Offering Circular

Federal Home Loan Mortgage Corporation

Freddie Mac

Mortgage Participation Certificates (Guaranteed)

Each Mortgage Participation Certificate ("PC") represents an undivided interest in a discrete pool ("PC Pool") of specified residential mortgages or participations therein secured by one-to-four family dwellings ("Mortgages") purchased by the Federal Home Loan Mortgage Corporation ("Freddie Mac"). Each Mortgage bears interest at a fixed rate ("Mortgage Coupon") for the entire term of the Mortgage. The Mortgages are either not guaranteed or insured by the United States or any agency or instrumentality thereof ("Conventional Mortgages") or are fully insured by the Federal Housing Administration ("FHA Mortgages") and/or guaranteed, in part, by the Department of Veterans Affairs ("VA Mortgages"). Conventional Mortgages are primarily 30-year and 15-year level payment, fully amortizing first lien Mortgages, and also include Balloon/Reset Mortgages, Biweekly Mortgages, Cooperative Share Mortgages, Second Mortgages, Non-Purchase Money First Mortgages, and Tiered Payment Mortgages ("TPMs").

Each PC entitles its Holder to receive interest at the applicable annual PC interest rate ("PC Coupon") on such Holder's pro rata share of the unpaid principal balance of the Mortgages in the related PC Pool and a pro rata share of principal payments on such Mortgages. Each PC Pool consists entirely of (i) Conventional Mortgages or (ii) any combination of FHA Mortgages and VA Mortgages (collectively, "FHA/VA Mortgages"). See "Description of Mortgage Participation Certificates—The Mortgages" in this Offering Circular. With respect to certain PCs ("Gold PCs"), the period between the first day of the month in which the PC is issued and the initial Payment Date is approximately 45 days. With respect to other PCs ("Original PCs"), the period between the first day of the month in which the PC is issued and the initial Payment Date is approximately 75 days.

Freddie Mac guarantees to each Holder of a PC the timely payment of interest at the applicable PC Coupon on the Holder's pro rata share of the unpaid principal balance of the related Mortgages, as calculated by Freddie Mac under the Pool Factor method (as described herein). With respect to Gold PCs, Freddie Mac guarantees to each Holder the timely payment of Monthly Principal Reduction due on the Mortgages, whether or not received by Freddie Mac. Freddie Mac also guarantees to each Holder of a Gold PC the ultimate collection of all principal of the related Mortgages, not later than the Payment Date occurring in the same month as the Final Payment Date of such PC, without offset or deduction, to the extent of the Holder's pro rata share thereof. With respect to Original PCs, Freddie Mac guarantees to each Holder the ultimate collection of all principal of the related Mortgages, without offset or deduction, to the extent of the Holder's pro rata share thereof. With respect to certain Original PCs ("Scheduled Principal PCs"), Freddie Mac also guarantees to each Holder the timely payment of the monthly principal scheduled to be paid under the amortization schedule applicable to each Mortgage ("Scheduled Principal"), based on servicers' reports of Scheduled Principal due on the Mortgages. As used in this Offering Circular, the term "PC" refers to Gold PCs and Original PCs unless the context requires otherwise.

This Offering Circular applies to sales by Freddie Mac of PCs formed under Freddie Mac's Cash Program and its MultiLender Swap Program (collectively "Cash PCs") and PCs formed under its Guarantor Program ("Guarantor PCs") and Converted Gold PCs. Under its Cash Program, Freddie Mac purchases Mortgages for cash from a number of sellers and forms Cash PCs, each of which represents an undivided interest in a PC Pool consisting of such Mortgages ("Cash PC Pool"). A Cash PC Pool may also include Mortgages purchased by Freddie Mac under its MultiLender Swap Program in exchange for an equivalent principal amount of Cash PCs representing undivided interests in such Cash PC Pool. Under its Guarantor Program, Freddie Mac purchases Mortgages from a single seller in exchange for Guarantor PCs, each of which represents an undivided interest in a PC Pool consisting of the same Mortgages ("Guarantor PC Pool"). See "Description of Mortgage Participation Certificates—PC Pools" and "Distribution Arrangements" in this Offering Circular. PCs are sold in book-entry form only. See "Description of Mortgage Participation Certificates—Book-Entry Form, Holders, Minimum Principal Amounts and Transfers" in this Offering Circular.

This Offering Circular should be read in conjunction with any applicable Offering Circular supplements (each a "Supplement"), Freddie Mac's current Information Statement and any supplements thereto. See "Availability of Information and Incorporation by Reference" in this Offering Circular. Capitalized terms not defined above have the meanings set forth in this Offering Circular.

Freddie Mac furnishes to initial purchasers of Guarantor PCs and Cash Tiered Payment PCs a Supplement ("Pool Supplement") describing certain characteristics of the specific PCs being offered and of the related Mortgages. If an initial purchaser of Guarantor PCs or Cash Tiered Payment PCs sells or offers the PCs for sale, such seller is required to furnish to prospective purchasers the appropriate Pool Supplement, as well as any other applicable Supplements. In the case of certain Guarantor PCs, sellers furnish to prospective purchasers additional Supplements.

The obligations of Freddie Mac under its guarantee of the PCs are obligations of Freddie Mac only and are not backed by the full faith and credit of the United States. Income from the PCs has no exemption under federal law from federal, state or local taxation. The PCs are exempt from the registration requirements of the Securities Act of 1933 and are "exempted securities" within the meaning of the Securities Exchange Act of 1934.

Offering Circular Dated April 29, 1991

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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, 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. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy any security other than the PCs offered hereby. Neither the delivery of this Offering Circular nor any sale of PCs made hereunder shall under any circumstances create an implication that the information provided herein is correct at any time subsequent to the date hereof. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

OFFERING CIRCULAR SUMMARY

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

Seller And Guarantor .... Federal Home Loan Mortgage Corporation, a publicly held government-sponsored enterprise created pursuant to an Act of Congress.

The Securities .... Each PC represents an undivided interest in specified Mortgages purchased by Freddie Mac and placed in a PC Pool identified by a six-character reference number ("PC Pool Number"). The first two characters of each PC Pool Number ("Prefix") identify certain characteristics of the Mortgages constituting the PC Pool, the program under which the PC Pool was formed or the type of PC representing interests in the PC Pool. Each Cash PC Pool contains Mortgages purchased by Freddie Mac from a number of sellers in exchange for cash, or, in the case of purchases pursuant to the MultiLender Swap Program, in exchange for Cash PCs representing undivided interests in the Cash PC Pool into which the seller's Mortgages were placed. Each Guarantor PC Pool contains Mortgages purchased by Freddie Mac from a single seller in exchange for Guarantor PCs representing undivided interests in the same Mortgages. Gold PCs and Original PCs are sold by Freddie Mac on a continuous basis pursuant to this Offering Circular and any Supplements. Certain Gold PCs ("Converted Gold PCs") are issued by Freddie Mac in exchange for eligible Original PCs and/or eligible Freddie Mac Giant Mortgage Participation Certificates ("Giant PCs") which may be delivered to Freddie Mac on a continuous basis as described in the Mortgage Participation Certificates Exchange Circular dated August 31, 1990 and any supplements thereto (collectively, the "Exchange Circular"). Giant PCs represent beneficial ownership interests in pools consisting of PCs and/or other Giant PCs. Each Converted Gold PC represents an undivided interest in a PC Pool (a "Converted Gold PC Pool") consisting of interests in Mortgages that were originally sold by Freddie Mac under PC Pool Numbers identifying the Original PCs and Giant PCs so exchanged. All Tiered Payment PCs are Original PCs. For a list of PC Pool Prefixes and a description of PC and Mortgage types and characteristics, see "Description of Mortgage Participation Certificates—PC Pools" in this Offering Circular.

The Mortgages .... The Mortgages are residential mortgages, including whole mortgage loans and/or participation interests therein secured by one-to-four family dwellings. The Mortgage Coupon of each Mortgage is fixed for the entire term of the Mortgage. Except for Second Mortgages, all Mortgages are first lien mortgages. Except for Balloon/Reset Mortgages, all Mortgages provide for payments of principal based upon amortization schedules which result in payment of the original principal balances of the Mortgages in full over their respective terms. All Mortgages other than TPMs are level payment Mortgages. The Mortgages are either Conventional Mortgages or FHA/VA Mortgages. See "Description of Mortgage Participation Certificates—The Mortgages" in this Offering Circular.

Book-Entry Form; Holders .... PCs are issued and maintained, and may be transferred by Holders (as defined below), only on the book-entry system of a Federal Reserve Bank. PCs may be held of record only by entities eligible to maintain book-entry accounts with a Federal Reserve Bank. The entities the names of which appear on the book-entry records of a Federal Reserve Bank as entities for the accounts of which PCs have been deposited are referred to as "Holders" in this Offering Circular.

Minimum Principal Amounts And Transfers .... PCs are issued and must be maintained and transferred in minimum original principal amounts for any PC Pool of $1,000 and additional increments of $1. Such amounts represent the Holder's pro rata share of the Original Unpaid Principal Balance of the PC Pool as defined in the Mortgage Participation Certificate Agreement dated as of April 1, 1991 (the "PC Agreement"), included in this Offering Circular as Exhibit A.

Payment Dates; Method Of Payment .... Freddie Mac will pass through payments of principal and interest to Holders on the 15th day of each month, or if such day is not a Business Day (as defined in the PC Agreement), on the next succeeding Business Day (a "Payment Date"). Principal and interest payments on Gold PCs commence on the Payment Date in the first month following the month in which the Holder

	becomes a holder of record. Principal and interest payments on Original PCs commence on the Payment Date in the second month following the month in which the Holder becomes a holder of record. See "Record Date" below. Payments are credited monthly on each Payment Date by Federal Reserve Banks to Holders' accounts. The Holder and each other financial intermediary in the chain to the beneficial owner will have the responsibility of remitting payments for the accounts of their customers. See "Description of Mortgage Participation Certificates—Book-Entry Form, Holders, Minimum Principal Amounts and Transfers" in this Offering Circular.
Interest	Interest at the PC Coupon is passed through monthly on each applicable Payment Date. Interest is passed through in the amount of one month's interest on the Holder's pro rata share of the unpaid principal balance of the related Mortgages as calculated by Freddie Mac under the Pool Factor method. See "Description of Mortgage Participation Certificates—Interest and Principal Payments" and "—Pool Factors" in this Offering Circular.
Principal	Principal is passed through pro rata monthly on each applicable Payment Date. All principal payments and determinations of the unpaid principal balance of the related Mortgages are calculated by Freddie Mac under the Pool Factor method. See "Description of Mortgage Participation Certificates—Interest and Principal Payments" and "—Pool Factors" in this Offering Circular.
Record Date	A Holder of a PC as of the end of the month (the "Record Date" as defined in the PC Agreement) will be entitled to the payment of principal and interest on the PC for the entire month, which payment will be made on the Payment Date in the next succeeding month in the case of Gold PCs or the second succeeding month in the case of Original PCs. See "Description of Mortgage Participation Certificates—Book-Entry Form, Holders, Minimum Principal Amounts and Transfers" in this Offering Circular.
Guarantees	Freddie Mac guarantees to each Holder the timely payment of interest at the applicable PC Coupon on the Holder's pro rata share of the unpaid principal balance of the related Mortgages, as calculated by Freddie Mac under the Pool Factor method. With respect to Gold PCs, Freddie Mac guarantees to each Holder the timely payment of Monthly Principal Reduction due on the Mortgages, whether or not received by Freddie Mac, to the extent of such Holder's pro rata share thereof. Freddie Mac also guarantees to each Holder of a Gold

PC the ultimate collection of all principal of the related Mortgages, not later than the Payment Date occurring in the same month as the Final Payment Date of such PC, without offset or deduction, to the extent of such Holder's pro rata share thereof. With respect to Original PCs, Freddie Mac guarantees to each Holder the ultimate collection of all principal of the related Mortgages, without offset or deduction, to the extent of the Holder's pro rata share thereof. With respect to Scheduled Principal PCs, Freddie Mac also guarantees to each Holder the timely payment of Scheduled Principal, whether or not received by Freddie Mac. Freddie Mac's monthly payments of Scheduled Principal are computed based on servicers' monthly reports to Freddie Mac of the amount of Scheduled Principal due on the Mortgages. See "Description of Mortgage Participation Certificates—Guarantees" and "—Pool Factors" in this Offering Circular.

Final Payment Date............ The Final Payment Date of Gold PCs (other than Converted Gold PCs), Original PCs issued under the Guarantor Program and Original PCs issued under the Cash Program representing interests in TPMs corresponds to the first day of the month in which the last monthly payment on the latest maturing Mortgage in the related PC Pool is scheduled to be made. The Final Payment Date of other Original PCs issued under the Cash Program corresponds to the first day of the month which is 15 or 30 years, as applicable, from the month of the first PC settlement against the related PC Pool. The Final Payment Date of Converted Gold PCs is the same as the latest Final Payment Date of the Original PCs and Giant PCs exchanged. The Final Payment Date of PCs representing interests in Balloon/Reset Mortgages is based on the original term of the latest maturing Mortgage without regard to any extension thereof. The Final Payment Date of PCs representing interests in Biweekly Mortgages is based upon the original term of the latest maturing Mortgage without giving effect to the biweekly payment arrangement. See "Description of Mortgage Participation Certificates—Final Payment Date" in this Offering Circular.

Tax Status .... Income from the PCs has no exemption under federal law from federal, state or local taxation. PCs generally 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. For a discussion of certain tax considerations applicable to PCs representing interests in Balloon/Reset Mortgages and to PCs generally, see "Certain Federal Income Tax Consequences" in this Offering Circular.

ERISA Considerations .... For employee benefit plans subject to the Employee Retirement Income Security Act of 1974, PCs, and not the Mortgages underlying PCs, are considered to be plan assets, although such characterization is not entirely clear with respect to PCs representing interests in Cooperative Share Mortgages. See "ERISA Considerations" in this Offering Circular.

Legality Of Investment .... PCs described herein:

- are acceptable as security for the deposit of public monies subject to the control of the United States or any of its officers;
- are eligible as collateral for Treasury tax and loan accounts;
- are among those securities which national banks may deal in, underwrite and purchase for their own accounts without limitation;
- are eligible as collateral for advances by Federal Reserve Banks;
- are legal investments for federal savings associations;
- are eligible as collateral for advances from Federal Home Loan Banks;
- are legal investments for surplus and reserve funds of Federal Home Loan Banks; and
- are legal investments for federal credit unions.

In general, 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 PCs to the same extent that the investor is authorized to purchase, hold or invest in obligations issued or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof. Investment authority for certain investors may be limited by state legislation in certain cases. See "Legality of Investment" in this Offering Circular.

Liquid Assets .... Certain PCs may be eligible for treatment as "liquid assets" by certain savings institutions. See "Liquid Assets" in this Offering Circular.

Offering Procedure .... PCs are initially offered for sale by Freddie Mac pursuant to the Cash, MultiLender Swap and Guarantor Programs under various distribution arrangements as described herein. Converted Gold PCs are offered continuously in exchange for Original PCs and/or Giant PCs. See "Distribution Arrangements" in this Offering Circular.

Secondary Market .... Certain securities dealers, as well as Freddie Mac through its Securities Sales and Trading Group, buy, sell and make a market in PCs. There may be a limited secondary market for certain types of PCs. See "Distribution Arrangements—Secondary Markets" in this Offering Circular.

FEDERAL HOME LOAN MORTGAGE CORPORATION

Freddie Mac is a publicly held government-sponsored enterprise created on July 24, 1970 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. Sections 1451-1459, the "Freddie Mac Act"). Freddie Mac's statutory mission is to provide stability in the secondary market for home mortgages, to respond appropriately to the private capital market and to provide ongoing assistance to the secondary market for home mortgages by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for home mortgage financing. The principal activity of Freddie Mac consists of the purchase of first lien, conventional, residential mortgages or participation interests in such mortgages from mortgage lending institutions and the resale of the whole loans and participations so purchased in the form of guaranteed mortgage securities. Freddie Mac generally matches its purchases of mortgages with sales of guaranteed mortgage securities. Mortgages retained by Freddie Mac are financed with short-term and long-term debt and equity capital.

AVAILABILITY OF INFORMATION AND INCORPORATION BY REFERENCE

Freddie Mac prepares an Information Statement annually which describes Freddie Mac, its business and operations and contains Freddie Mac's audited financial statements for the two most recent fiscal years ending prior to the date of such Information Statement. From time to time Freddie Mac prepares an Information Statement supplement which includes certain unaudited financial data and other information concerning the business and operations of Freddie Mac. The most current Information Statement and Information Statement supplements thereto, if any, are incorporated by reference into this Offering Circular and made a part hereof. Any of these documents and any quarterly report or other statistical information prepared and made available by Freddie Mac can be obtained by writing or calling the Investor Inquiry Department at Freddie Mac at 8200 Jones Branch Drive, McLean, Virginia 22102 (outside the Washington, D.C. metropolitan area, telephone 800/336-FMPC; within the Washington, D.C. metropolitan area, telephone 703/759-8160).

APPLICATION OF PROCEEDS

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

DESCRIPTION OF MORTGAGE PARTICIPATION CERTIFICATES

The PCs

Each PC represents an undivided interest in the Mortgages which constitute the related PC Pool. PCs are sold under the terms of the PC Agreement. Holders and anyone having a beneficial interest in PCs should refer to the PC Agreement for a complete description of their rights and obligations and the rights and obligations of Freddie Mac with respect to the PCs. Each Holder and anyone having a beneficial interest in PCs unconditionally accepts all the terms and provisions of the PC Agreement and acquires a PC subject to all such terms and provisions.

Generally, the yield payable to Freddie Mac on the Mortgages in any PC Pool will be equal to or greater than the interest payable to Holders at the PC Coupon, with the difference retained by Freddie Mac as its management and guarantee fee. Any excess of the interest payable on a Mortgage over the remittance to Freddie Mac required under its agreement with the servicer of the Mortgage is retained by the servicer as its servicing fee. See "PC Pools—PC Pools formed under the Cash Program and the MultiLender Swap Program" and "—PC Pools formed under the Guarantor Program" in this Offering Circular.

The Mortgages

General Characteristics

The Mortgages are residential mortgages or participations therein secured by one-to-four family dwellings. Each Mortgage provides for interest to be paid at a fixed Mortgage Coupon. Except for Second Mortgages, all of the Mortgages are first lien mortgages. Except for Balloon/Reset Mortgages, all of the Mortgages provide for payments of principal based upon amortization schedules which result in payment of the original principal balances of the Mortgages in full over their respective terms. All Mortgages other than TPMs are level payment Mortgages.

The Mortgages, other than Cooperative Share Mortgages, may be secured by any combination of detached and semi-detached dwellings, rowhouses, condominium units, dwellings in a planned unit development, and on-site or manufactured housing units which are treated as real property under state law. The Mortgages may be secured by properties that are not occupied by borrowers as primary residences, such as investment properties or second homes. Properties securing Second Mortgages must be occupied by borrowers as their principal residences.

Freddie Mac purchases either the entire interest in the Mortgages or participation interests in the Mortgages. Such participation interests range from 50% to 95% of the unpaid principal balances of such Mortgages.

Conventional Mortgages do not have the benefit of any guarantee or insurance by the United States or any agency or instrumentality of the United States. FHA Mortgages are fully insured by the Federal Housing Administration ("FHA") under Sections 203(b), (h), or (i) (Home Unsubsidized); 222 (Servicemen) or 234 (Individual Condominium Unit) of the National Housing Act. VA Mortgages are guaranteed in part by the Department of Veterans Affairs ("VA") under 38 U.S.C. Section 1810.

The Mortgages may include mortgages which were originated as adjustable rate or graduated payment mortgages and which have been modified to bear a fixed Mortgage Coupon and to provide for level monthly payments or have converted, under the terms of the mortgage instruments, to mortgages which pay at a fixed Mortgage Coupon in level monthly payments over their remaining terms ("Converted Mortgages"). Scheduled monthly payments on Converted Mortgages may be greater than the scheduled monthly payments due on the Mortgages prior to their modification or conversion. The Converted Mortgages are not required to have been originated on mortgage instruments ("Uniform Instruments") approved by Freddie Mac and the Federal National Mortgage Association ("Fannie Mae"); however, except as noted below, each Converted Mortgage is required to contain a due-on-transfer clause.

Conventional Mortgages originated after January 1, 1976 generally must have been originated on Uniform Instruments. Uniform Instruments contain provisions which permit acceleration of the unpaid principal balance upon transfer of the property securing a Mortgage or any interest therein (a "due-on-transfer clause"). Such acceleration is permitted regardless of the creditworthiness of the transferee. Under certain limited circumstances, Freddie Mac does not require acceleration of the unpaid principal balance upon transfer of the property to certain transferees. See "Mortgage Purchase and Servicing Standards—Mortgage Servicing—Assumption and Due-on-Transfer Policies" in this Offering Circular. In certain cases, Freddie Mac may waive the requirement that Mortgages be originated on Uniform Instruments. Under the Cash Program, Freddie Mac may waive the requirement that Conventional Mortgages included in 30-year Cash PC Pools have been originated on Uniform Instruments if such Mortgages contain due-on-transfer clauses. Under the Guarantor Program, Freddie Mac does not require Conventional Mortgages included in 30-year Guarantor PC Pools to have been originated on Uniform Instruments or to contain due-on-transfer clauses if such Mortgages were originated more than two years prior to the date of delivery to Freddie Mac for purchase. In certain cases, Freddie Mac may waive the two year requirement. Freddie Mac requires Conventional Mortgages included in 15-year Cash and Guarantor PC Pools to have been originated on Uniform Instruments or to contain due-on-transfer clauses. See "Description of Mortgage Participation Certificates—PC Pools" in this Offering Circular.

Certain Conventional Mortgages containing due-on-transfer clauses may be assumable by transferees under applicable law. Except as set forth herein, Freddie Mac makes no representation concerning the extent to which the Mortgages contain due-on-transfer clauses or are otherwise assumable. See "Mortgage Purchase and Servicing Standards—Mortgage Servicing—Assumption and Due-on-Transfer Policies" in this Offering Circular.

