration set forth above with respect to a Multifamily PC Pool formed after the 15th day of the month. With respect to a Multifamily PC Pool formed on or before the 15th day of the month, the second Pool Factor, which is published on or about the seventh business day of the month after the month of pool formation of the

Multifamily PC Pool (May 9 in the illustration above), reflects the unpaid principal balance of the Mortgages reported by servicers as of the 15th day of the month of pool formation (April in the illustration above). This reflects principal payments received by servicers (including full and partial prepayments) that were made between the 1st and 15th days of the month of pool formation as reported to Freddie Mac by the servicer within five Business Days of April 15.

Use of the Pool Factor method affects the timing of receipt of payments by Holders but does not affect Freddie Mac's guarantees of timely payment of interest at the applicable PC Coupon and ultimate collection of principal of the Mortgages.

Interest and Principal Payments

A Holder will receive interest monthly at the applicable PC Coupon on its pro rata share of the unpaid principal balance of the related Mortgages, as calculated by Freddie Mac under the Pool Factor method. See "Pool Factors." For purposes of computing payments of interest, all principal payments with respect to the Mortgages are deemed to have been made on the first day of a calendar month. Interest at the PC Coupon is computed on the basis of a 360-day year of twelve 30-day months. Because record ownership as of the close of business on the last business day of the month of settlement entitles a Holder to interest from the first day of the month in which settlement occurs, the first Multifamily PC payment to any Holder will include interest for the entire month.

A Holder will receive monthly its pro rata share of all principal payments on the related Mortgages received by Freddie Mac, including any scheduled principal payments, full and partial prepayments of principal, and principal received by virtue of condemnation, insurance payments or foreclosure, and all proceeds of repurchases of the Mortgages by Freddie Mac or by the seller or the servicer.

Principal payments on the Mortgages made during the period between delivery and settlement, if settlement occurs on or before the 15th day of a month are reflected in the Pool Factor of the related Multifamily PC Pool for the month following the month of initial sale and are paid to the Holders accordingly. If settlement occurs after the 15th day of the month, principal payments on the Mortgages made during the period between delivery and settlement are not reflected in the Pool Factor of the related Multifamily PC Pool until the second month following the month of initial sale.

Freddie Mac pays to the seller on the settlement date an amount of interest equal to the difference between (1) the amount of interest at Freddie Mac's required yield on the Mortgages, and (2) the amount of interest at the PC Coupon, for the period from the first day of the month of settlement to the day prior to the day of settlement, inclusive.

Freddie Mac normally receives payments from servicers of principal (including partial prepayments) and interest made with respect to the Mortgages within five business days after the end of the monthly reporting period in which the payments are made. Servicers remit full prepayments of principal within five business days of the date on which such payments were made to servicers. Pending payment to Holders as described above, Freddie Mac may invest these funds at its own risk and for its own benefit.

If Freddie Mac acquires any Multifamily PC for its own account, Freddie Mac shares in all payments of principal and interest on a pro rata basis with all other Holders of Multifamily PCs representing interests in the related Mortgages.

Guarantees

Freddie Mac guarantees to each Holder the timely payment of interest at the applicable PC Coupon on the Holder's pro rata share of the unpaid principal balance of the related Mortgages, as calculated by Freddie Mac under the Pool Factor method. Freddie Mac also guarantees to each Holder ultimate collection of all principal of the related Mortgages, without offset or deduction, to the extent of such Holder's pro rata share of the unpaid principal balance of the Mortgages. Pursuant to its guarantees, Freddie Mac indemnifies Holders against any diminution in principal by reason of charges for property repairs, maintenance and foreclosure.

Freddie Mac may pay the amount due on account of its guarantee of ultimate collection of principal any time after default on an underlying Mortgage, but not later than 30 days following (i) foreclosure sale, (ii) payment of the claim by any mortgage insurer or the FHA or (iii) 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 or for payment of the principal due on the maturity of a Mortgage.

In taking actions regarding the collection of principal after default on the Mortgages in a Multifamily PC Pool, including the timing of the demand for acceleration, Freddie Mac requires servicers to service the Mortgages in substantially the same manner as for mortgages of the same type which Freddie Mac has purchased but not sold. The effect that Freddie Mac's servicing policies (as well as a borrower's bankruptcy proceeding) may have on the timing of the demand for accelerated payment of principal and on payment pursuant to Freddie Mac's guarantee of ultimate collection of principal is described in "Mortgage Purchase Standards—Mortgage Servicing— Defaults and Delinquencies."

MULTIFAMILY PCs ARE NOT GUARANTEED BY AND DO NOT CONSTITUTE DEBTS OR OBLIGATIONS OF THE UNITED STATES OR ANY FEDERAL HOME LOAN BANK.

Final Payment Date

The Final Payment Date with respect to a Multifamily PC Pool corresponds to the first day of the month in which the last scheduled monthly payment on the latest maturing Mortgage in the Multifamily PC Pool is scheduled to be made. The Mortgages in a Multifamily PC Pool are not required to have scheduled maturity dates within a limited range of years. Therefore, the Final Payment Date of a Multifamily PC Pool may reflect the maturity date of only a single Mortgage in the Multifamily PC Pool.

Holders may receive the final payment on the Mortgages before the Final Payment Date as a result of prepayment or after the Final Payment Date because of the up to 75 day delay in the pass through of payments on the Mortgages. Payment plans, periods of forbearance or other actions which delay the receipt of payments by Freddie Mac may also result in payments to Holders after the Final Payment Date. See "Mortgage Purchase Standards—Mortgage Servicing."

Weighted Average Life and Payment Behavior

The weighted average life of a Multifamily PC will depend upon the amount of principal, including both scheduled and unscheduled payments, which is periodically paid to Holders. Freddie Mac is not currently aware of any industry conventions for prepayment assumptions relating to multifamily mortgages, and Freddie Mac's experience with respect to the Mortgages included in Multifamily PC Pools is insufficient to draw any conclusions with respect to the weighted average life of Multifamily PCs.

The payment behavior of a Multifamily PC Pool may be influenced by a variety of economic, tax, geographic, demographic and other factors. These factors may include the age, geographic distribution and payment terms of the Mortgages in the Multifamily PC Pool, remaining depreciable life of the underlying properties, characteristics of the borrowers, amount of the borrowers' equity, the availability of mortgage financing and, in a fluctuating interest rate environment, the difference between the interest rates on the Mortgages and prevailing mortgage rates, the extent to which the Mortgages are assumed or refinanced or the underlying properties are sold or conveyed, changes in local industry and population as they affect vacancy rates, population migration and the attractiveness of other investment alternatives and the nature of prepayment penalty fees, if any. The relative contribution of these factors may vary over time.

The number of foreclosures in a Multifamily PC Pool and the number of repurchases of Mortgages will also affect payment behavior. In addition, servicing decisions made with respect to the Mortgages, including the use of payment plans prior to demand for acceleration and the restructuring of Mortgages in bankruptcy proceedings, also may have an impact upon the payment behavior of particular Multifamily PC Pools. See "Mortgage Purchase Standards—Mortgage Servicing."

Information with respect to the payment rate of multifamily mortgages is limited. Freddie Mac makes no representation as to the expected weighted average life of any Multifamily PC or the percentage of the original unpaid principal balance of the Mortgages in a Multifamily PC Pool which will be paid to Holders at any particular point in time. The Mortgages in any particular Multifamily PC Pool may experience a rate of principal payment which is different from the principal payment rate for Mortgages in other Multifamily PC Pools and for 1-4 family mortgages pooled under other Freddie Mac PC Programs.

Book-Entry Form, Holders, Minimum Principal Amounts and Transfers

Freddie Mac issues Multifamily PCs only in book-entry form. Freddie Mac's fiscal agent for Multifamily PCs is the Federal Reserve Bank of New York. The Fiscal Agency Agreement between Freddie Mac and the Federal Reserve Bank of New York makes generally applicable to Multifamily PCs the Freddie Mac book-entry regulations, 1 C.F.R. Part 462, such procedures, insofar as applicable, as may from time to time be established by regulations of the United States Department of the Treasury governing United States securities, and such other procedures as shall be agreed upon from time to time by Freddie Mac and the Federal Reserve Bank of New York. These regulations and procedures relate primarily to registration, transfer and pledge of Multifamily PCs in book-entry form. Each Multifamily PC Pool is assigned a unique nine character designation used to identify the Multifamily PC Pool on the records of a Federal Reserve Bank (the "CUSIP Number").

Multifamily PCs are issued and must be maintained and transferred only on the book-entry system of a Federal Reserve Bank in minimum original principal amounts of \$1,000 and in additional increments of \$1. Such amounts represent the Holder's pro rata share of the original unpaid principal balance of the Mortgages as of the date of formation of the related Multifamily PC Pool. A Multifamily PC may not be transferred if, as a result of such transfer, the transferor or transferee Holder would have on deposit in its book-entry account Multifamily PCs having an original unpaid principal balance of less than \$1,000 in respect of the related Multifamily PC Pool.

The Multifamily PCs may be held of record only by entities eligible to maintain book-entry accounts with a Federal Reserve Bank. Such entities whose names appear on the book-entry records of a Federal Reserve Bank as entities for whose accounts Multifamily PCs have been deposited are referred to herein as "Holders." A Federal Reserve Bank's book-entry records will reflect a Holder's aggregate holdings of Multifamily PCs by account.

A Holder, whose name appears on a Federal Reserve Bank's records as the entity for whose account a Multifamily PC has been deposited, is not necessarily the beneficial owner of a Multifamily PC. Beneficial owners ordinarily hold Multifamily PCs through one of more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. For example, an individual purchaser may hold a Multifamily PC through a brokerage firm which, in turn, holds the Multifamily PC through an entity eligible to maintain book-entry accounts with the Federal Reserve Bank. In such case, the beneficial owner of the Multifamily PC would be the individual purchaser and the entity whose name appears on the records of a Federal Reserve Bank as the entity for whose account the Multifamily PC was deposited would be the Holder. A Holder that is not the beneficial owner of a Multifamily PC, and each other financial intermediary in the chain between the Holder and the beneficial owner will have the responsibility of establishing and maintaining accounts for their respective customers. The rights of the beneficial owner of a Multifamily PC with respect to Freddie Mac and a Federal Reserve Bank may be exercised only through the Holder of the Multifamily PC. Freddie Mac and a Federal Reserve Bank will have no direct obligation to a beneficial owner of a Multifamily PC that is not also the Holder of the Multifamily PC. A Federal Reserve Bank will act only upon the instructions of the Holder in recording transfers of a Multifamily PC.

