

Federal Home Loan Mortgage Corporation

Freddie Mac ARM Giants:

Giant Adjustable Rate Mortgage Participation Certificates (Guaranteed)

Giant Principal Only Adjustable Rate Mortgage Participation Certificates (Guaranteed)

Giant Interest Only Adjustable Rate Mortgage Participation Certificates (Guaranteed)

Giant Adjustable Rate Mortgage Participation Certificates (Guaranteed) ("ARM Giant PCs"), Giant Principal Only Adjustable Rate Mortgage Participation Certificates (Guaranteed) ("ARM Giant PO PCs") and Giant Interest Only Adjustable Rate Mortgage Participation Certificates (Guaranteed) ("ARM Giant IO PCs") will represent beneficial ownership interests in pools ("ARM Giant PC Pools") to be formed by the Federal Home Loan Mortgage Corporation ("Freddie Mac") from time to time under the Freddie Mac ARM Giants Program. Each ARM Giant PC Pool will consist of one or more Freddie Mac Adjustable Rate Mortgage Participation Certificates (Guaranteed) (the "ARM PCs"). The ARM PCs represent undivided interests in specified adjustable rate, first lien, fully amortizing, conventional, 1-4 family residential mortgages or participations therein (the "Mortgages") purchased by Freddie Mac and placed in discrete pools ("ARM PC Pools") under Freddie Mac's ARM Cash Program or under its ARM Guarantor Program. The general characteristics of the ARM PCs, including Freddie Mac's guarantees thereof, are described in Freddie Mac's various offering circulars relating thereto as in effect from time to time (each, an "ARM PC Offering Circular"). Certain information relating to the ARM PCs constituting each ARM Giant PC Pool will be set forth in the related Offering Circular Supplement.

ARM Giant PCs, ARM Giant PO PCs and ARM Giant IO PCs are referred to collectively as "Freddie Mac ARM Giants." The Holders of ARM Giant PCs are entitled to receive payments of all or a portion of both the principal and interest payments received on the ARM PCs in the related ARM Giant PC Pool. The Holders of ARM Giant PO PCs are entitled to receive all or a portion of the principal payments received on the ARM PCs in the related ARM Giant PC Pool and no interest payments. The Holders of ARM Giant IO PCs are entitled to receive all or a portion of the interest payments received on the ARM PCs in the related ARM Giant PC Pool and no principal payments. Each ARM Giant PC and ARM Giant PO PC has a stated principal amount representing the amount payable over its life to the Holder thereof from principal payments on the underlying ARM PCs. Each ARM Giant IO PC is assigned a notional principal amount for purposes of determining interest payments to, and certain other rights of, the Holder of such ARM Giant IO PC. Each ARM Giant PC and ARM Giant IO PC entitles the Holder thereof to receive interest at a specified annual rate (the "ARM Giant PC Coupon"), determined monthly, on the outstanding principal amount (or, in the case of an ARM Giant IO PC, on the outstanding notional principal amount) thereof. As to each ARM Giant PC Pool, Freddie Mac will create either (i) a single class of ARM Giant PCs or (ii) two or more classes of ARM Giant PCs, ARM Giant PO PCs and/or ARM Giant IO PCs.

Freddie Mac guarantees to each Holder of an ARM Giant PC and each Holder of an ARM Giant IO PC the timely payment of interest at the applicable ARM Giant PC Coupon on such Holder's ARM Giant PC or ARM Giant IO PC. Freddie Mac also guarantees to each Holder of an ARM Giant PC and each Holder of an ARM Giant PO PC the payment of the principal amount of such Holder's ARM Giant PC or ARM Giant PO PC as payments are made on the underlying ARM PCs.

Freddie Mac ARM Giants will be sold in book-entry form only. See "Description of Freddie Mac ARM Giants — Form of Freddie Mac ARM Giants, Holders, Minimum Principal Amounts and Transfers." There currently is no secondary market in Freddie Mac ARM Giants nor is there any assurance that such a market will develop.

This Offering Circular should be read in conjunction with the applicable Offering Circular Supplement, Freddie Mac's current Information Statement and any supplements thereto, each of which is incorporated herein by reference. See "Availability of Information and Incorporation by Reference." In addition, the Offering Circular Supplement will incorporate by reference the applicable ARM PC Offering Circular(s).

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

This Offering Circular may not be used to consummate sales of Freddie Mac ARM Giants unless accompanied by a preliminary or final Offering Circular Supplement.

Offering Circular Dated October 1, 1988

The Mortgages may be prepaid at any time without penalty and the rate of principal payments (including prepayments) may fluctuate significantly from time to time. The yield to investors in ARM Giant PO PCs and ARM Giant IO PCs will be extremely sensitive to the rate of principal payments on the Mortgages. Investors in ARM Giant IO PCs should fully consider the associated risks, including the risk that a rapid rate of principal payments could result in the failure of such investors to recover their investment. Conversely, investors in ARM Giant PO PCs should consider the risk that a slower than anticipated rate of principal payments could result in an actual yield to such investors that is significantly lower than the anticipated yield. See “Description of Freddie Mac ARM Giants — Prepayment Considerations and Risks.”

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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, the applicable ARM PC Offering Circular(s), 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 Freddie Mac ARM Giants 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 SUPPLEMENT

The Offering Circular Supplement with respect to the specific Freddie Mac ARM Giants to be offered hereby and by means of such Offering Circular Supplement will, among other things, set forth (i) the identity of each class of Freddie Mac ARM Giants so offered; (ii) the original principal amount (or original notional principal amount) and the initial ARM Giant PC Coupon, if any, of each such class; (iii) certain information concerning the related ARM Giant PC Pool; (iv) the applicable Payment Dates; and (v) the applicable Final Payment Dates.

OFFERING CIRCULAR SUMMARY

The summary information set forth below is qualified in its entirety by reference to the information appearing elsewhere in this Offering Circular and by reference to the information with respect to each specific offering of Freddie Mac ARM Giants contained in the related Offering Circular Supplement.

Issuer and Guarantor Federal Home Loan Mortgage Corporation, a corporate instrumentality of the United States.

The Freddie Mac ARM Giants . . The Giant Adjustable Rate Mortgage Participation Certificates (Guaranteed), the Giant Principal Only Adjustable Rate Mortgage Participation Certificates (Guaranteed) and the Giant Interest Only Adjustable Rate Mortgage Participation Certificates (Guaranteed) will be issued pursuant to a Giant Adjustable Rate Mortgage Participation Certificate Agreement dated as of October 1, 1988, included in this Offering Circular as Exhibit A and a Terms Supplement included as an annex to the related Offering Circular Supplement (the Giant Adjustable Rate Mortgage Participation Certificate Agreement, together with the applicable Terms Supplement, the "ARM Giant PC Agreement"). The Freddie Mac ARM Giants will evidence beneficial ownership interests in the related ARM Giant PC Pool formed by Freddie Mac pursuant to the ARM Giant PC Agreement.

Each ARM Giant PC Pool is assigned one or more pool numbers, corresponding to the number of classes of Freddie Mac ARM Giants created and sold in respect of such ARM Giant PC Pool. The first two digits of an ARM Giant PC Pool number (the "prefix") for an ARM Giant PC Pool as to which a single class of ARM Giant PCs is created will be "84," a prefix newly created for ARM Giant PC Pools. The pool number(s) for each ARM Giant PC Pool and any subsequent prefixes assigned to ARM Giant PC Pools will be set forth in the related Offering Circular Supplement.

The ARM PCs Various Freddie Mac Adjustable Rate Mortgage Participation Certificates (Guaranteed) having the characteristics described in the applicable ARM PC Offering Circular and, as to a particular ARM Giant PC Pool, in the related Offering Circular Supplement. The ARM PCs constituting each ARM Giant PC Pool will have been issued by Freddie Mac prior to the formation of the related ARM Giant PC Pool and may include a variety of different types of ARM PCs. The interest rate on each ARM PC (the "ARM PC Coupon") adjusts periodically based upon a stated, publicly available index. The ARM PC Coupons of the different types of ARM PCs are based on different indexes, adjust at different intervals and are subject to different periodic and lifetime adjustment caps. The amount of the maximum permissible periodic adjustment of the related ARM PC Coupons and the maximum lifetime interest rate to which such ARM PC Coupons may adjust will be described in the related ARM PC Offering Circular(s) and, as to a particular ARM PC Pool, in the related ARM PC Offering Circular Supplement, which documents will be incorporated by reference in the Offering Circular Supplement for a particular ARM Giant PC Pool. The ARM PCs eligible for inclusion in an ARM Giant PC Pool, and the ARM PC Offering Circular(s) relating to such ARM PCs, will be identified in the related Offering Circular Supplement. The Mortgages underlying the ARM PCs are adjustable rate, first lien, fully amortizing, conventional, 1-4 family residential mortgages, including whole mortgage loans and/or participation interests therein, purchased by Freddie Mac and placed in ARM PC Pools under Freddie Mac's ARM Cash Program or under its ARM Guarantor Program. The Mortgages in certain ARM PC Pools may contain provisions which allow borrowers to convert the adjustable mortgage interest rate of their Mortgages to a fixed rate ("Convertible Mortgages").

Form of Freddie Mac ARM Giants; Holders The Freddie Mac ARM Giants will be issued and maintained, and may be transferred by Holders (as defined below), only on the book-entry system of the Federal Reserve Bank of New York and/or such other Federal Reserve Banks as may maintain Freddie Mac ARM Giants in book-entry form (the Federal Reserve Bank of New York and/or such other Federal Reserve Banks are herein referred to as the "Federal Reserve Bank"). Freddie Mac ARM Giants may be held of record only by entities eligible to maintain book-entry accounts with the Federal Reserve Bank. Entities whose names appear on the book-entry records of the Federal Reserve Bank as the entities for whose accounts Freddie Mac ARM Giants have been deposited are referred to herein as "Holders." See "Description of Freddie Mac ARM Giants — Form of Freddie Mac ARM Giants, Holders, Minimum Principal Amounts and Transfers."

Minimum Denominations and Transfers Freddie Mac ARM Giants will be issued and must be maintained

and transferred in minimum original principal amounts (or original notional principal amounts) of \$1,000 and additional increments of \$1. See "Description of Freddie Mac ARM Giants — Form of Freddie Mac ARM Giants, Holders, Minimum Principal Amounts and Transfers."

Payment Dates; Method of

Payment Freddie Mac will pass through payments of interest and principal to Holders of Freddie Mac ARM Giants on the 15th day of each month or, if such day is not a Business Day (as defined in the ARM Giant PC Agreement), on the next succeeding Business Day (a "Payment Date"), commencing on the date specified in the related Offering Circular Supplement. Payments are credited on each Payment Date by the Federal Reserve Bank to the accounts of Holders. 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. See "Description of Freddie Mac ARM Giants — Form of Freddie Mac ARM Giants, Holders, Minimum Principal Amounts and Transfers."

Interest Interest on the ARM Giant PCs and/or ARM Giant IO PCs, at the ARM Giant PC Coupon applicable to a Payment Date, will be passed through on such Payment Date. Unless otherwise provided in the related Offering Circular Supplement, the ARM Giant PC Coupon for ARM Giant PCs will be adjusted as of the first day of each month and will be equal to the weighted average of the applicable ARM PC Coupons of the ARM PCs constituting the related ARM Giant PC Pool as of such date, rounded down to the nearest .001%. See "Description of Freddie Mac ARM Giants — Payments of Interest."