FHA Mortgages and VA Mortgages are originated on mortgage instruments approved by the FHA and the VA, respectively. Such mortgage instruments contain certain provisions different from those contained in the Uniform Instruments. FHA regulations require certain mortgage servicing policies, such as granting the right to reinstate a mortgage prior to foreclosure, even though such policies are not included in the terms of the mortgage documents. FHA Mortgages and VA Mortgages generally do not contain due-on-transfer clauses. Accordingly, subject to FHA and VA regulations, an FHA Mortgage or VA Mortgage generally may be assumed by a purchaser of the real property at the existing Mortgage Coupon for the remaining term of the Mortgage. See "Mortgage Purchase and Servicing Standards—Mortgage Servicing—Assumption and Due-on-Transfer Policies" in this Offering Circular.

The Mortgages have original terms to maturity of up to 180 months ("15-year Mortgages") or over 180 months up to 360 months ("30-year Mortgages"), except for 5-year Balloon/Reset Mortgages which have original terms to maturity not exceeding 60 months, and 7-year Balloon/Reset Mortgages which have original terms to maturity not exceeding 84 months, as described below. The original term to maturity of a Mortgage ("Original Maturity") is calculated from the date one month prior to the date the first principal and interest payment is due on such Mortgage. If, prior to delivery to Freddie Mac, a Mortgage has been assumed or modified with respect to the term, interest rate, principal and interest payment or principal amount, the Original Maturity is calculated from the date one month prior to the date the first principal and interest payment is due on the assumed or modified Mortgage.

Certain of the Mortgages (particularly Second Mortgages and Non-Purchase Money First Mortgages, as such terms are defined below) may be "payment-date-to-payment-date" mortgages rather than "due-date-to-due-date" mortgages. Each monthly payment on a payment-date-to-payment-date mortgage is applied first to interest earned from the date the previous monthly payment was actually received to the date the current monthly payment was actually received (rather than from the due date of the previous monthly payment to the due date of the current monthly payment as in the case of a due-date-to-due-date mortgage), computed on the unpaid principal balance of the mortgage at the applicable Mortgage Coupon. The remainder of each monthly payment is then applied as a reduction of the unpaid principal balance of the mortgage.

For a description of Freddie Mac's general mortgage purchase requirements, see "Mortgage Purchase and Servicing Standards" in this Offering Circular.

Balloon/Reset Mortgages

Certain Mortgages ("Balloon/Reset Mortgages") have Original Maturities ("Original Terms") not exceeding 60 months ("5-year Balloon/Reset Mortgages") or 84 months ("7-year Balloon/Reset Mortgages"), respectively. Balloon/Reset Mortgages provide for level payments of principal and interest during the Original Term, with principal payments based upon an amortization schedule calculated to pay the original unpaid principal balance of the Mortgage in full in up to 360 months. At the expiration of the Original Term, a lump sum or "balloon" payment in an amount equal to the then-remaining unpaid principal balance is due to pay the Mortgage in full. Subject to the satisfaction of certain conditions, each Balloon/Reset Mortgage provides the borrower with an option to extend the term of the Mortgage or to refinance the Mortgage (the "Option"), in each case with an adjustment to the Mortgage Coupon at the end of the Original Term (the "Option Date"). The Mortgage Coupon that will apply upon exercise of the Option will equal the sum of (a) either Freddie Mac's or Fannie

Mae's required net yield (as specified in the mortgage instruments) for the purchase of 30-year fixed rate mortgages under 60-day mandatory delivery commitments as quoted on the date of receipt of notice of the borrower's intention to exercise the Option plus (b) one-half of one percent (0.50%); provided that the Option generally may not be exercised if the adjusted Mortgage Coupon would be more than five percentage points higher than the Mortgage Coupon in effect during the Original Term. Regardless of whether the borrower elects to exercise the Option, Freddie Mac will repurchase the Mortgage (unless paid in full by the borrower) from the PC Pool no later than the 15th day of the month in which the Option Date occurs. For a description of certain tax considerations applicable to Balloon/Reset Mortgages, see "Certain Federal Income Tax Consequences—Balloon/Reset Mortgages" in this Offering Circular.

Biweekly Mortgages

In the case of certain Mortgages the borrower is obligated to make payments on a biweekly basis ("Biweekly Mortgages"). Such biweekly payment obligations are arranged directly between the borrower and the servicer and not between the borrower and a third party. Biweekly Mortgages provide for payment every two weeks of one-half of the monthly mortgage payment as calculated based on either a 15-year or a 30-year amortization schedule, as the case may be (the "Biweekly Payment"). The amount of the Biweekly Payment is not calculated based on a biweekly amortization schedule, nor does it take into account that, during a typical 12-month period, there will be 26 Biweekly Payments. Any principal payments which exceed the monthly amortization schedule are partial prepayments of principal and are passed through to Holders in accordance with the terms of the PC Agreement.

With respect to certain Biweekly Mortgages ("Mandatory Biweekly Mortgages"), the obligations of the borrower may appear either in a separate agreement or in the Mortgage note itself. Generally, the Biweekly Payment arrangement may not be terminated at the borrower's option, but the servicer has the right to terminate such arrangement under certain conditions, such as borrower default, in which case the borrower is obligated to continue to make payments on a monthly basis. Biweekly Payments pursuant to a Mandatory Biweekly Mortgage are applied to the unpaid principal balance of the Mortgage on a biweekly basis as each payment is received. When a third Biweekly Payment is made in any given month, it is applied to principal and interest on the Mortgage in the same manner as any other Biweekly Payment.

With respect to other Biweekly Mortgages ("Optional Biweekly Mortgages"), the obligations of the borrower under the Biweekly Payment agreement are independent of the borrower's payment obligations under the Mortgage note, and the borrower's compliance with such agreement is voluntary. If at any time during the term of an Optional Biweekly Mortgage the borrower ceases to make payments on a biweekly basis pursuant to such agreement, payments on the Mortgage are made monthly thereafter pursuant to the terms of the Mortgage note. The servicer also has the right, under certain conditions, to terminate the Biweekly Payment agreement. Once the Biweekly Payment agreement is terminated by either party and payments revert to the monthly payment schedule as set forth in the Mortgage note, the agreement may not be reinstated. In months in which only two Biweekly Payments are scheduled to be made, Biweekly Payments pursuant to an Optional Biweekly Mortgage are applied to the unpaid principal balance of the Mortgage only on a monthly basis, and such Mortgage amortizes in the same manner as a mortgage for which only one payment is scheduled to be made each month. When a third Biweekly Payment is made in any given month, the entire amount of that payment is treated as a partial prepayment of principal.

The following chart compares the number and amount of payments, principal amortization and total interest paid for a hypothetical mortgage originated in December 1990 with the first scheduled payment due in January 1991, based on a 30-year amortization schedule and assuming that all payments are made according to schedule on a monthly, optional biweekly or mandatory biweekly basis, as indicated in the chart.

Monthly, Optional and Mandatory Biweekly Payment Schedule Comparison (10% Mortgage Coupon)

	Monthly Payment Schedule	Optional Biweekly Payment Schedule	Mandatory Biweekly Payment Schedule
Principal	$100,000.00	$100,000.00	$100,000.00
Mortgage Coupon	10%	10%	10%
Term (Months)	360	250*	250
Number of Payments	360	543*	542
Payment Amount	$ 877.57	$ 438.79	$ 438.79
Unpaid Principal Balance after:			
1 year	$ 99,444.12	$ 98,521.46	$ 98,493.17
3 years	98,151.65	95,068.09	94,989.91
5 years	96,574.32	90,398.34	90,714.99
10 years	90,938.02	75,188.92	75,292.70
15 years	81,664.56	49,608.89	50,074.08
Payoff Date	December 2020	November 2011*	October 2011
Balance in November 2011	$ 63,040.74	$ 0.00	$ 0.00
Total Interest Paid by Mortgage Maturity	$215,925.77	$137,488.71	$137,556.62

* The borrower makes an additional Biweekly Payment with the Optional Biweekly Mortgage compared to the Mandatory Biweekly Mortgage, but in the same number of months as the Mandatory Biweekly Mortgage. The payoff date for the Optional Biweekly Mortgage is one month after the payoff date for the Mandatory Biweekly Mortgage because the servicer holds payments until the first day of the following month before applying them to the outstanding unpaid principal balance of the Mortgage.

This chart is provided for illustration only; the data presented with respect to both the Optional Biweekly and Mandatory Biweekly Mortgages would change depending on the Mortgage Coupon and the timing of the first month in which the borrower makes three Biweekly Payments. See "Description of Mortgage Participation Certificates—Weighted Average Life and Payment Behavior" in this Offering Circular.

Cooperative Share Mortgages

Certain Mortgages are "Cooperative Share Mortgages." Each Cooperative Share Mortgage is secured by a first mortgage, lien or other security interest on (i) the stock or membership certificate issued to a tenant-stockholder or resident-member ("Tenant-Stockholder") by a "cooperative housing corporation" ("Cooperative") as such term is defined in Section 216(b) of the Internal Revenue Code of 1986, and (ii) the proprietary lease, occupancy agreement or right of tenancy granting the Tenant-Stockholder exclusive rights to occupy a specific dwelling unit in the project owned by the Cooperative.

A lender originating a Cooperative Share Mortgage ordinarily takes possession of both the stock or membership certificate evidencing the Tenant-Stockholder's ownership interest in the Cooperative and the proprietary lease or occupancy agreement granting exclusive occupancy rights in the Tenant-Stockholder's dwelling unit. In certain states, the lender also files a financing statement under the Uniform Commercial Code to perfect its security interest. Because ownership interests and occupancy rights in a Cooperative generally are subject to restrictions on transfer, and because such interests and rights are also subject to claims by the Cooperative for unpaid "maintenance" (as defined below), the lender and the Cooperative ordinarily enter into a recognition agreement pursuant to which the Cooperative acknowledges the lender's rights and the Cooperative's responsibilities to the lender in the event of a default by the Tenant-Stockholder under either the Cooperative Share Mortgage or the proprietary lease or occupancy agreement.

As the owner of the project (including the land, dwelling units, eligible ground leases and common areas), the Cooperative is responsible for the management thereof and typically pays the cost of real property taxes and insurance thereon. If, as is usually the case, there is a blanket mortgage on the project, the Cooperative is also responsible as borrower for payments on such mortgage. Tenant-Stockholders generally are required to make monthly payments to the Cooperative representing their pro rata share of "maintenance" with respect to the project, including payments on the blanket mortgage, real property taxes, insurance, maintenance costs and other capital and ordinary expenses. The lien of a Cooperative Share Mortgage on the ownership interest and rights of tenancy of a Tenant-Stockholder is subject to the lien of the Cooperative for unpaid maintenance and to the lien of the blanket mortgage with respect to the project.

Relocation Mortgages

The Mortgages may include mortgages made to employees participating in employee relocation programs ("Relocation Mortgages"). Relocation Mortgages are mortgages made to transferred employees to finance home purchases at their new job locations. Relocation Mortgages are made pursuant to an employee relocation program administered by the employer or its agent, involve a significant employer contribution to mortgage funding and are made by the lender pursuant to a contract or agreement with the employer or its agent.

Second Mortgages, Non-Purchase Money First Mortgages

Certain Mortgages are subordinate only to any first lien on the mortgaged property ("Second Mortgages") or are first lien Mortgages made for a purpose other than the purchase of the property securing the mortgage and originated on terms generally similar to Second Mortgages ("Non-Purchase Money First Mortgages").

TPMs

Each TPM provides for (i) interest at the stated Mortgage Coupon during its term to maturity, (ii) Scheduled Monthly Payments (as defined below) that initially include interest only, or interest and principal in an amount less than that sufficient to fully amortize the remaining principal balance of the TPM over its remaining term to maturity on a level payment basis (the "Fully Amortizing Level"), which Scheduled Monthly Payments are fixed for a period (the "Initial Period") ranging from 12 to 36 months for TPMs that are 15-year Mortgages, or from 12 to 60 months for TPMs that are 30-year Mortgages and (iii) following such Initial Period, annual increases of up to 7.5% in such Scheduled Monthly Payments during a period (the "Tiered Payment Period") until the Scheduled Monthly Payments on the TPMs reach the Fully Amortizing Level. TPMs do not provide for negative amortization. Scheduled Monthly Payments on each TPM will reach the Fully Amortizing Level, and the Tiered Payment Period will conclude, not later than 108 months after origination; depending upon the terms of a particular TPM, the Scheduled Monthly Payments thereon may reach the Fully Amortizing Level, and the Tiered Payment Period may conclude, in a shorter period of time.

The Scheduled Monthly Payment with respect to a TPM is the total amount required to be paid on the TPM each month in accordance with its terms. The amount of the Scheduled Monthly Payment on a TPM equals the sum of (i) the monthly payment by the borrower (the "Monthly Borrower Payment") and (ii) in the case of certain TPMs during their Initial Period, a payment drawn from a "buydown" account (the "Monthly Buydown Payment"), as described below. See "Mortgage Purchase and Servicing Standards—Special Financing Arrangements" and "Certain Federal Income Tax Consequences—Buydown Accounts" in this Offering Circular. The Monthly Borrower Payment with respect to a TPM during the Initial Period is set at the Fully Amortizing Level that would apply to an otherwise identical level payment mortgage having a Mortgage Coupon up to 600 basis points below the Mortgage Coupon of such TPM. The Monthly Borrower Payment, together with any Monthly Buydown Payment, will in all cases be sufficient to pay interest on the TPM at the Mortgage Coupon, without negative amortization, but may not be sufficient to result in any reduction of the original principal balance of the TPM during the Initial Period. Beginning at the conclusion of the Initial Period, the Scheduled Monthly Payments on the TPM will increase annually during the Tiered Payment Period, with an increasing portion thereof being applied to reduce the principal balance of the TPM until, at the conclusion of the Tiered Payment Period, the Scheduled Monthly Payments reach the Fully Amortizing Level for such TPM. Because the remaining term to maturity of the TPM at the conclusion of the Tiered Payment Period will be less than its original term to maturity, and the then remaining unpaid principal balance will be higher than if the TPM had amortized on a level payment basis from origination, the Scheduled Monthly Payments on the TPM following the Tiered Payment Period will be greater than they would have been if the TPM had amortized on a level payment basis over its original term to maturity.

The following tables show the Monthly Borrower Payments, Monthly Buydown Payments (if any) and Scheduled Monthly Payments that would be required on three hypothetical TPMs, each having an original principal balance of $100,000, an original term to maturity of 180 months and a Mortgage Coupon of 11% per annum, and having initial Monthly Borrower Payments set at the Fully Amortizing Level for an otherwise identical level payment mortgage having a Mortgage Coupon of 9%, 8% and 6.125% per annum, respectively.

Month of Mortgage Term	Monthly Borrower Payment		Monthly Buydown Payment	Scheduled Monthly Payment	
	Amount of Payment	Increase from Prior Level		Amount of Payment	Increase from Prior Level
1- 12	$1,014.27*	—	—	$1,014.27**	—
13- 24	1,090.34	7.5%	—	1,090.34**	7.5%
25-180	1,164.45	6.8	—	1,164.45***	6.8

* Fully Amortizing Level for 9.00% per annum Mortgage Coupon.

** Sufficient for payment of interest in full and principal at less than the Fully Amortizing Level at 11.00% per annum Mortgage Coupon.

*** Fully Amortizing Level for 11.00% per annum Mortgage Coupon.

Month of Mortgage Term	Monthly Borrower Payment		Monthly Buydown Payment	Scheduled Monthly Payment	
	Amount of Payment	Increase from Prior Level		Amount of Payment	Increase from Prior Level
1- 12	$ 955.66*	—	—	$ 955.66**	—
13- 24	1,027.33	7.5%	—	1,027.33**	7.5%
25- 36	1,104.38	7.5	—	1,104.38**	7.5
37- 48	1,187.21	7.5	—	1,187.21**	7.5
49-180	1,198.21	0.9	—	1,198.21***	0.9

* Fully Amortizing Level for 8.00% per annum Mortgage Coupon.

** Sufficient for payment of interest in full and principal at less than the Fully Amortizing Level at 11.00% per annum Mortgage Coupon.

*** Fully Amortizing Level for 11.00% per annum Mortgage Coupon.

Month of Mortgage Term	Monthly Borrower Payment		Monthly Buydown Payment	Scheduled Monthly Payment	
	Amount of Payment	Increase from Prior Level		Amount of Payment	Increase from Prior Level
1- 12	$ 850.63*	—	$66.04	$ 916.67**	—
13- 24	914.43	7.5%	2.24	916.67**	—
25- 36	983.01	7.5	—	983.01***	7.2%
37- 48	1,056.74	7.5	—	1,056.74***	7.5
49- 60	1,136.00	7.5	—	1,136.00***	7.5
61- 72	1,221.20	7.5	—	1,221.20***	7.5
73-180	1,311.97	7.4	—	1,311.97****	7.4

* Fully Amortizing Level for 6.125% per annum Mortgage Coupon.

** Sufficient for payment of interest only at 11.00% per annum Mortgage Coupon.

*** Sufficient for payment of interest in full and principal at less than the Fully Amortizing Level at 11.00% per annum Mortgage Coupon.

**** Fully Amortizing Level for 11.00% per annum Mortgage Coupon.

The first two TPMs illustrated in the foregoing examples would each have an Initial Period of one year, during which the Monthly Borrower Payments would equal the Scheduled Monthly Payments and would be sufficient to pay interest in full and principal at less than the Fully Amortizing Level for each TPM. The Monthly Borrower Payments and Scheduled Monthly Payments on the first two TPMs illustrated above would reach their Fully Amortizing Level at the stated Mortgage Coupon at the beginning of the third and the fifth years, respectively, after origination of the TPMs. The third TPM illustrated above would have an Initial Period of two years, during which the Monthly Borrower Payments would be less than the Scheduled Monthly Payments, with the difference being satisfied by Monthly Buydown Payments. The Monthly Borrower Payments and Monthly Buydown Payments on the third TPM during the two-year Initial Period would be sufficient to pay interest only at the 11.00% per annum Mortgage Coupon, with no amortization of principal. The Monthly Borrower Payments on the third TPM would reach a level equal to the Scheduled Monthly Payments at the beginning of the third year after origination, and the Monthly Borrower Payments and Scheduled Monthly Payments would reach their Fully Amortizing Level at the stated Mortgage Coupon at the beginning of the seventh year after origination. As illustrated by the foregoing examples, the amount of the Scheduled Monthly Payments and Monthly Borrower Payments, the need, if any, for Monthly Buydown Payments, and the length of the Initial and Tiered Payment Periods on otherwise identical TPMs will vary with differences in the initial rate used to calculate the initial Monthly Borrower Payment.

PC Pools

Each PC Pool consists of a specified type of Mortgage as described in this Offering Circular and any applicable Supplement. Each PC Pool is identified by a PC Pool Number, the Prefix of which identifies certain characteristics of the PC Pool, such as the type of Mortgage contained in the PC Pool or certain other mortgage characteristics as described in this Offering Circular and any applicable Supplement, the program under which the PC Pool was formed, or the type of PC representing interests in the PC Pool. The characteristics of each PC also are determined by whether it is a Gold PC or an Original PC, as well as by the type of Mortgage contained in the related PC Pool. The minimum Original Unpaid Principal Balance of each PC Pool is $1,000,000, except in the case of certain Guarantor PC Pools ("Mini-Guarantors") with respect to which the minimum Original Unpaid Principal Balance is $250,000.

With respect to Converted Gold PCs, Holders may exchange one or more eligible Original PCs or Giant PCs representing interests in the same pool (a "Single PC Exchange") or two or more eligible Original PCs or Giant PCs representing interests in different pools (a "Multiple PC Exchange"). The guidelines for converting Original PCs or Giant PCs to Gold PCs are set forth in the Exchange Circular.

The following chart summarizes, by Prefix, PC type and Mortgage type, certain characteristics of the PCs described below. All Mortgages are first lien Mortgages unless otherwise noted.