A Federal Reserve Bank credits interest and principal to Holders on the 15th day of each month, or if such day is not a Business Day (as defined in the Multifamily PC Agreement), on the next succeeding Business Day (a "Payment Date"). A Holder of a Multifamily PC on the books and records of a Federal Reserve

Bank as of the Record Date, shall be entitled to payments or principal and interest on the Multifamily PC for the entire month, which payment will be made on the Payment Date in the second month following the month in which settlement on the Multifamily PC occurred. For purposes of determining a Record Date, the last business day of the month means a day other than (1) a Saturday or Sunday, (2) a day on which the Federal Reserve Bank of New York (or other agent acting as Freddie Mac's fiscal agent) is authorized or obligated by law or executive order to remain closed, or (3) a day on which the Federal Reserve Bank at which the Holder's account is maintained is authorized or obligated by law or executive order to remain closed. This payment procedure may result in a delay in the receipt of the initial payment of up to 75 days. Thereafter, payments will be received by the Holder on each succeeding Payment Date.

Remedies

In the event of Freddie Mac's default in the payment of principal or interest or in the performance of any other covenant in the Multifamily PC Agreement, all to the extent and as set forth in the Multifamily PC Agreement, the Holders of a majority of the aggregate unpaid principal balance of the Multifamily PCs in respect of any affected Multifamily PC Pool may, subject to certain notice requirements and the rights of Freddie Mac and other Holders, remove Freddie Mac and nominate a successor under the Multifamily PC Agreement. Appointment of a successor does not relieve Freddie Mac of its guarantee obligations as set forth in the Multifamily PC Agreement. The right of a 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. For complete information concerning Holders' rights and remedies with respect to a Multifamily PC, see the Multifamily PC Agreement.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The following is intended to provide general tax information relating to Multifamily PCs. The summary is based upon laws, regulations and decisions now in effect, all of which are subject to change or possibly different interpretations. Potential investors should consult their own tax advisors regarding the federal tax treatment of the Multifamily PCs as well as the consequences of state, local and foreign tax laws.

Neither the Multifamily PCs nor the income derived therefrom is exempt from federal income, estate or gift taxes under the Internal Revenue Code of 1986, as amended (the "Code"), by virtue of the status of Freddie Mac as a corporate instrumentality of the United States. Further, neither the Code nor the Freddie Mac Act contains an exemption from taxation of the Multifamily PCs or the income derived therefrom by any state, any possession of the United States or any local taxing authority.

Each Holder will be furnished with annual information for federal income tax purposes that will itemize with respect to each PC held the total amount of interest due from mortgagors at the interest rates on the underlying Mortgages, servicers' fees, Freddie Mac's management and guarantee fees, the total amount of interest paid on the Multifamily PC at the Multifamily PC Coupon, and distributions of principal on the Multifamily PCs for the calendar year.

General Tax Characteristics

Multifamily PCs have the following characteristics for federal income tax purposes:

(A) A Multifamily PC Pool 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. Subject to the potential application of the "stripped bond" rules discussed below, each beneficial owner of a Multifamily PC ("Beneficial Owner") will be treated as the owner of a pro rata undivided interest in the ordinary income and corpus of the grantor trust for that particular Multifamily PC Pool, and will be considered the owner of a pro rata undivided interest in each of the Mortgages included therein. Accordingly, each Beneficial Owner will be required to report on its federal

income tax return its pro rata share of the entire income from the Mortgages, including gross interest income at the interest rates on the Mortgages and incidental fees, if any, in accordance with its method of accounting. Each Beneficial Owner will be entitled to deduct, under Section 162 or 212 of the Code, in accordance with its method of accounting, its pro rata share of servicers' fees and Freddie Mac's management and guarantee fees, including incidental fees paid by the borrowers and retained by servicers or Freddie Mac. The Tax Reform Act of 1986 (the "1986 Act") limits the deduction for a Beneficial Owner's share of the fees in the case of (i) estates and trusts, and (ii) individuals owning an interest in a Multifamily PC directly or through an investment in a "pass-through entity" (other than in connection with such individual's trade or business). Pass-through entities include partnerships, S corporations, grantor trusts, and mutual funds, but do not include estates, nongrantor trusts, cooperatives and real estate investment trusts. Generally, such deduction, when aggregated with certain of the Beneficial Owner's other miscellaneous itemized deductions, is allowable only to the extent that such aggregate amount exceeds two percent (2%) of the Beneficial Owner's adjusted gross income.

(B) Multifamily PCs constitute "loans . . . secured by an interest in real property" within the meaning of Section 7701(a)(19)(C)(v) of the Code for purposes of determining whether an institution qualifies as a "domestic building and loan association." Multifamily PCs also constitute "qualifying real property loans" within the meaning of Section 593(d) of the Code.

(C) Interest income on Multifamily 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 Multifamily 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) 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 Multifamily PCs, provided that the purchase meets the investment requisites applicable to such trust.

Discount and Premium

A Beneficial Owner will be treated as purchasing an interest in each of the Mortgages in the relevant Multifamily PC Pool at a price determined by allocating the purchase price paid for the Multifamily PC among the Mortgages in proportion to their fair market values at the time of purchase of the Multifamily PC. To the extent that the portion of the purchase price allocated to a Mortgage is less than or greater than the portion of the principal balance of the Mortgage allocated to the Multifamily PC, the interest in the Mortgage will be deemed to have been acquired with discount or premium, respectively. The treatment of any discount will depend on whether the discount represents original issue discount or market discount.

A Beneficial Owner will be required to report as ordinary income its pro rata share of any original issue discount with respect to the Mortgages in the relevant Multifamily PC Pool pursuant to Sections 1271-1273 and 1275 of the Code. Original issue discount with respect to a Mortgage could arise, for example, by virtue of the charging of points by the originator of the Mortgage. Even if there is original issue discount with respect to a Mortgage, a Beneficial Owner will be required to accrue such original issue discount into income currently only if it exceeds a *de minimis* amount. The Mortgages also would be subject to the original issue discount rules if, as discussed below, the "stripped bond" provisions of the Code were determined to be applicable. Unless the "stripped bond" rules apply, the original issue discount rules described above would not apply to Mortgages of individuals originated before March 2, 1984 and Mortgages of partnerships originated before July 2, 1982.

In general, a Beneficial Owner who is considered to have purchased its interest in any Mortgage at a market discount may be required to allocate the market discount among the principal payments on the Mortgage and include in income the discount allocated to each payment when the payment is received or comes due. The character of such income as ordinary income or capital gain will depend on the status of the issuer of the Mortgage and the date of issuance of the Mortgage. With respect to Mortgages originated on or

prior to July 18, 1984, a Beneficial Owner will report the market discount as capital gain in the case of a Mortgage issued by a corporation or a Mortgage issued by a partnership after July 1, 1982, and as ordinary income in the case of a Mortgage issued by an individual (assuming the Multifamily PC is held as a capital asset and subject to the discussion of Section 1277 and "stripped bonds" below). With respect to Mortgages originated after July 18, 1984, the market discount rules of Sections 1276-1278 of the Code will apply to treat market discount (in excess of a *de minimis* amount) as ordinary income to the extent of the portion of such discount that is considered to have accrued during the period a Beneficial Owner held the Multifamily PC. Market discount will be considered to accrue under a straight-line method unless a Beneficial Owner elects to calculate accrued market discount under a constant interest method. Under Section 1277, interest paid or accrued by a Beneficial Owner on indebtedness incurred or continued to purchase or carry Mortgages acquired at a market discount (whether such Mortgages were issued on or prior to or after July 18, 1984) is allowed as a deduction only to the extent such interest (reduced by the interest on the Mortgages includible in income) exceeds the market discount that accrued during the taxable year such interest was paid or accrued. Any such deferred interest expense will, in general, be allowed as a deduction when the related discount income is recognized. As an alternative, a Beneficial Owner may elect to include market discount in income currently, under either a straight-line method or a constant interest method, on all market discount obligations held by such Beneficial Owner (other than market discount obligations acquired in prior taxable years), in which event the foregoing ordinary income on disposition and interest deferral rules will not apply. The precise application of the market discount rules to the Mortgages is not clear. It is anticipated that the application of the market discount rules to obligations such as the Mortgages will be addressed in regulations to be issued by the United States Department of the Treasury. The legislative history of the 1986 Act indicates that, until the issuance of regulations, it is permissible for a Beneficial Owner to elect to accrue market discount as follows: (1) for Mortgages that have original issue discount, the amount of market discount that accrues during a period is equal to the product obtained by multiplying the total remaining market discount by a fraction, the numerator of which is the original issue discount for the period and the denominator of which is the total remaining original issue discount at the beginning of the period, and (2) for Mortgages that have no original issue discount, the amount of market discount that is deemed to accrue shall be the amount of market discount that bears the same ratio to the total amount of remaining market discount that the amount of stated interest paid in the accrual period bears to the total amount of stated interest remaining to be paid on the Mortgage as of the beginning of the accrual period. Investors should consult their own tax advisors regarding the application of the market discount rules as well as the advisability of making any of the above elections.

In the event a Beneficial Owner is considered to have purchased its interest in any Mortgage at a premium, such premium may, if the Mortgage is issued by a corporation or if the Mortgage is issued by other than a corporation after September 27, 1985, be amortizable under a constant interest method at the election of the taxpayer under Section 171 of the Code.

A Beneficial Owner who sells a Multifamily PC will recognize gain or loss equal to the difference between its adjusted tax basis in the Multifamily PC and the amount realized in the sale (exclusive of amounts attributable to accrued and unpaid interest, which will be treated as ordinary interest income). In general, such adjusted tax basis will equal the Beneficial Owner's cost for the Multifamily PC, increased by the amount of any discount income previously reported with respect to the Multifamily PC and decreased by the amount of any premium previously deducted with respect to the Multifamily PC and the amount of any distributions of principal received thereon. Any such gain or loss would be capital gain or loss if the Multifamily PC is held as a capital asset, except that in the case of a seller that is considered to have acquired an interest in Mortgages with market discount, some portion of such gain may be treated as ordinary income. Under the market discount rules, gain from the sale of a Multifamily PC will be treated as ordinary income in an amount not exceeding the portion of the market discount with respect to the seller's interest in underlying Mortgages that were originated after July 18, 1984 that is considered to have accrued (in the manner described above) during the period in which the seller held the Multifamily PC and that has not previously been included in income. In addition, gain attributable to an interest in underlying Mortgages that were originated on or before

July 18, 1984 that would otherwise be capital gain will be characterized as ordinary income to the extent that any previously deferred interest expense relating to those Mortgages becomes deductible at the time of such sale, as described above. The 1986 Act eliminated the preferential rates applicable to capital gains, generally after December 31, 1986, subject to transitional rules.

In the case of a Beneficial Owner other than the seller of a Mortgage under the Multifamily Guarantor Program, any difference between interest at the underlying interest rate on the Beneficial Owner's undivided interest in each Mortgage in the Multifamily PC Pool (the Beneficial Owner's gross income) and the sum of the interest at the Multifamily PC Coupon on the Multifamily PC, Freddie Mac's management and guarantee fees, and servicer's fees with respect to such undivided interest is, except as described below, to be accounted for as premium expense, as described in Revenue Ruling 71-399, 1971-2 C.B. 433. In Revenue Ruling 71-399, the Internal Revenue Service ruled that any such premium expense may be deductible in accordance with applicable rules.