Principal Principal payments on the ARM Giant PCs and/or the ARM Giant PO PCs created in respect of each ARM Giant PC Pool will be made on each Payment Date in an aggregate amount equal to the amount of principal payments received by Freddie Mac on the same Payment Date on the ARM PCs in such ARM Giant PC Pool (the "ARM PC Principal Payment Amount"). All payments of principal on any class of Freddie Mac ARM Giants will be applied pro rata among all Freddie Mac ARM Giants of such class. See "Description of Freddie Mac ARM Giants — Payments of Principal."

Record Date Each payment on the Freddie Mac ARM Giants on any Payment Date will be made to Holders of record on the last business day of the second preceding month. See "Description of Freddie Mac ARM Giants — Form of Freddie Mac ARM Giants, Holders, Minimum Principal Amounts and Transfers."

Final Payment Dates The Final Payment Date for each class of Freddie Mac ARM Giants is the payment date on or before which the entire principal amount (or notional principal amount) of the Freddie Mac ARM Giants of such class will be reduced to zero. Scheduled payments on the Mortgages underlying the ARM PCs in each ARM Giant PC Pool will be sufficient to make timely payments of interest on the Freddie Mac ARM Giants created and sold in respect of

such ARM Giant PC Pool and to retire such Freddie Mac ARM Giants on or before their Final Payment Dates. Because the rate of payment of principal (or reduction of notional principal amount) of the Freddie Mac ARM Giants will depend on the rate of payment (including prepayments) of the principal of the Mortgages underlying the ARM PCs in the related ARM Giant PC Pool, the actual final payment with respect to any class of Freddie Mac ARM Giants could occur significantly earlier than its Final Payment Date. The rate of prepayments on the Mortgages underlying the ARM PCs in each ARM Giant PC Pool will depend on their characteristics, as well as on the prevailing level of interest rates and other factors, and no assurance can be given as to the actual prepayment experience of the Mortgages underlying the ARM PCs in any ARM Giant PC Pool. See "Description of Freddie Mac ARM Giants — Final Payment Dates and Weighted Average Lives of the Freddie Mac ARM Giants" herein and the discussion of the weighted average lives and prepayment behavior of the ARM PCs in the applicable ARM PC Offering Circular.

Guarantees Freddie Mac guarantees to each Holder of an ARM Giant PC and each Holder of an ARM Giant IO PC the timely payment of interest at the applicable ARM Giant PC Coupon on such Holder's ARM Giant PC or ARM Giant IO PC. Freddie Mac also guarantees to each Holder of an ARM Giant PC and each Holder of an ARM Giant PO PC the payment of the principal amount of such Holder's ARM Giant PC or ARM Giant PO PC as payments are made on the underlying ARM PCs. See "Description of Freddie Mac ARM Giants — Guarantees."

With respect to the ARM PCs, Freddie Mac guarantees to each holder thereof the timely payment of interest at the applicable ARM PC Coupon on the holder's pro rata share of the aggregate unpaid principal balance of the related Mortgages, as calculated by Freddie Mac under the "Pool Factor method" described in the applicable ARM PC Offering Circular. Freddie Mac also guarantees to each such holder ultimate collection of all principal of the related Mortgages, without offset or deduction, to the extent of such holder's pro rata share thereof. See the discussion of Freddie Mac's guarantees with respect to the ARM PCs in the applicable ARM PC Offering Circular.

ARM Giant PC Pool Factors On or about the seventh business day of each month, Freddie Mac will publish or otherwise make available for that month the ARM Giant PC Pool Factor for each outstanding class of Freddie Mac ARM Giants created in respect of each ARM Giant PC Pool. The ARM Giant PC Pool Factor is a seven-digit decimal fraction calculated by Freddie Mac which, when multiplied by the original principal amount of an ARM Giant PC or an ARM Giant PO PC (or by the original notional principal amount of an ARM Giant IO PC), will equal the remaining principal amount (or remaining notional principal amount) thereof, after giving

effect to the payment of principal (or reduction in notional principal amount) to be made on the second following Payment Date. See "Description of Freddie Mac ARM Giants — ARM Giant PC Pool Factors."

Tax Status of the Freddie

Mac ARM Giants Income from the Freddie Mac ARM Giants has no exemption under federal law from federal, state or local taxation.

Standard ARM Giant PCs (as defined in "Certain Federal Income Tax Consequences — General") 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."

Holders of Stripped ARM Giant PCs (as defined in "Certain Federal Income Tax Consequences — General") will be treated for federal income tax purposes as owners of the right to receive principal and interest on the Mortgages underlying the ARM PCs in the related ARM Giant PC Pool. The Stripped ARM Giant PCs will be treated under the Internal Revenue Code of 1986 as stripped bonds or stripped coupons. Holders generally will be required to include original issue discount with respect to such stripped bonds or stripped coupons in gross income as it accrues, which may be prior to receipt of cash attributable to such income. There is substantial uncertainty as to computation of income from the Stripped ARM Giant PCs.

Although there is no specific precedent and the characterization of the Stripped ARM Giant PCs is not entirely free from doubt, Stripped ARM Giant PCs should be considered to represent (i) "loans secured by an interest in real property," (ii) "qualifying real property loans" with respect to certain thrift institutions and (iii) "real estate assets" with respect to real estate investment trusts; interest and original issue discount thereon should be considered to be "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 Freddie Mac ARM Giants described herein:

- will be acceptable as security for the deposit of public monies subject to the control of the United States or any of its officers;
- will be eligible as collateral for Treasury tax and loan accounts;
- will be among those securities which national banks may deal in, underwrite and purchase for their own accounts without limitation;
- will be eligible as collateral for advances by Federal Reserve Banks;

- will be legal investments for federal savings and loan associations and federal savings banks;
- will be eligible as collateral for advances from Federal Home Loan Banks;
- will be legal investments for surplus and reserve funds of Federal Home Loan Banks;
- will be legal investments for federal credit unions; and
- will be considered plan assets for private pension funds under the Employee Retirement Income Security Act of 1974 (and neither the ARM PCs nor the Mortgages underlying the ARM PCs will be 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 Freddie Mac ARM Giants 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.

Special restrictions or prohibitions may apply to investments by certain investors in ARM Giant PO PCs or ARM Giant IO PCs. In particular, financial institutions which are subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, the National Credit Union Administration, or other federal or state agencies with similar authority, should review applicable rules, regulations, orders and guidelines prior to purchasing ARM Giant PO PCs or ARM Giant IO PCs. See "Legality of Investment," "ERISA Considerations" and "Regulatory Constraints."

Offering Procedures 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. Freddie Mac periodically prepares various ARM PC Offering Circulars with respect to its ARM PCs, each of which describes the general characteristics of such securities, the related Mortgages and other matters and includes a copy of the related agreement pursuant to which such securities are created and sold (each, an "ARM PC Agreement"). The current Information Statement and any supplements thereto 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 Relations 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).

DESCRIPTION OF FREDDIE MAC ARM GIANTS

General

Freddie Mac ARM Giants will be offered from time to time pursuant to this Offering Circular and an Offering Circular Supplement relating to each specific offering.

Freddie Mac ARM Giants represent beneficial ownership interests in the ARM PCs which constitute the related ARM Giant PC Pool. The creation and sale of Freddie Mac ARM Giants will be effected under the terms of the ARM Giant PC Agreement, which qualifies this summary in its entirety. Holders and anyone having a beneficial interest in Freddie Mac ARM Giants should refer to the ARM Giant PC Agreement for a complete description of their rights and obligations and the rights and obligations of Freddie Mac with respect to such Freddie Mac ARM Giants. Each Holder acquires a Freddie Mac ARM Giant subject to all the terms and conditions of the ARM Giant PC Agreement.

As to each ARM Giant PC Pool, Freddie Mac will create either (i) a single class of ARM Giant PCs or (ii) two or more classes of ARM Giant PCs, ARM Giant PO PCs and/or ARM Giant IO PCs.

Form of Freddie Mac ARM Giants, Holders, Minimum Principal Amounts and Transfers

Freddie Mac will sell Freddie Mac ARM Giants only in book-entry form. Freddie Mac's fiscal agent for Freddie Mac ARM Giants will be the Federal Reserve Bank or such other institution as may be specified in the related Offering Circular Supplement. The Fiscal Agency Agreement between Freddie Mac and the Federal Reserve Bank will make generally applicable to Freddie Mac ARM Giants the Freddie Mac book-entry regulations, 1 C.F.R. Part 462, and 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 may be agreed upon

from time to time by Freddie Mac and the Federal Reserve Bank. These regulations and procedures relate primarily to the registration, transfer and pledge of Freddie Mac's book-entry securities. Each class of Freddie Mac ARM Giants created in respect of an ARM Giant PC Pool is assigned a unique nine-character designation used to identify such class on the records of the Federal Reserve Bank (the "CUSIP Number").

Freddie Mac ARM Giants will be issued and must be maintained and transferred only on the book-entry system of the Federal Reserve Bank in minimum original principal amounts (or original notional principal amounts) of \$1,000 and in additional increments of \$1. A Freddie Mac ARM Giant may not be transferred if, as a result of the transfer, the transferor or the transferee would have on deposit in its account Freddie Mac ARM Giants of any class having an original principal amount (or original notional principal amount) of less than \$1,000.

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

A Holder is not necessarily the beneficial owner of a Freddie Mac ARM Giant. Beneficial owners ordinarily will hold Freddie Mac ARM Giants through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. For example, an individual purchaser may hold a Freddie Mac ARM Giant through a brokerage firm which, in turn, holds the Freddie Mac ARM Giant through an entity eligible to maintain book-entry accounts with the Federal Reserve Bank. In such case, the beneficial owner of the Freddie Mac ARM Giant would be the individual purchaser and the entity whose name appears on the records of the Federal Reserve Bank as the entity for whose account the Freddie Mac ARM Giant was deposited would be the Holder. A Holder that is not the beneficial owner, 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 Freddie Mac ARM Giant with respect to Freddie Mac and the Federal Reserve Bank may be exercised only through the Holder of the Freddie Mac ARM Giant. Freddie Mac and the Federal Reserve Bank will have no direct obligation to a beneficial owner of a Freddie Mac ARM Giant that is not also the Holder of the Freddie Mac ARM Giant. The Federal Reserve Bank will act only upon the instructions of the Holder in recording transfers of a Freddie Mac ARM Giant.

The Federal Reserve Bank credits interest and principal to Holders of Freddie Mac ARM Giants on each Payment Date. Each payment on the Freddie Mac ARM Giants will be made to Holders as shown on the books and records of the Federal Reserve Bank as of the last business day of the second preceding month. For this purpose, the last business day of a 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.

The ARM PCs

The ARM PCs constituting each ARM Giant PC Pool represent undivided interests in specified adjustable rate, first lien, fully amortizing, conventional, 1-4 family residential mortgages or participations therein purchased by Freddie Mac and placed in ARM PC Pools under Freddie Mac's ARM Cash Program or under its ARM Guarantor Program.