Prefix(1)	Converted Gold PC Prefix(2)(3)	Type of PC	Program	Maximum Mortgage Term (Years)	Type of Mortgage	Minimum Original Unpaid Principal Balance of PC Pool(2)(3)
B3	—	Gold PC	Mini-Guarantor	30	Conventional	$ 250,000
B5	—	Gold PC	Mini-Guarantor	15	Conventional	250,000
B7	—	Gold PC	Guarantor	30	FHA/VA	1,000,000
B9	—	Gold PC	Mini-Guarantor	30	FHA/VA	250,000
C0-C9	—	Gold PC	Cash	30	Conventional	1,000,000
D0-D9	—	Gold PC	Guarantor	30	Conventional	1,000,000
E0-E2	—	Gold PC	Cash	15	Conventional	1,000,000
E3-E9	—	Gold PC	Guarantor	15	Conventional	1,000,000
M1	—	Gold PC	Guarantor	5	Conventional (Balloon/Reset)	1,000,000
M3	—	Gold PC	Guarantor	15	Conventional (Relocation)	1,000,000
M5	—	Gold PC	Guarantor	15	Conventional (Biweekly)	1,000,000
M7	—	Gold PC	Guarantor	15	Conventional (Cooperative Share)	1,000,000
M8	—	Gold PC	Cash	7	Conventional (Balloon/Reset)	1,000,000
M9	—	Gold PC	Cash	5	Conventional (Balloon/Reset)	1,000,000
N1	—	Gold PC	Guarantor	30	Conventional (Second/Non-Purchase Money First)	1,000,000
N3	—	Gold PC	Guarantor	30	Conventional (Relocation)	1,000,000
N5	—	Gold PC	Guarantor	30	Conventional (Biweekly)	1,000,000
N7	—	Gold PC	Guarantor	30	Conventional (Cooperative Share)	1,000,000
N9	—	Gold PC	Guarantor	7	Conventional (Balloon/Reset)	1,000,000
P5	—	Gold PC	Mini-Guarantor	30	Conventional (Biweekly)	250,000
P6	—	Gold PC	Mini-Guarantor	15	Conventional (Biweekly)	250,000
14	B6	Original PC	Guarantor	30	FHA/VA	1,000,000
26	A0-A9	Original PC	Guarantor (Scheduled Principal)	30	Conventional	1,000,000
32	B0-B1	Original PC	Guarantor (Scheduled Principal)	15	Conventional	1,000,000
33	B6	Original PC	Guarantor (Scheduled Principal)	30	FHA/VA	1,000,000
36	A0-A9	Original PC	Cash	30	Conventional	1,000,000
38	B0-B1	Original PC	Cash	15	Conventional	1,000,000
43	A0-A9, B2	Original PC	Mini-Guarantor	30	Conventional	250,000
44	B0-B1, B4	Original PC	Mini-Guarantor	15	Conventional	250,000
45	B6, B8	Original PC	Mini-Guarantor	30	FHA/VA	250,000
46	A0-A9, B2	Original PC	Mini-Guarantor (Scheduled Principal)	30	Conventional	250,000
47	B0-B1, B4	Original PC	Mini-Guarantor (Scheduled Principal)	15	Conventional	250,000

Prefix(1)	Converted Gold PC Prefix(2)(3)	Type of PC	Program	Maximum Mortgage Term (Years)	Type of Mortgage	Minimum Original Unpaid Principal Balance of PC Pool(2)(3)
48	B6, B8	Original PC	Mini-Guarantor (Scheduled Principal)	30	FHA/VA	$ 250,000
50	B0-B1	Original PC	Guarantor	15	Conventional	1,000,000
55	A0-A9	Original PC	Guarantor	30	Conventional	1,000,000
73-0001—73-3999	—	Original PC	Guarantor	15	Conventional (TPM)	1,000,000
73-4000—73-4999	—	Original PC	Guarantor	30	Conventional (TPM)	1,000,000
73-5000—73-5999	—	Original PC	Cash	15	Conventional (TPM)	1,000,000
73-6000—73-6999	—	Original PC	Cash	30	Conventional (TPM)	1,000,000
85-0001—85-5999	N0	Original PC	Guarantor	15	Conventional (Second/Non-Purchase Money First)	1,000,000
85-6000—85-7999	N0	Original PC	Guarantor	30	Conventional (Second/Non-Purchase Money First)	1,000,000
88-0001—88-0999	N2	Original PC	Guarantor	30	Conventional (Relocation)	1,000,000
88-1000—88-1999	M2	Original PC	Guarantor	15	Conventional (Relocation)	1,000,000
88-2000—88-2999	N4	Original PC	Guarantor	30	Conventional (Biweekly)	1,000,000
88-3000—88-3999	M4	Original PC	Guarantor	15	Conventional (Biweekly)	1,000,000
88-4000—88-4999	N6	Original PC	Guarantor	30	Conventional (Cooperative Share)	1,000,000
88-5000—88-5999	M6	Original PC	Guarantor	15	Conventional (Cooperative Share)	1,000,000
89	M0	Original PC	Guarantor	5	Conventional (Balloon/Reset)	1,000,000
95	N8	Original PC	Guarantor	7	Conventional (Balloon/Reset)	1,000,000

(1) May designate a range of PC Pool Numbers specific to a particular Prefix.

(2) Prefixes A0-A9, B0-B1 and B6 identify Converted Gold PC Pools formed (i) in Single PC Exchanges or Multiple PC Exchanges in exchange for eligible Original PCs (and/or Giant PCs) that do not include Mini-Guarantor PCs, regardless of the Original Unpaid Principal Balance of the Converted Gold PC Pool, or (ii) in Multiple PC Exchanges in exchange for eligible Original PCs (and/or Giant PCs) including Mini-Guarantor PCs which have an Original Unpaid Principal Balance of the Converted Gold PC Pool of at least $1,000,000. Prefixes B2, B4 and B8 identify Converted Gold PC Pools formed (i) in Single PC Exchanges in exchange for eligible Original PCs that are Mini-Guarantor PCs, or (ii) in Multiple PC Exchanges in exchange for eligible Original PCs (and/or Giant PCs) including Mini-Guarantor PCs which have an Original Unpaid Principal Balance of the Converted Gold PC Pool of less than $1,000,000.

(3) Prefixes M2, M4, M6, N2, N4 and N6 identify Converted Gold PC Pools formed in Single PC Exchanges or Multiple PC Exchanges in exchange for eligible Original PCs (and/or Giant PCs) including Original PCs which represent interests in PC Pools in which more than five percent (5%) of the Original Unpaid Principal Balance consisted of Relocation, Biweekly or Cooperative Share Mortgages, as indicated. Multiple PC Exchanges may also include any other eligible Original PCs (and/or Giant PCs). The Original Unpaid Principal Balance of the Converted Gold PC Pool formed in such Single PC Exchanges or Multiple PC Exchanges may be less than, equal to or greater than $1,000,000.

PC Pools may vary with respect to a variety of matters including, but not limited to: number of Mortgages; Mortgage Coupons; PC Coupon; Original Unpaid Principal Balance of the PC Pool; original unpaid principal balance of the Mortgages; geographic location of the mortgaged properties; remaining maturities and ages of the Mortgages; types of mortgage instruments; types of borrowers; types of properties securing the Mortgages; number of Mortgages purchased from a single seller; number of Mortgages made to employees of a single employer; number of Mortgages secured by properties that are not occupied by borrowers as their primary residences; number of Mortgages containing enforceable due-on-transfer clauses; and the nature and extent of buydowns and other special financing arrangements. The mortgaged properties securing the Mortgages in a particular PC Pool may be located in a single geographic area or in a single state. Except as specifically set forth herein or in any Pool Supplement prepared by Freddie Mac in connection with the sale of PCs, Freddie Mac makes no representation as to the characteristics of the Mortgages contained in any PC Pool. See "Description of Mortgage Participation Certificates—The Mortgages" in this Offering Circular.

PC Pool information may be obtained from Freddie Mac's Investor Inquiry Department and is published in one or more publications used by Freddie Mac for the dissemination of PC Pool information. The names of the publication(s) used by Freddie Mac may be obtained from Freddie Mac's Investor Inquiry Department at 8200 Jones Branch Drive, McLean, Virginia 22102 (outside the Washington, D.C. metropolitan area, telephone 800/336-FMPC; within the Washington, D.C. metropolitan area, telephone 703/759-8160).

Once a Mortgage is identified to a PC Pool, the Mortgage will remain in that PC Pool unless paid in full, foreclosed upon, substituted for, or repurchased. A Mortgage may be repurchased from a PC Pool as a result of a material breach of warranty, representation or agreement by a seller; as a result of defects in documentation or other rights of recourse to a seller; in order to permit assumption of a Mortgage containing an enforceable due-on-transfer clause; in connection with certain payment plans and bankruptcy court actions; by virtue of Freddie Mac's guarantee of principal collection; in order to maintain proper servicing of the Mortgages or to minimize loss; and under certain other circumstances. In determining whether a Mortgage should be repurchased, Freddie Mac considers a variety of factors, including whether a repurchase will reduce Freddie Mac's administrative costs or Freddie Mac's possible exposure under its guarantees. Balloon/Reset Mortgages are repurchased from a PC Pool by Freddie Mac (unless paid in full by the borrower) upon the expiration of the Original Term regardless of whether the borrower exercises the Option to extend the Original Term. See "Description of Mortgage Participation Certificates—The Mortgages—Balloon/Reset Mortgages" in this Offering Circular.

The proceeds of any Mortgage repurchased will be passed through to the Holders as if the Mortgage had been prepaid. In the event of a material breach of a warranty, representation or agreement contained in Freddie Mac's *Sellers' & Servicers' Guide* or the Purchase Documents (as defined in the *Sellers' & Servicers' Guide*), a failure to comply with any term or condition in the Purchase Documents, or a defect in documentation, Freddie Mac may also require the seller, within six months of the purchase of the Mortgage, to substitute another Mortgage of comparable type, unpaid principal balance, remaining maturity and yield.

PC Pools formed under the Cash Program and the MultiLender Swap Program

PC Pools formed under the Cash Program consist of Mortgages purchased from a number of sellers. A Cash PC Pool contains Mortgages purchased for cash or, under the MultiLender Swap Program, in exchange for Cash PCs representing undivided interests in the Cash PC Pool into which the seller's Mortgages were placed. Under the MultiLender Swap Program, the seller will receive a Cash PC with a principal amount equal to the aggregate unpaid principal balance of the Mortgages delivered by the seller, representing such seller's pro rata share of the related Cash PC Pool.

The range of Mortgage Coupons on the Mortgages in each Cash PC Pool will not exceed 50 basis points with respect to Gold PCs, 100 basis points with respect to Original PCs (other than Tiered Payment PCs) and 250 basis points with respect to Tiered Payment PCs. In the case of Gold PCs, the minimum Mortgage Coupon on any Mortgage in a Cash PC Pool will be 50 basis points above the related PC Coupon, and the maximum Mortgage Coupon on any Mortgage in a Cash PC Pool will be less than 100 basis points above the related PC Coupon. For example, with respect to Gold PCs with a 9% PC Coupon, the Mortgages in the related Cash PC Pool will have Mortgage Coupons which are at least 9.5% but less than 10%. In the case of Original PCs (other than Tiered Payment PCs), the minimum Mortgage Coupon on any Mortgage in a Cash PC Pool will be equal to or greater than the related PC Coupon, and the maximum Mortgage Coupon on any Mortgage in a Cash PC Pool will be no greater than 200 basis points above the related PC Coupon. For example, with respect to Original PCs (other than Tiered Payment PCs) with a 9% PC Coupon, the Mortgages in the related Cash PC Pool will have Mortgage Coupons which are at least 9% but not more than 11%, and will have Mortgage Coupons within a 100 basis point range of each other, such as 9% to 10%, 9.5% to 10.5%, or 10% to 11%. In the case of Tiered Payment PCs, the minimum Mortgage Coupon on any Mortgage in a Cash PC Pool will be equal to or greater than the related PC Coupon, and the maximum Mortgage Coupon on any Mortgage in a Cash PC Pool will be no greater than 250 basis points above the related PC Coupon. For example, with respect to Tiered Payment PCs with a 9% PC Coupon, the Mortgages in the related Cash PC Pool will have Mortgage Coupons which are at least 9% but not more than 11.5%. Any difference between the yield required by Freddie Mac on the Mortgages in any Cash PC Pool and the interest payable at the PC Coupon is retained by Freddie Mac as its management and guarantee fee.

Freddie Mac currently purchases the majority of Mortgages purchased under its Cash Program based on prices established by Freddie Mac by reference to the secondary market after taking into account the related Mortgage Coupons, remaining terms to maturity and other specified mortgage characteristics. Under this pricing methodology, Freddie Mac may purchase certain Mortgages at a price greater than 100% of the remaining unpaid principal balance (that is, a price above par). Freddie Mac may purchase other Mortgages under the Cash Program at or below par.

Freddie Mac currently purchases certain Mortgages, including participation interests and Mortgages with Mortgage Coupons that are significantly above prevailing market rates, on a yield basis. Mortgages purchased in this manner may have a Mortgage Coupon equal to, greater than or less than the minimum gross yield required by Freddie Mac. The minimum gross yield is the required yield plus minimum servicing compensation to the servicer, expressed as a percentage. If the Mortgage Coupon is greater than or equal to the minimum gross yield, Freddie Mac will purchase the Mortgage at a price of 100% (par) of the remaining unpaid principal balance. If the Mortgage Coupon is less than the minimum gross yield, Freddie Mac will purchase the Mortgage at a specified percentage that is less than 100% of its remaining unpaid principal balance, which, when applied to the Mortgage Coupon (after deduction of a minimum servicing fee) results in the yield, expressed as a percentage, required by Freddie Mac. Cash PC Pools may include Mortgages having a required yield to Freddie Mac that is less than interest payable at the PC Coupon. In such case, Freddie Mac will retain a sufficient undivided interest in the aggregate unpaid principal balance of the Mortgages so that the interest payments attributable to Freddie Mac's retained interest are sufficient to pass through to Holders any difference between the required yield on the Mortgages and the interest payable to Holders at the PC Coupon.

For Cash PC Pools, information on the Original Unpaid Principal Balance of the PC Pool, weighted average Mortgage Coupons ("WACs"), the weighted average remaining terms to maturity ("WARMs") and the quartile distributions of the Mortgage Coupons and remaining terms to maturity ("Quartiles") of the Mortgages as of PC Pool formation is made available approximately one month after the month of PC Pool formation in the case of Gold PCs, and approximately two months after the month of PC Pool formation in the case of Original PCs, in one or more publications used by Freddie Mac for the dissemination of PC Pool information. Freddie Mac determines the Quartiles by arranging the Mortgages in a PC Pool in ascending order according to Mortgage Coupons, and separately, according to remaining terms to maturity. The Mortgages are then segregated into four groups, each group consisting of 25% of the aggregate unpaid principal balance of the Mortgages in the PC Pool, and Freddie Mac identifies the lowest and highest Mortgage Coupons or remaining terms to maturity of the Mortgages within each grouping. With respect to any Cash PC Pool consisting entirely of Balloon/Reset Mortgages, the WARM provided by Freddie Mac will reflect the weighted average Original Terms of the related Balloon/Reset Mortgages. Freddie Mac provides monthly updated WAC, WARM and Quartile information for all Gold PCs, other than PCs representing interests in Balloon/Reset Mortgages, and annual updates for Gold PCs representing interests in Balloon/Reset Mortgages and Original PCs (other than Tiered Payment PCs).

In the case of Gold PCs, Freddie Mac will provide information on the geographic distribution by state of the Mortgages in the PC Pool as of PC Pool formation approximately one month after the month of PC Pool formation. This information will consist of: (i) the aggregate unpaid principal balance of Mortgages secured by properties located in a particular state; (ii) the aggregate unpaid principal balance of Mortgages secured by properties located in a particular state as a percentage of the aggregate unpaid principal balance of the Mortgages in the PC Pool; (iii) the number of Mortgages secured by properties located in a particular state; and (iv) the number of Mortgages secured by properties located in a particular state as a percentage of the total number of Mortgages in the PC Pool. In the case of Original Cash PCs, Freddie Mac does not provide information on the geographic distribution by state of the Mortgages in the PC Pool as of PC Pool formation. Freddie Mac provides updated information annually on the geographic distribution by state of Mortgages in Cash PC Pools for both Gold PCs and Original PCs (other than Tiered Payment PCs).

In the case of Cash Tiered Payment PCs, Freddie Mac prepares a Pool Supplement that sets forth with respect to the TPMs included in the Cash PC Pool, to the extent such information is available to Freddie Mac, (i) the WAC and range of Mortgage Coupons, (ii) the WARM and range of remaining terms to maturity, (iii) the weighted average of the assumed Mortgage Coupons used to set the initial Monthly Borrower Payments and the range of such assumed Mortgage Coupons, (iv) the weighted average remaining Initial Period and the range of remaining Initial Periods, and (v) the weighted average remaining Tiered Payment Period and the range of remaining Tiered Payment Periods. The Pool Supplement will also contain information, to the extent available to Freddie Mac, by unpaid principal balance and number of TPMs, as to the dates on which Scheduled Monthly Payments on the TPMs in the PC Pool will next change and the dates on which such payments will reach their Fully Amortizing Levels. In addition, the Pool Supplement will contain information on the geographic distribution by state of the Mortgages in the PC Pool consisting of: (i) the aggregate unpaid principal balance of TPMs secured by properties located in a particular state; (ii) the aggregate unpaid principal balance of TPMs secured by properties located in a particular state as a percentage of the aggregate unpaid principal balance of the TPMs in the PC Pool; (iii) the number of TPMs secured by properties located in a particular state; and (iv) the number of TPMs secured by properties located in a particular state as a percentage of the total number of TPMs in the PC Pool. An initial purchaser of Cash Tiered Payment PCs that sells or offers for sale such Tiered Payment PCs is required to furnish to prospective purchasers the applicable Pool Supplement.

Cash PC Pools consisting of 30-year Conventional Mortgages may contain Converted Mortgages. Cash PC Pools consisting of 30-year Conventional Mortgages and Cash PC Pools consisting of 15-year Conventional Mortgages may also contain Relocation Mortgages not exceeding five percent (5%) of the Original Unpaid Principal Balance of the PC Pool. Mortgages in both of these types of PC Pools originated after January 1, 1976 contain due-on-transfer clauses, although certain Mortgages may be subject to state laws prohibiting automatic acceleration. See "Mortgage Purchase and Servicing Standards—Mortgage Servicing—Assumption and Due-on-Transfer Policies" in this Offering Circular.

PC Pools formed under the Guarantor Program

Each PC Pool formed under the Guarantor Program consists of Mortgages purchased from a single seller in exchange for Guarantor PCs representing undivided interests in the same Mortgages. The Original Unpaid Principal Balance of, and the number of Mortgages in, a PC Pool formed under the Guarantor Program depends on the dollar amount and number of Mortgages a seller offers for sale to Freddie Mac, as well as the dollar amount and number of Mortgages accepted for purchase by Freddie Mac. The minimum Original Unpaid Principal Balance of a Guarantor PC Pool is fixed by Freddie Mac and is subject to change by Freddie Mac from time to time.

At the time a seller delivers Mortgages to Freddie Mac for purchase, the seller reports to Freddie Mac the current unpaid principal balance of each of the Mortgages as reflected on its books and records. The unpaid principal balances of Mortgages delivered in exchange for Gold PCs normally have been reduced by the amount of scheduled amortization due on the Mortgages for the month of PC settlement. If such Mortgage balances have not been so reduced, scheduled amortization due on the Mortgages for the month of PC settlement will be reflected in the related PC Pool Factor published in the second month following PC Pool formation and will be passed through to Holders accordingly. The unpaid principal balances of Mortgages delivered in exchange for Original PCs may or may not have been reduced by the amount of scheduled amortization due on the Mortgages for the month of PC settlement, depending primarily on whether the Mortgages are delivered before or after the 15th day of the month. The Original Unpaid Principal Balance of a Guarantor PC Pool is equal to the aggregate of the reported unpaid principal balances of the Mortgages which are purchased by Freddie Mac, rounded down to the nearest dollar.

Differences between the unpaid principal balances of the Mortgages as reported at delivery to Freddie Mac and their unpaid principal balances as of the date of settlement against the PC (whether as a result of scheduled amortization, or full or partial prepayments) are reported to Freddie Mac subsequent to settlement and PC Pool formation and are reflected in the related Pool Factors in the first or second month following Freddie Mac's receipt of such reports, depending on the program under which the related PC Pool was formed and/or the date of PC Pool formation, and are passed through to Holders accordingly. Mortgages which become delinquent during the period between delivery and settlement are normally repurchased by the seller following PC Pool formation. For a description of the manner in which servicers report principal payments on the Mortgages and pass through of such payments to Holders, see "Description of Mortgage Participation Certificates—Pool Factors" and "—Interest and Principal Payments."

The Mortgage Coupon of any Mortgage in a PC Pool formed under the Guarantor Program may be up to 250 basis points greater than the related PC Coupon. The PC Coupon always will be lower than the lowest Mortgage Coupon of any Mortgage in the PC Pool. The range of Mortgage Coupons in a particular PC Pool can be identified by the Quartile information regarding the PC Pool set forth in a separate publication available approximately one month after the month of PC Pool formation in the case of Gold PCs and approximately two months after the month of PC Pool formation in the case of Original PCs as discussed below.

Freddie Mac prepares a Pool Supplement for each Guarantor PC Pool which contains the preliminary WAC and WARM based upon the unpaid principal balances of the related Mortgages reported by the seller at delivery of the Mortgages to Freddie Mac. Principal payments on the Mortgages made subsequent to delivery of the Mortgages to Freddie Mac may result in changes in these characteristics of the PC Pool. The Pool Supplement also contains information on the geographic distribution by state of the Mortgages in the PC Pool, consisting of: (i) the aggregate unpaid principal balance of Mortgages secured by properties located in a particular state; (ii) the aggregate unpaid principal balance of Mortgages secured by properties located in a particular state as a percentage of the aggregate unpaid principal balance of the Mortgages in the PC Pool; (iii) the number of Mortgages secured by properties located in a particular state; and (iv) the number of Mortgages secured by properties located in a particular state as a percentage of the total number of Mortgages in the PC Pool.

In the case of certain Guarantor PCs, sellers prepare additional Supplements for prospective purchasers. For example, each initial purchaser of Guarantor Tiered Payment PCs from Freddie Mac is required to prepare an additional Supplement setting forth certain further information regarding the TPMs in the related PC Pool, including information with respect to (i) the assumed Mortgage Coupons used to set the initial Monthly Borrower Payments, (ii) the Initial and Tiered Payment Periods of the Mortgages, and (iii) the dates on which Scheduled Monthly Payments on the TPMs in the PC Pool will next change and the dates on which such payments will reach their Fully Amortizing Levels. An initial purchaser of Guarantor PCs that sells or offers for sale such PCs is required to furnish to prospective purchasers the applicable Pool Supplement, as well as any applicable Supplement prepared by such initial purchaser with respect to the related PC Pool.

In the case of Guarantor PCs, Freddie Mac provides information on the geographic distribution by state of the Mortgages as of PC Pool formation and annual updated geographic information for Gold PCs and Original PCs (other than Original PCs representing interests in TPMs or Balloon/Reset Mortgages) in the same manner as for Gold PCs issued under the Cash Program. In the case of Original PCs representing interests in TPMs or Balloon/Reset Mortgages, geographic information is provided as of PC Pool formation only.

The preliminary WACs and WARMs of the Mortgages in Guarantor PC Pools represented by Original PCs are also published in one or more publications used by Freddie Mac for the dissemination of PC Pool information in the month following the month in which the PC Pool is formed. Preliminary WACs and WARMs of the Mortgages in Guarantor PC Pools represented by Gold PCs are not disseminated in such publications. Freddie Mac provides recalculated WACs and WARMs and the Quartiles of the Mortgages in Guarantor PC Pools (except with respect to Tiered Payment PCs or PCs representing interests in Balloon/Reset Mortgages) approximately one month after PC Pool formation in the case of Gold PCs, and approximately two months after the month of PC Pool formation in the case of Original PCs. Differences, if any, between the preliminary WACs and WARMs and the recalculated WACs and WARMs generally should be small; however, such differences may be significant in the case of certain PC Pools. Freddie Mac provides for publication of updated WACs and WARMs and the Quartiles of the Mortgages in Guarantor PC Pools (other than PC Pools containing TPMs or Balloon/Reset Mortgages) monthly in the case of Gold PCs and annually in the case of Original PCs.