The Internal Revenue Service may contend that, by reason of the enactment of the stripped bond rules of Section 1286 of the Code (or its predecessor, Section 1232B), Revenue Ruling 71-399 is no longer applicable to characterizing such excess. If this were the case, a Beneficial Owner would not be treated as having a pro rata undivided interest in the interest payments on the Mortgages, but rather an ownership interest in such payments to the extent of the PC Coupon plus reasonable servicing fees. Under the rules of Section 1286, the Beneficial Owner would be treated as if the payments to be received in respect of the ownership interest in the Mortgages were purchased at an original issue discount equal to the difference between the price at which such Beneficial Owner is considered to have purchased such payments and the aggregate amount of such payments. The Beneficial Owner would include in income such original issue discount in accordance with the normal Code provisions governing original issue discount. This would have the effect of requiring both interest and discount on the Mortgages to be reported as ordinary income as such income accrues under a constant interest method pursuant to Sections 1271-1273 and 1275 of the Code.

Backup Withholding and Foreign Withholding

A Beneficial Owner who is a U.S. person (as defined below) may be subject to backup withholding tax at the rate of 20 percent under Section 3406 of the Code on payments made with respect to a Multifamily PC. Backup Withholding would apply if such Beneficial Owner fails to furnish certain information, including such Beneficial Owner's taxpayer identification number, to the person from whom such Beneficial Owner receives such payments or, under certain circumstances, if the person from whom such Beneficial Owner receives payments is notified by the Secretary of the Treasury that such Beneficial Owner is subject to backup withholding as a result of failure to report interest or dividends to the Internal Revenue Service. Any such amounts withheld would be allowed as a credit against such Beneficial Owner's U.S. federal income tax. Backup withholding does not apply to payments with respect to a Multifamily PC made to a Beneficial Owner who is an "exempt recipient," as defined in applicable provisions of the Code and the regulations thereunder (and including any corporation). In some cases, a Beneficial Owner who is an exempt recipient may be required to furnish certification to the person from whom such Beneficial Owner receives payments with respect to a Multifamily PC to establish such Beneficial Owner's status as exempt from backup withholding.

Under temporary U.S. Treasury regulations, payments made to a Beneficial Owner who is not a U.S. person with respect to a Multifamily PC that represents an undivided interest in a Pool of mortgages all of which were originated after July 18, 1984 generally will not be subject to United States federal income tax, including withholding tax, if (i) such Multifamily PC is not held by such Beneficial Owner in connection with a trade or business in the United States, (ii) such Beneficial Owner is not with respect to the United States a personal holding company or corporation that accumulates earnings in order to avoid United States federal income tax and (iii) such Beneficial Owner provides a statement signed under penalties of perjury that includes its name and address and certifies that it is not a U.S. person in accordance with applicable requirements. To the extent amounts paid with respect to a Multifamily PC to a Beneficial Owner who is not

a U.S. person represent interest on obligations issued before July 19, 1984, such amounts will be subject to withholding of U.S. federal income tax at the rate of 30 percent or such lower rate as may be provided by applicable tax treaty. Regardless of the date of issuance of the Mortgages, backup withholding tax will not apply to payments with respect to a Multifamily PC made to a Beneficial Owner who is not a U.S. person if an appropriate statement of non-U.S. beneficial ownership is furnished by such Beneficial Owner, as described in (iii) in the first sentence of this paragraph.

As used herein, "U.S. person" means a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof, or an estate or trust that is subject to U.S. federal income taxation regardless of the source of its income.

MORTGAGE PURCHASE STANDARDS

All mortgages purchased by Freddie Mac must meet certain standards set forth in the Freddie Mac Act. Freddie Mac 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. The requirements generally applicable to the mortgages purchased by Freddie Mac are set forth in Freddie Mac's Purchase Documents, including the *Sellers' & Servicers' Guide* and program announcements, which qualify this summary in its entirety and which may be obtained from Freddie Mac's Subscription Services Department upon payment of a prescribed fee.

Credit, Appraisal and Underwriting Guidelines

The Mortgages conform to the credit, appraisal and underwriting guidelines established by Freddie Mac specifically for multifamily mortgages, except to the extent that certain of such guidelines have been modified or waived by Freddie Mac. These guidelines are designed to determine the value of the real property securing the mortgage, the ability of the rental income from the property to support the payments on the mortgage, the quality of management of the mortgaged property and the creditworthiness of the borrower.

All FHA Mortgages purchased by Freddie Mac must conform to the credit and appraisal guidelines established pursuant to applicable federal regulations for each of the FHA programs pursuant to which the Mortgages are insured.

Freddie Mac's administration of its credit, appraisal and underwriting guidelines, including the required documentation and the extent of pre- and post-purchase audits of documentation provided by the seller, may differ based on Freddie Mac's evaluation of and experience with the seller of the mortgages, the loan-to-value ratio and age of the mortgages, and other factors. Any of Freddie Mac's credit, appraisal and underwriting guidelines and procedures are subject to change at any time and at Freddie Mac's sole discretion so long as the guidelines and procedures as modified continue to be prudent.

Freddie Mac will consider a request from a mortgage seller to waive or modify specific aspects of its credit, appraisal and underwriting guidelines under its Multifamily Guarantor Program. Freddie Mac grants such waivers or modifications with some degree of frequency. Freddie Mac may grant a waiver or modification in its sole discretion provided that it determines that the waiver or modification will not materially affect the investment quality of the mortgages or materially alter the likely principal payment behavior of the mortgages.

Loan-to-Value Ratio

Currently, Freddie Mac does not purchase Conventional multifamily mortgages that have loan-to-value ratios exceeding 80% of the appraised value of the real property securing the mortgage. The Freddie Mac Act permits Freddie Mac to purchase Conventional multifamily mortgages that have loan-to-value ratios of up to 100% of the appraised value of the real property securing the mortgage. Under Freddie Mac's Multifamily Guarantor Program the multifamily mortgages may be purchased with or without recourse to the seller of the multifamily mortgages in the event of default in such mortgages.

Freddie Mac purchases FHA Mortgages having loan-to-value ratios and maximum principal amounts as determined under the National Housing Act. The FHA generally permits up to a 100% loan-to-value ratio for multifamily properties.

Mortgage Amount

The Freddie Mac Act establishes limitations on the maximum original per unit mortgage amount of any Conventional multifamily mortgage which Freddie Mac may purchase. Currently, the maximum original principal amount of a multifamily mortgage is, for a non-elevator structure, \$31,687 per unit without separate bedroom, \$35,100 per 1-bedroom unit, \$41,925 per 2-bedroom unit, \$51,675 per 3-bedroom unit and \$58,500 per 4-bedroom unit, and, for an elevator structure, \$36,562 per unit without separate bedroom, \$40,950 per 1-bedroom unit, \$50,212 per 2-bedroom unit, \$62,887 per 3-bedroom unit and \$71,106 per 4-bedroom unit. The applicable limitation may be increased by 50% for properties located in Alaska, Guam and Hawaii. In any area which has been, or may in the future be, determined to be a high cost area by the Secretary of the Department of Housing and Urban Development pursuant to Section 207(c) or the National Housing Act, the original principal amount for a multifamily mortgage may be increased by 92%. Currently, Freddie Mac does not purchase any multifamily mortgages having an original principal amount exceeding \$50 million.

Freddie Mac purchases FHA Mortgages having maximum original principal amounts as determined under the National Housing Act, provided that the maximum original principal amounts do not exceed those established by Freddie Mac for Mortgages purchased by Freddie Mac in its Conventional mortgage purchase programs.

Special Financing Arrangements

Under conditions specified in the *Sellers' & Servicers' Guide* and any applicable FHA regulations, Freddie Mac may purchase first lien mortgages as to which borrowers have obtained secondary or special financing arrangements. These arrangements may include junior and subordinate lien mortgages. Any junior mortgages may contain features such as the absence of regular amortization of principal and deferred interest and/or principal payments. Freddie Mac may also purchase a Conventional multifamily mortgage secured by a property on which a subordinate lien has been placed for an amount which includes the unpaid principal balance of the first lien where the holder of the subordinate lien may repay the first lien if market interest rates decline or at any other time.

Eligible Sellers, Servicers, Warranties and Documentation

Substantially all of the mortgages are purchased from and serviced by financial institutions the deposits or accounts of which are insured by the Federal Savings and Loan Insurance Corporation ("FSLIC") or the Federal Deposit Insurance Corporation ("FDIC") or mortgage bankers approved for participation in any mortgage insurance program under the National Housing Act. Freddie Mac approves the institutions on an individual basis after consideration of factors such as financial condition, facilities and mortgage origination and/or servicing experience. The seller of a multifamily mortgage to Freddie Mac need not be the originator of the multifamily mortgage. Any seller of an FHA Mortgage to Freddie Mac or servicer of such mortgages must be approved by the FHA to originate and/or service FHA Mortgages.

Sellers are required to give certain warranties to Freddie Mac. These warranties cover such matters as the validity of the mortgage as a first lien; the fact that the mortgage is current at the time of delivery to Freddie Mac; proper execution and recordation of the mortgage; compliance by the originator with the requirements of all state and federal laws, including those relating to settlement procedures, authorization to do business in the state in which the mortgaged property is located, truth-in-lending and usury; existence and validity of title, hazard and mortgage insurance policies and, where applicable, insurance covering rent loss in the event of the damage or destruction of certain mortgaged property, and the enforceability of any FHA insurance. Sellers also warrant that each Mortgage complies with the requirements of Freddie Mac's

Multifamily Guarantor Program, with such requirements as are generally imposed by private institutional mortgage investors in the area in which the mortgaged property is located, and with such requirements as are imposed under FHA regulations, if applicable. Such warranties are made even if the seller is not the originator of the multifamily mortgage. Under certain circumstances, Freddie Mac may modify the warranties required to be made by a seller.

In the case of all multifamily mortgages, the mortgage notes are endorsed to and held by Freddie Mac or are held by a custodian acting as Freddie Mac's agent. Where local law or practice requires, assignments of such mortgages are recorded in Freddie Mac's name.

Mortgage Servicing

Servicers agree, subject to Freddie Mac's general supervision, to perform diligently all services and duties customary to the servicing of multifamily mortgages. The duties performed by servicers include, but are not limited to, collection and payment of principal and interest, administration of escrow accounts, collection of insurance, property inspections and, if necessary, foreclosure and disposal of property acquired through foreclosure. Freddie Mac requires servicers to retain a minimum servicing fee in an amount that Freddie Mac believes sufficient to provide servicers with an incentive to service the multifamily mortgages in accordance with the provisions of Freddie Mac's *Sellers' & Servicers' Guide*. Subject to Freddie Mac's approval, servicers may contract to have servicing performed by, or sell their servicing rights to, other servicers acceptable to Freddie Mac. In addition, subject to Freddie Mac's approval, servicers may allow subservicers to perform servicing functions provided that the servicer agrees that servicing, including all remittance obligations, will be performed as required by Freddie Mac's policies and requirements.