The ARM PCs constituting each ARM Giant PC Pool will have been issued by Freddie Mac prior to the formation of the related ARM Giant PC Pool. An ARM Giant PC Pool may include more than one type of ARM PC. Each ARM PC Coupon adjusts periodically based upon a stated, publicly

available index. The amount of the maximum permissible periodic adjustment of the related ARM PC Coupons and the maximum lifetime interest rate to which such ARM PC Coupons may adjust will be described in the related ARM PC Offering Circular(s) and, as to a particular ARM PC Pool, in the related ARM PC Offering Circular Supplement, which documents will be incorporated by reference in the Offering Circular Supplement for a particular ARM Giant PC Pool. The ARM PCs eligible for inclusion in an ARM Giant PC Pool, and the ARM PC Offering Circular(s) relating to such ARM PCs, will be identified in the related Offering Circular Supplement. The particular characteristics of each of these different types of ARM PCs are described in more detail in the applicable ARM PC Offering Circular.

All or a substantial portion of the ARM PCs constituting any ARM Giant PC Pool may have been purchased from a single seller or from a small number of sellers. Accordingly, the Mortgages underlying the ARM PC Pools may have been purchased from a single seller or a small number of sellers. The identity of each seller of the Mortgages underlying ARM PC Pools formed under Freddie Mac's ARM Guarantor Program is available, by ARM PC Pool number, in the *Bond Buyer*. Each Offering Circular Supplement will specify the type or types of ARM PCs constituting the applicable ARM Giant PC Pool and will contain certain additional information regarding such ARM PCs.

ARM Giant PC Pool Factors

On or about the seventh business day of each month, Freddie Mac will publish or otherwise make available the ARM Giant PC Pool Factor for each outstanding class of Freddie Mac ARM Giants. The ARM Giant PC Pool Factor is a seven-digit decimal fraction calculated by Freddie Mac which, when multiplied by the original principal amount of an ARM Giant PC or an ARM Giant PO PC (or by the original notional principal amount of an ARM Giant IO PC), will equal the remaining principal amount (or remaining notional principal amount) thereof, after giving effect to the payment of principal (or reduction in notional principal amount) to be made on the second following Payment Date.

Payment Dates

Freddie Mac will pass through payments of (i) principal and interest to Holders of ARM Giant PCs, (ii) principal to Holders of ARM Giant PO PCs and (iii) interest to Holders of ARM Giant IO PCs on the 15th day of each month or, if such day is not a Business Day (as defined in the ARM Giant PC Agreement), on the next succeeding Business Day (a "Payment Date"), commencing on the date specified in the related Offering Circular Supplement.

Payments of Interest

Unless otherwise provided in the related Offering Circular Supplement, the ARM Giant PC Coupon for an ARM Giant PC will be adjusted as of the first day of each month and will be equal to the weighted average of the ARM PC Coupons of the ARM PCs constituting the related ARM Giant PC Pool as of such date, rounded down to the nearest .001%. The initial ARM Giant PC Coupon applicable to an ARM Giant PC Pool will be specified in the related Offering Circular Supplement.

Moreover, because the ARM Giant PC Coupon is adjusted monthly unlike the ARM PC Coupons of the underlying ARM PCs, which adjust either semi-annually, annually or at other intervals depending on the type or types of ARM PCs constituting the applicable ARM Giant PC Pool, disproportionate rates of principal payments (including prepayments) on the Mortgages underlying ARM PCs bearing relatively low and high ARM PC Coupons will affect the level of the ARM Giant PC Coupon, even though such ARM PC Coupons will remain unaffected.

All payments of interest received on a Payment Date on the ARM PCs in each ARM Giant PC Pool (net of (i) any ARM Giant PC Pool servicing fee retained by Freddie Mac, if so provided in the related Offering Circular Supplement, and (ii) an amount equal to the difference between the amount of such interest received and the amount payable to Holders at the ARM Giant PC Coupon resulting from

any rounding down of such ARM Giant PC Coupon) will be passed through on the same Payment Date, as interest, to the Holders of the related ARM Giant PCs and/or ARM Giant IO PCs. Unless otherwise specified in the applicable Offering Circular Supplement, interest will accrue during the second month preceding the related Payment Date. Such interest will accrue on the principal amount of the ARM Giant PCs (or on the notional principal amount of the Giant IO PCs) as represented by the ARM Giant PC Pool Factor therefor published on or about the seventh day of the second month preceding such Payment Date, at the applicable ARM Giant PC Coupon in effect during the second month preceding such Payment Date. Such ARM Giant PC Coupon will be determined as specified in the related Offering Circular Supplement. Interest will be calculated on the basis of a 360-day year of twelve 30-day months.

Payments of Principal

All payments of principal received on a Payment Date on the ARM PCs in each ARM Giant PC Pool will be passed through on the same Payment Date, as principal, to the Holders of the related ARM Giant PCs and/or ARM Giant PO PCs. All payments of principal on any class of ARM Giant PCs or ARM Giant PO PCs will be applied pro rata among all ARM Giant PCs or ARM Giant PO PCs of such class.

For any Payment Date, the amount of principal to be paid on any class of ARM Giant PCs or ARM Giant PO PCs entitled thereto can be calculated by multiplying the original principal amount of such class by the difference between the ARM Giant PC Pool Factors for such class published on or about the seventh day of each of the first and second preceding months.

Guarantees

Freddie Mac guarantees to each Holder of an ARM Giant PC and each Holder of an ARM Giant IO PC the timely payment of interest at the applicable ARM Giant PC Coupon on such Holder's ARM Giant PC or ARM Giant IO PC. Freddie Mac also guarantees to each Holder of an ARM Giant PC and each Holder of an ARM Giant PO PC the payment of the principal amount of such Holder's ARM Giant PC or ARM Giant PO PC as payments are made on the underlying ARM PCs.

With respect to the ARM PCs, Freddie Mac guarantees to each holder thereof the timely payment of interest at the applicable ARM PC Coupon on such holder's pro rata share of the aggregate unpaid principal balance of the related Mortgages, as calculated by Freddie Mac under the "Pool Factor method" described in the applicable ARM PC Offering Circular(s). 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.

Freddie Mac may pay the amount due on account of its guarantee of ultimate collection of principal on ARM PCs at 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 (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 principal due on the maturity of a Mortgage. See the discussion of Freddie Mac's guarantees with respect to the ARM PCs in the applicable ARM PC Offering Circular(s).

**FREDDIE MAC ARM GIANTS ARE NOT GUARANTEED BY AND
DO NOT CONSTITUTE DEBTS OR OBLIGATIONS OF THE
UNITED STATES OR ANY FEDERAL HOME LOAN BANK.**

Prepayment Considerations and Risks

The rate of principal payments on the ARM PCs constituting an ARM Giant PC Pool, and therefore of payments on the related Freddie Mac ARM Giants, is related directly to the rate of

payments of principal on the underlying Mortgages, which may be in the form of scheduled amortization or prepayments (for this purpose, the term "prepayments" includes prepayments and liquidations resulting from default, casualty, condemnation and payments made pursuant to any guarantee of payment by Freddie Mac) and may fluctuate significantly from time to time. The prepayment experience of the Mortgages underlying the ARM PCs in any ARM Giant PC Pool will depend on their characteristics, as well as on the prevailing level of interest rates and other factors, and no assurance can be given as to the actual prepayment experience of the Mortgages underlying the ARM PCs in any Giant PC Pool. In general, when the level of prevailing interest rates declines significantly below the interest rates on mortgage loans, the rate of prepayment is likely to increase. See the discussion of the weighted average lives and prepayment behavior of the ARM PCs in the applicable ARM PC Offering Circular(s).

Acceleration of mortgage payments as a result of transfers of the mortgaged property is another factor affecting prepayment rates. Unless otherwise stated in an applicable supplement to an ARM PC Offering Circular, all of the Mortgages underlying the ARM PCs provide by their terms that, in the event of the transfer of title to the underlying mortgaged property, such Mortgages are assumable by a creditworthy transferee. If, however, a "due-on-transfer" clause can be exercised under the terms of a Mortgage, Freddie Mac requires servicers to enforce such clauses. See the discussion of mortgage purchase and servicing standards and, in particular, the discussion of assumption and due-on-transfer policies in the applicable ARM PC Offering Circular(s).

The yields to maturity of ARM Giant PO PCs and ARM Giant IO PCs will be extremely sensitive to the rate of principal payments (including prepayments) on the Mortgages underlying the ARM PCs in the related ARM Giant PC Pool and may fluctuate significantly from time to time. No representation is made as to the rate of principal payments on the Mortgages or as to the yield to maturity of any Freddie Mac ARM Giant. An investor seeking to maximize yield is urged to make an investment decision with respect to ARM Giant PO PCs and ARM Giant IO PCs based on the anticipated yield to maturity thereof resulting from their respective prices and such investor's own determination as to anticipated Mortgage prepayment rates under a variety of scenarios. Investors should carefully consider the associated risks, including the risk that a slower than anticipated rate of principal payments on the ARM PCs could result in an actual yield to investors in ARM Giant PO PCs that is significantly less than the anticipated yield and the risk that a rapid rate of principal payments on the ARM PCs could result in the failure of investors in ARM Giant IO PCs to recover their investment.

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

Final Payment Dates and Weighted Average Lives of the Freddie Mac ARM Giants

The Final Payment Date for each class of Freddie Mac ARM Giants is the Payment Date on or before which the entire principal amount (or notional principal amount) of the Freddie Mac ARM Giants of such class will be reduced to zero. Unless otherwise specified in the related Offering Circular Supplement, the Final Payment Date is determined by adding 360 months to the first Payment Date with respect to the ARM Giant PC Pool.

The weighted average life of a security refers to the average amount of time that will elapse from the date of its issuance until each dollar of principal of such security will be repaid to the investor. The weighted average lives of the Freddie Mac ARM Giants will be influenced by, among other factors, the

rate at which principal is paid on the Mortgages underlying the ARM PCs in the related ARM Giant PC Pool. Principal payments on such Mortgages may be in the form of scheduled amortization or prepayments.

The Offering Circular Supplement for a specific offering of Freddie Mac ARM Giants that includes a class of ARM Giant PO PCs or ARM Giant IO PCs may contain a table setting forth the weighted average life of each class of Freddie Mac ARM Giants and the percentage of the original principal amount (or notional principal amount) of each such class that would be outstanding on specified Payment Dates, on the assumption that prepayments on the Mortgages underlying the ARM PCs in the related ARM Giant PC Pool are made at such rates and on such other assumptions as may be specified in such Offering Circular Supplement.

THE ARM GIANT PC AGREEMENT

The following summary describes certain provisions of the ARM Giant PC Agreement not otherwise summarized in this Offering Circular. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the more complete provisions of the ARM Giant PC Agreement and each ARM PC Agreement.

Transfer of ARM PCs to ARM Giant PC Pool

Specified ARM PCs will be identified to each ARM Giant PC Pool. The ARM PCs will be deposited in Freddie Mac's name on the books of the Federal Reserve Bank and held for the Holders of the related Freddie Mac ARM Giants by Freddie Mac pursuant to the ARM Giant PC Agreement.

Certain Matters Regarding Freddie Mac

The ARM Giant PC Agreement provides that neither Freddie Mac nor any director, officer, employee or agent of Freddie Mac will be under any liability to the Holders for any action taken, or for refraining from the taking of any action, in good faith pursuant to the ARM Giant PC Agreement or for errors in judgment. However, neither Freddie Mac nor any such person will be protected against any liability imposed by reason of willful misfeasance, bad faith or gross negligence or by reason of reckless disregard of obligations and duties.