Any 15-year or 30-year Guarantor PC Pool that contains Cooperative Share Mortgages, Biweekly Mortgages, or Relocation Mortgages, respectively, with an aggregate unpaid principal balance of more than five percent (5%) of the Original Unpaid Principal Balance of the PC Pool will be designated by the Prefix or range of PC Pool Numbers specified above for PC Pools containing that Mortgage type. The percentage of Cooperative Share Mortgages, Biweekly Mortgages, or Relocation Mortgages, respectively, if less than 100%, will be specified in the related Pool Supplement or in a separate Supplement. Any 15-year or 30-year Guarantor PC Pool that contains Cooperative Share Mortgages, Biweekly Mortgages, or Relocation Mortgages, respectively, with an aggregate unpaid principal balance of five percent (5%) or less of the Original Unpaid Principal Balance of the PC Pool will not be designated by the Prefixes or ranges of PC Pool Numbers specified above for PC Pools containing that Mortgage type; however, if such PC Pools contain Cooperative Share Mortgages, the percentage of Cooperative Share Mortgages will be specified in the Pool Supplement or in a separate Supplement.

Certain Guarantor PC Pools may contain Second Mortgages and/or Non-Purchase Money First Mortgages. PC Pools consisting of Second Mortgages and/or Non-Purchase Money First Mortgages will consist exclusively of such Mortgages. Second Mortgages will not be placed in other PC Pools. Non-Purchase Money First Mortgages may be placed in other PC Pools if such Mortgages conform to the standards for such other PC Pools.

Guarantor PC Pools consisting of 30-year Conventional Mortgages may contain Converted Mortgages. Mortgages in Guarantor PC Pools originated two or more years prior to delivery to Freddie Mac, and, in certain cases, Mortgages which were originated less than two years prior to delivery, may or may not have been originated on Uniform Instruments, may or may not contain due-on-transfer clauses permitting automatic acceleration, and may or may not be subject to state laws prohibiting automatic acceleration. Mortgages in Guarantor PC Pools consisting of 15-Year Conventional Mortgages contain due-on-transfer clauses, although certain Mortgages in such PC Pools may be subject to state laws prohibiting automatic acceleration. See "Mortgage Purchase and Servicing Standards—Mortgage Servicing—Assumption and Due-on-Transfer Policies" in this Offering Circular.

Pool Factors

A Pool Factor is a truncated seven-digit decimal calculated by Freddie Mac which represents the aggregate unpaid principal balance of the Mortgages in the related PC Pool on the books and records of Freddie Mac for a particular month, stated as a fraction of the Original Unpaid Principal Balance of such PC Pool. The amount of a Holder's pro rata share of the aggregate unpaid principal balance of the Mortgages for a given month can be determined by multiplying the original unpaid principal balance of such Holder's PC by the Pool Factor published in that month. Pool Factors for PCs will be published on or about the first business day of each month, or on or about the seventh business day of each month in the case of Cash Tiered Payment PCs. Pool Factors for Cash Tiered Payment PCs also are available on or about the fourth business day of each month through Freddie Mac's Electronic Database (FRED) System, Investor Inquiry Department, and information vendors. The names of the publishers from which a compilation of Pool Factors may be purchased may be obtained by calling Freddie Mac's Investor Inquiry Department (outside the Washington, D.C. metropolitan area, telephone 800/336-FMPC; within the Washington, D.C. metropolitan area, telephone 703/759-8160).

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

The PC Agreement permits Freddie Mac to make payments to Holders of principal and interest based on the aggretate unpaid principal balance of the related Mortgages as determined by the applicable Pool Factor.

In the case of Gold PCs, interest is paid based on the aggregate unpaid principal balance of the Mortgages as determined by the Pool Factor published in the month prior to the month in which the payment is made. For any such PC, principal is paid based on the difference between the Pool Factor published in the month prior to the month in which the payment is made and the Pool Factor published in the month the payment is made. See "Description of Mortgage Participation Certificates—Interest and Principal Payments" in this Offering Circular.

In the case of Original PCs, interest is paid based on the unpaid principal balance of the Mortgages as determined by the Pool Factor published in the second month prior to the month in which the payment is made. For any such PC, principal is paid based on the difference between the Pool Factor published in the second month prior to the month in which the payment is made and the Pool Factor published in the month prior to the month in which the payment is made. See "Description of Mortgage Participation Certificates—Interest and Principal Payments" in this Offering Circular.

Use of the Pool Factor method affects the timing of receipt of payments by Holders but does not affect Freddie Mac's guarantees of payment of principal and interest. Payments made on account of Freddie Mac's guarantee of timely payment of Monthly Principal Reduction, in the case of Gold PCs, and Scheduled Principal, in the case of Scheduled Principal PCs, constitute payments of principal for purposes of calculating: (i) the Pool Factor; (ii) the Holder's pro rata share of the aggregate unpaid principal balance outstanding on the Mortgages; and (iii) interest payments at the PC Coupon.

Gold PCs

With respect to each Gold PC formed under either the Cash Program or the Guarantor Program, the Pool Factor published in a particular month represents the aggregate unpaid principal balance of the Mortgages in the related PC Pool on the books and records of Freddie Mac as of the 15th day of that month. However, such unpaid principal balance will not have been reduced by (i) full prepayments on the Mortgages occurring after the close of the monthly reporting period ending in the previous month or (ii) partial prepayments on the Mortgages occurring after the close of the monthly reporting period ending in the second previous month.

The Pool Factor calculation for any month for each PC Pool represented by Gold PCs, whether formed under the Cash Program or the Guarantor Program, will reflect: (i) Monthly Principal Reduction for that month, (ii) full prepayments with respect to the related Mortgages reflected on the books and records of Freddie Mac as of the close of the monthly reporting period ending in the previous month, and (iii) an adjustment for any difference between (A) the sum of the PC Pool balance as reflected by the Pool Factor for the PC Pool for the previous month plus the Monthly Principal Reduction calculated for the previous month and (B) the aggregate mortgage balance reported by servicers for the second previous month (including partial prepayments made during that monthly reporting period) other than differences resulting from mortgage defaults and delinquencies reflected on the books and records of Freddie Mac as of the close of the monthly reporting period ending in the second previous month. For any month, Monthly Principal Reduction will be the amount of principal scheduled to be paid under the amortization schedules of the related Mortgages by borrowers in the month for which the Pool Factor is being calculated, as such scheduled amortization is calculated by Freddie Mac based upon the WAC and WARM of the Mortgages in the PC Pool and the PC Pool balance as reflected by the Pool Factor for the previous month adjusted for the amounts described in (ii) and (iii) in the preceding sentence. The WAC and WARM used to calculate Monthly Principal Reduction will be recalculated monthly based on the aggregate Mortgage balances reported by servicers for the previous month. In the case of Biweekly Mortgages, Freddie Mac calculates Monthly Principal Reduction without regard to the borrower's Biweekly Payment arrangement. Accordingly, any additional principal reduction reported by a servicer on a monthly basis will be reflected in subsequent Pool Factors as an adjustment, as described in (iii) in the first sentence of this paragraph. In the case of payment-date-to-payment-date Mortgages, Freddie Mac calculates Monthly Principal Reduction on a due-date-to-due-date amortization schedule. Accordingly, any additional principal reduction reported by a servicer on a monthly basis will be reflected in subsequent Pool Factors as an adjustment, as described in (iii) in the first sentence of this paragraph. The Pool Factor for each such PC Pool in the month of pool formation is 1.0000000 and will not be published. Prepayments on the Mortgages contained in a PC Pool represented by Gold PCs will not be estimated or predicted.

Freddie Mac's calculation of Monthly Principal Reduction for Gold PCs is based in part on the WAC and WARM of the related Mortgages. With respect to Converted Gold PCs issued in exchange for certain Original PCs ("Restricted Eligible PCs") for which updated WAC and WARM information is not publicly available, Freddie Mac will calculate Monthly Principal Reduction based, in part, on estimates of the WAC and WARM of the related Mortgages. Each month, Freddie Mac will estimate for each such Converted Gold PC Pool (i) a WARM calculated by reducing the original term to maturity of the Restricted Eligible PCs (based on the original Final Payment Dates of the PC Pools represented by such Restricted Eligible PCs) by the number of months elapsed since the month in which the related PC Pool was formed and (ii) a WAC calculated by adding 0.375% to the weighted average of the net yield rates at which the servicers are required to remit interest to Freddie Mac each month for such Restricted Eligible PCs. To the extent that Freddie Mac's procedures for calculating Monthly Principal Reduction for such Converted Gold PC Pools result in amounts that differ from actual principal payments on the Mortgages, the cash flows and resulting weighted average lives and yields to Holders of the related Converted Gold PCs will be affected, and may be affected adversely.

The following illustrates the payment of principal and interest by application of the Pool Factor method to a hypothetical PC Pool represented by Gold PCs (other than Converted Gold PCs) formed in April:

April 1 . . . . The initial Pool Factor, which is not published, is equal to 1.0000000 as of the first day of the month of PC Pool formation.

April 1-30 . . . . Settlement on the PC Pool takes place and the PC Pool is formed. The Original Unpaid Principal Balance of a Cash PC Pool is equal to the aggregate unpaid principal balance of the Mortgages on the books and records of Freddie Mac as of March 15 reduced by scheduled amortization due for the month of April. The Original Unpaid Principal Balance of a Guarantor PC Pool is equal to the aggregate unpaid principal balance of the Mortgages as reported by the seller at delivery, which balance has been reduced by the scheduled amortization due to be paid on the Mortgages for the month of April.

On or about May 1 . . . . . . The May Pool Factor is published, reflecting (i) Freddie Mac's calculation of Monthly Principal Reduction due on the Mortgages for the month of May and (ii) full prepayments on the Mortgages reflected on the books and records of Freddie Mac for the monthly reporting period from March 16 through April 15, if any.

May 15 . . . . The first payment on the Gold PCs is made to Holders as of the April Record Date. The aggregate principal payment to Holders is equal to the difference between the April and May Pool Factors multiplied by the Original Unpaid Principal Balance of the PC Pool. The aggregate interest payment to Holders is equal to the PC Coupon divided by 12 and multiplied by the Original Unpaid Principal Balance of the PC Pool.

By May 22 . . . . Within five business days after May 15, servicers report the outstanding principal balance of the Mortgages as of May 15.

On or about June 1 . . . . . . The June Pool Factor is published, reflecting (i) Freddie Mac's calculation of Monthly Principal Reduction due on the Mortgages for the month of June, (ii) full prepayments on the Mortgages reflected on the books and records of Freddie Mac for the monthly reporting period from April 16 through May 15, and (iii) an adjustment for any difference between (A) the unpaid principal balance of the PC Pool, as reflected by the May Pool Factor plus the Monthly Principal Reduction passed through to Holders in May, and (B) the aggregate mortgage balance reported by servicers for the monthly reporting period ended April 15 (other than differences resulting from mortgage defaults and delinquencies reflected on the books and records of Freddie Mac as of April 15).

June 15 . . . . The second payment on the Gold PCs is made to Holders as of the May Record Date. The aggregate principal payment to Holders is equal to the difference between the May and June Pool Factors multiplied by the Original Unpaid Principal Balance of the PC Pool. The aggregate interest payment to Holders is equal to the PC Coupon divided by 12 and multiplied by the unpaid principal balance of the Mortgages as determined using the May Pool Factor.

Subsequent months follow the pattern illustrated for June. The Pool Factor calculation is identical whether the PC Pool represented by Gold PCs is formed under the Cash Program or the Guarantor Program and whether such PC Pool is formed before or after the 15th day of the month. For certain additional considerations applicable to the Pool Factor calculations for certain Converted Gold PCs see "Description of Mortgage Participation Certificates—Interest and Principal Payments" in this Offering Circular.

Original PCs—Guarantor PC Pools

With respect to Original PCs (including Tiered Payment PCs), the Pool Factor published in a particular month for a Guarantor PC Pool represents the unpaid principal balance of the Mortgages in that PC Pool as of the end of the preceding monthly reporting period, based on the unpaid principal balances reported by the servicer. For example, the Pool Factor for a Guarantor PC Pool published in March represents the unpaid principal balance of the related Mortgages as of February 15. If a servicer fails to file an accurate or timely report of its collections of principal payments for a particular month or such report cannot be processed, the Pool Factor (except in the case of Tiered Payment PCs and PCs representing interests in Balloon/Reset Mortgages) will reflect Freddie Mac's estimate of scheduled amortization on the Mortgages that occurred during that reporting period. Any difference between actual and estimated principal payments on the Mortgages is accounted for by adjustment to subsequent Pool Factors and, as a result, to subsequent principal payments made to Holders. In the case of Tiered Payment PCs and PCs representing interests in Balloon/Reset Mortgages, no such estimate of scheduled amortization is made by Freddie Mac and the Pool Factor may remain the same until such time as the Pool Factor can reflect actual principal reduction as reported by servicers.

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

April 1 .... The initial Pool Factor, which is not published, is equal to 1.0000000 as of the first day of the month of PC Pool formation.

April 22 .... Settlement on the PC Pool takes place and the PC Pool is formed. The Original Unpaid Principal Balance of the PC Pool is equal to the aggregate unpaid principal balance of the Mortgages as reported at delivery to Freddie Mac by the seller, which balance does not reflect scheduled amortization due to be paid on the Mortgages for the month of April.

By April 29 .... Within five business days after PC Pool formation, the servicer reports any full prepayments of Mortgages received from Mortgage delivery through April 22 and repurchases any Mortgages that became delinquent during such period.

On or about May 1 ...... The May Pool Factor is published. For PC Pools consisting of TPMs or Balloon/Reset Mortgages, the May Pool Factor will be 1.0000000. For all other Guarantor PC Pools represented by Original PCs, the May Pool Factor will reflect a reduction in the unpaid principal balance of the Mortgages equal to Freddie Mac's estimate of scheduled amortization due to be paid on the Mortgages for the month of April.

By May 22 .... Within five business days after May 15, the servicer reports the outstanding principal balance of the Mortgages as of May 15. This balance will be used in calculating the June Pool Factor and will reflect principal payments received by the servicer and reported to Freddie

Mac, including full and partial prepayments and any repurchases of Mortgages by the servicer, from Mortgage delivery through May 15.

On or about June 1 ...... The June Pool Factor is published, reflecting the May 15 unpaid principal balance reported by the servicer, including full and partial prepayments, and any repurchases of Mortgages from Mortgage delivery through May 15. With respect to PC Pools consisting of TPMs, if all of the TPMs in the PC Pool are in interest-only Initial Periods and if there have been no prepayments or repurchases, the June Pool Factor will not reflect a reduction in the unpaid principal balance of the TPMs and will therefore be equal to 1.0000000.

June 15 .... The first payment is made to Holders as of the April Record Date. The aggregate principal payment to Holders is equal to the difference between the April and May Pool Factors multiplied by the Original Unpaid Principal Balance of the PC Pool. If the April Pool Factor is equal to 1.0000000 and the May Pool Factor is equal to 1.0000000 (as will be the case for PC Pools consisting of TPMs or Balloon/Reset Mortgages), the difference will be zero. The aggregate interest payment to Holders is equal to the PC Coupon divided by 12 and multiplied by the Original Unpaid Principal Balance of the PC Pool.

By June 22............. Within five business days after June 15, the servicer reports the outstanding principal balance of the Mortgages as of June 15. This balance will be used in calculating the July Pool Factor and will reflect principal payments received by the servicer and reported to Freddie Mac, including full and partial prepayments and any repurchases of Mortgages by the servicer, from May 16 through June 15.

On or about July 1 ...... The July Pool Factor is published, reflecting the June 15 unpaid principal balance reported by the servicer, including full and partial prepayments, and any repurchases of Mortgages from May 16 through June 15. With respect to PC Pools consisting of TPMs, if all of the TPMs in the PC Pool are in interest-only Initial Periods and if there have been no prepayments or repurchases, the July Pool Factor will not reflect a reduction in the unpaid principal balance of the TPMs and will therefore be equal to 1.0000000.

July 15 .... The second payment is made to Holders as of the May Record Date. The aggregate principal payment to Holders is equal to the difference between the May and June Pool Factors multiplied by the Original Unpaid Principal Balance of the PC Pool. If the May Pool Factor is equal to 1.0000000 and the June Pool Factor is equal to 1.0000000, the difference will be zero. The aggregate interest payment to Holders is equal to the PC Coupon divided by 12 and multiplied by the unpaid principal balance of the Mortgages as determined using the May Pool Factor.

Subsequent months follow the pattern illustrated for July. Application of the Pool Factor method to a hypothetical Guarantor PC Pool represented by Original PCs formed on or before the 15th day of a month differs from the illustration set forth above. With respect to such a Guarantor PC Pool, the second Pool Factor, which is published on or about the first day of the month after the month of PC Pool formation (May 1 in the illustration above), reflects the unpaid principal balance of the Mortgages as of the 15th day of the month of PC Pool formation (April in the illustration above) as reported by the servicer. This balance reflects principal payments received by the servicer, including full and partial prepayments, between delivery of the Mortgages and the 15th day of the month of PC Pool formation as reported to Freddie Mac by the servicer within five business days of April 15.

Original PCs—Cash PC Pools

In the case of Original PCs (other than Tiered Payment PCs), the Pool Factor published in a particular month for a Cash PC Pool represents Freddie Mac's estimate of the unpaid principal balance of the Mortgages as of the end of the monthly reporting period ending in that month. For example, the Pool Factor for a Cash PC Pool published on or about the first business day of March represents Freddie Mac's estimate of the unpaid principal balance of the related Mortgages as of March 15. The Pool Factor for a Cash PC Pool for a particular month is calculated by estimating principal reduction on the underlying Mortgages for the reporting period ending in that month as a fraction of the Original Unpaid Principal Balance and subtracting that amount from the previous month's Pool Factor. The estimate of principal reduction includes estimates of scheduled amortization and, for Pool Factors published beginning with the second month after the month of PC Pool formation, estimates of prepayments expected to be made through the end of the monthly reporting period ending in that month. In the case of the Pool Factor for the second month after the month of PC Pool formation, the estimate of prepayments is based upon prepayment information relating to the month of PC Pool formation to the extent such information is available to Freddie Mac. In the case of the Pool Factor for the third month after the month of PC Pool formation, the estimate of prepayments is based upon prepayment information relating to the month of PC Pool formation and the first month after the month of PC Pool formation. Thereafter, estimates of prepayments are based on prepayment information relating to the immediately preceding second, third and fourth months. Estimates are adjusted both for seasonal factors that are presumed to influence all PC Pools equally, and also for cyclical factors (*i.e.*, changes in economic conditions such as changing interest rates and refinance activity) that are presumed to influence all Mortgages in a given Mortgage Coupon range equally. Such cyclical factors are calculated for each one percent Mortgage Coupon range.

To the extent that a given Pool Factor for a Cash PC Pool represented by Original PCs may not reflect the actual unpaid principal balance of the Mortgages for a particular month, any difference is accounted for as soon as practicable by adjustment of subsequent Pool Factors and, as a result, by adjustment of subsequent principal payments made to Holders. This adjustment is made to the Pool Factor for the month two months subsequent to the month in question. Freddie Mac's procedure for estimating Cash PC Pool Factors may result from time to time in a monthly principal payment to Holders for a given Cash PC Pool which differs significantly from the aggregate principal payments actually received by Freddie Mac on the related Mortgages for the comparable month. Based on Freddie Mac's experience, the amount of such difference is most likely to increase during periods of volatile mortgage interest rates.

To the extent that Freddie Mac's procedure for estimating Cash PC Pool Factors for Original PCs results in an underestimation or an overestimation of principal payments in a particular month, the yield that PC Holders receive will be affected because of the two month period required for making the adjustment in Cash PC Pool Factors. The effect on yield will depend upon the relationship between the PC Coupon and the reinvestment rate available to Holders. For example, if Freddie Mac overestimates principal payments in a particular month, and the PC Coupon is higher than the reinvestment rate available to a Holder at that time, the Holder would receive a lower yield than it otherwise would have received in the absence of such overestimation. Conversely, if Freddie Mac underestimates principal payments in a particular month, and the PC Coupon is higher than the reinvestment rate available to a Holder at that time, the Holder would receive a higher yield than it otherwise would have received in the absence of such underestimation.

The following illustrates the payment of principal and interest by application of the Pool Factor method to a hypothetical Cash PC Pool represented by Original PCs (other than Tiered Payment PCs) formed in April:

April 1 .... The initial Pool Factor, which is not published, is equal to 1.0000000 as of the first day of the month of PC Pool formation.

On or about April 30 ..... The PC Pool is formed based on the April 15 unpaid principal balance of the Mortgages as reported to Freddie Mac by servicers, in the case of Mortgages purchased on or before April 15, and the unpaid principal balance of the Mortgages as of delivery to Freddie Mac for purchase, in the case of Mortgages purchased on or after April 16.

On or about May 1 ...... The May Pool Factor is published, reflecting Freddie Mac's prediction of the May 15 unpaid principal balance of the Mortgages based upon Freddie Mac's calculation of scheduled amortization due on the Mortgages in the month of May. Freddie Mac does not reduce this Pool Factor for prepayments expected to be made in May. The preliminary unpaid principal balance of the PC Pool is published, reflecting the unpaid principal balance of the Mortgages as of April 15 or delivery to Freddie Mac for purchase, as the case may be.

On or about June 1 ...... The June Pool Factor is published, reflecting Freddie Mac's prediction of the June 15 unpaid principal balance of the Mortgages based upon Freddie Mac's calculation of scheduled amortization due on the Mortgages in the month of June. Freddie Mac reduces this Pool Factor for prepayments expected to be made in June. In calculating expected prepayments for the month of June, Freddie Mac considers the amount of prepayments made on the Mortgages in the month of April to the extent such information is available to Freddie Mac. The Original Unpaid Principal Balance of the PC Pool is published, reflecting the unpaid principal balance of the Mortgages as of April 15 or delivery to Freddie Mac for purchase, as the case may be.