Pursuant to the Multifamily PC Agreement, Freddie Mac services or supervises servicing of the Mortgages for the benefit of Holders and has 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.

Freddie Mac requires the servicing of multifamily mortgages to be performed in a manner consistent with prudent servicing standards. Freddie Mac monitors each servicer's performance through periodic and special reports and inspections and has developed servicing policies and procedures as an aid to the efficient and uniform servicing of Mortgages. Any of Freddie Mac's servicing policies and procedures are subject to change or waiver at any time and at Freddie Mac's sole discretion so long as the policies and procedures as modified continue to be prudent. Such changes or waivers may be made on a uniform basis, such as by amendment to Freddie Mac's *Sellers' & Servicers' Guide*, or on an individual basis in connection with the servicing of a particular multifamily mortgage.

Set forth below is a brief description of certain aspects of Freddie Mac's current servicing policies and procedures concerning prepayments, assumption and due-on-transfer policies, fees, delinquencies and foreclosures. This description is not intended to be complete and is qualified in its entirety by the Freddie Mac *Sellers' & Servicers' Guide*. Further, in view of the highly individualized nature of many servicing situations, informal adaptation, including waiver, in whole or in part, of the requirements in the *Sellers' & Servicers' Guide* to fit particular situations can be expected to occur with some frequency. Freddie Mac will, however, require servicers to service the mortgages in Multifamily PC Pools in substantially the same manner as for mortgages of the same type purchased by Freddie Mac but not sold.

Prepayments

The Mortgages usually require the payment of a penalty fee upon a prepayment of a mortgage in full or in part at any time. A full prepayment of principal on a multifamily mortgage may occur upon a transfer of the real property securing the mortgage or a refinancing of the mortgage. See "Description of Multifamily Mortgage Participation Certificates—The Mortgages."

A servicer may permit a borrower to make partial prepayments of principal to reduce the number or size of subsequent scheduled monthly payments of principal and interest, provided the multifamily mortgage is current and that any such reduction will not result in a change in the interest rate or an extension of the term.

Assumption and Due-on-Transfer Policies

A “due-on-transfer clause” is a provision in a security instrument which by its terms permits acceleration of the unpaid principal balance upon transfer of the property or an interest therein. To the extent permitted under the security instrument and state and federal law as described below, Freddie Mac requires its servicers to enforce due-on-transfer clauses and to demand full payment of the remaining principal balance of a mortgage note upon the sale or transfer of the property securing the note, irrespective of the creditworthiness of the transferee (referred to as a policy of “automatic acceleration”).

The FNMA/FHLMC Multifamily Uniform Instruments do not allow automatic acceleration unless the security instrument is accompanied by a FHLMC Multifamily Due-on-Transfer Rider. Any multifamily mortgage which is originated on such Uniform Instruments but which does not include a Due-on-Transfer Rider may be assumed by a creditworthy transferee. Any multifamily mortgage originated on non-Uniform Instruments may or may not permit automatic acceleration depending on its terms.

Except as described below, the security instruments for FHA Mortgages do not contain due-on-transfer clauses. Therefore, the sale of, or transfer of title to, the real property securing an FHA Mortgage does not constitute an event entitling the holder of the mortgage to demand full payment of principal. Accordingly, FHA Mortgages generally can be assumed by a purchaser of the real property at the interest rate of the assumed mortgage for the remaining term of the mortgage. Commencing with applications for FHA insurance made on or after December 1, 1986, the security instruments for FHA Mortgages include a due-on-transfer provision requiring a transferee to meet FHA credit requirements if the mortgaged property is transferred (i) pursuant to a contract of sale executed within two years of origination or (ii) within two years of a prior transfer of the property subject to the mortgage. If the FHA determines that the transferee has failed to meet such credit requirements, such transfer will constitute an event entitling the holder of the mortgage to demand full payment of principal.

The Garn-St. Germain Depository Institutions Act of 1982 (the “DIA”) provides for federal preemption of state laws and judicial decisions which restrict the exercise of due-on-transfer clauses. Except as described below, under the DIA, as implemented by regulations adopted by the Federal Home Loan Bank Board, Freddie Mac is permitted to require automatic acceleration subject to certain specified transactions excluded by the DIA with respect to owner-occupied homes.

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-transfer clauses and ending on October 15, 1982 (“window period” mortgages) would remain subject to any applicable state law restriction until October 15, 1985, but thereafter could be accelerated upon transfer of the property or an interest therein unless prior to that date: (i) the state enacted legislation applicable to the enforcement of the due-on-transfer clauses in window period mortgages originated by lenders other than national banks, federal savings and loan associations, federal savings banks and federal credit unions; or (ii) the Comptroller of the Currency and the National Credit Union Administration promulgated regulations applicable to enforcement of due-on-transfer clauses in window period mortgages originated by national banks and federal credit unions. The National Credit Union Administration and the Comptroller of the Currency have adopted regulations allowing federal credit unions and national banks, respectively, to require automatic acceleration of window period mortgages. Freddie Mac requires automatic acceleration in accordance with such regulations.

Freddie Mac has identified those states in which it believes window periods exist and legislation has been enacted extending the October 15, 1985 date and the period during which a window period mortgage could have been originated or assumed. Such states and window periods are: Michigan—January 5, 1977 to October 15, 1982; Minnesota—June 1, 1979 to May 8, 1981; New Mexico—March 15, 1979 to October 15, 1982; and Utah—May 12, 1981 to October 15, 1982 (Minnesota has enacted legislation extending the October 15, 1985

date to September 30, 1990 only for mortgages originated during the window period; and Michigan, New Mexico and Utah have enacted legislation extending the October 15, 1985 date indefinitely). Any judicial interpretation of the DIA, state legislation, or further regulations of the Federal Home Loan Bank Board may affect Freddie Mac's interpretation of the term of the window period and/or the window period states and the effect of the legislation extending the October 15, 1985 date.

Freddie Mac permits a window period mortgage to be assumed by a transferee at the existing interest rate once the transferee's credit has been reviewed and found acceptable by either Freddie Mac or the servicer. If a servicer desires to permit the assumption of a mortgage in circumstances where Freddie Mac requires automatic acceleration, including circumstances where a servicer, pursuant to state legislation extending the October 15, 1985 date, modifies the interest rate of a window period mortgage as a condition of permitting the assumption, the servicer must repurchase such mortgage.

Fees

Late payment fees, if any, charged by servicers are not passed through to Freddie Mac or to Holders. Freddie Mac requires servicers to charge and to pass through to Freddie Mac an assumption fee equal to the greater of \$750 or 0.5% of the unpaid principal balance of a mortgage which is assumed. Such fees are not passed through to Holders. Assumption fees in excess of such minimum amount, if any, are retained by servicers and are not passed through to Freddie Mac or to Holders. Any prepayment fees collected by Freddie Mac on multifamily mortgages are retained by Freddie Mac and are not passed through to Holders.

Defaults and Delinquencies

A servicer is required to report to Freddie Mac any multifamily mortgage which is delinquent 30 days or more and to make a recommendation for appropriate action. Freddie Mac requires such a recommendation to reflect the servicer's familiarity with and knowledge of the borrower, the location and type of property securing the mortgages, and the extent of any delinquency. Information with respect to Freddie Mac's delinquency, default and foreclosure experience for all conventional 1-4 family and multifamily mortgages and FHA Mortgages sold pursuant to Freddie Mac's PC programs or retained in its portfolio is included in its Information Statement. See "Business—Delinquencies, Defaults and Foreclosures" therein. Information with respect to the default, delinquency and foreclosure rate for multifamily mortgages is limited. Freddie Mac makes no representation that the default, delinquency and foreclosure rate for this multifamily mortgage program will be the same as Freddie Mac's experience with respect to all conventional mortgages or other multifamily mortgage programs.

Freddie Mac authorizes a servicer, with Freddie Mac's approval, to resolve a delinquency through a variety of measures, including payment plans. Payment plans are the usual method for resolving delinquencies. Payment plans typically provide for liquidation of delinquent amounts within a specified period of time. Freddie Mac may also accept plans that grant periods of forbearance or that restructure the terms of the mortgage. Such plans may be implemented before a demand for accelerated payment of principal is made. Payment plans or periods of forbearance will not affect Freddie Mac's guarantees of timely payment of interest and ultimate collection of principal but may defer payment of principal by the borrower and may delay or eliminate demand for acceleration of principal by Freddie Mac.

Applicable FHA regulations govern a servicer's actions to resolve any delinquency in dealing with a defaulting borrower on an FHA Mortgage. Each servicer warrants that it will comply with those regulations and that it will take all necessary steps to ensure that Freddie Mac's rights under the insurance provisions are protected. FHA regulations and procedures encourage a servicer to enter into arrangements with delinquent borrowers to assist them in bringing defaulted mortgages current. Such workout arrangements may include periods of forbearance or repayment plans, either of which may extend the term of an FHA Mortgage beyond its original term.

Freddie Mac requires a servicer to take all reasonable steps to resolve any delinquency prior to Freddie Mac's authorizing a servicer to initiate foreclosure proceedings by making demand upon a borrower for accelerated payment of principal. A demand is authorized when Freddie Mac believes that no reasonable prospect exists for payment of delinquent amounts within a reasonable period of time. The length of time necessary for Freddie Mac to determine that a multifamily mortgage should be accelerated varies with the particular circumstances of each borrower, and Freddie Mac has adopted no servicing standards which require that the demand be made within any specified period.

In the case of FHA Mortgages, if certain FHA requirements are met, servicers must request that the Department of Housing and Urban Development ("HUD") accept assignment of the mortgage prior to commencement of foreclosure proceedings. Foreclosure proceedings may be instituted only after a decision by HUD not to accept assignment of the mortgage. If the servicer determines not to request that HUD accept an assignment of the mortgage, the borrower may request HUD to accept assignment. In this case the servicer is required to delay initiation of the foreclosure proceedings pending HUD's decision.

Freddie Mac's servicing discretion in connection with a borrower's bankruptcy may be limited by a court or by state legislation prohibiting or delaying acceleration. When a bankruptcy proceeding is instituted prior to demand for accelerated payment of principal, no demand for acceleration is permitted to be made without court approval, and the bankruptcy court has broad powers to delay or deny such approval.

The bankruptcy of a borrower on a multifamily mortgage may differ in significant respects from the bankruptcy of a borrower on a home mortgage because the mortgaged multifamily property is often the sole asset of a partnership or corporate borrower. A bankruptcy proceeding involving a multifamily property may occur, for example, when the property value decreases or when the revenues of the property become insufficient to pay debt service and operating expenses. If Freddie Mac is precluded from making a demand for acceleration, Freddie Mac has established a policy that, for purposes of Freddie Mac's guarantee of ultimate collection of principal, demand for acceleration shall be deemed to have been made on the later of the date on which the borrower's bankruptcy petition was filed or the due date of the last fully paid installment on the multifamily mortgage.