In addition, the ARM Giant PC Agreement provides that Freddie Mac is not under any obligation to appear in, prosecute or defend any legal action that is not incidental to its responsibilities under the ARM Giant PC Agreement and that in its opinion may involve it in any expense or liability. Freddie Mac may, however, in its discretion undertake any such legal action that it may deem necessary or desirable in the interests of the Holders. In such event, the legal expenses and costs of such action will be expenses and costs of Freddie Mac.

The ARM Giant PC Agreement will be binding upon and inure to the benefit of any successor to Freddie Mac.

Voting Under Any ARM PC Agreement

To the extent set forth in the ARM PC Agreement attached as Exhibit A to the related ARM PC Offering Circular, the record holders of ARM PCs owning a majority of the remaining unpaid principal balance of any affected ARM PC Pool may take certain actions, including termination of certain obligations and duties of Freddie Mac with respect thereto, if an Event of Default under and within the meaning of the applicable ARM PC Agreement has occurred and is continuing. The ARM Giant PC Agreement provides that Holders of Freddie Mac ARM Giants may, upon occurrence of an Event of Default with respect to an ARM PC in the related ARM Giant PC Pool, take any such action rather

than Freddie Mac. For this purpose, the Holders of Freddie Mac ARM Giants will be deemed the holders of the affected ARM PCs in proportion to the outstanding principal amounts (which is zero in the case of an ARM Giant IO PC) of their Freddie Mac ARM Giants.

As set forth in each ARM PC Agreement, the holders of ARM PCs owning a majority of the remaining unpaid principal balance of any affected ARM PC Pool may consent to certain amendments to such ARM PC Agreement. The ARM Giant PC Agreement provides that Freddie Mac may consent to such an amendment as to any ARM PC held in an ARM Giant PC Pool so long as such amendment would not adversely affect in any material respect the interest of the Holders of Freddie Mac ARM Giants. If the amendment would have such effect, Freddie Mac may consent thereto only with the written consent of Holders of each class of Freddie Mac ARM Giants so affected representing a majority of the outstanding principal amount (or notional principal amount) thereof.

Events of Default

Events of Default under the ARM Giant PC Agreement will consist of (i) any failure by Freddie Mac to pay to Holders of Freddie Mac ARM Giants of any class any required payment that continues unremedied for 30 days; (ii) any failure by Freddie Mac duly to observe or perform in any material respect any other of its covenants or agreements in the ARM Giant PC Agreement, which failure continues unremedied for 60 days after the giving of notice of such failure to Freddie Mac by the Holders of Freddie Mac ARM Giants of any class representing not less than 60% of the aggregate outstanding principal amount (or notional principal amount) of the Freddie Mac ARM Giants of such class; and (iii) certain events of bankruptcy, insolvency or similar proceedings involving Freddie Mac.

Rights Upon Event of Default

As long as an Event of Default under the ARM Giant PC Agreement remains unremedied, the Holders of Freddie Mac ARM Giants of any class representing principal amounts (or notional principal amounts) aggregating a majority of the aggregate of the principal amounts (or notional principal amounts) of all Freddie Mac ARM Giants of such class may, in writing, remove Freddie Mac and nominate a successor to Freddie Mac, which nominee will be deemed appointed as successor to Freddie Mac (except as to its guarantee obligation) 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.

Amendment

The ARM Giant PC Agreement may be amended by Freddie Mac, without the consent of any Holder or Holders, to cure any ambiguity, to correct or supplement any provision thereof which may be inconsistent with any other provisions thereof, or to make any other provisions with respect to matters or questions arising under the ARM Giant PC Agreement that are not inconsistent with the other provisions of the ARM Giant PC Agreement, provided that any such amendment shall not adversely affect in any material respect the interest of any Holder.

The ARM Giant PC Agreement also may be amended by Freddie Mac in any other respect with the consent of the Holders of Freddie Mac ARM Giants of each affected class representing a majority of the principal amount (or notional principal amount) of all Freddie Mac ARM Giants of such class. However, without the consent of a Holder, the ARM Giant PC Agreement may not be amended to impair or affect the right of such Holder to receive payment of principal and interest (including any payment under any guarantee in respect thereof) due such Holder, on or after the due date of such payment, or to institute suit for the enforcement of any such payment on or after such date.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

General

The following is a general discussion of the anticipated material federal income tax consequences of the purchase, ownership and disposition of Freddie Mac ARM Giants. The discussion below does not purport to address all federal income tax consequences that may be applicable to particular categories of investors, some of which may be subject to special rules. The authorities on which this discussion is based are subject to change or differing interpretations, and any such change or interpretation could apply retroactively. The discussion reflects the enactment of the Tax Reform Act of 1986 (the "1986 Act"), including, where applicable, the intended meaning ascribed to the provisions of the 1986 Act by the Conference Committee Report accompanying the 1986 Act. No assurance can be provided that the interpretations herein will be reflected in applicable Treasury regulations, which have not yet been issued. Investors should consult their own tax advisors in determining the federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of Freddie Mac ARM Giants particularly with respect to federal income tax changes effected by the 1986 Act.

Neither the Freddie Mac ARM Giants 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 Freddie Mac ARM Giants or the income derived therefrom by any state, any possession of the United States or any local taxing authority.

Although the matter is not free from doubt, beneficial owners of ARM PCs who contribute ARM PCs upon formation of an ARM Giant PC Pool in exchange for Freddie Mac ARM Giants may be required to recognize gain or loss with respect to all or a portion of such ARM PCs. Any such recognition of gain or loss may depend in part on whether and to what extent the ARM PCs exchanged differ materially from the Freddie Mac ARM Giants received. Original holders of Freddie Mac ARM Giants who contribute ARM PCs to an ARM Giant PC Pool should consult their own tax advisors regarding this matter.

The federal income tax consequences relating to the Freddie Mac ARM Giants created in respect of each particular ARM Giant PC Pool may differ, depending on whether such Freddie Mac ARM Giants are (i) a single class of ARM Giant PCs representing an undivided interest in all of the principal and interest payments on the underlying ARM PCs ("Standard ARM Giant PCs") or (ii) a class or classes of ARM Giant PCs, ARM Giant PO PCs and/or ARM Giant IO PCs ("Stripped ARM Giant PCs"). Each case is discussed below. For purposes of this tax discussion (other than the discussion of information reporting by Freddie Mac), references to a "purchaser" or a "Holder" mean the beneficial owner of a Freddie Mac ARM Giant.

Standard ARM Giant PCs

General

The arrangement pursuant to which Standard ARM Giant PCs are created and sold and the related ARM Giant PC Pool is administered will be classified as a grantor trust under subpart E, Part 1 of subchapter J of the Code and not as an association taxable as a corporation. Each Holder of a Standard ARM Giant PC will be treated as the owner of a pro rata undivided interest in the ordinary income and corpus portions of the grantor trust for that particular ARM Giant PC Pool and will be considered the owner of a pro rata undivided interest in each of the Mortgages underlying the ARM PCs included in the ARM Giant PC Pool subject to the discussions below under "Recharacterization of Servicing Fees." Accordingly, each Holder will be required to report on its federal income tax return its pro rata share of the entire income from the Mortgages underlying the ARM PCs in the ARM Giant PC Pool including gross interest income at the interest rates on the Mortgages and incidental fees, if any, in

accordance with the Holder's method of accounting. Each Holder generally will be able to deduct, under Section 162 or 212 of the Code, 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 the servicers or Freddie Mac and all administrative and other expenses of the ARM Giant PC Pool, in accordance with its method of accounting. The 1986 Act limits the deduction for a Holder's share of the fees in the case of (i) estates and trusts and (ii) individuals owning a Standard ARM Giant 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. Such deductions, when aggregated with certain of the Holder's other miscellaneous itemized deductions, are allowable only to the extent that such aggregate amount exceeds two percent of the Holder's adjusted gross income.

Tax Status

Special tax counsel to Freddie Mac, Cadwalader, Wickersham & Taft, has advised Freddie Mac that:

1. Standard ARM Giant PCs owned by a "domestic building and loan association" within the meaning of Code Section 7701(a)(19) will be considered to represent "loans . . . secured by an interest in real property" within the meaning of Code Section 7701(a)(19)(C)(v).
2. Standard ARM Giant PCs owned by a financial institution described in Code Section 593(a) will be considered to represent "qualifying real property loans" within the meaning of Code Section 593(d)(1).
3. Standard ARM Giant PCs owned by a real estate investment trust will be considered to represent "real estate assets" within the meaning of Code Section 856(c)(5)(A), and interest income on such assets will be considered "interest on obligations secured by mortgages on real property" within the meaning of Code Section 856(c)(3)(B).

Standard ARM Giant PC Pools Containing Convertible Mortgages

The Internal Revenue Service (the "Service") has issued Revenue Rulings characterizing participation certificates sold by Freddie Mac that do not provide for a mandatory repurchase of a mortgage upon conversion as representing undivided beneficial interests in the underlying mortgages. Freddie Mac has been advised by its tax counsel, Cadwalader, Wickersham & Taft, that there can be no assurance that such Revenue Rulings could be relied upon with respect to participation certificates that contain such mandatory repurchase feature. However, tax counsel has rendered its opinion to Freddie Mac that, while the issue is not free from doubt, based upon available authority, the sale of Standard ARM Giant PCs that provide for a mandatory repurchase of the underlying Mortgages upon conversion should be treated for federal income tax purposes as a sale to Standard ARM Giant PC Holders of undivided beneficial interests in the Mortgages. The opinion of counsel represents only its best judgment as to the most likely outcome of litigation in the event the Service were to take a contrary position. Freddie Mac has not sought rulings from the Service with respect to the status for federal income tax purposes of the Standard ARM Giant PCs representing interests in Convertible Mortgages.

Premium and Discount

A Holder will be treated as purchasing an interest in each of the Mortgages underlying the ARM PCs in the related ARM Giant PC Pool at a price determined by allocating the purchase price paid for the Standard ARM Giant PC among the Mortgages in proportion to their fair market values at the time of purchase of the Standard ARM Giant 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 Standard ARM Giant 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 Holder will be required to report as ordinary income its pro rata share of any original issue discount with respect to the Mortgages underlying the ARM PCs in the related ARM Giant PC Pool pursuant to Sections 1271-1273 and 1275 of the Code. Original issue discount with respect to a Mortgage could arise by virtue of the charging of points by the originator of the Mortgage if the points are not currently deductible under applicable Code provisions. In addition, original issue discount could arise with respect to a Mortgage which was originated as an adjustable rate with an initial teaser rate. Even if there is original issue discount with respect to a Mortgage, a Holder 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.

The application of the original issue discount rules to Mortgages underlying an ARM Giant PC which provide for a variable rate of interest is not entirely clear. Based on proposed Treasury regulations under these Code provisions, however, Freddie Mac intends to report original issue discount to holders by assuming (i) that the Mortgages will bear interest in all periods in which interest is based on the index at the rate which applied (or would have applied if interest were based on the index) in the first period and (ii) no prepayments will occur. When prepayments occur, adjustments will be made in the rate of accrual of original issue discount.

In general, a Holder 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 Holder 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 Standard ARM Giant 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 Holder held the Standard ARM Giant PC. Market discount will be considered to accrue under a straight-line method unless a Holder elects to calculate accrued market discount under a constant interest method. Under Section 1277, interest paid or accrued by a Holder 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, including original issue discount, on the Mortgages includible in income) exceeds the market discount that accrued but was not taken into account 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 Holder may elect to include market discount in income currently, as it accrues, under either a straight-line method or a constant interest method, on all market discount obligations held by such Holder (other than market discount obligations acquired in prior taxable years), in which event the foregoing rules regarding ordinary income on disposition and interest deferral will not apply. The manner in which market discount accrues on 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 Holder to elect to accrue market discount as follows: (i) 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 (ii) for Mortgages that have no original issue discount, the amount of market discount that is deemed to accrue is 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 Holder 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.