June 15 .... The first payment is made to Holders as of the April Record Date. The aggregate principal payment to Holders is equal to the difference between the April and May Pool Factors multiplied by the Original Unpaid Principal Balance of the PC Pool published on or about June 1. The aggregate interest payment to Holders is equal to the PC Coupon divided by 12 and multiplied by the Original Unpaid Principal Balance of the PC Pool.

On or about July 1 ...... The July Pool Factor is published, reflecting Freddie Mac's prediction of the July 15 unpaid principal balance of the Mortgages based upon Freddie Mac's calculation of scheduled amortization due on the Mortgages in the month of July, adjusted to reflect any differences between the unpaid principal balance of the Mortgages as represented by the May Pool Factor and the unpaid principal balance of the Mortgages as reported by servicers to Freddie Mac for the monthly reporting period from April 16 through May 15. Servicers' reports to Freddie Mac for the reporting period ending May 15 include all prepayments made on the Mortgages during that period. Freddie Mac reduces this Pool Factor for prepayments expected to be made in July. In calculating expected prepayments for the month of July, Freddie

Mac considers the amount of prepayments made on the Mortgages in the months of April and May.

July 15 .... The second payment is made to Holders as of the May Record Date. The aggregate principal payment to Holders is equal to the difference between the May and June Pool Factors multiplied by the Original Unpaid Principal Balance of the PC Pool published on or about June 1. The aggregate interest payment to Holders is equal to the PC Coupon divided by 12 and multiplied by the unpaid principal balance of the Mortgages as determined using the May Pool Factor.

On or about August 1 .... The August Pool Factor is published, reflecting Freddie Mac's prediction of the August 15 unpaid principal balance of the Mortgages based upon Freddie Mac's calculation of scheduled amortization due on the Mortgages in the month of August, adjusted to reflect any differences between the unpaid principal balance of the Mortgages as represented by the June Pool Factor and the unpaid principal balance of the Mortgages as reported by servicers to Freddie Mac for the monthly reporting period from May 16 through June 15. Servicers' reports to Freddie Mac for the reporting period ending June 15 include all prepayments made on the Mortgages during that period. Freddie Mac reduces this Pool Factor for prepayments expected to be made in August. In calculating expected prepayments for the month of August, Freddie Mac considers the amount of prepayments made on the Mortgages in the months of April, May and June.

August 15 .... The third payment is made to Holders as of the June Record Date. The aggregate principal payment to Holders is equal to the difference between the June and July Pool Factors multiplied by the Original Unpaid Principal Balance of the PC Pool published on or about June 1. The aggregate interest payment to Holders is equal to the PC Coupon divided by 12 and multiplied by the unpaid principal balance of the Mortgages as determined using the June Pool Factor.

Subsequent months follow the pattern illustrated for August. Because of the predictive nature of Cash PC Pool Factors, the Pool Factor calculation procedure is identical whether the Cash PC Pool is formed before or after the 15th day of the month.

In the case of Cash Tiered Payment PCs, the Pool Factor published in a particular month for the related PC Pool represents the unpaid principal balance of the Mortgages in that PC Pool as of the end of the preceding monthly reporting period, based on the unpaid principal balances reported by the servicers. For example, the Pool Factor for a Cash Tiered Payment PC Pool published in March represents the unpaid principal balance of the related Mortgages as of February 15. If a servicer fails to file an accurate or timely report of its collections of principal payments for a particular month, or such report cannot be processed, Freddie Mac will not estimate the principal payments on the Mortgages that occurred during that reporting period. Accordingly, the Cash Tiered Payment PC Pool Factor may remain the same or reflect a smaller amount of principal reduction than otherwise would be the case.

The following illustrates the payment of principal and interest by application of the Pool Factor method to a hypothetical Cash Tiered Payment PC Pool formed in April. There is no difference in the application of the Pool Factor method to a Cash Tiered Payment PC Pool formed before or after the 15th day of the month.

April 1 .... The initial Pool Factor, which is not published, is equal to 1.0000000 as of the first day of the month of PC Pool formation.

April 22 .... The PC Pool is formed. The Original Unpaid Principal Balance of the PC Pool is equal to the unpaid principal balance of the TPMs as of March 15, as reported to Freddie Mac by servicers, except for TPMs, if any, purchased by Freddie Mac after March 15, which are reflected at their respective unpaid principal balances as of delivery of the TPMs to Freddie Mac for purchase.

By April 22 .... Within five business days after April 15, servicers report the outstanding principal balance of the TPMs as of April 15. This balance will be used in calculating the May Pool Factor and will reflect any principal payments received by servicers, including full and partial prepayments, and any repurchases of TPMs from March 16 through April 15.

On or about May 9 ...... The May Pool Factor is published, reflecting the April 15 unpaid principal balance reported by servicers, including full and partial prepayments, and any repurchases of TPMs from March 16 through April 15. If all of the TPMs in the PC Pool are in interest-only Initial Periods and if there have been no prepayments or repurchases, the May Pool Factor will not reflect a reduction in the unpaid principal balance of the TPMs and will therefore be equal to 1.0000000.

By May 22 .... Within five business days after May 15, servicers report the outstanding principal balance of the TPMs as of May 15. This balance will be used in calculating the June Pool Factor and will reflect any principal payments received by servicers, including full and partial prepayments, and any repurchases of TPMs from April 16 through May 15.

On or about June 9 ...... The June Pool Factor is published, reflecting the May 15 unpaid principal balance reported by servicers, including full and partial prepayments, and any repurchases of TPMs from April 16 through May 15. If all of the TPMs in the PC Pool are in interest-only Initial Periods and if there have been no prepayments or repurchases, the June Pool Factor will not reflect a reduction in the unpaid principal balance of the TPMs and will therefore be equal to 1.0000000.

June 15 .... The first payment is made to Holders as of the April Record Date. The aggregate principal payment to Holders is equal to the difference between the April and May Pool Factors multiplied by the Original Unpaid Principal Balance of the PC Pool. In this example, if the April Pool Factor is equal to 1.0000000 and the May Pool Factor is equal to 1.0000000, the difference will be zero. The aggregate interest payment to Holders is equal to the PC Coupon divided by 12 and multiplied by the Original Unpaid Principal Balance of the PC Pool.

Subsequent months follow the pattern illustrated for June. If a Cash Tiered Payment PC Pool includes only TPMs that are in interest-only Initial Periods, the Pool Factor for such PC Pool will remain 1.0000000 until such time as the amortization of principal with respect to the TPMs commences or until any prepayments or repurchases of the TPMs occur; payments to Holders during such period will therefore include only interest at the PC Coupon, and no principal.

Interest and Principal Payments

A Holder will receive interest monthly at the applicable PC Coupon on its pro rata share of the unpaid principal balance of the related Mortgages, as calculated by Freddie Mac under the Pool Factor method. See "Description of Mortgage Participation Certificates—Pool Factors" in this Offering Circular. For purposes of computing payments of interest, all principal payments with respect to the Mortgages are deemed to have been made on the first day of a calendar month. Interest at the PC Coupon is computed on the basis of a 360-day year of twelve 30-day months.

A Holder will receive monthly its pro rata share of all principal payments on the related Mortgages received by Freddie Mac, including any scheduled amortization, full and partial prepayments of principal, and principal received by virtue of condemnation, insurance or guaranty payments or foreclosure, and all proceeds of repurchases of the Mortgages by Freddie Mac or by the seller or the servicer. In the case of Scheduled Principal PCs, a Holder also will receive its pro rata share of monthly Scheduled Principal due with respect to the related Mortgages, as reported to Freddie Mac by servicers, whether or not received by Freddie Mac. In the case of Gold PCs, a Holder also will receive its pro rata share of Monthly Principal Reduction, whether or not received by Freddie Mac.

The differences in principal payment cycles for Original Cash PCs and Original Guarantor PCs exchanged for Converted Gold PCs will result in different payments to Holders of Converted Gold PCs in the month following the exchange (and possibly in subsequent months). On the first Payment Date following the month of a Single PC Exchange of a Cash PC or a Multiple PC Exchange consisting entirely of Cash PCs, the Holder of the resulting Converted Gold PC will receive a Monthly Principal Reduction payment for one month and no payment in respect of prepayments on the related Mortgages. On the first Payment Date following the month of a Single PC Exchange of a Guarantor PC or a Multiple PC Exchange consisting entirely of Guarantor PCs, the Holder of the resulting Converted Gold PC will receive Monthly Principal Reduction payments for two months and its pro rata share of full prepayments on the related Mortgages for the monthly reporting period ending on the 15th day of the month of exchange. On the first Payment Date following the month of a Multiple PC Exchange consisting of both Cash PCs and Guarantor PCs, the Holder of the resulting Converted Gold PC will receive principal payments based upon the relative portions of the Original PCs so exchanged. Such principal payments will reflect the Holder's proportionate share of full prepayments on the Mortgages previously identified to the related Original PCs that were Guarantor PCs and will not reflect prepayments on the Mortgages previously identified to the related Original PCs that were Cash PCs. With respect to any exchange, the amount of principal payments in subsequent months (beginning in the second month following the month of exchange) may be adjusted to reflect Freddie Mac's previous estimates of principal reduction (with respect to previously exchanged PCs) through the monthly reporting period ending on the 15th day of the month of exchange. Such principal payments may be reduced or eliminated in one or more subsequent payments if Freddie Mac's previous estimates of principal reduction on the related Mortgages significantly exceeded actual principal reduction on the related Mortgages through the end of such monthly reporting period.

Under the MultiLender Swap Program, a purchaser of a PC from Freddie Mac delivers Mortgages to Freddie Mac on or prior to the settlement date and on the settlement date receives a PC with an unpaid principal balance equal to the aggregate unpaid principal balance of such Mortgages as of delivery to Freddie Mac. The Mortgage seller pays to Freddie Mac, and Freddie Mac retains, principal payments (including scheduled amortization, and full and partial prepayments) on such Mortgages equal to the difference between the actual aggregate unpaid principal balance as of delivery of the Mortgages by such seller and the aggregate unpaid principal balance as of the settlement date. Freddie Mac purchases with such payments additional Mortgages for inclusion in the related PC Pool and, therefore, such principal payments will not be passed through to the seller in the same manner as other principal payments received by Freddie Mac on the Mortgages.

Under the Cash Program, a purchaser of a PC from Freddie Mac pays Freddie Mac on the settlement date interest computed at the PC Coupon for the period from the first day of the month of settlement to the day prior to the date of settlement, inclusive. Under the Guarantor Program and the MultiLender Swap Program, Freddie Mac pays to the Mortgage seller on the settlement date an amount of interest equal to the difference between (i) the amount of interest at Freddie Mac's required yield on the Mortgages, and (ii) the amount of interest at the PC Coupon, in each such case for the period from the first day of the month of settlement to the day prior to the date of settlement, inclusive.

Freddie Mac receives payments from servicers of principal (including partial prepayments) and interest made with respect to the Mortgages under various remittance arrangements. Any arrangement for remittance of funds will have no effect on the timing or amount of monthly payments made to Holders. Pending payment to Holders, Freddie Mac may invest funds received from servicers at its own risk and for its own benefit.

In the case of payment-date-to-payment-date Mortgages, servicers will report to Freddie Mac the amount applied to the reduction of the unpaid principal balance of each Mortgage during the related monthly reporting period, based on the dates on which the current and next previous monthly payments were actually received by the servicer from the borrower. Regardless of the date on which borrowers make their payments, servicers are required to report and remit to Freddie Mac one month's interest, at the constant yield required by Freddie Mac under its agreements with the servicers, on the unpaid principal balance of each Mortgage as of the beginning of the related monthly reporting period.

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

Guarantees

Freddie Mac guarantees to each PC Holder the timely payment of interest at the applicable PC Coupon on the Holder's pro rata share of the unpaid principal balance of the related Mortgages, as calculated by Freddie Mac under the Pool Factor method.

Freddie Mac guarantees to each Holder of a Gold PC the timely payment of Monthly Principal Reduction due on the related Mortgages as calculated by Freddie Mac, to the extent of such Holder's pro rata share of the unpaid principal balance of such Mortgages, whether or not received by Freddie Mac. Freddie Mac also guarantees to each Holder of a Gold PC the ultimate collection of all principal of the related Mortgages, not later than the Payment Date occurring in the same month as the Final Payment Date of such PC, without offset or deduction, to the extent of such Holder's pro rata share of the unpaid principal balance of the Mortgages.

Freddie Mac guarantees to each Holder of an Original PC the ultimate collection of all the 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. With respect to Scheduled Principal PCs, Freddie Mac also guarantees to each Holder the timely payment of the monthly principal scheduled to be paid under the amortization schedule applicable to each Mortgage, whether or not received by Freddie Mac. Freddie Mac's monthly payments of Scheduled Principal are computed based upon servicers' monthly reports to Freddie Mac of the amount of Scheduled Principal due on the Mortgages.

Pursuant to its guarantees, Freddie Mac indemnifies Holders against any diminution in principal by reason of charges for property repairs, maintenance and foreclosure.

Freddie Mac may pay the amount due on account of its guarantee of ultimate collection of principal 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 the FHA, or payment of the guaranty claim by the VA; or (iii) the expiration of any right of redemption, whichever occurs later, but in any event no later than the earlier of one year after an outstanding demand has been made upon the mortgagor for accelerated payment of principal or for payment of the principal due on the maturity of a Mortgage. Notwithstanding the immediately preceding sentence, in the case of Original PCs representing interests in Balloon/Reset Mortgages, Freddie Mac will pay the amount due under its guarantee of ultimate collection of principal no later than the 15th day of the second month following the month in which the Final Payment Date occurs. See "Mortgage Purchase and Servicing

Standards—Mortgage Servicing—Defaults and Delinquencies" and "—Foreclosures" in this Offering Circular for a description of the circumstances under which a demand for accelerated payment of principal may be made and, if made, withdrawn.

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

THE OBLIGATIONS OF FREDDIE MAC UNDER ITS GUARANTEE OF THE PCS ARE OBLIGATIONS OF FREDDIE MAC ONLY AND ARE NOT BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES. CERTAIN OF THE MORTGAGES ARE INSURED BY THE FHA OR GUARANTEED BY THE VA, BOTH OF WHICH ARE FEDERAL AGENCIES.

Final Payment Date

The Final Payment Date of Gold PCs (other than Converted Gold PCs), Original PCs issued under the Guarantor Program, and Original PCs issued under the Cash Program representing interests in TPMs, corresponds to the first day of the month in which the last monthly payment on the latest maturing Mortgage in the PC Pool is scheduled to be made. The Final Payment Date of such PCs may reflect the maturity date of only a single Mortgage in the related PC Pool. In the case of Original PCs (other than Tiered Payment PCs) issued under the Cash Program, the Final Payment Date corresponds to the first day of the month which is 15 or 30 years, as applicable, from the month of the first PC settlement against the PC Pool, which is the latest possible maturity date of any Mortgage in the PC Pool. The Final Payment Date of any such Cash PC Pool may not reflect the maturity date of any Mortgage in that PC Pool.

For a Converted Gold PC formed pursuant to a Single PC Exchange, the Final Payment Date will be the same as the Final Payment Date for the Original PCs or Giant PCs exchanged. For a Converted Gold PC formed pursuant to a Multiple PC Exchange, the Final Payment Date will be the latest Final Payment Date of all Original PCs and/or Giant PCs exchanged. In either case, the Final Payment Date will be set forth in the pool supplement for the related exchange transaction. The Final Payment Date of a Converted Gold PC reflects the original composition of the PC Pools represented by the Original PCs and/or Giant PCs exchanged therefor as of the date such PC Pools were formed, and may not reflect the maturity date of any Mortgage included in the PC Pool represented by the Converted Gold PC on the date of the exchange. Additional information with respect to the Final Payment Date of Converted Gold PCs is set forth in the Exchange Circular.

Holders may receive payments on PCs after the Final Payment Date because of the delay in the pass through of payments on the Mortgages as described in "Description of Mortgage Participation Certificates—Pool Factors" and "—Interest and Principal Payments" in this Offering Circular. For Original PCs other than Scheduled Principal PCs, payment plans, periods of forbearance or other actions which delay the receipt of payments by Freddie Mac may also result in payments to Holders after the Final Payment Date. See "Mortgage Purchase and Servicing Standards—Mortgage Servicing" in this Offering Circular.

With respect to Original PCs representing interests in a PC Pool containing Balloon/Reset Mortgages, Freddie Mac will repurchase from each PC Pool, pursuant to its guarantee of ultimate collection of principal, no later than the 15th day of the month in which the Final Payment Date occurs, any and all Mortgages then remaining in the PC Pool for any reason, including Mortgages that are in default or that are subject to a repayment plan or period of forbearance. The related Pool Factor published in the month following the month in which the Final Payment Date occurs will be zero, and the final payment to Holders of the related PCs will be made on the 15th day of the second month following the month in which the Final Payment Date occurs. For example, for such a PC Pool having a Final Payment Date of May 1, 1996, Freddie Mac will repurchase the remaining principal amount of the Mortgages in the PC Pool as of May 15, 1996 and that principal amount will be passed through to Holders on July 15, 1996.

In the case of PC Pools consisting of Balloon/Reset Mortgages, the Final Payment Date is determined based upon the Original Terms of the Mortgages without regard to any potential extension or modification of such Original Terms resulting from the exercise of the Options by the borrowers. In the case of PC Pools consisting of Biweekly Mortgages, the Final Payment Date is determined based upon the Original Maturity of the latest maturing Mortgage, without giving effect to the Biweekly Payment arrangement.

Weighted Average Life and Payment Behavior

Each borrower has the option, at any time during the term of a Mortgage, to pay monthly principal in an amount greater than the scheduled monthly payment or to make one or more unscheduled payments of some portion of the principal balance of the Mortgage (a "curtailment") or to prepay the entire principal balance prior to maturity. It is Freddie Mac's experience that while some prepayments occur randomly, prepayments of principal generally are affected by the variety of factors described below.

The weighted average life of a PC reflects the amount of principal, including both scheduled amortization and full and partial prepayments, which is paid periodically to Holders. For purposes of the preparation of its financial statements, Freddie Mac currently amortizes any discount on purchases of Mortgages and sales of PCs based on the assumptions that the prepayment pattern of Mortgages included in 30-year PC Pools will produce a weighted average life of approximately eight and one-half years and Mortgages in 15-year PC Pools will produce a weighted average life of approximately six years. Freddie Mac has revised these estimates from time to time to better reflect both actual and projected payment experience on Freddie Mac's mortgage portfolio.

The payment behavior of a PC Pool may be influenced by a variety of economic, tax, social, geographic, demographic, legal and other factors. Freddie Mac believes that in a fluctuating interest rate environment the predominant factor affecting the payment rate on a large, newly originated, geographically diverse group of mortgages underwritten on a consistent basis is the difference between the interest rates of the mortgages in that group (giving consideration to the cost of any secondary financing) and prevailing mortgage interest rates generally available during the terms to maturity of the mortgages in that group. In general, Freddie Mac expects prepayment rates to be inversely correlated with changes in prevailing mortgage interest rates. Thus, in an environment of rising mortgage interest rates, Freddie Mac would expect mortgage prepayment rates to decline. Conversely, in an environment of falling mortgage interest rates, Freddie Mac would expect prepayment rates to increase. Freddie Mac believes these expectations, which mirror Freddie Mac's experience, reflect both increased borrower refinancing activity and increased homeowner mobility in periods of declining or lower mortgage interest rates.

Other factors affecting payment behavior of the Mortgages included in a PC Pool may include: the age, geographic distribution and payment terms of the Mortgages; characteristics of the borrowers; changes in local industry and population migration as they affect housing turnover; activity of lenders in soliciting refinancing; and the use of second-lien or other individualized financing arrangements, including, for example, buydown plans. See "Mortgage Purchase and Servicing Standards—Special Financing Arrangements" in this Offering Circular. In addition, certain Mortgages may be originated with pre-established refinancing arrangements allowing borrowers to refinance such Mortgages with the original lender on terms that may be somewhat more favorable than would be available from other sources. Freddie Mac makes no representation as to the particular effect, if any, these factors may have on payment behavior of the Mortgages. The enforcement of due-on-transfer clauses in Mortgages may increase prepayment rates in certain periods, such as periods of unusually high housing turnover.

The number of foreclosures of Mortgages in a PC Pool and the number of repurchases of Mortgages also will affect payment behavior. For certain information concerning foreclosures of Mortgages, see "Defaults, Foreclosures and REO" in the Information Statement. Periods of declining property values, increasing use of secondary financing, and other factors which erode borrowers' equity may affect the frequency with which foreclosures occur. In addition, servicing decisions made with respect to the Mortgages, including the use of payment plans prior to demand for acceleration, negotiation of an acceptable schedule of reinstatement after a demand has been made, modification of terms of a defaulted Mortgage to avoid likely foreclosure of such Mortgage and the restructuring of Mortgages in bankruptcy proceedings, may also have an impact upon the prepayment behavior of Mortgages in particular PC Pools. For a description of Freddie Mac's servicing policies, see "Mortgage Purchase and Servicing Standards—Mortgage Servicing" in this Offering Circular.

The weighted average lives of Gold PCs, including Converted Gold PCs, are likely to be shorter than the weighted average lives of comparable Original PCs due to the shortening of the payment cycle and the operation of the guarantee of timely payment of Monthly Principal Reduction. In the case of Converted Gold PCs, this effect should be more pronounced for Guarantor PCs than for otherwise similar Cash PCs because the delay between the date on which the borrower's payment is due and the remittance of such payment to Holders is reduced by one month, which results in an additional Monthly Principal Reduction payment in the month following the month of the exchange to Holders of Converted Gold PCs that exchanged Guarantor PCs.