Both prior and subsequent to a demand for accelerated payment of principal, a bankruptcy court has broad discretion to approve or deny various payment plans which could have the effect of delaying the payment of principal and interest on a mortgage, and which, in certain circumstances, could result in a reduction of the aggregate amount paid with respect to a mortgage. In the event a bankruptcy court approves a plan which materially affects the terms of a mortgage, authorizes a transfer of the underlying property or provides for substitution of collateral, Freddie Mac will repurchase the mortgage from the Multifamily PC Pool.

Foreclosures

Demand for accelerated payment of principal is typically the initial step in the foreclosure process and normally is made at or shortly after the time Freddie Mac approves the institution of foreclosure proceedings. Freddie Mac's *Sellers' & Servicers' Guide* and applicable FHA regulations set forth policies and procedures for instituting and monitoring foreclosure proceedings, including demand upon the borrower for accelerated payment of principal. Freddie Mac may accept a voluntary deed in lieu of foreclosure in those jurisdictions in which this practice is authorized. If, after demand for accelerated payment of principal, a borrower pays all delinquent amounts, foreclosure proceedings are terminated. Foreclosure proceedings with respect to FHA mortgages are also subject to FHA regulations which may affect, among other things, the circumstances under which and the manner in which Freddie Mac may terminate foreclosure proceedings or the ability of Freddie Mac to accept a deed in lieu of foreclosure. If, after a borrower has paid all delinquent amounts and foreclosure proceedings have been terminated, the borrower again becomes delinquent, a new demand for accelerated payment of principal generally must be made and new foreclosure proceedings commenced. The length of the foreclosure process varies significantly from state to state. Some state laws provide borrowers

with a right to redeem after foreclosure, and the foreclosure process typically is not final until the expiration of any such right. In any event, payment pursuant to Freddie Mac's guarantee of ultimate collection of principal on a delinquent mortgage is made no later than one year following demand upon the borrower for accelerated payment of principal without regard to any delay in Freddie Mac's receipt of any insurance payments. See "Description of Multifamily Mortgage Participation Certificates—Guarantees."

LEGALITY OF INVESTMENT

Multifamily 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. 12 U.S.C. § 1452(f). Accordingly, Multifamily PCs are acceptable as collateral for Treasury tax and loan accounts pursuant to 31 C.F.R. § 203.15(d)(1).

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

Federal Reserve Banks may accept Multifamily PCs as eligible security for advances to member banks for period not exceeding 90 days. 12 U.S.C. § 347 and 12 C.F.R. § 201.108(b)(16).

Federal savings and loan associations and federal savings banks may invest in Multifamily PCs without regard to limitations generally applicable to investments. 12 U.S.C. § 1464(c)(1)(E).

Multifamily PCs are eligible as security for advances by Federal Home Loan Banks to federal savings and loan associations, federal savings banks and other members for which Multifamily PCs are legal investments. 12 U.S.C. § 1430(a) and 12 C.F.R. § 525.7(b)(2).

Federal Home Loan Banks may invest their surplus and reserve funds in Multifamily PCs. 12 U.S.C. §§ 1431(h) and 1436(a), respectively.

Federal credit unions may purchase Multifamily PCs without regard to limitations generally applicable to investments. 12 U.S.C. § 1757(7)(E). National Credit Union Administration Letter to Credit Unions No. 96 includes guidelines to assist federal credit unions in making investment decisions for mortgage-related securities.

For private pension funds subject to the Employee Retirement Income Security Act of 1974, the Multifamily PCs, and not the Mortgages underlying the Multifamily PCs, are considered to be plan assets. 29 U.S.C. § 1101 and 29 C.F.R. § 2510.3101(i).

In addition to the specific authorizations discussed above, pursuant to Section 106 of the Secondary Mortgage Market Enhancement Act of 1984, 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) is authorized to purchase, hold and invest in Multifamily PCs to the same extent that the investor is authorized to purchase, hold or invest in obligations issued or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof. Prior to October 4, 1991, a state may enact legislation which specifically refers to Section 106 and either prohibits or limits an investor's authority to invest in Multifamily PCs. To Freddie Mac's knowledge, no state has enacted any such legislation. The enactment by any state of legislation which prohibits or limits authority to invest in Multifamily PCs will not affect the validity of any contractual commitment to purchase, hold or invest in Multifamily PCs made prior to the date of enactment and such legislation cannot require the sale or other disposition of any Multifamily PCs acquired prior to the date of enactment.

The foregoing does not take into consideration the applicability of statutes, rules, regulations, orders, guidelines or agreements generally governing investments made by a particular investor, including but not

limited to, “prudent investor” provisions, percentage-of-assets limits, and provisions which may restrict or prohibit investments in securities which are issued in book-entry form. Investors should consult with their own legal advisors in determining whether and to what extent PCs constitute legal investments for such investors.

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 (“FHLBB”), the National Credit Union Administration or other agencies with similar authority should review any applicable rules, guidelines and regulations prior to purchasing Multifamily PCs.

FHLBB REGULATORY MATTERS

The staff of the FHLBB has taken the following positions concerning PCs guaranteed by Freddie Mac that are held by institutions the deposits or account of which are insured by the FSLIC or held by federal savings and loan associations and federal savings banks, and Freddie Mac believes that similar positions would be taken concerning Multifamily PCs held by such entities.

- Multifamily PCs are to be reported in the asset classification “Mortgage-backed pass-through securities insured or guaranteed by an agency or instrumentality of the U.S.” (FHLBB Staff Memorandum R-29a).
- No loss need be reported for regulatory accounting purposes on sales of mortgages or interests in mortgages in exchange for PCs backed by the same or substantially identical mortgages (FHLBB Staff Memoranda R-49 and R-49-1).
- Multifamily 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 (FHLBB General Counsel Opinion dated October 30, 1972).
- Multifamily PCs are eligible collateral for use by savings and loan associations engaging in retail repurchase agreements (FHLBB Staff Memorandum R-51-1).

ACCOUNTING MATTERS

Freddie Mac treats a sale of Multifamily PCs as a sale of assets and accordingly such sale does not affect Freddie Mac’s capitalization. However, Freddie Mac provides for potential losses as a consequence of its guarantees of principal and interest.

FEDERAL SECURITIES LAWS

The Multifamily 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.

DISTRIBUTION ARRANGEMENTS

Under the Multifamily Guarantor Program, Freddie Mac purchases the Mortgages from a seller and, in exchange for the Mortgages purchased, sells to the seller Multifamily PCs representing interests in the same Mortgages. Freddie Mac will accept offers for mandatory and optional delivery for a variety of periods on a

daily basis in accordance with the terms and procedures set forth in Freddie Mac's *Sellers' & Servicers' Guide*. Freddie Mac's commitment to sell Multifamily PCs is conditioned on the seller's full compliance with the terms and conditions of the Purchase Documents as defined in Freddie Mac's *Sellers' & Servicers' Guide*, including the seller's timely delivery of acceptable Mortgages to Freddie Mac in an amount equal to at least \$5 million of original principal balance as of the date of delivery.

Secondary Market

Currently, there is no secondary market in the Multifamily PCs to be offered pursuant to this Offering Circular. Certain securities dealers and Freddie Mac may make a market in such Multifamily PCs. There can be no assurance that a secondary market for such Multifamily PCs will develop or, if it does develop, that it will provide Holders or beneficial owners of such Multifamily PCs with liquidity of investment or will continue for the life of the Multifamily PCs.

Prospective Multifamily PC purchasers, Holders and beneficial owners wishing to obtain prices may contact the securities dealers selling and making a market in Multifamily PCs or Freddie Mac (outside Washington, D.C. metropolitan area, telephone 800/424-5401, extension 4800; within Washington, D.C. metropolitan area, telephone 202/789-4800).

Federal Home Loan Mortgage Corporation
MULTIFAMILY MORTGAGE PARTICIPATION CERTIFICATE AGREEMENT
(Guaranteed)

AGREEMENT dated as of July 1, 1988 among the Federal Home Loan Mortgage Corporation ("Freddie Mac") and Holders of undivided interests in certain Mortgages which are identified in the records maintained by Freddie Mac and which are represented by Multifamily Mortgage Participation Certificates ("Multifamily PCs").

Whereas:

(a) Freddie Mac 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, Freddie Mac from time to time purchases certain fixed-rate residential Whole Loan Mortgages, which are Conventional Mortgages or Mortgages insured by the Federal Housing Administration ("FHA"), all of which are identified in the records maintained by Freddie Mac; and

(c) Pursuant to Section 305 of the Act, Freddie Mac from time to time creates undivided interests in the Mortgages acquired as set forth above, sells and transfers such undivided interest to Holders by the sale of Multifamily PCs, and guarantees the payment of interest and principal for the benefit of such Holders, all as herein more fully provided.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, it is hereby agreed that the following terms and conditions of this Agreement shall govern the creation by Freddie Mac of undivided interests in the Mortgages, the transfer, sale and assignment of undivided interests therein represented by Multifamily PCs, and the rights and obligations of Freddie Mac and Holders with respect to the Multifamily PCs.

ARTICLE I

Definitions

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

Book-Entry Form: A security which (i) is issued by means of an entry on the books and records of a Federal Reserve Bank, which entry includes, but is not limited to, the name of the Holder, the original unpaid principal balance of the Multifamily PCs in a particular Multifamily PC Pool held by such Holder, the CUSIP Number of such Multifamily PC and the Final Payment Date applicable to the related Multifamily PC Pool, and (ii) is evidenced only by such entry and is not evidenced by a certificated security.

Book-Entry Rules: The provisions from time to time in effect, currently contained in Title 1, Part 462 of the Code of Federal Regulations, setting forth the terms and conditions under which Freddie Mac may issue securities in Book-Entry Form and authorizing the Federal Reserve Banks to act as Freddie Mac's agents in connection with securities issued by means of entries on the books and records of the Federal Reserve Banks.

Business Day: A day other than (i) a Saturday or Sunday, (ii) a day on which the Federal Reserve Bank of New York (or other agent acting as Freddie Mac's fiscal agent) is authorized or obligated by law or executive order to remain closed, (iii) as to any Holder, a day on which the Federal Reserve Bank at which such Holder's account is maintained is authorized or obligated by law or executive order to remain closed, (iv) a day on which the offices of the federal government located in the District of Columbia generally are closed for business, or (v) a day on which the offices of Freddie Mac are closed.

Conventional Mortgage: A Mortgage which is not guaranteed or insured by the United States or any agency or instrumentality of the United States.

CUSIP Number: A unique nine-character designation assigned to each Multifamily PC Pool by the CUSIP Service Bureau and used to identify the Multifamily PC Pool on the records of the Federal Reserve Bank.

Federal Reserve Bank: Any Federal Reserve Bank.

FHA Mortgage: A Mortgage fully insured by the FHA.

Final Payment Date: The date which is the first day of the month in which the last monthly payment is scheduled to be made on the latest maturing Mortgage included in the Multifamily PC Pool as of the Month of Initial Sale.