Sale or Exchange of a Standard ARM Giant PC

A Holder who sells a Standard ARM Giant PC will recognize gain or loss equal to the difference between its adjusted tax basis in the Standard ARM Giant 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 Holder's cost for the Standard ARM Giant PC, increased by the amount of any discount income previously reported with respect to the Standard ARM Giant PC and decreased by the amount of any premium previously deducted with respect to the Standard ARM Giant PC and the amount of any distributions of principal received thereon. Any such gain or loss would be capital gain or loss if the Standard ARM Giant 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 Standard ARM Giant 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 Standard ARM Giant 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 certain transitional rules.

Recharacterization of Servicing Fees

The 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), a portion of the difference between interest at the underlying interest rate on the Holder's undivided interest in each Mortgage underlying the ARM PCs in the ARM Giant PC Pool and the sum of the interest at the ARM Giant PC Coupon on the Standard ARM Giant PC, Freddie Mac's management and guarantee fees and servicers' fees with respect to such undivided interest is a retained ownership interest of Freddie Mac and/or servicers in a portion of the interest payments on the Mortgages. If this were the case, a Holder would not be treated as having a pro rata undivided interest in the Mortgages, but rather, under the rules of Section 1286, the Holder would be treated as owning "stripped bonds" to the extent of its share of principal payments and "stripped coupons" to the extent of its share of interest payments on the Mortgages underlying the ARM PCs. The consequences of this characterization are described below in "Stripped ARM Giant PCs."

Information Reporting

Under the book-entry system, each Holder will be furnished annual information for federal income tax purposes that will itemize with respect to each Standard ARM Giant PC held the total amount of interest due from mortgagors at the interest rates on the underlying Mortgages, servicers' fees and Freddie Mac's management and guarantee fees, the total amount of interest paid on the Standard ARM Giant PC at the ARM Giant PC Coupon and prepayment charges, if any, for the calendar year.

Stripped ARM Giant PCs

General

Pursuant to Code Section 1286, the separation of ownership of the right to receive some or all of the interest payments on an obligation from ownership of the right to receive some or all of the principal payments results in the creation of "stripped bonds" with respect to principal payments and "stripped coupons" with respect to interest payments. This discussion will apply only to Freddie Mac ARM Giants that are Stripped ARM Giant PCs. A Holder of a Stripped ARM Giant PC will be considered to own stripped bonds to the extent of its share of principal payments and stripped coupons to the extent of its share of interest payments on the Mortgages underlying the ARM PCs in the related ARM Giant PC Pool. Each Offering Circular Supplement will indicate whether, in the view of Freddie Mac, the related Freddie Mac ARM Giants are Standard ARM Giant PCs or Stripped ARM Giant PCs.

Code Section 1286 treats a stripped bond or a stripped coupon, for purposes of applying the original issue discount rules, as a debt instrument issued with original issue discount on the date that such stripped interest is purchased. While it is unclear whether the original issue discount computations described below should be done separately with respect to each principal and/or interest payment on a Stripped ARM Giant PC, or by treating all such payments as if they were made on a single debt instrument, Freddie Mac intends to treat a Stripped ARM Giant PC as a single debt instrument for purposes of information reporting. This treatment is based in part on certain rules for aggregating debt instruments contained in proposed Treasury Regulations published on April 8, 1986 (the "Proposed Regulations").

Classification of ARM Giant PC Pool

The arrangement pursuant to which Stripped ARM Giant PCs are created and sold and the related ARM Giant PC Pool is administered will not be classified as an association taxable as a corporation. Rather, it will be classified as a grantor trust under subpart E, part 1 of subchapter J of the Code. Holders of Stripped ARM Giant PCs will be treated for federal income tax purposes as owners of the right to receive payments of principal and/or interest, as the case may be, on the Mortgages underlying the ARM PCs included in the related ARM Giant PC Pool.

Status of Stripped ARM Giant PCs

Several Code Sections provide beneficial treatment to certain taxpayers that invest in mortgage loans of the type that will make up each ARM Giant PC Pool as to which Stripped ARM Giant PCs are created and sold. Although there is no specific precedent, and the characterization of the Stripped ARM Giant PCs is not entirely free from doubt, the Stripped ARM Giant PCs should be considered to represent "qualifying real property loans" within the meaning of Code Section 593(d), "real estate assets" within the meaning of Code Section 856(c)(5)(A), and "loans . . . secured by an interest in real property" within the meaning of Code Section 7701(a)(19)(C)(v), and original issue discount and interest accruing on Stripped ARM Giant PCs should be considered to represent "interest on obligations secured by mortgages on real property" within the meaning of Code Section 856(c)(3)(B).

Determination of Income on Stripped ARM Giant PCs

Original issue discount on each Stripped ARM Giant PC must be included in the Holder's ordinary income for federal income tax purposes as it accrues, which may be prior to receipt of the cash attributable to such income, in accordance with a constant interest method that takes into account the compounding of interest. Although not free from doubt (see "Possible Alternative Characterizations"), the amount of original issue discount required to be included in a Holder's income in any taxable year likely will be computed as described below. Based in part on the Proposed Regulations, and consistent with the principles of amendments to the original issue discount sections of the Code made by the 1986 Act, the method described below (i) uses an assumed rate of prepayment of the Mortgages (the "Prepayment Assumption"); (ii) assumes, in the case of a Stripped ARM Giant PC which includes rights to variable interest payments, a level of future payments with respect to the underlying Mortgages based on the initial level of the variable rate; and (iii) will reflect periodic adjustments to take into account actual payment experience.

Generally, the Holder of a Stripped ARM Giant PC must include in gross income the sum of the "daily portions," as defined below, of the original issue discount on the Stripped ARM Giant PC for each day on which it owns such Stripped ARM Giant PC including the date of purchase but excluding the date of disposition. The daily portions of original issue discount generally will be determined as follows. First, a calculation will be made of the original issue discount that accrues during each successive month, or shorter period from the date of purchase. This will be done by adding (i) the present value at the end of the month (determined by using as a discount rate the yield to maturity of the Stripped ARM Giant PC to such Holder, as described below) of all payments to be received in future months on the Stripped ARM Giant PC applying the Prepayment Assumption to the then balance of the Mortgages and (if applicable) the assumption as to future variable interest payments and (ii) any payments included in the stated redemption price of the Stripped ARM Giant PC received during such month, and subtracting from that total the "adjusted issue price" of the Stripped ARM Giant PC at the beginning of such month, or, if later, the date of purchase of such Stripped ARM Giant PC. The "adjusted issue price" of a Stripped ARM Giant PC at the beginning of the first month, or shorter period from the date of purchase, is its issue price; the "adjusted issue price" of an ARM Giant PC at the beginning of a subsequent month is the "adjusted issue price" at the beginning of the immediately preceding month plus the amount of original issue discount allocable to that preceding month and minus the amount of any payment included in the stated redemption price made at the end of or during that preceding month and the amount of any loss recognized at the end of that preceding month. The original issue discount accruing during such month, or shorter period from the date of purchase, will then be divided by the number of days in the period to determine the daily portion of original issue discount for each day in the period. The yield used by a Holder in making these calculations would be the monthly rate (assuming monthly compounding) determined as of the date of purchase that, if used in discounting the remaining payments on the portion of the Mortgages allocable to the Stripped ARM Giant PC, would cause the present value of those payments to equal such Holder's purchase price.

With respect to a particular Holder, it is not clear whether the Prepayment Assumption would be determined at the time of purchase of the Stripped ARM Giant PC by such Holder or at the time the Stripped ARM Giant PCs are created or first sold. The Prepayment Assumption that will be used by Freddie Mac for purposes of information reporting will be the same for each class of Stripped ARM Giant PCs issued with respect to an ARM Giant PC Pool, and will be determined based upon conditions at the time of the initial creation or sale of Stripped ARM Giant PCs relating to such ARM Giant PC Pool.

Under the method for calculating the accrual of original issue discount described above, the rate at which a Holder recognizes original issue discount with respect to a Stripped ARM Giant PC and, in the case of an ARM Giant IO PC, the amount of such original issue discount depend on the actual rate of prepayment of the underlying Mortgages and the relative interest in principal and interest on each

Mortgage represented by such Stripped ARM Giant PC. If the method for computing income for any particular month (as set forth in the second preceding paragraph) results in a negative amount, it is likely the Holder will be entitled to deduct such amount as a loss only against future income from the Stripped ARM Giant PC. However, the Holder of a Stripped ARM Giant PC should be entitled to deduct a loss to the extent that its remaining basis would otherwise exceed the maximum amount of future payments which the Holder is entitled to receive (determined by assuming, for this purpose, that no future prepayments will occur on the underlying Mortgages).

Treatment of Servicing Fee for Federal Income Tax Purposes

The excess of the interest paid on the Mortgages over the ARM Giant PC Coupon payable in the aggregate on the related Stripped ARM Giant PCs (the "Servicing Fee") will be allocated for tax reporting purposes to the related Stripped ARM Giant PCs in proportion to the respective public offering prices for each class of related Stripped ARM Giant PCs. A Holder of a Stripped ARM Giant PC will be entitled to deduct each year, in accordance with such Holder's method of accounting, the amounts of such Holder's allocable share of the Servicing Fee to the same extent as if such Holder paid such share of the Servicing Fee directly. In general, individual investors will not be allowed to deduct certain itemized deductions, including deductions for servicing compensation under Code Section 212, except to the extent that such deductions, in the aggregate, exceed two percent of adjusted gross income.

Sale of a Stripped ARM Giant PC

Sale of a Stripped ARM Giant PC prior to its maturity will result in gain or loss equal to the difference, if any, between the amount realized and the Holder's adjusted basis in such Stripped ARM Giant PC. Such gain or loss will be capital gain or loss to a Holder for which a Stripped ARM Giant PC is a "capital asset" within the meaning of Code Section 1221, and will be long-term or short-term depending on whether such Stripped ARM Giant PC has been owned for at least the long-term capital gain holding period (currently one year). A seller's adjusted basis generally will equal the purchase price of the Stripped ARM Giant PC to the seller, increased by the original issue discount included in the seller's gross income with respect to the Stripped ARM Giant PC and reduced by payments included in the stated redemption price of the Stripped ARM Giant PC previously received by the seller and any losses previously recognized by the seller with respect to the Stripped ARM Giant PC. The 1986 Act eliminates the preferential rate applicable to long-term capital gains, generally for taxable years beginning after December 31, 1986, subject to certain transitional rules. Subsequent purchasers will be subject to the rules described above.

Possible Alternative Characterizations

The Service could assert that a method other than the one described above must be used to determine the accrual of original issue discount. For example, the Service might require either that original issue discount for a month be calculated under the method described above except that both the yield and the remaining payments should be determined by assuming no further prepayments of the Mortgages.