PC Pools consisting of Mortgages with similar characteristics have in some cases experienced differing prepayment behavior during the same period. Freddie Mac has not formed any opinion as to the reasons for such variations in prepayment behavior experience. PC Pools consisting of Mortgages with special characteristics may experience payment behavior which is similar to or different from PC Pools consisting of Mortgages without such characteristics. The payment behavior of PC Pools consisting of Mortgages with special characteristics may respond differently from Mortgages without such characteristics to the factors described above, and may also respond to additional factors as described below. Freddie Mac makes no representation as to the effect these factors may have on the Mortgages included in particular PC Pools. Neither does Freddie Mac possess information from which conclusions may be reasonably drawn regarding whether, or the extent to which, PC Pools containing Mortgages with special characteristics will exhibit rates of principal payment that are materially different from the principal payment rates for PC Pools containing Mortgages without such characteristics. Freddie Mac makes no representation as to the weighted average life of any particular PC Pool or the percentage of the Original Unpaid Principal Balance of any particular PC Pool which will be paid to Holders at any particular point in time.

During the time that any PC is outstanding, it can be expected that the related PC Coupon from time to time may be either greater than or less than the market interest rate available for comparable investments during that time period. Holders may receive principal payments exceeding amortizing principal during a time when reinvestment of the prepaid principal will produce either a greater or lesser return than would have been received on the PC had the borrowers on the related Mortgages not prepaid. Because borrower prepayments tend to occur most frequently when other reinvestment opportunities are least attractive, prepayments constitute a source of risks for investors.

An investor should carefully consider such risks, including, in the case of any PCs purchased at a discount, the risk that a slower than anticipated rate of principal payments on the Mortgages could result in an actual yield to such investor that is lower than the anticipated yield and, in the case of any PCs purchased at a premium, the risk that a faster than anticipated rate of principal payments could result in an actual yield to such investor that is lower than the anticipated yield.

Biweekly Mortgages

Biweekly Mortgages typically prepay principal to the extent of an extra monthly payment each 12-month period, creating a term to maturity shorter than a similar monthly payment mortgage. The two (or, in certain years, three) extra Biweekly Payments made each year on an Optional Biweekly Mortgage and the increased principal amortization resulting from the application of the Biweekly Payments to the unpaid principal balance of a Mandatory Biweekly Mortgage on a biweekly basis will accelerate the amortization of the Mortgage by an amount determined by the size of the Biweekly Payments relative to the Mortgage amount. The amount of reduction in the mortgage term will vary in a direct relationship with the related Mortgage Coupon. The table below indicates the scheduled maturities for hypothetical mortgages with original unpaid principal balances of $100,000 at specified interest rates and illustrates generally the impact that Biweekly Payments would have on the amortization schedule were payments on each mortgage to be made to maturity according to the monthly or biweekly schedule, as well as the weighted average life of each mortgage.

Mortgage Coupon	Monthly Payment Mortgage: Scheduled Maturity; Weighted Average Life	Biweekly Payment Mortgage: Revised Maturity; Weighted Average Life
8%	30 years; 20½ years	23 years; 15 years
9%	30 years; 21 years	22 years; 14½ years
10%	30 years; 21½ years	21 years; 14 years

Factors which affect prepayments on Mortgages generally also may affect the willingness of borrowers to continue making Biweekly Payments on those Biweekly Mortgages on which the borrower has the option to terminate the Biweekly Payment agreement.

Cooperative Share Mortgages

Cooperative Share Mortgages currently are located primarily in urban areas in the northeastern United States, particularly the New York City metropolitan area. Tenant-Stockholders may have purchased their interests in the Cooperative at below-market prices available only to persons who were residents of the project at the time of its conversion to cooperative ownership, and may therefore have an incentive to resell their interests at market prices in order to realize the resulting gains and/or "trade-up" to a single-family dwelling. Failure by a significant percentage of Tenant-Stockholders (including project sponsors or developers who hold interests in the Cooperative that were not sold at the time of its conversion to cooperative ownership) to pay their pro rata share of maintenance costs to the Cooperative could result, not only in termination of the Tenant-Stockholders' individual interests, but also in default by the Cooperative under any blanket mortgage, foreclosure on the project by the blanket lender and termination of the interests even of those Tenant-Stockholders who had fully paid their pro rata share of maintenance costs. These factors could contribute to a higher rate of principal payment for Cooperative Share Mortgages than for mortgages secured by other types of residential property. On the other hand, transfers of ownership interests and occupancy rights in a Cooperative are generally subject to restrictions, including a requirement for prior approval by the Cooperative's board of directors. In this connection, Tenant-Stockholders typically must satisfy the credit standards not only of the lenders who originate their Cooperative Share Mortgages, but also of the Cooperative's board of directors, which may result in reduced levels of default as compared to mortgages secured by other types of residential property. These factors could contribute to a lower rate of principal payment for Cooperative Share Mortgages than for other types of mortgages.

Relocation Mortgages

The prepayment behavior of Relocation Mortgages may depend upon whether the Mortgage is made in connection with permanent relocation of a corporate headquarters, the likelihood that the borrower will be relocated again, and the frequency with which such further relocation may occur. Freddie Mac does not collect information relating to these factors from sellers.

Second Mortgages

Prepayment of Second Mortgages may be expected to occur in connection with any refinancing of the underlying first lien mortgage. Refinancing of the first lien mortgage and/or the Second Mortgage is likely to be affected by the difference between prevailing mortgage interest rates and the interest rates on the Second Mortgage or the underlying first lien mortgage, or the effective interest rate of the first lien mortgage and the Second Mortgage combined. The payment behavior of Second Mortgages may be influenced by the purposes for which the borrowers obtained the Second Mortgages. Second Mortgages that are used to increase the value of the mortgaged property may exhibit prepayment behavior different from Second Mortgages that are used to repay existing non-mortgage debts. Freddie Mac does not restrict the use of the proceeds of the Second Mortgages that it purchases and does not collect this information from sellers. A Second Mortgage generally requires a borrower to perform all obligations with respect to the underlying first lien mortgage, including the obligation to make payments on the first lien mortgage when due. Borrower defaults on the first lien mortgage may therefore also constitute a default on the Second Mortgage, even if all payments on the Second Mortgage have been made on a timely basis by the borrower.

TPMs

TPMs are not level payment mortgages, and PC Pools containing TPMs may have weighted average lives that differ to some extent from the assumptions described above for 30-year and 15-year PC Pools. Freddie Mac makes no representation as to the extent of such difference.

The payment behavior of TPMs may not correlate to changes in prevailing mortgage interest rates to the same extent as the payment behavior of level payment mortgages, due to the lower Monthly Borrower Payments required during the Initial and Tiered Payment Periods and the higher Monthly Borrower Payments required thereafter. Thus, prepayments on TPMs may tend to increase as Monthly Borrower Payments approach their Fully Amortizing Levels, even if prevailing mortgage interest rates have remained constant. Freddie Mac believes that whether, and the extent to which, the prepayment behavior of TPMs, including TPMs subject to buydown arrangements, may materially differ from other Mortgages purchased by Freddie Mac depends primarily on the ability of borrowers to adjust to both the rate of periodic payment increases and the total increase in Monthly Borrower Payments on the TPMs. TPMs generally are underwritten at the initial Monthly Borrower Payment level, rather than at the Fully Amortizing Level for the stated Mortgage Coupon. Monthly Borrower Payments on TPMs may increase significantly during the Initial and Tiered Payment Periods from the level at which such Mortgages were underwritten, particularly in the case of TPMs subject to buydown arrangements.

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

Freddie Mac sells PCs only in book-entry form. Freddie Mac's fiscal agent for PCs is the Federal Reserve Bank of New York. Each of the Federal Reserve Banks maintains book-entry accounts for PCs. The Fiscal Agency Agreement between Freddie Mac and the Federal Reserve Bank of New York makes generally applicable to PCs 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 shall be agreed upon from time to time by Freddie Mac and the Federal Reserve Bank of New York. These regulations and procedures relate primarily to the registration, transfer and pledge of PCs. Each PC Pool is assigned a unique nine-character designation used to identify the PC Pool on the records of a Federal Reserve Bank (the "CUSIP Number").

PCs are issued and must be maintained and transferred only on the book-entry system of a Federal Reserve Bank in minimum original principal amounts, by PC Pool, of $1,000 and in additional increments of $1. A PC may not be transferred if, as a result of the transfer, the transferor or the transferee would have on deposit in its account PCs having an original principal amount of less than $1,000 with respect to the related PC Pool.

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

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

A Federal Reserve Bank credits interest and principal to Holders on each Payment Date. A Holder of a PC on the books and records of a Federal Reserve Bank as of the Record Date at the end of the month will be entitled to the payment of principal and interest on the PC for the entire month, which payment will be made on the Payment Date in the next succeeding month in the case of Gold PCs, and in the second succeeding month in the case of Original PCs.

The first credit to a Holder's account will be made on the Payment Date in the first month following the month in which settlement on a Gold PC occurred and in the second month following the month in which settlement on an Original PC occurred. This payment procedure may result in a delay in the receipt of the initial payment of up to 45 days from the date of a Gold PC purchase and up to 75 days from the date of an Original PC purchase. Thereafter, payments will be received by the Holder on each succeeding Payment Date.

Remedies

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

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

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

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

A beneficial owner of PCs ("Beneficial Owner") who delivers Mortgages under the MultiLender Swap Program in exchange for PCs should be aware that it may be required to recognize gain or loss with respect to all or a portion of such PCs. Beneficial Owners should consult their own tax advisors regarding this matter.

Under the book-entry system, each Holder will be furnished with annual information for federal income tax purposes that will itemize with respect to each PC held the total gross interest at the interest rates on the underlying Mortgages, gross original issue discount, if any, servicers' fees and Freddie Mac's management and guarantee fees, the total amount of interest paid on the PC at the PC Coupon, federal income taxes withheld, if any, prepayment charges, if any, and distribution of principal on the PCs for the calendar year.

General Tax Characteristics

PCs have the following characteristics for federal income tax purposes (subject to the qualifications described under "Balloon/Reset Mortgages" and "Buydown Accounts" below):

(A) A PC Pool formed as described herein will not be classified as an association taxable as a corporation, but rather will be classified as a grantor trust under subpart E, Part I of Subchapter J of the Code. Subject to the potential application of the "stripped bond" rules discussed below, each Beneficial Owner will be treated as the owner of a pro rata undivided interest in the ordinary income and corpus of the grantor trust for that particular PC Pool, and will be considered the owner of a pro rata undivided interest in each of the Mortgages included therein. Accordingly, each Beneficial Owner will be required to report on its federal income tax return its pro rata share of the entire income from the Mortgages, including gross interest income at the interest rates on the Mortgages and incidental fees, if any, in accordance with its method of accounting. Each Beneficial Owner will be entitled to deduct, under Section 162 or 212 of the Code, in accordance with its method of accounting, its pro rata share of servicers' fees and Freddie Mac's management and guarantee fees, including incidental fees paid by the borrowers and retained by servicers or Freddie Mac. The Tax Reform Act of 1986 (the "1986 Act") limits the deduction for a Beneficial Owner's share of the fees in the case of (i) estates and trusts, and (ii) individuals owning an interest in a PC directly or through an investment in a "pass-thru entity" (other than in connection with such individual's trade or business). Pass-thru entities include partnerships, S corporations, and grantor trusts, but do not include estates, nongrantor trusts, cooperatives, real estate investment trusts, and publicly traded mutual funds. Generally, such deduction, when aggregated with certain of the Beneficial Owner's other miscellaneous itemized deductions, is allowable only to the extent that such aggregate amount exceeds two percent (2%) of the Beneficial Owner's adjusted gross income.

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

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

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

Cooperative Share Mortgages

The Internal Revenue Service has ruled that Cooperative Share Mortgages constitute "loans . . . secured by an interest in real property" within the meaning of Section 7701(a)(19)(C)(v) of the Code, are "qualifying real property loans" within the meaning of Section 593(d) of the Code, are "real estate assets" for purposes of Section 856(c)(5)(A) of the Code, and that interest thereon is "interest on obligations secured by mortgages on real property" for purposes of Section 856(c)(3)(B) of the Code.

Balloon / Reset Mortgages

The Internal Revenue Service has issued Revenue Rulings characterizing PCs as representing beneficial interests in the underlying Mortgages. However, such rulings do not address PCs representing interests in Mortgages subject to a mandatory repurchase such as PCs representing interests in Balloon/Reset Mortgages. There can be no assurance that such Revenue Rulings can be relied upon with respect to PCs that contain such a feature. No opinion is expressed as to whether the sale of PCs that provide for a mandatory repurchase of the underlying Balloon/Reset Mortgages at the Option Date should be treated for federal income tax purposes as a sale to Holders of undivided beneficial interests in such Mortgages or as the issuance of a Freddie Mac debt obligation. Freddie Mac plans to report for federal income tax purposes assuming that these PCs represent undivided beneficial interests in the Balloon/Reset Mortgages contained in the related PC Pool. If such PCs were to be treated as debt of Freddie Mac, the PCs would not constitute "qualifying real property loans" within the meaning of Section 593(d) of the Code, interest income on the PCs would not be "interest on obligations secured by mortgages on real property" as that phrase is used in Section 856(c)(3)(B) of the Code, and ownership of such a PC by a real estate investment trust would not constitute ownership of "real estate assets" as that phrase is used in Section 856(c)(5)(A) of the Code. In addition, such PCs would not constitute "loans . . . secured by an interest in real property" within the meaning of Section 7701(a)(19)(C)(v) of the Code but would constitute "obligations of a corporation which is an instrumentality of the United States" within the meaning of Section 7701(a)(19)(C)(ii) for purposes of determining whether an institution qualifies as a "domestic building and loan association." Investors are advised to consult their own tax advisors regarding the federal tax treatment of such PCs.

Buydown Accounts

In connection with certain of the Mortgages, there may be maintained a buydown account which provides a source for the payment of interest for a part of the term of a Mortgage and which serves as security for the repayment of the Mortgage in addition to the residential real property or the interest therein that secures the Mortgage. The Internal Revenue Service may take the position that PCs representing ownership of such Mortgages do not constitute "qualifying real property loans" within the meaning of Section 593(d) of the Code to the extent the related buydown accounts are maintained with a Beneficial Owner.

Certain of the buydown accounts may consist of funds advanced by the originator of the Mortgage. It is not clear for federal income tax purposes whether such funds would be treated as funds of the borrower, with the borrower correspondingly treated as obligated for the full stated interest rate in the Mortgage, or whether the borrower should be treated as obligated to pay only the "bought down" interest rate. Freddie Mac plans to report for federal income tax purposes using the stated interest rate in the Mortgage. If the Internal Revenue Service were to view the borrower's obligation on a net basis, a Beneficial Owner would be treated as owning two separate debt instruments, one an obligation of the borrower and a separate obligation of the originator for the "bought down" amounts. In such event, there would be some acceleration of taxable income into the period of the buydown accounts. In addition, such issue could affect the status of PCs for purposes of qualifying as "loans . . .

secured by an interest in real property" within the meaning of Section 7701(a)(19)(C)(v) of the Code, as "qualifying real property loans" within the meaning of Section 593(d) of the Code, and as "real estate assets" as that phrase is used in Section 856(a)(5)(A) of the Code and could affect the treatment of interest income on PCs as "interest on obligations secured by mortgages on real property" as that phrase is used in Section 856(c)(3)(B) of the Code. The status of the PCs for these purposes will be unclear only for the period and only to the extent of the buydown accounts.

Discount and Premium

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

A Beneficial Owner will be required to report as ordinary income its pro rata share of any original issue discount with respect to the Mortgages in the relevant 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 that was originated as an adjustable rate or graduated payment Mortgage or with respect to a Mortgage that provides for an "interest holiday," *i.e.*, an initial period during which no interest accrues. Even if there is original issue discount with respect to a Mortgage, a Beneficial Owner will be required to accrue such original issue discount into income currently only if it exceeds a *de minimis* amount. The Mortgages also would be subject to the original issue discount rules if, as discussed below, the "stripped bond" provisions of the Code were determined to be applicable. Unless the "stripped bond" rules apply, the original issue discount rules described above would not apply to Mortgages of individuals originated before March 2, 1984 and Mortgages of partnerships originated before July 2, 1982.

In general, a Beneficial Owner who is considered to have purchased its interest in any Mortgage at a market discount may be required to allocate the market discount among the principal payments on the Mortgage and include in income the discount allocated to each payment when the payment is received or comes due. The character of such income as ordinary income or capital gain will depend on the status of the issuer of the Mortgage and the date of issuance of the Mortgage. With respect to Mortgages originated on or prior to July 18, 1984, a Beneficial Owner will report the market discount as capital gain in the case of a Mortgage issued by a corporation or a Mortgage issued by a partnership after July 1, 1982, and as ordinary income in the case of a Mortgage issued by an individual (assuming the PC is held as a capital asset and subject to the discussion of Section 1277 and "stripped bonds" below). With respect to Mortgages originated after July 18, 1984, the market discount rules of Sections 1276-1278 of the Code will apply to treat market discount (in excess of a *de minimis* amount) as ordinary income to the extent of the portion of such discount that is considered to have accrued during the period a Beneficial Owner held the PC. Market discount will be considered to accrue under a straight-line method unless a Beneficial Owner elects to calculate accrued market discount under a constant interest method. Partial principal payments will be included in income to the extent such payments do not exceed the accrued market discount. Under Section 1277, interest paid or accrued by a Beneficial Owner on indebtedness incurred or continued to purchase or carry Mortgages acquired at a market discount (whether such Mortgages were issued on or prior to or after July 18, 1984) is allowed as a deduction only to the extent such interest (reduced by the interest on the Mortgages includible in income) exceeds the market discount that accrued during the taxable year such interest was paid or accrued. Any such deferred interest expense will, in general, be allowed as a deduction when the related discount income is recognized. As an alternative, a Beneficial Owner may elect to include market discount in income currently, under either a straight-line method or a constant interest method, on all market discount obligations held by such Beneficial Owner (other than market discount obligations acquired in prior taxable years), in which event the foregoing ordinary income on disposition and interest deferral rules will not apply. The precise application of the market discount rules to the Mortgages is not clear. It is anticipated that the application of the market discount rules to obligations such as the Mortgages will be addressed in regulations to be issued by the United States Department of the Treasury. The legislative history of the 1986 Act indicates that, until the issuance of regulations, it is permissible for a Beneficial Owner to elect to accrue market discount as follows: (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 shall be the amount of market discount that bears the same ratio to the total amount of remaining market discount that the amount of stated interest paid in the accrual period bears to the total amount of stated interest remaining to be paid on the Mortgage as of the beginning of the accrual period. Investors should consult their own tax advisors regarding the application of the market discount rules as well as the advisability of making any of the above elections.

In the event a Beneficial Owner is considered to have purchased its interest in any Mortgage at a premium, such premium may be amortizable under a constant interest method at the election of the taxpayer under Section 171 of the Code if the Mortgage is the obligation of a corporation or, if not the obligation of a corporation, is originated after September 27, 1985.

A Beneficial Owner who sells a PC will recognize gain or loss equal to the difference between its adjusted tax basis in the PC and the amount realized in the sale (exclusive of amounts attributable to accrued and unpaid interest, which will be treated as ordinary interest income). In general, such adjusted tax basis will equal the Beneficial Owner's cost for the PC, increased by the amount of any discount income previously reported with respect to the PC and decreased by the amount of any premium previously deducted with respect to the PC and the amount of any distributions of principal received thereon. Any such gain or loss would be capital gain or loss if the 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 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 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.

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

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

Backup Withholding and Foreign Withholding

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

Under temporary U.S. Treasury regulations, payments made to a Beneficial Owner who is not a U.S. person with respect to a PC that represents an undivided interest in a pool of mortgages all of which were originated after July 18, 1984 generally will not be subject to United States federal income tax, including withholding tax, if (i) such PC is not held by such Beneficial Owner in connection with a trade or business in the United States, (ii) such Beneficial Owner is not with respect to the United States a personal holding company or corporation that accumulates earnings in order to avoid United States federal income tax and (iii) such Beneficial Owner provides a statement signed under penalties of perjury that includes its name and address and certifies that it is not a U.S. person in accordance with applicable requirements. To the extent amounts paid with respect to a PC to a Beneficial Owner who is not a U.S. person represent interest on obligations issued before July 19, 1984, such amounts will be subject to withholding of United States federal income tax at the rate of thirty percent (30%) or such lower rate as may be provided by applicable tax treaty. Regardless of the date of issuance of the Mortgages, backup withholding tax will not apply to payments with respect to a PC made to a Beneficial Owner who is not a U.S. person if an appropriate statement of non-U.S. beneficial ownership is furnished by such Beneficial Owner, as described in (iii) in the first sentence of this paragraph.

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

ERISA CONSIDERATIONS

29 C.F.R. Section 2510.3-101 (the "Regulation") 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 and 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 the Regulation is to make clear that the sponsor (that is, the entity that organizes and services the mortgage pool) and other persons, in providing services with respect to the assets in the mortgage 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.

Except in the case of PCs representing interests in Cooperative Share Mortgages, it is clear from the Regulation that PCs qualify as "guaranteed governmental mortgage pool certificates" and that PCs, and not the underlying Mortgages, are considered to be Plan assets. Although the Regulation does not explicitly state that PCs representing interests in Cooperative Share Mortgages would qualify as "guaranteed governmental mortgage pool certificates," strong arguments can be made that such PCs do so qualify.

In light of the foregoing, fiduciaries of a Plan subject to ERISA considering the purchase of PCs representing interests in Cooperative Share Mortgages should consult their own counsel regarding whether the assets of the PC Pool which are represented by such PCs would be considered "plan assets," the consequences that would apply if the PC Pool's assets were considered "plan assets" and the applicability of statutory or administrative exemptive relief from the prohibited transaction rules.