Guide: The Freddie Mac *Sellers & Servicer's Guide*, as supplemented and amended from time to time.

Holder: The entity which maintains an account with a Federal Reserve Bank and whose name appears on the books and records of such Federal Reserve Bank as the entity for whose account a Multifamily PC has been deposited.

Month of Initial Sale: The month in which occurs the first settlement of a Multifamily PC against a Multifamily PC Pool.

Mortgages: The Whole Loans identified in the records maintained by Freddie Mac as comprising a Multifamily PC Pool, which Mortgages consist of or represent interests in promissory notes secured by residential real property comprising five or more family dwelling units ("Mortgages"). A "Mortgage" shall mean any Whole Loan included in the Mortgages.

Multifamily PC: A Multifamily Mortgage Participation Certificate sold pursuant to this Agreement, representing an undivided interest in a pool of Mortgages identified by a particular Multifamily PC Pool Number and CUSIP Number.

Multifamily PC Pool: A discrete pool of Mortgages identified in the records maintained by Freddie Mac by a Multifamily PC Pool Number.

Multifamily PC Pool Number: A unique number assigned to each Multifamily PC Pool by Freddie Mac and used to identify the Multifamily PC Pool on the books and records of Freddie Mac.

Original Unpaid Principal Balance: The aggregate unpaid principal balance of the related Mortgages as of the first day of the month in which the Mortgages are delivered to Freddie Mac, which shall be equal to the aggregate original unpaid principal balance of the related Multifamily PCs.

PC Coupon: The annual rate at which interest is passed through to a Holder of a Multifamily PC. Interest at the PC Coupon shall be computed on the basis of a 360-day year of 30-day months.

Pool Factor: A seven-digit decimal calculated by Freddie Mac with respect to a calendar month which, when multiplied by the original unpaid principal balance of a Multifamily PC, represents the amount determined by Freddie Mac to be the Holder's pro rata share of the Remaining Multifamily PC Pool Balance on the books and records of Freddie Mac as of the end of the previous month after giving effect to the payment of principal to be made in the next following month.

Remaining Multifamily PC Pool Balance: The aggregate amount of principal not yet paid to Holders of Multifamily PCs with respect to the Mortgages comprising the related Multifamily PC Pool, as calculated using the related Pool Factor.

Whole Loan: A fixed-rate, first-lien mortgage secured by residential real property as to which the entire unpaid principal balance is purchased by Freddie Mac.

ARTICLE II

Conveyance of Undivided Interests in Mortgages

Section 2.01. Sale of Multifamily PCs. Sale of a Multifamily PC by Freddie Mac pursuant to this Agreement shall be deemed to occur upon the date of settlement and payment for such Multifamily PC and shall constitute a sale, assignment, transfer, and conveyance by Freddie Mac to the Holder of a pro rata undivided interest in the Mortgages comprising the Multifamily PC Pool in which such Multifamily PC represents an undivided interest. Such pro rata undivided interest of a Holder shall be determined in accordance with Section 4.02. Freddie Mac shall be bound by all of the terms and conditions of this Agreement at such time as a Multifamily PC is sold by Freddie Mac to a Holder. Payment for a Multifamily PC shall be deemed to occur on the settlement date as of which such Multifamily PC is sold to the initial Holder thereof. Upon settlement of and payment for a Multifamily 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. A Multifamily PC Pool shall be comprised of those Mortgages acquired by Freddie Mac from a single seller in exchange for Multifamily PCs representing undivided interests in the same Mortgages. Except as provided in Section 2.03, once the identity of the Mortgages has been determined, such identity shall not thereafter be changed; provided, however, that (i) Freddie Mac may, in connection with its performance of servicing responsibilities pursuant to Section 3.02, repurchase any Mortgage at its then unpaid principal balance, if such repurchase is necessary in order to maintain proper servicing of the Mortgages or to minimize loss; (ii) a seller to Freddie Mac of a Mortgage may repurchase such Mortgage at its then unpaid principal balance pursuant to such seller's obligation to Freddie Mac to do so in the event such Mortgage is in default; (iii) Freddie Mac may, in connection with the performance of its servicing responsibilities pursuant to Section 3.02, agree to repurchase by the seller of any Mortgage at its then unpaid principal balance, if such repurchase is necessary in order to maintain proper servicing of the Mortgages or to minimize loss; (iv) if, in the event of the bankruptcy of a mortgagor, a bankruptcy court approves a plan which materially affects the terms of a Mortgage, authorizes a transfer of the underlying property or provides for substitution of collateral, Freddie Mac may repurchase such Mortgage at its then unpaid principal balance; and (v) in the case of a material breach of warranty by a seller of any Mortgage, or a material defect in documentation as to any Mortgage, or a failure by a seller to comply with any requirements or terms set forth in the Purchase Documents (as defined in the Guide) as to any Mortgage, Freddie Mac may require the seller to repurchase such Mortgage or may, within six months of the purchase of such Mortgage, require or permit the seller to substitute for such Mortgage a mortgage of comparable type, unpaid principal balance, remaining term and yield. In determining whether a Mortgage shall be repurchased from a Multifamily PC Pool, as described in this Section 2.02, Freddie Mac considers such factors as it deems appropriate, including whether a repurchase will reduce Freddie Mac's administrative costs or will reduce Freddie Mac's likely exposure under its guarantee of ultimate collection of principal.

Section 2.03. Post-Settlement Purchase Adjustments. With respect to each Multifamily PC Pool, Freddie Mac shall make such post-settlement purchase adjustments with respect to the aggregate unpaid principal balance of the related Mortgages as may be necessary to reflect the actual aggregate unpaid principal balance of such Mortgages as of the date of their purchase by Freddie Mac. Freddie Mac shall also make such post-settlement purchase adjustments with respect to a Multifamily PC Pool as may be necessary to reflect the difference between the Original Unpaid Principal Balance of such Multifamily PC Pool and the actual aggregate unpaid principal balance of the related Mortgages as of the date of delivery to Freddie Mac. The foregoing adjustments may be made in such manner as Freddie Mac determines to be appropriate. The foregoing adjustments shall not affect the Holder's entitlement to interest at the PC Coupon and to receipt of the Holder's pro rata share of principal payments made with respect to the related Mortgages. An amount equal to any adjustment that results in the reduction of the unpaid principal balance of a Mortgage will be passed through on a pro rata basis to Holders.

Section 2.04. Custody of Mortgage Documents. The mortgage notes are endorsed to and held by Freddie Mac or are held by a custodian acting as Freddie Mac's agent. Where local law or practice requires, assignments of the Mortgages are recorded in Freddie Mac's name.

Section 2.05. Multifamily PCs Held or Acquired by Freddie Mac. Multifamily PCs held or acquired by Freddie Mac from time to time shall have an equal and proportionate benefit to Multifamily PCs held by other Holders, without preference, priority or distinction. In the event that Freddie Mac retains any undivided interest in the Mortgages not represented by a Multifamily PC, Freddie Mac 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. Freddie Mac to Act as Principal Servicer. Freddie Mac shall service or supervise servicing of the Mortgages in accordance with the provisions of the Guide, 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. Freddie Mac 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. Freddie Mac shall service or supervise servicing of the Mortgages in a manner consistent with and to the extent required by prudent servicing standards and applicable FHA regulations and in substantially the same manner as it services or supervises the servicing of unsold mortgages of the same type in its own portfolio. In performing its servicing responsibilities hereunder, Freddie Mac may employ servicer agents or independent contractors. Freddie Mac shall be entitled to discharge its responsibility to supervise servicing of the Mortgages by monitoring servicers' performance on a reporting and exception basis. Except as provided in Article VI of this Agreement, Freddie Mac shall not be subject to the control of Holders in any manner whatsoever in the discharge of its responsibilities pursuant to this Article III. Except with regard to its guarantee obligations pursuant to Section 4.09, Freddie Mac shall have no liability to any Holder other than for any direct damage resulting from Freddie Mac's failure to exercise that degree of ordinary care which it exercises in the conduct and management of its own affairs. Freddie Mac shall have no liability of whatever nature for consequential damages.

Section 3.03. Realization Upon Defaulted Mortgages. Freddie Mac 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 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

conversion, Freddie Mac 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. In the case of FHA Mortgages, Freddie Mac shall cause to be followed such practices or procedures as may be required by applicable FHA regulations effective at the time of foreclosure or conversion of any such FHA Mortgage and as shall be normal and usual in servicing FHA Mortgages.

Section 3.04. Automatic Acceleration and Assumptions

(a) With respect to Conventional Mortgages, if the terms of the security instrument of a Mortgage taken as a whole accord the mortgagee the right to demand full payment of the unpaid principal balance of the promissory note upon sale or transfer of the property securing the note irrespective of the creditworthiness of the transferee (which right is herein referred to as a right of “automatic acceleration”), Freddie Mac’s policy is to require a servicer to enforce such right to the extent permitted by law and to require the full payment of the principal balance of a Mortgage upon the sale or the transfer of the property securing the Mortgage or an interest therein. In jurisdictions where the enforcement of such provisions is prohibited, or where the security instrument contains a due-on-transfer clause or is accompanied by a due-on-transfer rider which by its terms does not permit automatic acceleration, Freddie Mac will allow a transfer of the property if the transferee is found by Freddie Mac or the servicer to meet Freddie Mac’s credit requirements. Where the security instrument contains no due-on-transfer clause or is not accompanied by a due-on-transfer rider and does not provide for a review of the creditworthiness of the borrower, Freddie Mac will allow a transfer of the property without a credit review of the transferee. Any fees charged by Freddie Mac or servicers in connection with the assumption of a Mortgage are retained by Freddie Mac or the servicers and are not passed through to Holders. Freddie Mac requires, in connection with any such Mortgage assumption, that no change be made in the rate of interest or the terms of payment applicable to the Mortgage.

(b) With respect to an FHA Mortgage, Freddie Mac will, as required by applicable FHA regulations, permit the assumption by a new mortgagor of such Mortgage upon the sale or transfer of the underlying property. Any such assumption shall be in accordance with applicable FHA policies, procedures and credit requirements and shall not result in loss or impairment of the FHA insurance.

Section 3.05. Fees. Any fees collected by servicers and not passed through to Freddie Mac and any prepayment fees or assumption fees collected by Freddie Mac or servicers shall not be passed through to Holders.

Section 3.06. Mortgage Insurance

(a) If a Conventional Mortgage is insured by a mortgage insurer, the insurer shall have no obligation to recognize or deal with any person with respect to such Mortgage, other than Freddie Mac, with regard to the rights, benefits and obligations of the mortgagee under the contract of insurance relating to the Mortgage. If a mortgage insurer exercises an option under a contract of insurance to purchase a Mortgage, the proceeds of such purchase shall be considered to be repurchase proceeds for purposes of Article IV.

(b) Each FHA Mortgage shall have in full force and effect a binding FHA Certificate of Insurance or such other evidence of FHA insurance as may be issued by the FHA. The FHA shall have no obligation to recognize or deal with any person with respect to such Mortgage, other than Freddie Mac, with regard to the rights, benefits and obligations of the mortgagee under the contract of insurance relating to each such FHA Mortgage.