Further, the characterizations of the Stripped ARM Giant PCs discussed above are not the only possible interpretations of the applicable Code provisions. For example, the Holder of a Stripped ARM Giant PC may be treated as the owner of (i) one installment obligation consisting of such Stripped ARM Giant PC's pro rata share of the payments attributable to principal on each Mortgage and a second installment obligation consisting of such Stripped ARM Giant PC's pro rata share of the payments attributable to interest on each Mortgage, (ii) as many stripped bonds or stripped coupons as there are scheduled payments of principal and/or interest on each Mortgage, or (iii) a separate installment obligation for each Mortgage, representing the Stripped ARM Giant PC's pro rata share of payments of principal and/or interest to be made with respect thereto. Alternatively, the holder of one

or more classes of Stripped ARM Giant PCs may be treated as the owner of a pro rata fractional undivided interest in each Mortgage to the extent that such Stripped ARM Giant PC, or classes of Stripped ARM Giant PCs, in the aggregate, represent the same pro rata portion of principal and interest on each such Mortgage and a stripped bond or stripped coupon (as the case may be).

The Service might also assert that certain contingent payment rules contained in the Proposed Regulations should apply to certain classes of Stripped ARM Giant PCs. Under the contingent payment rules, a Holder of a Stripped ARM Giant PC would be required to report income based upon a yield equal to the Applicable Federal Rate (an average yield on Treasury obligations) determined at the time of purchase rather than by reference to the yield at which the Stripped ARM Giant PC was purchased.

Because of these possible varying characterizations of Stripped ARM Giant PCs and the resultant differing treatment of income recognition, Holders of Stripped ARM Giant PCs are urged to consult their own tax advisors regarding the proper treatment of Stripped ARM Giant PCs for federal income tax purposes.

Purchase of One or More Classes of Stripped ARM Giant PCs

If a Holder purchases more than one class of Stripped ARM Giant PCs relating to a single ARM Giant PC Pool, it is currently unclear whether the federal income tax treatment of the Stripped ARM Giant PCs should be determined by treating each class of Stripped ARM Giant PCs separately. Alternatively, a Holder of more than one class of Stripped ARM Giant PCs may be treated as the owner of a pro rata fractional undivided interest in each related Mortgage to the extent that the classes of Stripped ARM Giant PCs represent, in the aggregate, an equal pro rata portion of principal and interest on each such related Mortgage, and an installment obligation consisting of stripped bonds or stripped coupons (as the case may be) with respect to the remainder. For federal income tax purposes Freddie Mac intends to report to all Holders of more than one class of Stripped ARM Giant PCs as if the classes were held separately. A Holder in this circumstance should consult his own tax advisor as to the proper treatment of the Stripped ARM Giant PCs.

Information Reporting

Freddie Mac will furnish or make available, within a reasonable time after the end of each calendar year, to each Holder of a Stripped ARM Giant PC, such information as Freddie Mac deems necessary or desirable to assist Holders in preparing their federal income tax returns, or to enable Holders to make such information available to beneficial owners or other financial intermediaries for which such Holders hold such Stripped ARM Giant PCs as nominees. The amount reported by Freddie Mac may not be correct for any particular beneficial owner of a Stripped ARM Giant PC.

Backup Withholding and Foreign Withholding

A beneficial owner of a Freddie Mac ARM Giant 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 Freddie Mac ARM Giant. Backup withholding would apply if such beneficial owner, holder or other recipient of payment on behalf of a 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 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 Freddie Mac ARM Giant made to a beneficial owner who is an "exempt recipient," as defined in applicable provisions of the Code and the regulations thereunder. 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 Freddie Mac ARM Giant 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, or a Holder holding on behalf of a beneficial owner who is not a U.S. person, with respect to a Freddie Mac ARM Giant that represents an ownership 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 Freddie Mac ARM Giant 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 Freddie Mac ARM Giant to a beneficial owner who is not a U.S. person represent interest on obligations originated 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. Accrued interest and original issue discount recognized by the beneficial owner on the sale or exchange of a Stripped ARM Giant PC also will be subject to federal income tax at the same rate. Regardless of the date of origination of the Mortgages, backup withholding tax will not apply to payments with respect to a Freddie Mac ARM Giant 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.

ERISA CONSIDERATIONS

The Department of Labor issued a final regulation on November 13, 1986, which provides that if an employee benefit plan ("plan") subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), acquires a "guaranteed governmental mortgage pool certificate," then, for purposes of the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of ERISA and the Code, the plan's assets include the certificate and all of its rights with respect to such certificate under applicable law, but do not, solely by reason of the plan's holding of such certificate, include any of the mortgages underlying such certificate. Under the regulation, the term "guaranteed governmental mortgage pool certificate" is specifically defined to include a certificate "backed by, or evidencing an interest in, specified mortgages or participation interests therein" and with respect to which interest and principal payable pursuant to the certificate are guaranteed by Freddie Mac. The effect of such regulations is to make clear that the sponsor (that is, the entity that organizes and services the pool, in this case Freddie Mac) and other persons, in providing services with respect to the assets in the pool, would not be subject to the fiduciary responsibility provisions of Title I of ERISA, nor be subject to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, merely by reason of the plan's investment in a certificate. At the time this Labor Department regulation was originally issued, certificates similar to Freddie Mac ARM Giants were not in existence. However, Freddie Mac has been advised by its counsel, Cadwalader, Wickersham & Taft, that the Freddie Mac ARM Giants should qualify as "guaranteed governmental mortgage pool certificates," and thus investment in the Freddie Mac ARM Giants by plans should not result in transactions prohibited either by ERISA or related provisions of the Code.

LEGALITY OF INVESTMENT

Freddie Mac ARM Giants 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, Freddie Mac ARM Giants 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 Freddie Mac ARM Giants 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 Freddie Mac ARM Giants as eligible security for advances to member banks for periods 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 Freddie Mac ARM Giants without regard to limitations generally applicable to investments. 12 U.S.C. § 1464(c)(1)(E).

Freddie Mac ARM Giants 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 Freddie Mac ARM Giants 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 Freddie Mac ARM Giants. 12 U.S.C. § 1431(h) and § 1436(a), respectively.

Federal credit unions may purchase Freddie Mac ARM Giants 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.

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 Freddie Mac ARM Giants 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 Freddie Mac ARM Giants. 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 Freddie Mac ARM Giants will not affect the validity of any contractual commitment to purchase, hold or invest in Freddie Mac ARM Giants made prior to the date of enactment, and such legislation cannot require the sale or other disposition of any Freddie Mac ARM Giants acquired prior to the date of enactment.

REGULATORY CONSTRAINTS

The preceding section 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.

Special restrictions or prohibitions may also apply to investments by certain investors in ARM Giant PO PCs and ARM Giant IO PCs. 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 federal or state agencies with similar authority should review any

applicable rules, guidelines and regulations prior to purchasing ARM Giant PO PCs or ARM Giant IO PCs. Depository institutions should review and consider the applicability of the Federal Financial Institutions Examination Council's Supervisory Policy Statement on the Selection of Securities Dealers and Unsuitable Investment Practices which, among other things, sets forth guidelines for investing in certain types of mortgage-related securities, including securities such as ARM Giant PO PCs and ARM Giant IO PCs.

Institutions whose investment activities are subject to review by certain regulatory authorities may hereafter become subject to restrictions, which may be retroactively imposed by such regulatory authorities, on investment by such institutions in ARM Giant PO PCs and ARM Giant IO PCs. The FHLBB, for example, has indicated that it is studying the appropriateness of investment by FSLIC-insured savings institutions in various types of derivative mortgage-backed securities, including securities such as ARM Giant PO PCs and ARM Giant IO PCs. In addition, certain state regulators have indicated that regulated institutions subject to their jurisdiction should not hold interest only mortgage-backed securities, including interest only mortgage-backed securities previously purchased. Investors should consult with their own legal advisors in determining whether and to what extent Freddie Mac ARM Giants constitute legal investments for such investors.

FHLBB REGULATORY MATTERS

The staff of the FHLBB has taken the following positions concerning Freddie Mac Mortgage Participation Certificates (Guaranteed) ("PCs") that are held by institutions whose deposits or accounts are insured by the FSLIC or that are held by federal savings and loan associations or federal savings banks, and Freddie Mac believes that similar positions would be taken concerning Freddie Mac ARM Giants held by such entities.

- Freddie Mac 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 Freddie Mac PCs backed by the same or substantially identical mortgages (FHLBB Staff Memoranda R-49 and R-49-1).
- Freddie Mac 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).
- Freddie Mac PCs are eligible collateral for use by savings and loan associations engaging in retail repurchase agreements (FHLBB Staff Memorandum R-51-1).

FEDERAL SECURITIES LAWS

The Freddie Mac ARM Giants 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

Freddie Mac will acquire ARM PCs for its ARM Giants Program either from one or more sellers or from its own portfolio. Thereafter, Freddie Mac will form an ARM Giant PC Pool consisting of such ARM PCs and issue to one or more sellers Freddie Mac ARM Giants created in respect of such ARM Giant PC Pool.

Commitments to sell ARM PCs and purchase Freddie Mac ARM Giants will be accepted during periods posted by Freddie Mac. Commitments will be accepted only from selected securities dealers (which may include Freddie Mac's Security Sales and Trading Group). Settlement will occur only if the ARM PCs are delivered at the time and in the manner required for such settlement and only if sufficient acceptable ARM PCs are delivered to Freddie Mac to form an ARM Giant PC Pool in an original principal amount of at least \$1 million. Freddie Mac may retain all or part of the Freddie Mac ARM Giants representing interests in an ARM Giant PC Pool and may offer or re-offer such Freddie Mac ARM Giants from time to time. The purchase price of Freddie Mac ARM Giants offered or re-offered by Freddie Mac will be stated as a percentage of the principal amount (or notional principal amount) of the Freddie Mac ARM Giants as of the month of settlement as determined by the applicable ARM Giant PC Pool Factors.

The settlement date for purchases of Freddie Mac ARM Giants will be announced at the time the commitment period opens or will be established on the trade date by mutual agreement. Confirmation and settlement of purchases of Freddie Mac ARM Giants will be made in accordance with the Uniform Practices for the Clearance and Settlement of Mortgage-Backed Securities of the Public Securities Association ("Uniform Practices"), except that more than three ARM PC Pools will be accepted per \$1 million trade and that no delivery tolerance is permitted as of 48 hours prior to settlement.

If a Freddie Mac ARM Giant is sold by a securities dealer, the dealer is required to confirm the sale; notify the purchaser of the settlement date, purchase price, concessions and fees; deliver a copy of the ARM Giant PC Offering Circular and any applicable Offering Circular Supplement; and otherwise act in accordance with the Uniform Practices.

Federal Home Loan Mortgage Corporation
GIANT ADJUSTABLE RATE MORTGAGE PARTICIPATION
CERTIFICATE AGREEMENT

(Guaranteed)

AGREEMENT dated as of October 1, 1988 among the Federal Home Loan Mortgage Corporation ("Freddie Mac") and Holders (as herein defined) of Giant Adjustable Rate Mortgage Participation Certificates (Guaranteed) ("ARM Giant PCs"), Giant Principal Only Adjustable Rate Mortgage Participation Certificates (Guaranteed) ("ARM Giant PO PCs") and Giant Interest Only Adjustable Rate Mortgage Participation Certificates (Guaranteed) ("ARM Giant IO PCs" and, together with ARM Giant PCs and ARM Giant PO PCs, "Freddie Mac ARM Giants").