MORTGAGE PURCHASE AND SERVICING STANDARDS

All mortgages purchased by Freddie Mac must meet certain standards set forth in the Freddie Mac Act. The Freddie Mac Act sets specific purchase requirements regarding mortgages with loan-to-value ratios in excess of 80% and limitations as to the maximum mortgage amount as discussed below. The Freddie Mac Act also confines Freddie Mac to purchasing, so far as practicable, mortgages which it deems to be of such quality, type and class as to meet generally the purchase standards imposed by private institutional investors. This aspect of the Freddie Mac Act requires that mortgages purchased be readily marketable to institutional mortgage investors. The mortgage purchase standards Freddie Mac has developed, including its credit, appraisal and underwriting guidelines, are set forth in Freddie Mac's Purchase Documents, including the *Sellers' & Servicers' Guide.*

The mortgage purchase standards described herein are those in effect on the date of this Offering Circular. Freddie Mac in its sole discretion may from time to time modify its mortgage purchase standards, including its credit, appraisal and underwriting guidelines, as set forth in the *Sellers' & Servicers' Guide* (other than purchase standards embodying express Freddie Mac Act requirements). Accordingly, there is no assurance that Freddie Mac's mortgage purchase standards in the future will conform to those described herein. Freddie Mac also considers requests from mortgage sellers to waive or modify specific aspects of its mortgage purchase standards. Freddie Mac grants such waivers or modifications in its sole discretion provided that it determines the waiver or modification will not materially alter the likely principal payment behavior of the Mortgages. Since Freddie Mac may grant one or several such waivers or modifications with respect to the Mortgages in a PC Pool, Freddie Mac makes no representation that all or any portion of the Mortgages in any particular PC Pool will conform to all of the purchase standards set forth in the *Sellers' & Servicers' Guide*, including those summarized below.

Set forth below is a general summary of certain aspects of Freddie Mac's mortgage purchase standards. Subject to Freddie Mac's right to waive or modify these standards, and except for differences specifically described herein or in any Supplement, this summary is qualified in its entirety by Freddie Mac's Purchase Documents, including the *Sellers' & Servicers' Guide* and other documents. Copies of the *Sellers' & Servicers' Guide*, and other materials, may be obtained from Freddie Mac's Subscription Services Department upon payment of a prescribed fee.

Credit, Appraisal and Underwriting Guidelines

The Mortgages conform to the credit, appraisal and underwriting guidelines established by Freddie Mac, except to the extent that certain of such guidelines have been modified or waived in connection with the purchase of specific Mortgages. These guidelines are designed to determine the value of the real property securing a Mortgage and the creditworthiness of the borrower.

Freddie Mac distinguishes among three types of property securing Mortgages and underwrites Mortgages in accordance with standards established for each type of property: (i) an owner-occupied property; (ii) a second home; and (iii) an investment property. An owner-occupied property is a one-to-four unit property occupied by the borrower as a primary residence. A second home is a one unit property, occupied by the borrower for some portion of the year and not subject to any time sharing ownership arrangement. In addition, a second home must be suitable for full year occupancy as a primary residence and no income derived from the property will be considered for underwriting purposes. An investment property is a one-to-four unit property, owned by an individual and suitable for year round rental and occupancy.

The Uniform Instruments for Mortgages originated on or after May 1, 1991 on owner-occupied property require that the borrower occupy such property as the borrower's principal residence within 60 days after execution of the Mortgage documents and continue to occupy the property as a principal residence for at least one year thereafter, unless the lender agrees otherwise or unless extenuating circumstances exist that are beyond the borrower's control. Failure of the borrower to occupy the property as a principal residence or the giving of materially false or inaccurate representations during the loan application process regarding the borrower's occupancy of the property as a primary residence constitutes a default under the terms of the Uniform Instruments.

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

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

Loan-To-Value Ratio

Under the Freddie Mac Act, Freddie Mac may not purchase a Conventional Mortgage if the outstanding principal balance at the time of purchase or, in the case of a Second Mortgage, the total outstanding indebtedness as a result of such Mortgage at the time of its origination, exceeds 80% of the value of the real property securing the Mortgage, unless one of the following conditions is met: (i) the seller retains a participation interest in the Mortgage of not less than 10% of the Mortgage; (ii) the seller agrees, for such period and under such circumstances as Freddie Mac may prescribe, to repurchase or replace the Mortgage upon demand by Freddie Mac in the event that the Mortgage is in default; or (iii) the portion of the unpaid principal balance of the Mortgage or, in the case of a Second Mortgage, the total outstanding indebtedness as a result of such Mortgage, which is in excess of 80% of such value, is insured by a mortgage insurer that meets Freddie Mac's eligibility requirements.

In the application of its mortgage purchase standards, Freddie Mac generally does not purchase a first lien mortgage on a one-family primary residence if the mortgage has an original loan-to-value ratio exceeding 95% of the lower of the appraised value at origination or the purchase price of the real property securing the mortgage. Depending on certain factors, including the use of mortgage proceeds (*e.g.*, purchase money or refinance) and type of property securing the mortgage (*e.g.*, primary residence as compared to second home or investment property), Freddie Mac may vary the loan-to-value ratio requirements for mortgages it will purchase. Generally, Freddie Mac requires lower loan-to-value ratios (and thus greater borrower equity) for second homes and investment properties than for primary residences. For example, Freddie Mac generally requires loan-to-value ratios not greater than 70% for investment properties, 80% for second homes, 80% for three-to-four family primary residences and 90% for two family primary residences.

Freddie Mac also generally requires lower loan-to-value ratios for mortgages which refinance existing mortgages as compared to mortgages which finance the purchase of properties. The loan-to-value ratio of refinance mortgages secured by one-to-two unit owner-occupied residences generally may not exceed 90% and the loan-to-value ratio of refinance mortgages secured by three-to-four unit owner-occupied properties generally may not exceed 80%. The loan-to-value ratio of refinance mortgages secured by second homes or investment properties generally may not exceed 70%. Further, Freddie Mac imposes more stringent loan-to-value ratio requirements for refinance mortgages which permit borrowers to take cash out of refinance mortgage proceeds. For example, the loan-to-value ratio of "cash-out" refinance mortgages secured by owner-occupied residences generally may not exceed 75%.

Generally, Freddie Mac does not purchase Second Mortgages that have total financing-to-value ratios exceeding 80%. The total financing-to-value ratio of a Second Mortgage is determined by dividing the sum of the outstanding principal balance of the first lien mortgage at the time the Second Mortgage was closed plus the original principal amount of the Second Mortgage by (i) the lower of the appraised value of the mortgaged property at the time the Second Mortgage was closed or the purchase price of such property, in the case of Mortgages originated in connection with the purchase of the mortgaged property, or (ii) the appraised value of the mortgaged property at the time the Mortgage was closed, in the case of Mortgages not originated in connection with the purchase of the mortgaged property.

Freddie Mac purchases FHA Mortgages having loan-to-value ratios and maximum principal amounts as determined under the National Housing Act, provided that such maximum principal amounts do not exceed those established by Freddie Mac for Conventional Mortgages. The FHA generally permits a maximum loan-to-value ratio of between 90% and 100% for owner-occupied properties and an 85% loan-to-value ratio for non-owner-occupied properties. The VA does not impose loan-to-value ratio limitations on mortgages which it guarantees. Freddie Mac will purchase a VA Mortgage only if the portion of the Mortgage which is not guaranteed by the VA does not exceed 75% of the lesser of (i) the purchase price of the real property securing the Mortgage or (ii) the appraised value of such real property at the time the Mortgage is closed. With respect to a VA Mortgage being used to refinance an existing VA Mortgage, the portion of the Mortgage that is not guaranteed by the VA may not exceed 75% of such appraised value.

In formulating its credit and underwriting standards, Freddie Mac establishes loan-to-value ratios based on different parameters, including those described above, to reflect its assessment of credit risk posed by different types of mortgage purchases. From time to time, Freddie Mac purchases mortgages on a negotiated basis at higher loan-to-value ratios than those specified above, based on its evaluation of and experience with the seller of the mortgages, the presence of appropriate credit enhancements, and other factors.

Mortgage Insurance

In the application of its mortgage purchase standards, Freddie Mac generally purchases Conventional Mortgages secured by owner-occupied properties with loan-to-value ratios exceeding 80% only if the unpaid principal balance in excess of 75% of the lower of the appraised value at origination or the purchase price is insured by a mortgage insurer that meets Freddie Mac's eligibility requirements. If a seller retains a participation interest in a Mortgage, and mortgage insurance is required, the calculation of the amount of mortgage insurance required by Freddie Mac is based upon the amount of Freddie Mac's participation interest. Under conditions specified by Freddie Mac, mortgage insurance may not be required on such a Mortgage if the seller agrees to repurchase the Mortgage in the event of default or if the seller retains a 10% participation interest in the Mortgage.

For FHA Mortgages and VA Mortgages, the seller must provide assurances satisfactory to Freddie Mac that each Mortgage is fully insured by the FHA or is guaranteed by the VA as of the date of delivery. The insurance or guaranty must be as specified in the applicable FHA or VA regulations.

Mortgage Amount

The Freddie Mac Act establishes limits on the maximum original mortgage amount of any Conventional Mortgage which Freddie Mac may purchase. For Mortgages delivered to Freddie Mac after January 1, 1991, the original mortgage amount may not exceed $191,250 for a one-family dwelling, $244,650 for a two-family dwelling, $295,650 for a three-family dwelling and $367,500 for a four-family dwelling. The applicable limitations for Conventional Mortgages may be increased by 50% for properties located in Alaska, Guam, or Hawaii.

The maximum original mortgage amount for a Second Mortgage is $95,625 (which may be increased by 50% to $143,400 for properties located in Alaska, Guam or Hawaii). This limit is one half of the current maximum mortgage amount for first lien mortgages on one-family dwellings. If Freddie Mac has purchased an interest in the first lien mortgage secured by the same property, the sum of the original amount of the first lien mortgage and the original amount of the Second Mortgage may not exceed $191,250, the mortgage limit set forth above for a first lien mortgage on a one-family dwelling.

The maximum original mortgage amount for a VA Mortgage is $184,000. Freddie Mac purchases FHA Mortgages having maximum original principal amounts as determined under the National Housing Act, provided that the maximum original principal amounts do not exceed those established by Freddie Mac for Home Mortgages purchased by Freddie Mac in its Conventional Mortgage purchase programs.

Special Financing Arrangements

Under conditions specified in the *Sellers' & Servicers' Guide* and any applicable FHA or VA regulations, Freddie Mac may purchase first lien mortgages on properties which are subject to secondary or special financing arrangements, including, for example, junior mortgages, buydown plans, other property seller contributions or shared equity plans. Any junior mortgages may contain features such as the absence of regular amortization of principal and deferred interest and/or principal payments. Freddie Mac may also purchase a Conventional Mortgage secured by a property on which a subordinate lien has been placed for an amount which includes the unpaid principal balance of the first lien where the holder of the subordinate lien may repay the first lien if market interest rates decline or at any other time.

The mortgaged premises securing a Second Mortgage may be subject to liens that are subordinate to the Second Mortgage, provided that the proceeds of the first lien mortgage and the Second Mortgage were applied to the purchase of the property, the total financing on the property (including the first lien mortgage, the Second Mortgage and all financing subordinate to the Second Mortgage) at the time of delivery of the Second Mortgage to Freddie Mac does not exceed 95% of the lesser of the property's original appraised value or its original purchase price, and the total financing-to-value ratio of the first lien mortgage and the Second Mortgage at the time of origination of the Second Mortgage does not exceed 80% of the appraised value of the property at such time. The first lien mortgage on a property that secures a Second Mortgage generally must be fully amortizing and must not permit negative amortization.

Under certain conditions, Freddie Mac permits special payment arrangements under which funds are placed in a buydown account by a third party, the borrower or the lender, and are used to pay a portion of the scheduled monthly payment on a Mortgage for a specified period, generally 18 to 36 months. Such arrangements temporarily reduce the effective interest rate paid by the borrower during the buydown period, enabling the borrower to make payments for the first few years of the Mortgage at an amount less than rates prevailing for the same type of mortgage without a buydown feature. The difference between the effective rate paid by the borrower and the Mortgage Coupon of the Mortgage is paid monthly from funds in the buydown account. In the event of prepayment of the Mortgage or borrower default resulting in acceleration and foreclosure, Freddie Mac requires the lender to apply amounts in the buydown account in accordance with the terms of the buydown agreement. Unless specified in such agreement to the contrary, Freddie Mac requires such amounts to be applied to the unpaid principal balance of the Mortgage. During the buydown period the effective interest rate (the rate at which the borrower makes monthly payments) on the Mortgage increases at specified intervals, such as annually for two to three years, or semiannually for a shorter period such as 18 months. At expiration of the buydown period, the interest payments required to be made by the borrower on the Mortgage increase to the fixed Mortgage Coupon, which may be higher than the rate the borrower would have paid absent the buydown feature. Whether and the extent to which Mortgages with buydown features would exhibit repayment behavior materially different from Mortgages without buydown features depends primarily upon factors such as the ability of borrowers to adjust to both the rate of periodic payment increase as well as the total increase in monthly payments on the Mortgage.

Freddie Mac also purchases Mortgages as to which an individual third party makes contributions to the down payment on the purchase of the property by the borrower-occupant and shares in the equity in the property. The third party also may contribute to the borrower-occupant's monthly payments. Any agreement for sharing of equity cannot require sale of the property or buyout of the third party's interest prior to seven years following the date of mortgage origination.

Eligible Sellers, Servicers and Warranties

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

Sellers are required to give certain warranties to Freddie Mac. These warranties cover such matters as the validity of the Mortgage as a first lien (or second lien, in the case of a Second Mortgage); the fact that payments on the Mortgage are current at the time of delivery to Freddie Mac; proper execution and recordation of the Mortgage; compliance by the originator with the requirements of all state and federal laws, including those relating to settlement procedures, authorization to do business in the state in which the mortgaged property is located, truth-in-lending and usury; existence and validity of title, hazard and mortgage insurance policies and, where applicable, insurance covering rent loss in the event of the damage or destruction of certain mortgaged property; and the enforceability of any FHA insurance or VA guaranty. Sellers also warrant that each Mortgage complies with the requirements of the applicable Freddie Mac purchase program, with such requirements as are generally imposed by private institutional mortgage investors in the area in which the mortgaged property is located, and with such requirements as are imposed under FHA or VA regulations, if applicable. Such warranties are made even if the seller is not the originator of the Mortgage. Sellers of Second Mortgages are also required to give warranties to Freddie Mac covering the absence of any rights which might give rise to intervening liens other than the first lien mortgage and the fact that the Second Mortgage is free of all defenses and claims of the borrower relating to unsatisfactory workmanship or materials in connection with any improvements financed by the Second Mortgage.

Under certain circumstances, Freddie Mac may modify the warranties required to be made by a seller. This may occur, for example, in cases where Freddie Mac grants waivers or modifications to its purchase standards.

Mortgage Servicing

Servicers agree, subject to Freddie Mac's general supervision, to perform diligently all services and duties customary to the servicing of Mortgages and, where applicable, in accordance with FHA or VA regulations. Servicers generally must retain a minimum servicing fee on whole loans. Freddie Mac also requires servicers to retain a minimum servicing fee for participation interests, and generally will decline to purchase a participation with a Mortgage Coupon less than Freddie Mac's required net yield plus the applicable minimum servicing fee. The duties performed by servicers include, but are not limited to, collection and remittance of principal and interest, computation and adjustment as appropriate of the Monthly Borrower Payments, Monthly Buydown Payments (if any) and Scheduled Monthly Payments with respect to TPMs, administration of escrow accounts, collection of insurance or guaranty claims, property inspections and, if necessary, foreclosure and disposal of property acquired through foreclosure. Subject to Freddie Mac's approval, servicers may contract to have servicing performed by, or sell their servicing rights to, other servicers acceptable to Freddie Mac. In addition, subject to Freddie Mac's approval, servicers may allow subservicers to perform servicing functions provided that the servicer agrees that servicing, including all remittance obligations, will be performed as required by Freddie Mac's policies and requirements.

Pursuant to the PC Agreement, Freddie Mac may service or supervise servicing of the Mortgages for the benefit of Holders and has full power and authority to do or cause to be done any and all things in connection with such servicing which it deems necessary or desirable.

Freddie Mac requires the servicing of Mortgages to be performed in a manner consistent with prudent servicing standards. Freddie Mac monitors servicers' performance through periodic and special reports and inspections and has developed servicing policies and procedures to support the efficient and uniform servicing of Mortgages. Any of Freddie Mac's servicing policies and procedures are subject to change or waiver at any time and at Freddie Mac's sole discretion so long as the policies and procedures as modified continue to be prudent. Such changes or waivers may be made on a uniform basis, such as by amendment to Freddie Mac's *Sellers' & Servicers' Guide*, or on an individual basis in connection with the servicing of a particular Mortgage. Freddie Mac will, however, require servicers to service the Mortgages in PC Pools in substantially the same manner as for mortgages purchased by Freddie Mac but not pooled.

Set forth below is a brief description of certain aspects of Freddie Mac's current servicing policies and procedures concerning prepayments, assumption and due-on-transfer policies, fees, delinquencies and foreclosures. This description is not intended to be complete and is qualified in its entirety by the Freddie Mac *Sellers' & Servicers' Guide*. Further, in view of the highly individualized nature of many servicing arrangements, adaptation, including waiver, in whole or in part, of the requirements in the *Sellers' & Servicers' Guide* to fit particular situations can be expected to occur with some frequency.

Prepayments

A full prepayment of principal on a Mortgage may occur upon a transfer of the real property securing the Mortgage or a refinancing of the Mortgage. A borrower may prepay a Mortgage in full at any time.

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

Assumption and Due-on-Transfer Policies

A "due-on-transfer clause" is a provision in a security instrument which by its terms permits acceleration of the unpaid principal balance upon transfer of the property or an interest therein. To the extent permitted under the security instrument and state and federal law and except in the case of certain types of transfers noted below, Freddie Mac generally requires its servicers to enforce due-on-transfer clauses and to demand full payment of the remaining principal balance of a Mortgage upon the sale or transfer of the property securing the note, irrespective of the creditworthiness of the transferee (referred to as a policy of "automatic acceleration"), subject to its discretion to permit assumptions as an alternative to foreclosure in appropriate cases.

The Garn-St Germain Depository Institutions Act of 1982 (the "DIA") is the principal federal legislation addressing enforcement of due-on-transfer clauses. The DIA provides for federal preemption of state statutory or judicial law (except as noted below) that would otherwise restrict enforcement of due-on-transfer clauses. Except for cases in which enforcement of due-on-transfer clauses is expressly prohibited, the DIA permits a mortgage holder to enforce a due-on-transfer clause. Thus, under the DIA generally, a mortgage containing a due-on-transfer clause enforceable by its terms may be accelerated upon transfer of the mortgaged property and is not assumable.

The DIA, however, contains several provisions which prohibit enforcement of due-on-transfer clauses. First, mortgages originated or assumed on or between the date a state adopted a restriction on the enforcement of due-on-transfer clauses and October 15, 1982 (the "window period") continued to be assumable but only until October 15, 1985. The DIA also granted states the authority to extend the October 15, 1985 deadline. Freddie Mac has identified three states in which window periods still exist. Michigan, New Mexico and Utah have enacted legislation, pertaining to mortgages securing property located in the state, extending the October 15, 1985 deadline indefinitely. Therefore, mortgages originated or assumed during the following periods are assumable throughout the life of the mortgage: Michigan January 5, 1977 to October 15, 1982; New Mexico March 15, 1979 to October 15, 1982; and Utah May 12, 1981 to October 15, 1982. Federally chartered banks, savings associations and credit unions must comply with federal regulations which permit the enforcement of due-on-transfer clauses. Freddie Mac requires automatic acceleration in accordance with such regulations.

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

Second, the DIA precludes enforcement of due-on-transfer clauses in the case of certain types of intra-family transfers. These include transfers between spouses (including transfers incident to marriage dissolution), transfers from a parent to a child and transfers to relatives upon the death of the transferor.

In addition to those cases in which enforcement of due-on-transfer provisions is prohibited under the DIA, Freddie Mac does not require enforcement of due-on-transfer provisions in the case of transfers of mortgaged properties from a child to a parent, between siblings, between a grandparent and a grandchild, or between original co-borrowers under the note, provided that, in each case, at least 12 months have elapsed from the date of mortgage origination to the date of transfer and that the transferee occupies the property as the transferee's primary residence.

The Uniform Instruments for Conventional Mortgages permit automatic acceleration. The security instruments for FHA Mortgages and VA Mortgages generally do not contain due-on-transfer clauses. Therefore, the sale of, or transfer of title to, the real property securing an FHA Mortgage or VA Mortgage does not constitute an event entitling the holder of the Mortgage to demand full payment of principal. Accordingly, FHA Mortgages and VA Mortgages generally can be assumed by a purchaser of the real property at the interest rate of the assumed Mortgage for the remaining term of the Mortgage.

There are two exceptions to the general rule that FHA Mortgages and VA Mortgages are assumable. First, under certain circumstances, a Mortgage guaranteed by the VA for which a state, territorial or other local governmental agency provides assistance may require acceleration of maturity in the event of the sale or conveyance of the property to a person ineligible for assistance. Second, commencing with applications for FHA Mortgages made on or after December 1, 1986, a transferee seeking to assume any such mortgage must meet FHA credit requirements if the mortgaged property is transferred pursuant to a contract of sale executed within (i) one year of origination if the original borrower occupied the property as a primary or secondary residence or (ii) two years of origination if the original borrower held the property as an investment. Subject to FHA approval in each case, failure of the transferee to meet such credit requirements will constitute an event entitling the holder of the mortgage to demand full payment of principal.

Fees

Holders are entitled to receive their pro rata share of any prepayment fees received by Freddie Mac with respect to the Mortgages. Freddie Mac collects prepayment fees on Mortgages which it purchased on or before December 31, 1979. Any such prepayment fees represent additional income to Holders over and above interest at the applicable PC Coupon. Other fees, such as late payment fees, application fees and credit underwriting charges on assumptions, are retained by the servicers and are not passed through to Freddie Mac or to Holders.

Defaults and Delinquencies

A servicer is required to report to Freddie Mac any Mortgage which is delinquent 30 days or more. When a borrower is chronically delinquent and the servicer has exhausted all reasonable means of inducing the borrower to pay on time, the servicer is required to make a recommendation for appropriate action. Freddie Mac requires such a recommendation to reflect the servicer's familiarity with and knowledge of the borrower, the location and type of property securing the Mortgage, and the extent of any delinquency. Information with respect to Freddie Mac's delinquency, default and foreclosure experience for all Conventional Mortgages and FHA/VA Mortgages sold pursuant to Freddie Mac's programs or retained in its portfolio is included in its Information Statement. See "Defaults, Foreclosures and REO" therein.