ARTICLE IV

Payments 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 prepayment fees due to Holders, insurance proceeds, liquidation proceeds and repurchase proceeds, with respect to any Mortgage, and the occurrence of any event with

respect to any Mortgage, including foreclosure sale, payment of insurance claims by the FHA, payment by any other insurer, and expiration of any redemption period, reported to Freddie Mac by servicers for a monthly reporting period employed by Freddie Mac 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 shall be deemed to be the first day of the calendar month within which such a monthly reporting period ends, and all full and partial payments 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. An entity recognized as a Holder of a Multifamily PC on the Record Date, as defined in and pursuant to Section 5.03, shall be the owner of record of a pro rata share of the related Remaining Multifamily PC Pool Balance as of such date, as calculated pursuant to this Agreement, and shall be entitled to interest at the PC Coupon on such pro rata undivided interest from such date. Such pro rata undivided interest in each of the Mortgages will change if any Mortgage is added to or removed from the Multifamily PC Pool in accordance with Section 2.02. For purposes of determining a Holder's pro rata undivided interest in the Mortgages evidenced by a Multifamily PC, the original unpaid principal balance of the Multifamily PC shall be divided by the Original Unpaid Principal Balance of the related Mortgages.

Section 4.03. Pass-Through of Principal. Freddie Mac 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 for or upon realization on the Mortgages, whether through insurance, condemnation, foreclosure, or otherwise; provided, however, that Freddie Mac's obligations herein shall be subject to Freddie Mac's rights pursuant to Section 4.10 with respect to payments made pursuant to Freddie Mac's guarantees. Insurance proceeds, the proceeds of any liquidation of a Mortgage, including proceeds resulting from acquisition by Freddie Mac of the real property securing a Mortgage, and the proceeds of any repurchase of a Mortgage 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. Freddie Mac shall pass through to each Holder such Holder's pro rata share of the interest paid by mortgagors with respect to each Mortgage in an amount sufficient to produce the PC Coupon. A partial month's interest retained by Freddie Mac or remitted to each Holder with respect to full and partial prepayments of principal deemed to have been made on the first day of a calendar month in accordance with Section 4.01 shall constitute an adjustment to Freddie Mac's management and guarantee fee.

Section 4.05. Payments. Freddie Mac will cause payments of principal, interest or any other sum due to Holders to be made by directing the Federal Reserve Bank to credit the Holders' accounts at the Federal Reserve Bank. A Holder shall receive the first payment of principal and interest with respect to the Mortgages in which it owns an undivided interest on the fifteenth day of the second month following the month in which the Holder becomes recognized as such pursuant to Section 5.03. Thereafter, a Holder shall receive a payment with respect to the Mortgages on the fifteenth day of each month. Subject to the provisions of this Article IV, Freddie Mac shall pay to each Holder such Holder's pro rata share of principal received by Freddie Mac, interest at the applicable PC Coupon, and any other sums due to Holders under this Agreement, within 60 days of the date on which such payments are deemed to be received by Freddie Mac from servicers of the Mortgages, pursuant to Section 4.01. Freddie Mac reserves the right to change the period during which

a servicer may hold funds prior to payment to Freddie Mac; provided, however, that any such change shall not delay the time of payments to Holders as otherwise provided in this Section 4.05. Pending payment to Holders of funds received by Freddie Mac from servicers, Freddie Mac shall be entitled to invest and reinvest such funds for Freddie Mac's sole risk and benefit. Freddie Mac'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 the Mortgages paid 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. Pool Factors.

(a) Freddie Mac shall calculate and make payments to Holders pursuant to the Pool Factor method until such time as Freddie Mac shall determine that there is a more accurate and practicable method for calculating such payments, in which event Freddie Mac shall calculate and make payments to Holders pursuant to the more accurate method. As long as Freddie Mac shall use the Pool Factor method, it shall do so pursuant to the provisions of this Section 4.06. On or about the seventh Business Day of each month, Freddie Mac will publish or cause to be published for such month a Pool Factor with respect to each Multifamily PC Pool. Interest at the applicable Multifamily PC Coupon shall be paid by Freddie Mac on the Holder's pro rata share of the Remaining Multifamily PC Pool Balance as determined by the Pool Factor for the second month prior to the month in which payment to Holders is made. Principal payments shall be paid to a Holder by Freddie Mac in an amount equal to the difference between the Holder's pro rata share of the Remaining Multifamily PC Pool Balance as determined by the Pool Factor for the second month prior to the month in which payment is made to a Holder and such pro rata share as determined by the Pool Factor for the month prior to the month in which payment is made to the Holder.

(b) The Pool Factor applicable to each Multifamily PC Pool will be based upon the unpaid principal balances of the related Mortgages as reported to Freddie Mac by servicers. To the extent a given Pool Factor does not reflect the unpaid principal balance of the Mortgages, Freddie Mac shall correct any difference as soon as practicable by adjusting subsequent Pool Factors.

(c) The Pool Factor method of determining payments will affect the timing of receipt of payments by Holders but will not affect Freddie Mac's guarantee of timely payment of interest and ultimate collection of principal as set forth in Section 4.09. Freddie Mac's guarantees will not be affected by the implementation of any different method for calculating and paying principal and interest as permitted by this Section 4.06.

Section 4.07. Amounts Retained by Servicers. Pursuant to its contractual arrangement with Freddie Mac, the servicer of each Mortgage shall be entitled to retain each month as a servicing fee an amount equal to the excess, if any, of interest at the interest rate on the Mortgage over interest at the interest rate which the servicer is obligated by contract to remit monthly to Freddie Mac. Each servicer is 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. The servicer is entitled to retain all incidental fees with respect to a Mortgage other than assumption fees or prepayment fees, if any, paid to Freddie Mac on the Mortgages.

Section 4.08. Amounts Retained by Freddie Mac. Subject to any adjustments required by Section 4.04, Freddie Mac shall retain from monthly interest payments on each Mortgage received by Freddie Mac from the servicer a management and guarantee fee which is an amount equal to the excess, if any, of interest payments received by Freddie Mac from the servicer over the amount of such interest paid to Holders at the applicable PC Coupon; provided, however, that the amount retained by Freddie Mac hereunder shall be adjusted automatically to the extent a Pool Factor does not reflect the unpaid principal balance of the

Mortgages. Any such adjustment is equal to the difference between (i) interest at the applicable PC Coupon computed on the Remaining Multifamily PC Pool Balance for such month based on monthly principal payments actually received by or reported to Freddie Mac and (ii) interest at the applicable PC Coupon computed on the Remaining Multifamily PC Pool Balance derived from the Pool Factor. Freddie Mac shall pay all expenses incurred by it in connection with administration of a Multifamily PC Pool and the related Mortgages; provided, however, that any amounts expended by Freddie Mac or on Freddie Mac's behalf by servicers for the protection, preservation or maintenance of the Mortgages, or property received in liquidation of or realization upon the Mortgages, shall be deemed expenses to be borne pro rata by Freddie Mac and the Holders in accordance with their interests in each Mortgage. A servicer shall be entitled to reimbursement from Freddie Mac for any amount expended by the servicer on Freddie Mac's behalf, and with Freddie Mac's approval, for the protection, preservation or maintenance of the Mortgages, or of the real property which secures the Mortgages, or of property received in liquidation of or realization upon the Mortgages. Such expenses shall be approved, and reimbursement therefor shall be made, by Freddie Mac in accordance with the provisions of the Guide. Expenses borne pro rata by Holders as described above may be paid by Freddie Mac from payments otherwise due to Holders, and therefore will affect the timing of receipt of payments by Holders, but in no event shall Freddie Mac's guarantees of timely payment of interest at the applicable PC Coupon or Freddie Mac's guarantee of ultimate collection of principal, as set forth in Section 4.09, be affected by fees deducted by Freddie Mac or servicers or by amounts expended by Freddie Mac or servicers for the protection, preservation or maintenance of the real property securing the Mortgages.

Section 4.09. Freddie Mac Guarantees. Freddie Mac hereby guarantees to each Holder of a Multifamily PC:

(a) Timely payment of interest at the applicable Multifamily PC Coupon on the Holder's pro rata share of the Remaining Multifamily PC Pool Balance as determined pursuant to this Agreement; and

(b) Ultimate collection of principal, without offset or deduction. For purposes of this guarantee, principal shall include the Holder's pro rata share of the unpaid principal balance plus the Holder's pro rata share of amounts expended by any servicer of the Mortgages or by Freddie Mac and deducted, pursuant to Section 4.08, from payments otherwise due such Holder. Freddie Mac shall pay the amount due on account of its guarantee of ultimate collection of principal at any time after default on a Mortgage, but not later than thirty days following: (i) foreclosure sale, (ii) payment of a claim for insurance by the FHA, or by any other mortgage insurer, if applicable or, (iii) the expiration of any redemption period, whichever occurs later, but in any event no later than the earlier of one year after demand has been made upon the borrower for accelerated payment of principal or for payment of the principal due on the maturity of a Mortgage.

Section 4.10. Freddie Mac Subrogation. Freddie Mac shall be subrogated to all the rights, interests, remedies, powers and privileges of each Holder in respect of any Mortgage on which guarantee payments have been made by Freddie Mac of principal and/or interest, to the extent of such payments.

Section 4.11. Termination Upon Final Payment. Except as provided in Section 4.05, the obligations and responsibilities of Freddie Mac under this Agreement to a Holder in respect of any Multifamily PC shall terminate upon: (i) the payment to the Holder of all principal and interest due the Holder in respect of such Multifamily PC pursuant to the Pool Factor method or by reason of Freddie Mac's guarantees of timely payment of interest and guarantee of ultimate collection of principal, or (ii) the payment to the Holder of all amounts held by Freddie Mac and required to be paid hereunder.

Section 4.12. Payments Before or After Final Payment Date. The final payment in respect of a Multifamily PC may occur prior to the Final Payment Date by virtue of prepayments of principal or may occur after the Final Payment Date by virtue of the procedure for payment of principal and interest as described in Section 4.05. The final payment in respect of a Multifamily PC also may occur after the Final Payment Date by virtue of (i) forbearance or payment plans affecting any Mortgage, or (ii) payment under Freddie Mac's guarantee of ultimate collection of principal after a mortgagor default as described in Section 4.09(b).

ARTICLE V

The Multifamily PCs

Section 5.01. Book-Entry Form; Minimum Principal Amounts. Multifamily PCs shall be sold in Book-Entry Form only in minimum original principal amounts of \$1,000, per Multifamily PC Pool, and additional increments of \$1 and shall at all times remain on deposit with a Federal Reserve Bank in accordance with the provisions of the Book-Entry Rules. The Federal Reserve Banks shall maintain a book-entry recordkeeping system for all transactions in Multifamily PCs with respect to Holders.