WHEREAS:

(a) Freddie Mac is a corporation duly organized 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 (i) purchases Mortgages (as herein defined), all of which are identified in the records maintained by Freddie Mac and (ii) creates undivided interests in the Mortgages so acquired, sells and transfers such undivided interests by the sale of ARM PCs (as herein defined), and guarantees the payment of interest and principal for the benefit of the holders of such ARM PCs, all as provided in the applicable Freddie Mac ARM PC Agreement (as herein defined) as in effect from time to time; and

(c) Freddie Mac may from time to time retain, or reacquire and hold, certain ARM PCs, form one or more discrete pools of such ARM PCs ("ARM Giant PC Pools"), create and sell Freddie Mac ARM Giants representing beneficial ownership interests in such ARM Giant PC Pools and guarantee the payment of interest on and principal of such Freddie Mac ARM Giants for the benefit of Holders, all as and to the extent 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 (including, as to each ARM Giant PC Pool, the related Terms Supplement) shall govern the creation by Freddie Mac of such beneficial ownership interests in ARM Giant PC Pools, the transfer, sale and assignment of such interests as are represented by Freddie Mac ARM Giants, and the rights and obligations of Freddie Mac and Holders with respect to Freddie Mac ARM Giants.

ARTICLE I

Definitions

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

Agreement: This Giant Adjustable Rate Mortgage Participation Certificate Agreement (including, with respect to each ARM Giant PC Pool, the related Terms Supplement), as it may be amended or supplemented from time to time.

ARM Giant IO PC: A Freddie Mac ARM Giant that does not have a principal amount (other than a notional principal amount), that is entitled to payments of all or a portion of the interest payments received on the ARM PCs in the related ARM Giant PC Pool and that is not entitled to payments of principal. In the case of ARM Giant IO PCs, unless the context otherwise requires, references in Article VI, Article VII and Section 8.05 to (i) principal amounts shall be regarded as references to notional principal amounts and (ii) specified percentages of outstanding principal amounts shall be deemed to refer to such percentages of notional principal amounts.

ARM Giant PC: A Giant Adjustable Rate Mortgage Participation Certificate (Guaranteed) created pursuant to this Agreement that is entitled to payments of all or a portion of both the principal and interest payments received on the ARM PCs in the related ARM Giant PC Pool.

ARM Giant PC Coupon: The annual rate, which rate is subject to adjustment as set forth in the applicable Terms Supplement, at which interest is paid on an ARM Giant PC or an ARM Giant IO PC, determined as set forth in the applicable Terms Supplement. Interest at the applicable ARM Giant PC Coupon shall be computed on the basis of a 360-day year, each month being assumed to have 30 days.

ARM Giant PC Pool: A discrete pool of ARM PCs identified in the records maintained by Freddie Mac.

ARM Giant PC Pool Factor: A seven-digit decimal fraction calculated and published on or about the first Business Day of each month by Freddie Mac (i) as to each class of ARM Giant PCs and ARM Giant PO PCs, which, when multiplied by the original principal amount of an ARM Giant PC or ARM Giant PO PC, will equal the remaining principal amount of such ARM Giant PC or ARM Giant PO PC after giving effect to the payment of principal to be made on the Payment Date occurring in the next following month; and (ii) as to each class of ARM Giant IO PCs, which, when multiplied by the original notional principal amount of an ARM Giant IO PC, will equal the remaining notional principal amount of such ARM Giant IO PC after giving effect to any reduction thereof to be made on the Payment Date occurring in the next following month.

ARM Giant PC Pool Number: A number assigned to each ARM Giant PC Pool by Freddie Mac and used to identify such ARM Giant PC Pool on the books and records of Freddie Mac. An ARM Giant PC Pool may have one or more ARM Giant PC Pool Numbers assigned to it, corresponding to the number of Classes of Freddie Mac ARM Giants created in respect thereof.

ARM Giant PO PC: A Freddie Mac ARM Giant that has a stated principal amount, that is entitled to payments of all or a portion of the principal payments received on the ARM PCs in the related ARM Giant PC Pool and that is not entitled to payments of interest.

ARM PC: An Adjustable Rate Mortgage Participation Certificate (Guaranteed) created and sold pursuant to an ARM PC Agreement, representing an undivided interest in a pool of Mortgages.

ARM PC Agreement: Any of Freddie Mac's Adjustable Rate Mortgage Participation Certificate Agreements, in effect from time to time.

ARM PC Agreement Default: With respect to any ARM PC Agreement, an "Event of Default" as defined therein.

ARM PC Payment: Any principal, interest, guarantee or other payment made on an ARM PC in an ARM Giant PC Pool.

ARM PC Pool: A discrete pool of Mortgages identified in the records maintained by Freddie Mac and in respect of which one or more ARM PCs have been created.

ARM PC Principal Payment Amount: As to each ARM Giant PC Pool and Payment Date, unless otherwise specified in the related Terms Supplement, the amount of the ARM PC Payments made on such Payment Date in respect of principal.

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 in the case of a Freddie Mac ARM Giant includes, but is not limited to, the name of the Holder, the original principal amount or the original notional principal amount (as the case may be) of the Freddie Mac ARM Giants created in respect of a particular ARM Giant PC Pool held by such Holder, the CUSIP Number and the Final Payment Date applicable thereto 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, presently 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 Bank to act as Freddie Mac's agent in connection with securities issued by means of entries on the books and records of the Federal Reserve Bank.

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.

Class or Class of Freddie Mac ARM Giants: All of the ARM Giant PCs, all of the ARM Giant PO PCs or all of the ARM Giant IO PCs, in each case having like terms, created in respect of an ARM Giant PC Pool. As to each ARM Giant PC Pool, the designations, Original Principal Amounts (if any), Original Notional Principal Amounts (if any), initial ARM Giant PC Coupons (if any) and other specific characteristics of each Class of Freddie Mac ARM Giants shall be set forth in the related Terms Supplement.

CUSIP Number: A unique nine-character designation assigned by the CUSIP Service Bureau to each Class of Freddie Mac ARM Giants.

Federal Reserve Bank: The Federal Reserve Bank of New York and/or such other Federal Reserve Banks as may maintain Freddie Mac ARM Giants in Book-Entry Form.

Final Payment Date: As to each Class of Freddie Mac ARM Giants, the Payment Date, set forth as to such Class in the applicable Terms Supplement, on or before which the Original Principal Amount or the Original Notional Principal Amount of such Class will be reduced to zero.

Freddie Mac ARM Giant: An ARM Giant PC, an ARM Giant PO PC or an ARM Giant IO PC.

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 such Freddie Mac ARM Giant has been deposited.

Mortgage: An adjustable rate, first lien, fully amortizing, conventional, 1-4 family residential mortgage or participation therein acquired by Freddie Mac.

Original Notional Principal Amount: As to each Class of ARM Giant IO PCs, the aggregate of the original notional principal amounts thereof, as set forth in the related Terms Supplement.

Original Principal Amount: As to each Class of ARM Giant PCs or ARM Giant PO PCs, the aggregate of the original principal amounts thereof, as set forth in the related Terms Supplement.

Payment Date: As to any ARM Giant PC Pool, the 15th day (or if such 15th day is not a Business Day, the next succeeding Business Day) of each month commencing in the month specified in the related Terms Supplement.

Remaining ARM PC Pool Balance: With respect to any ARM PC included in an ARM Giant PC Pool, the aggregate amount of principal not yet paid to the holder of such ARM PC with respect to the Mortgages constituting the related ARM PC Pool.

Terms Supplement: An instrument which, as to each ARM Giant PC Pool, supplements the other provisions of this Agreement and identifies and establishes the particular ARM Giant PC Pool and the particular Freddie Mac ARM Giants issued in respect thereof. A Terms Supplement may, as to any particular ARM Giant PC Pool, modify, amend or supplement the other provisions of this Agreement in any respect whatsoever.

ARTICLE II

Conveyance of Interests in ARM Giant PC Pools

Section 2.01. Sale of Freddie Mac ARM Giants. Sale of a Freddie Mac ARM Giant by Freddie Mac pursuant to this Agreement shall be deemed to occur upon the date of settlement and payment for such Freddie Mac ARM Giant and shall constitute a sale, assignment, transfer and conveyance by Freddie Mac to the Holder of a beneficial ownership interest in the related ARM Giant PC Pool to the extent of the interest represented by such Freddie Mac ARM Giant. Freddie Mac shall be bound by all of the terms and conditions of this Agreement at such time as a Freddie Mac ARM Giant is sold by Freddie Mac to a Holder. Upon settlement of and payment for a Freddie Mac ARM Giant, a Holder shall, by virtue thereof, acknowledge, accept and agree to be bound by all of the terms and conditions of this Agreement. Payment for a Freddie Mac ARM Giant sold in exchange for ARM PCs shall be deemed to occur on the settlement date as of which such Freddie Mac ARM Giant is issued to the initial Holder thereof.

Section 2.02. Identity of the ARM PCs. An ARM Giant PC Pool will consist entirely of ARM PCs retained, or reacquired and held, by Freddie Mac. The specific ARM PCs constituting each ARM Giant PC Pool shall be identified in the related Terms Supplement or an attachment thereto.

Section 2.03. Registration of ARM PCs. All ARM PCs included in an ARM Giant PC Pool shall be maintained in Book-Entry Form and Freddie Mac shall be the record holder thereof.

Section 2.04. Freddie Mac ARM Giants Held or Acquired by Freddie Mac. Freddie Mac ARM Giants of any particular Class held or acquired by Freddie Mac from time to time shall have an equal and proportionate benefit to Freddie Mac ARM Giants of the same Class held by other Holders, without preference, priority or distinction.

ARTICLE III

Administration Of The ARM Giant PC Pools

Section 3.01. Freddie Mac to Act as Principal Administrator. Freddie Mac shall hold and administer, or supervise the administration of, each ARM Giant PC Pool 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 therewith that it deems necessary or desirable. Freddie Mac shall act as the representative of Holders in the control, management, and administration of the ARM PCs in each ARM Giant PC Pool.

Section 3.02. Administrative Responsibilities. Freddie Mac shall hold and administer, or supervise the administration of, the ARM Giant PC Pools in a manner consistent with and to the extent required by standards of prudence and in substantially the same manner as it holds and administers ARM PCs of the same or similar type held for its own account. In performing its responsibilities hereunder, Freddie Mac may employ agents or independent contractors. Except as provided in Articles VI and VII 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 Agreement. Except with regard to its

guarantee obligation pursuant to Section 4.05, 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.

ARTICLE IV

Payments And Freddie Mac Guarantee

Section 4.01. Payments of Principal and Interest. Payments on Freddie Mac ARM Giants on any Payment Date shall be made from the ARM PC Payments made on such Payment Date on the ARM PCs in the related ARM Giant PC Pool, and from any payment made by Freddie Mac pursuant to Section 4.05 hereof. On each Payment Date, Freddie Mac shall make such payments on the Freddie Mac ARM Giants created in respect of any ARM Giant PC Pool as shall be provided in the related Terms Supplement. Any payments of interest made on a Payment Date shall be at the applicable ARM Giant PC Coupons determined as set forth in the related Terms Supplement and shall accrue during the calendar month second preceding such Payment Date. All payments on the Freddie Mac ARM Giants of a particular Class shall be applied pro rata among all Freddie Mac ARM Giants of such Class. Unless otherwise provided in the applicable Terms Supplement, principal payments on the ARM Giant PCs and/or ARM Giant PO PCs created in respect of an ARM Giant PC Pool shall be made on each Payment Date in an aggregate amount equal to the ARM PC Principal Payment Amount for such Payment Date.