Section 5.02. Transfer of Multifamily PCs. Multifamily PCs may be transferred only in minimum original principal amounts of \$1,000, per Multifamily PC Pool, and additional increments of \$1. Multifamily PCs may not be transferred if, as a result of the transfer, the transferor or the new Holder would have on deposit in its account Multifamily PCs having an original principal amount of less than \$1,000 in respect of the related Multifamily PC Pool. The transfer, exchange or pledge of Multifamily PCs shall be governed by the Book-Entry Rules and such procedures, insofar as applicable, as may from time to time be established by regulations of the Treasury Department governing obligations of the United States, and such other procedures as shall be agreed upon from time to time by Freddie Mac and the Federal Reserve Bank. A Federal Reserve Bank will act only upon the instructions of the Holder in recording transfers of a Multifamily PC. A charge may be made for any transfer. A charge will be made for any tax or other governmental charge imposed in connection with a transfer of a Multifamily PC.

Section 5.03. Record Date. The Record Date for each month shall be the last business day of the month. For purposes of determining a Record Date, the last business day of the month means a day other than (i) a Saturday or Sunday, (ii) a day on which the Federal Reserve Bank of New York (or other agent acting as Freddie Mac's fiscal agent) is authorized or obligated by law or executive order to remain closed, or (iii) a day on which the Federal Reserve Bank at which the Holder's account is maintained is authorized or obligated by law or executive order to remain closed. A Holder of a Multifamily PC on the books and records of the Federal Reserve Bank as of the close of business on the last business day of a month shall be entitled to payment of principal and interest in respect of such Multifamily PC for such month. A transfer of a Multifamily PC made on or before the close of business on the last business day of a month shall be recognized as effective as of the opening of business on the first business day of the month of such transfer.

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 applicable PC Coupon as and when the same shall become due and payable as herein provided, and continuance of such default for a period of 30 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 30 days; or

(c) Failure on the part of Freddie Mac to observe or perform any other of the covenants of this Agreement, continued for a period of 60 days after the date on which written notice of such failure, requiring Freddie Mac to remedy the same, shall have been given to Freddie Mac by the Holders of not less than 60 percent of the Remaining Multifamily PC Pool Balance of any affected Multifamily PC Pool; or

(d) A court having jurisdiction in the premises shall enter a decree or order for relief in respect of Freddie Mac in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appoint a receiver, liquidator, assignee, custodian, or sequestrator (or other similar official) of Freddie Mac or for all or substantially all of its property, or order the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(e) Freddie Mac 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, or sequestrator (or other similar official) of Freddie Mac or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or Freddie Mac 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 of the Remaining Multifamily PC Pool Balance of any affected Multifamily PC Pool may, by written notice to Freddie Mac, remove Freddie Mac and nominate a successor to Freddie Mac under this Agreement with respect to such Multifamily PC Pool, which nominee shall be deemed appointed as successor to Freddie Mac unless within 10 days after such nomination Freddie Mac objects thereto, in which case Freddie Mac 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 such Holder and all others similarly situated, petition any such court for appointment of a successor to Freddie Mac. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor to Freddie Mac. Upon the appointment of any successor pursuant to this Section 6.02, Freddie Mac shall submit to its successor a complete written report and accounting of the Mortgages relating to any such affected Multifamily PC Pool and shall take all other steps necessary or desirable to transfer its interest in and administration of this Agreement with respect to such Multifamily PC Pool to the successor. Subject to the Act, such successor may take such action with respect to such Mortgages as may be reasonable and appropriate in the circumstances. Prior to any such designation of a successor, the Holders of a majority of the Remaining Multifamily PC Pool Balance of any affected Multifamily PC Pool may waive any past default or Event of Default. Appointment of a successor will not relieve Freddie Mac 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 Multifamily PCs or the Mortgages, or for the appointment of a receiver or trustee, or for any other remedy whatsoever, unless such Holder previously shall have given to Freddie Mac written notice of an Event of Default and of the continuance thereof, as hereinbefore provided, and unless also the Holders of a majority of the Remaining Multifamily PC Pool Balance of any affected Multifamily PC Pool shall have made written request upon Freddie Mac to institute such action or proceeding in its own name and shall have offered to Freddie Mac such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and Freddie Mac for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action or proceeding, and no direction inconsistent with such written request shall have been given to Freddie Mac during such 60-day period by the Holders of a majority of the Remaining Multifamily PC Pool Balance in any affected Multifamily PC Pool. It is understood and intended, and expressly covenanted by each Holder of a Multifamily PC in any affected Multifamily Pool with every other Holder in such Multifamily PC Pool and with Freddie Mac, that no one or more Holders shall have any right in any manner whatsoever by virtue of or by availing themselves of any provision of this Agreement to affect, disturb or prejudice the rights of any other Holder, or to obtain or seek to obtain preference or priority over any other 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 Multifamily PCs in any affected Multifamily PC Pool. For the protection and enforcement of the provisions of this Section 6.03, each and every Holder and Freddie Mac shall be entitled to such relief

as can be given either at law or in equity. Notwithstanding the foregoing or any other provision of 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 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. Freddie Mac and/or its designated agent shall furnish, within a reasonable time after the end of each calendar year, to each entity which was a Holder on the records of the Federal Reserve Bank on any Record Date during such year, such customary information as Freddie Mac deems necessary or desirable to enable Holders and beneficial owners of Multifamily PCs to prepare their United States federal income tax returns, if applicable.

Section 7.02. Limitations on Liability of Freddie Mac and Others. Neither Freddie Mac nor any of its directors, officers, employees or agents 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 Freddie Mac 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. Freddie Mac and any director, officer, employee or agent of Freddie Mac may rely in good faith on any document of any kind properly executed and submitted by any person with respect to any matter arising hereunder. Holders shall jointly and severally indemnify and hold Freddie Mac and any director, officer, employee or agent of Freddie Mac harmless against any loss, liability or expense incurred in connection with any legal action brought by any person other than a Holder relating to this Agreement or the Multifamily PCs, other than any loss, liability or expense relating to any Mortgage (except as permitted in this Agreement), or incurred by reason of willful misfeasance, bad faith or gross negligence in the performance of their duties or by reason of reckless disregard of obligations and duties hereunder. Freddie Mac 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 in accordance with this Agreement and which in its opinion may involve it in any expense or liability; provided, however, that Freddie Mac may in its discretion undertake any such action which it may deem necessary or desirable with respect to any Mortgage, this Agreement, the Multifamily 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 Freddie Mac and Holders as provided in Section 4.08.

Section 7.03. Limitation on Rights of Holders. The death or incapacity of any person having an interest, beneficial or otherwise, in a Multifamily PC shall not operate to terminate this Agreement or any Multifamily PC Pool, nor entitle the legal representatives or heirs of such person, or any Holder for such person, to claim an accounting, take any action or bring any proceeding in any court for a partition or winding up of any Multifamily PC Pool, nor otherwise 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 to otherwise control in any manner the operation and management of the Mortgages or any Multifamily PC Pool, or the obligations of the parties hereto, nor shall anything herein set forth, or contained in the terms of the Multifamily 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.

(a) This Agreement may be amended from time to time by Freddie Mac, 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 other provisions of this Agreement, provided that any such amendment shall not adversely affect in any material respect the interest of any Holder.

(b) Except as provided in Section 7.05(c) of this Agreement, with respect to any Multifamily PC Pool formed pursuant to the terms hereof, any provision of this Agreement may be amended by Freddie Mac with the written consent of the Holders of not less than a majority of the Remaining Multifamily PC Pool Balance of such Multifamily PC Pool.

(c) Without the consent of a Holder, this Agreement may not be amended to impair or affect the right of such 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.

(d) To the extent that any provisions of this Agreement differ from the provisions of any Mortgage Participation Certificate Agreement of Freddie Mac dated prior to the date of this Agreement, this Agreement shall be deemed to amend such provisions of the prior Mortgage Participation Certificate Agreement, but only if Freddie Mac, under the terms of such prior Agreement, could have effected such change as an amendment of such prior Agreement without the consent of holders of Multifamily PCs thereunder.

Section 7.06. Persons Deemed Owners. Freddie Mac and the Federal Reserve Bank, or any agent of Freddie Mac or the Federal Reserve Bank, may deem and treat the Holder as the absolute owner of a Multifamily PC and the undivided interests in the Mortgages represented by such Multifamily PC for the purpose of receiving payment of principal or interest and for all other purposes, and neither Freddie Mac or the Federal Reserve Bank, nor any agent of Freddie Mac or the Federal Reserve Bank, shall be affected by any notice to the contrary. All such payments so made to any such Holder, or upon such Holder's 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 Freddie Mac upon the Holder's Multifamily PC. A Holder is not necessarily the beneficial owner of a Multifamily PC. The rights of a beneficial owner of a Multifamily PC with respect to Freddie Mac and the Federal Reserve Bank may be exercised only through a Holder. Freddie Mac and the Federal Reserve Bank will have no direct obligation to a beneficial owner that is not also the Holder of a Multifamily PC.

Section 7.07. Governing Law. This Agreement and the Holders' and Freddie Mac's rights and obligations with respect to Multifamily 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 Multifamily PC shall be a day which is not a Business Day, then such payment need not be made on such date, but may be made on the next succeeding day which is a Business Day, 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 Freddie Mac, including any successor by operation of law.

Section 7.10. 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 to or served upon any Holder may be given or served in writing by deposit thereof, postage prepaid, in the United States mail, addressed to such Holder as such Holder's name and address may appear in the records of a Federal Reserve Bank, or by transmission to such Holder through the communication system linking the Federal Reserve Banks. 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 or transmission.

Any notice, demand or other communication which by any provision of this Agreement is required or permitted to be given to or served upon Freddie Mac shall be given in writing addressed as follows: Federal Home Loan Mortgage Corporation, 1759 Business Center Drive Reston, Virginia 22090, Attention: Senior Vice President—General Counsel and Secretary. Such notice, demand or other communication to or upon Freddie Mac shall be deemed to have been sufficiently given or made only upon actual receipt of the writing by Freddie Mac.

THE SALE OF A MULTIFAMILY PC BY FREDDIE MAC AND RECEIPT AND ACCEPTANCE OF A MULTIFAMILY PC BY OR ON BEHALF OF A HOLDER, WITHOUT ANY SIGNATURE OR FURTHER MANIFESTATION OF ASSENT, SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE HOLDER AND ALL OTHERS HAVING A BENEFICIAL INTEREST IN SUCH MULTIFAMILY PC OF ALL THE TERMS AND PROVISIONS OF THIS AGREEMENT, AND THE AGREEMENT OF FREDDIE MAC, SUCH HOLDER AND SUCH OTHERS THAT THOSE TERMS AND PROVISIONS SHALL BE BINDING, OPERATIVE AND EFFECTIVE AS BETWEEN FREDDIE MAC AND SUCH HOLDER AND SUCH OTHERS.

FEDERAL HOME LOAN MORTGAGE CORPORATION



Freddie Mac



Owned by America's
Savings Institutions