Section 4.02. Payment Procedures. Freddie Mac shall cause payments of principal and interest due to Holders of Freddie Mac ARM Giants to be made by directing the Federal Reserve Banks to credit the Holders' accounts at the Federal Reserve Banks on the applicable Payment Dates. Any payment made on a Freddie Mac ARM Giant on any Payment Date shall be made to the Holder of record of such Freddie Mac ARM Giant at the close of business on the last Business Day of the month second preceding the month in which such Payment Date occurs. For purposes of the immediately preceding sentence, "Business Day" shall have the definition set forth in Article I, but without regard to clauses (iv) and (v) of such definition.

Section 4.03. ARM Giant PC Pool Factors. Freddie Mac shall publish or cause to be published an ARM Giant PC Pool Factor for each outstanding Class of Freddie Mac ARM Giants on or about the seventh business day of each month.

Section 4.04. Fees Retained by Freddie Mac. As a fee for its administration of any ARM Giant PC Pool, Freddie Mac shall be entitled to retain from ARM PC Payments made on the ARM PCs in such ARM Giant PC Pool in respect of interest, the amount, if any, provided for in the related Terms Supplement. In addition, Freddie Mac shall also retain an amount equal to the difference between the amount of such ARM PC Payments in respect of interest and the amount payable to Holders at the applicable ARM Giant PC Coupon resulting from any rounding down of such ARM Giant PC Coupon. Freddie Mac shall pay all expenses incurred by it in connection with its administration of an ARM Giant PC Pool and the performance of its duties hereunder.

Section 4.05. Freddie Mac Guarantee. Freddie Mac hereby guarantees to each Holder of an ARM Giant PC and each Holder of an ARM Giant IO PC the timely payment of interest at the applicable ARM Giant PC Coupon on such Holder's ARM Giant PC or ARM Giant IO PC. Freddie Mac also guarantees to each Holder of an ARM Giant PC and each Holder of an ARM Giant PO PC the payment of the principal amount of such Holder's ARM Giant PC or ARM Giant PO PC as payments are made on the ARM PCs in the related ARM Giant PC Pool.

Section 4.06. Freddie Mac Subrogation. Freddie Mac shall be subrogated to all the rights, interests, remedies, powers and privileges of the Holders in respect of any guarantee payments made by Freddie Mac, to the extent of such payments.

Section 4.07. Termination Upon Final Payment. The obligations and responsibilities of Freddie Mac under this Agreement to a Holder in respect of any Freddie Mac ARM Giant shall terminate upon the payment to the Holder of all amounts of principal and/or interest due the Holder in respect of such Freddie Mac ARM Giant and all other amounts, if any, due the Holder hereunder.

ARTICLE V

The Freddie Mac ARM Giants

Section 5.01. Form. Freddie Mac ARM Giants may be issued in Book-Entry Form only. Freddie Mac ARM Giants shall at all times remain on deposit with a Federal Reserve Bank in accordance with the provisions of the Book-Entry Rules.

Section 5.02. Minimum Denominations. Freddie Mac ARM Giants shall be sold in minimum original principal amounts (or original notional principal amounts) of \$1,000 and additional increments of \$1.

Section 5.03. Transfer of Freddie Mac ARM Giants. Freddie Mac ARM Giants may be transferred only in minimum original principal amounts (or original notional principal amounts) of \$1,000 and additional increments of \$1. Freddie Mac ARM Giants may not be transferred if, as a result of the transfer, the transferor or the new Holder would hold such Freddie Mac ARM Giants having an original principal amount (or original notional principal amount) of less than \$1,000 in respect of each Class. The Federal Reserve Bank shall maintain a book-entry recordkeeping system for all transactions in Freddie Mac ARM Giants. The transfer, exchange or pledge of Freddie Mac ARM Giants 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 Freddie Mac ARM Giant. A charge may be made for any transfer or exchange of any Freddie Mac ARM Giant. A charge will be made for any tax or other governmental charge imposed in connection with a transfer or exchange of a Freddie Mac ARM Giant.

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 any Class of Freddie Mac ARM Giants of interest 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 any Class of Freddie Mac ARM Giants 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 its covenants set forth in 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 Freddie Mac ARM Giants representing not less than 60 percent of the then outstanding principal amount of any affected Class of Freddie Mac ARM Giants; 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, 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, 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 Freddie Mac ARM Giants representing a majority of the then outstanding principal amount of any affected Class of Freddie Mac ARM Giants may, by written notice to Freddie Mac, remove Freddie Mac and nominate a successor to Freddie Mac under this Agreement with respect to the related ARM Giant PC Pool. Such nominee shall be deemed appointed as successor to Freddie Mac unless within ten 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 of a Freddie Mac ARM Giant of any affected Class 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 as to the applicable ARM Giant 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 ARM Giant PC Pool to the successor. Subject to the Act, such successor may take such actions with respect to such ARM Giant PC Pool as may be reasonable and appropriate in the circumstances. Prior to any such designation of a successor, the Holders of Freddie Mac ARM Giants representing a majority of the then outstanding principal amount of any affected Class of Freddie Mac ARM Giants may waive any past default or Event of Default. Appointment of a successor shall not relieve Freddie Mac of its guarantee obligation 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 Freddie Mac ARM Giants or the ARM PCs, 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 Freddie Mac ARM Giants representing a majority of the then outstanding principal amount of any affected Class of Freddie Mac ARM Giants 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 request 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 Freddie Mac ARM Giants representing a majority of the then outstanding principal amount of any affected Class of Freddie Mac ARM Giants. It is understood and intended, and expressly covenanted by each Holder of a Freddie Mac ARM Giant in any affected ARM Giant PC Pool with every other Holder in such ARM Giant 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 except as expressly provided herein 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 Freddie Mac ARM Giants in any affected Class. 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 or interest as herein provided, on or after the 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

ARM PCs In ARM Giant PC Pools

Section 7.01. Defaults Under ARM PC Agreement. In the event that there shall be an ARM PC Agreement Default under the ARM PC Agreement governing any ARM PC included in an ARM Giant PC Pool, the Holders of the Freddie Mac ARM Giants issued in respect of such ARM Giant PC Pool shall have the right to take such actions with respect to such ARM PC Agreement Default as the ARM PC Agreement affords Freddie Mac as the record holder of the ARM PC. For this purpose, each Holder of a Freddie Mac ARM Giant issued in respect of such ARM Giant PC Pool shall be deemed to be the holder of a percentage of the Remaining ARM PC Pool Balance of the affected ARM PC Pool equal to the product of (i) the percentage obtained by dividing the then outstanding principal amount of such Holder's Freddie Mac ARM Giant (which shall be zero in the case of an ARM Giant IO PC) by the then aggregate outstanding principal amount of all Freddie Mac ARM Giants issued in respect of the same ARM Giant PC Pool and (ii) the percentage of the Remaining ARM PC Pool Balance of the affected ARM PC Pool represented by the ARM PC or ARM PCs in the related ARM Giant PC Pool. Freddie Mac hereby irrevocably authorizes the Holders to exercise all such rights in respect of an ARM PC Agreement Default to the extent set forth in this Section 7.01.

Section 7.02. Amendments of ARM PC Agreements. In the event that Freddie Mac desires to amend any ARM PC Agreement governing any ARM PC in any ARM Giant PC Pool, Freddie Mac may give any such consent thereto as may need to be given by the record holder of such ARM PC; provided, however, that if any such amendment would adversely affect in any material respect the interest of any Holder of a Freddie Mac ARM Giant, Freddie Mac may consent to such amendment only with the written consent of the Holders of Freddie Mac ARM Giants so affected representing a majority of the then outstanding principal amount of each affected Class of Freddie Mac ARM Giants.

ARTICLE VIII

Miscellaneous Provisions

Section 8.01. Tax Matters. Freddie Mac and/or its designated agent shall furnish or make available, within a reasonable time after the end of each calendar year, to each Holder such information as Freddie Mac deems necessary or desirable to assist Holders in preparing their United States federal income tax returns, or to enable Holders to make such information available to beneficial owners or financial intermediaries for which such Holders hold Freddie Mac ARM Giants as nominees.

Section 8.02. 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 for their refraining from the taking of any such 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. 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 administer the ARM Giant PC Pools 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 this Agreement, the Freddie Mac ARM Giants, the ARM PCs in any ARM Giant PC Pool 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 of Freddie Mac.

Section 8.03. Limitation of Rights of Holders. The death or incapacity of any person having an interest, beneficial or otherwise, in a Freddie Mac ARM Giant shall not operate to terminate this Agreement or any ARM Giant 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 ARM Giant PC Pool, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

Section 8.04. Control By Holders. Except as otherwise provided in Articles VI and VII, no Holder shall have any right to vote or in any manner otherwise control the administration, operation and management of any ARM Giant PC Pool or the ARM PCs included therein, or the obligations of the parties hereto, nor shall anything herein set forth, or contained in the terms of the Freddie Mac ARM Giants, be construed so as to constitute the Holders from time to time as partners or members of any 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 8.05. Amendment.

(a) This Agreement (including any applicable Terms Supplement) 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 interests of any Holder.

(b) Except as provided in Section 8.05(c), with respect to any ARM Giant 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 Freddie Mac ARM Giants representing not less than a majority of the then outstanding principal amount of each Class of Freddie Mac ARM Giants affected by such amendment.

(c) Notwithstanding any other provision herein, 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 (including any payment under any guarantee in respect thereof) 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.

Section 8.06. Persons Deemed Owners. Freddie Mac and the Federal Reserve Banks, or any agent of Freddie Mac or the Federal Reserve Banks, may deem and treat the Holder as the absolute owner of a Freddie Mac ARM Giant for the purpose of receiving payment of principal or interest and for all other purposes, and neither Freddie Mac or the Federal Reserve Banks, nor any agent of Freddie Mac or the Federal Reserve Banks, 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 Freddie Mac ARM Giant. A Holder is not necessarily the beneficial owner of a Freddie Mac ARM Giant. The rights of a beneficial owner of a Freddie Mac ARM Giant with respect to Freddie Mac and the Federal Reserve Banks may be exercised only through the Holder. Freddie Mac and the Federal Reserve Banks will have no direct obligation to a beneficial owner that is not also the Holder of a Freddie Mac ARM Giant.

Section 8.07. Governing Law. This Agreement and the Holders' and Freddie Mac's rights and obligations with respect to Freddie Mac ARM Giants 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 8.08. Payments Due on Non-Business Days. If the date fixed for any payment on any Freddie Mac ARM Giant 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 8.09. 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 8.10. Headings. The Article and Section headings are for convenience only and shall not affect the construction of this Agreement.

Section 8.11. Notice and Demand. Any notice, demand or other communication which by any provision of this Agreement is required or permitted to be given or served to or upon any Holder may be given or served in writing by deposit thereof, postage prepaid, in the United States mail addressed to such Holder as such Holder's name and address may appear in the records of Freddie Mac or 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 or served to or upon Freddie Mac shall be given in writing addressed (until another address is published by Freddie Mac) as follows: Federal Home Loan Mortgage Corporation, Lake Fairfax Business Center, 1759 Business Center Drive, Building 5, 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 FREDDIE MAC ARM GIANT BY FREDDIE MAC AND RECEIPT AND ACCEPTANCE OF A FREDDIE MAC ARM GIANT 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 FREDDIE MAC ARM GIANT OF ALL THE TERMS AND PROVISIONS OF THIS AGREEMENT (INCLUDING THE RELATED TERMS SUPPLEMENT), 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