Freddie Mac authorizes a servicer to resolve a delinquency on a Mortgage through a variety of measures, including repayment plans that provide for liquidation of delinquent amounts within a period up to 12 months. Freddie Mac also accepts plans that grant periods of forbearance up to 18 months during which regular mortgage payments may be reduced or suspended. Such plans may be implemented before a demand for accelerated payment of principal is made. Repayment plans or periods of forbearance will not affect Freddie Mac's guarantees of timely payment of interest or timely payment of Scheduled Principal or Monthly Principal Reduction. Such plans or forbearance also will not affect Freddie Mac's guarantee of ultimate collection of principal, but may defer payment of principal by the borrower and may delay or avoid demand for acceleration of principal by Freddie Mac.

Freddie Mac may also authorize a servicer to resolve a delinquency by permitting modification of the terms of the defaulted Mortgage. Such modification is allowed only in cases in which the defaulted Mortgage would likely proceed to foreclosure based upon evidence of the borrower's current inability to make principal and interest payments and in which circumstances indicate that the borrower would be able to make principal and interest payments under such modified Mortgage terms. Any defaulted Mortgage as to which the terms are modified under this servicing policy will be repurchased from the PC Pool by Freddie Mac prior to modification.

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

Freddie Mac requires a servicer to take all reasonable steps to resolve any delinquency prior to Freddie Mac's authorizing a servicer to initiate foreclosure proceedings and to make demand upon a borrower for accelerated payment of principal. A demand is authorized when Freddie Mac believes that no reasonable prospect exists for payment of delinquent amounts within a reasonable period of time. The length of time necessary for Freddie Mac to determine that a Mortgage should be accelerated varies with the particular circumstances of each borrower, and Freddie Mac has adopted no servicing standards which require that the demand be made within any specified period. In the case of FHA Mortgages, if certain FHA requirements are met, servicers must request that HUD accept assignment of the Mortgage prior to commencement of foreclosure proceedings. Foreclosure proceedings may be instituted only after a decision by HUD not to accept assignment. If the servicer determines not to request that HUD accept an assignment, the borrower may request HUD to accept assignment. In this case the servicer is required to delay initiation of the foreclosure proceedings pending HUD's decision.

Freddie Mac's servicing discretion in connection with a borrower's bankruptcy may be limited by a court or by state legislation prohibiting or delaying acceleration. Institution of a bankruptcy proceeding may limit Freddie Mac's ability to initiate a demand for accelerated payment of principal or to foreclose on a property securing a Mortgage without court approval, and the bankruptcy court has broad powers to delay or deny such approval. If Freddie Mac is precluded from making a demand for acceleration, Freddie Mac has established a policy that, for purposes of Freddie Mac's guarantee of ultimate collection of principal, demand for acceleration shall be deemed to have been made on the later of the date on which the borrower's bankruptcy petition was filed or the due date of the last fully paid installment on the Mortgage.

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

In certain bankruptcy cases where the aggregate unpaid principal balance of a Mortgage exceeds the current value of the property securing the Mortgage, some courts have reduced the borrower's obligation under the Mortgage to the current value of the property, and treated the remaining amount of the original Mortgage indebtedness as an unsecured obligation. In such cases, Freddie Mac may treat the unsecured portion of the Mortgage as a partial prepayment as early as the date of such court action, and pass through such amounts in accordance with the Pool Factor method discussed above.

Foreclosures

Demand for accelerated payment of principal is typically the initial step in the foreclosure process and normally is made at or shortly after the time Freddie Mac approves the initiation of foreclosure proceedings. Freddie Mac's *Sellers' & Servicers' Guide* and applicable FHA or VA regulations set forth policies and procedures for instituting and monitoring foreclosure proceedings, including demand upon the borrower for accelerated payment of principal. Freddie Mac may accept a voluntary deed in lieu of foreclosure in those jurisdictions in which this practice is authorized. As a matter of policy, Freddie Mac, in its discretion, actively pursues alternatives to foreclosure, including but not limited to assumptions, refinancing, forbearance, modification, preforeclosure and third-party sales, charge-offs, and deed-in-lieu of foreclosure, where such alternatives mitigate Freddie Mac's potential losses. If, after demand for accelerated payment of principal, a borrower pays all delinquent amounts or an acceptable schedule for reinstatement of the Mortgage is agreed upon, foreclosure proceedings may be terminated and the demand may be withdrawn. Foreclosure proceedings with respect to FHA Mortgages or VA Mortgages are also subject to FHA or VA regulations which may affect, among other things, the circumstances under which and the manner in which Freddie Mac may terminate foreclosure proceedings or the ability of Freddie Mac to accept a deed in lieu of foreclosure.

If, after a borrower has paid all delinquent amounts and foreclosure proceedings have been terminated, the borrower again becomes delinquent, a new demand for accelerated payment of principal generally must be made and new foreclosure proceedings commenced. The length of the foreclosure process varies significantly from state to state. Some state laws provide borrowers with a right to redeem after foreclosure, and the foreclosure process typically is not final until the expiration of any such right. In any event, payment pursuant to Freddie Mac's guarantee of ultimate collection of principal on a delinquent Mortgage is made no later than one year following demand upon the borrower for accelerated payment of principal (unless foreclosure proceedings are terminated prior to the expiration of the one year period) without regard to any delay in Freddie Mac's receipt of any insurance or guaranty payments. See "Description of Mortgage Participation Certificates—Guarantees" in this Offering Circular.

Under the Guarantor Program, a seller of Mortgages to Freddie Mac may sell such Mortgages on a "recourse" basis. In the event of borrower default and foreclosure, such seller is required to repurchase the Mortgage from Freddie Mac upon completion of foreclosure or delivery to Freddie Mac of a deed-in-lieu of foreclosure. In addition, such seller may, at its option and under certain circumstances, repurchase the delinquent Mortgage prior to foreclosure. Payments received by Freddie Mac pursuant to a seller's obligation to repurchase Mortgages sold with recourse are passed through to Holders as prepayments. See "Description of Mortgage Participation Certificates—Interest and Principal Payments" in this Offering Circular. Accordingly, in the event of default, payments to Holders in respect of defaulted Mortgages sold to Freddie Mac on a recourse basis may occur earlier than payments to Holders made in respect of defaulted Mortgages sold on a non-recourse basis and as to which Freddie Mac makes payment under its guarantee of ultimate collection of principal.

Soldiers' and Sailors' Civil Relief Act

Military personnel may be entitled to mortgage interest reduction or other relief under the Soldiers' and Sailors' Civil Relief Act of 1940 (the "SSCRA") while on active duty military service with respect to Mortgages originated prior to the commencement of such service. If a service member is entitled to mortgage interest reduction, the Mortgage Coupon will be reduced to a fixed rate of 6% per annum, including all late charges and other fees, and excluding collections of escrow funds. PC Pools containing Mortgages subject to mortgage interest reduction are not separately identified. Freddie Mac credits servicers with the interest differential between the Mortgage Coupon and the amounts paid on Mortgages subject to mortgage interest reduction.

Pursuant to the SSCRA, an appropriate court must approve all foreclosure proceedings against a service member during the term of the borrower's military service and a period of three months thereafter. In addition, under the SSCRA, the statutory redemption period following the foreclosure of a mortgage is tolled during a service member's active duty military service, even when the foreclosure occurred prior to the time that the service member entered active duty military service. Relief granted under the SSCRA will not affect Freddie Mac's guarantees of timely payment of interest at the applicable PC Coupon, Scheduled Principal, or Monthly Principal Reduction, but may delay ultimate collection of principal with respect to Original PCs.

Congress is considering various amendments to the SSCRA, and the legislatures in a number of states are considering bills which would increase the scope of existing service member debt relief provisions. Freddie Mac makes no representation as to the potential effect of any future legislation on PC Pools containing Mortgages subject to such legislation.

LEGALITY OF INVESTMENT

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

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

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

Federal savings associations may invest in PCs without regard to limitations generally applicable to investments. 12 U.S.C. Section 1464(c)(1)(E).

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

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

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

For Plans subject to ERISA, the PCs, and not the Mortgages underlying the PCs, are considered to be plan assets. 29 U.S.C. Section 1101 and 29 C.F.R. Section 2510.3-101(i). Certain special considerations may apply to PCs representing interests in Cooperative Share Mortgages. See "ERISA Considerations" in this Offering Circular.

In addition to the specific authorizations discussed above, pursuant to Section 106 of the Secondary Mortgage Market Enhancement Act of 1984 ("SMMEA"), 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 PCs to the same extent that the investor is authorized to purchase, hold or invest in obligations issued or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof. Prior to October 4, 1991, a state may enact legislation which specifically refers to Section 106 and either prohibits or limits an investor's authority to invest in PCs. A number of states have enacted or introduced legislation to override SMMEA investment authority in various respects. The enactment by any state of legislation which prohibits or limits authority to invest in PCs will not affect the validity of any contractual commitment to purchase, hold or invest in PCs made prior to the date of enactment and such legislation cannot require the sale or other disposition of any PCs acquired prior to the date of enactment.

The foregoing does not take into consideration the applicability of statutes, rules, regulations, orders, guidelines or agreements generally governing investments made by a particular investor, including, but not limited to, "prudent investor" provisions, percentage-of-assets limits, and provisions which may restrict or prohibit investments in securities which are issued in book-entry form. Investors should consult with their own legal advisors in determining whether and to what extent PCs constitute legal investments for such investors.

LIQUID ASSETS

Obligations with five years or less remaining until maturity that are issued, or fully guaranteed as to principal and interest, by certain issuers, including Freddie Mac, constitute "liquid assets" for federal savings associations, federal savings banks and state-chartered savings associations the deposits of which are insured by the Federal Deposit Insurance Corporation. 12 C.F.R. Section 566.1(g)(3)(xi). The final payment to Holders of Gold PCs will be made no later than the 15th day of the month in which the Final Payment Date occurs, and the final payment to Holders of Original PCs representing interests in Balloon/Reset Mortgages will be made no later than the 15th day of the second month following the month in which the Final Payment Date occurs. Such PCs should be treated as liquid assets on and after the date which is five years prior to the date by which the final payment to Holders will be made. Holders should consult their own advisers regarding whether and when PCs would constitute liquid assets in any particular case.

REGULATORY CONSTRAINTS

Any financial institution which is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the FDIC, the Office of Thrift Supervision, the National Credit Union Administration or other agencies with similar authority should review any applicable rules, guidelines and regulations prior to purchasing PCs.

ACCOUNTING MATTERS

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

FEDERAL SECURITIES LAWS

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

DISTRIBUTION ARRANGEMENTS

Cash Program

Under the Cash Program, Freddie Mac may offer PCs for mandatory and optional delivery for a variety of periods on a continuous basis through one or a combination of the following methods: auction; competitive bid offering or allocation to selected securities dealers in accordance with procedures established by Freddie Mac and re-offering or placement with investors; or direct placement with securities dealers or investors. The purchase price of the PCs will be based on the aggregate unpaid principal balance of the Mortgages in the PC Pool as of the month of settlement as determined by the Pool Factor. See "Description of Mortgage Participation Certificates—Pool Factors" and "—Interest and Principal Payments" in this Offering Circular.

The original unpaid principal balance of a PC represents the unpaid principal balance of a PC during the month of formation of the PC Pool. If the PCs are purchased at a premium or discount, the purchase price may be more or less than the unpaid principal balance of the PCs as of the month of settlement. The unpaid principal balance of a PC as of the month of settlement also may be less than the original unpaid principal balance of the PC and/or the unpaid principal balance contracted for on the trade date as a result of principal payments on the Mortgages made between the date of formation of the PC Pool and/or the trade date and the settlement date. Interest and principal payments made with respect to the Mortgages between the trade date and the settlement date are for the account of, and are retained by, Freddie Mac.

The settlement date for PC purchases will be established on the trade date by mutual agreement. Confirmation and settlement of PC purchases 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"). If a PC is purchased from 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 PC Offering Circular and any applicable Supplement; and otherwise act in accordance with the Uniform Practices.

MultiLender Swap Program

Under the MultiLender Swap Program, Freddie Mac purchases Mortgages from a seller and, in exchange for the Mortgages purchased, sells to the seller PCs representing interests in a PC Pool formed under the Cash Program. Such PC Pool will include the Mortgages purchased from that seller as well as Mortgages purchased from other sellers. Freddie Mac will accept offers for delivery of Mortgages under the MultiLender Swap Program for a variety of periods on a daily basis in accordance with the terms and procedures set forth in Freddie Mac's *Sellers' & Servicers' Guide.* Freddie Mac's commitment to exchange PCs for Mortgages is conditioned on the seller's full compliance with the terms and conditions of the Purchase Documents, including the seller's timely delivery of acceptable Mortgages in an amount specified by Freddie Mac.

Guarantor Program

Under the Guarantor Program, Freddie Mac purchases Mortgages from a seller and, in exchange for the Mortgages purchased, sells to the seller PCs representing interests in the same Mortgages. Freddie Mac will accept offers for mandatory and optional delivery of Mortgages under the Guarantor Program for a variety of periods on a daily basis in accordance with the terms and procedures set forth in Freddie Mac's *Sellers' & Servicers' Guide.* Freddie Mac's commitment to exchange PCs for Mortgages is conditioned on the seller's full compliance with the terms and conditions of the Purchase Documents, including the seller's timely delivery of acceptable Mortgages in an amount specified by Freddie Mac.

Secondary Markets

Certain securities dealers, as well as Freddie Mac through its Securities Sales and Trading Group ("SS&TG"), buy, sell and make a market in Gold PCs and Original PCs. There may be a limited secondary market for certain types of PCs and Freddie Mac makes no representation as to the nature of the secondary market trading in any PCs. Prospective PC purchasers, Holders and beneficial owners wishing to obtain prices for Gold PCs or Original PCs may contact the securities dealers selling and making a market in such PCs or SS&TG (outside the Washington, D.C. metropolitan area, telephone 800/424-5401; within the Washington, D.C. metropolitan area, telephone 703/903-3300).

Exchange Offer

Converted Gold PCs are sold by Freddie Mac in exchange for one or more eligible Original PCs and/or Giant PCs. Such Original PCs and/or Giant PCs may be delivered to Freddie Mac on a continuous basis through certain securities dealers and SS&TG on the terms set forth in the Exchange Circular. Each Converted Gold PC represents an undivided interest in a Converted Gold PC Pool consisting of interests in Mortgages originally sold by Freddie Mac under the PC Pool Numbers identifying the Original PCs and/or Giant PCs so exchanged.

EXHIBIT A

Federal Home Loan Mortgage Corporation

MORTGAGE PARTICIPATION CERTIFICATE AGREEMENT

(Guaranteed)

AGREEMENT dated as of April 1, 1991, among the Federal Home Loan Mortgage Corporation ("Freddie Mac") and Holders of undivided interests in certain Mortgages which are identified in the records maintained by Freddie Mac and which are represented by PCs.

Whereas:

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

(b) Pursuant to Section 305 of the Act, Freddie Mac from time to time purchases certain fixed-rate residential Mortgages which are Conventional Mortgages or Mortgages fully insured by the Federal Housing Administration ("FHA") or guaranteed in part by the Department of Veterans Affairs ("VA"), all of which are identified in the records maintained by Freddie Mac; and

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

(d) Freddie Mac, from time to time, reacquires certain Original PCs and Giant PCs, forms discrete pools consisting of interests in the Mortgages represented by such Original PCs and Giant PCs, creates and issues in exchange therefor Converted Gold PCs representing undivided interests in such pools, and guarantees the payment of interest and principal of such Converted Gold PCs for the benefit of the Holders thereof.

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

ARTICLE I

Definitions

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

Aggregate Scheduled Principal: The aggregate amount of principal scheduled to be paid by the mortgagors based upon the amortization schedule applicable to each Mortgage included in a Scheduled Principal PC Pool, as reported by servicers by accounting group for each Freddie Mac monthly accounting period.

Balloon/Reset Mortgage: A Mortgage with an original term to maturity not exceeding 84 months, under which the mortgagor has an option to refinance or extend the mortgage term and which provides for level payments of principal and interest during the original term with principal payments based upon an amortization schedule calculated to pay the original principal balance of the Mortgage in full over a period of up to 360 months.

Book-Entry Form: The form of 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 PCs includes, but is not limited to, the name of the Holder, the original unpaid principal balance of the PCs in a particular PC Pool held by such Holder, the CUSIP Number of such PC Pool and the Final Payment Date applicable to such PC Pool, and (ii) is evidenced only by such entry and is not evidenced by a certificated security.

Book-Entry Rules: The provisions from time to time in effect, presently 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.

Cash Program: A program pursuant to which Freddie Mac purchases Mortgages for cash from eligible sellers, holds the Mortgages and periodically forms PC Pools and sells PCs representing undivided interests in the Mortgages. The term "Cash Program" includes the MultiLender Swap Program, pursuant to which Freddie Mac purchases Mortgages from multiple sellers, in each case in exchange for PCs with an original unpaid principal balance equal to the remaining principal balance of the Mortgages delivered by each such seller, and which PCs represent undivided interests in the PC Pool including the Mortgages purchased from all such sellers.

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

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

Federal Reserve Bank: The Federal Reserve Bank of New York and/or such other Federal Reserve Banks as may, from time to time, maintain PCs in Book-Entry Form.

FHA Mortgage: A Mortgage fully insured by the FHA.

Final Payment Date: For any Gold PC other than a Converted Gold PC, any Original PC issued under the Guarantor Program and any Tiered Payment PC, the first day of the month in which the last monthly payment is scheduled to be made on the latest maturing Mortgage included in the related PC Pool as of the Month of Initial Sale. For any Converted Gold PC, the latest Final Payment Date of the Original PCs and/or Giant PCs submitted for exchange. For any Original PC issued under the Cash Program (other than a Tiered Payment PC) the first day of the month which is 15 or 30 years, as applicable, from the first day of the Month of Initial Sale of a PC in respect of the related PC Pool. In the case of any PC Pool consisting of Balloon/Reset Mortgages, the last scheduled monthly payment shall be determined by reference to the original term to maturity without regard to any extension thereof. In the case of any PC Pool consisting of mortgages subject to a biweekly payment arrangement, the last scheduled monthly payment shall be determined by reference to the original term to maturity without regard to such biweekly payment arrangement.

Giant PC: A Freddie Mac Giant Mortgage Participation Certificate issued pursuant to Freddie Mac's Giant Mortgage Participation Certificate Offering Circular, and any supplements thereto, including the Giant Mortgage Participation Certificate Agreement attached as an exhibit thereto, as such may be amended and in effect from time to time.

Gold PC: A PC as to which there are approximately 45 days between the first day of the month in which the PC was issued and the date a Holder receives the initial payment in respect of such PC, including PCs ("Converted Gold PCs") issued in exchange for one or more eligible Original PCs and/or Giant PCs ("PC Exchange") pursuant to Freddie Mac's Mortgage Participation Certificates Exchange Circular, and any supplements thereto, including the Mortgage Participation Certificate Exchange Agreement attached as an exhibit thereto, as such may be amended and in effect from time to time.

Gold PC Pool: A PC Pool in which the undivided interests are represented by Gold PCs, including Converted Gold PCs unless the context otherwise requires.

Guarantor Program: A program pursuant to which Freddie Mac purchases all of the Mortgages in a given PC Pool from a single seller in exchange for PCs representing undivided interests in the same Mortgages.

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

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

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

Monthly Adjustment Amount: For any month, the difference between (a) the sum of the Remaining PC Pool Balance for the previous month and the Monthly Principal Reduction calculated for the previous month and (b) the aggregate unpaid principal balance of the Mortgages reported by servicers for the monthly reporting period ending in the second previous month (other than differences resulting from mortgage defaults and delinquencies reflected on the books and records of Freddie Mac as of the close of the reporting period ending in the second previous month).

Monthly Principal Reduction: For any month, the amount of principal scheduled to be paid by mortgagors on the Mortgages contained in a Gold PC Pool, as calculated by Freddie Mac based upon the weighted average remaining term to maturity of the related Mortgages ("WARM"), the weighted average interest rates of the related Mortgages ("WAC") and the security balance. For purposes of computing the Monthly Principal Reduction, the security balance is the Remaining PC Pool Balance for the previous month, less Unscheduled Principal Payments, less the Monthly Adjustment Amount. For purposes of computing Monthly Principal Reduction, the WARM and WAC are recalculated monthly.

Mortgages: The fixed rate, first or second lien, mortgage loans identified in the records maintained by Freddie Mac as constituting a PC Pool, which Mortgages consist of or represent interests in promissory notes secured by residential real property consisting of one-to-four family dwelling units or by the stock or membership certificate and proprietary lease or occupancy agreement issued to a tenant-stockholder by a cooperative housing corporation ("Home Mortgages") or by residential real property consisting of five or more family dwelling units ("Multifamily Mortgages"). A "Mortgage" shall mean any whole mortgage loan or percentage undivided interest therein identified in the records maintained by Freddie Mac as included in a PC Pool.

Original PC: A PC as to which there are approximately 75 days between the first day of the month in which the PC was issued and the date a Holder receives the initial payment in respect of such PC.

Original PC Pool: A PC Pool in which the undivided interests are represented by Original PCs.

Original Unpaid Principal Balance: In the case of a PC Pool formed pursuant to the Cash Program, the Original Unpaid Principal Balance shall be the aggregate unpaid principal balance of the related Mortgages on the books and records of Freddie Mac as of (i) the last day of the Month of Initial Sale after the identity of all the Mortgages has been finally determined pursuant to Section 2.02, or (ii) if a different date is specified in the documents pursuant to which the related PCs are offered for sale, such date. In the case of a PC Pool formed pursuant to the Guarantor Program, the Original Unpaid Principal Balance shall be the aggregate unpaid principal balance of the related Mortgages purchased by Freddie Mac, as reported by the seller at delivery. For Converted Gold PC Pools, the Original Unpaid Principal Balance shall be the remaining aggregate unpaid principal balance of the undivided interests in the Mortgages represented by the eligible Original PCs and/or Giant PCs exchanged, as such balance is reflected on the books and records of Freddie Mac as of the first day of the month the Converted Gold PC is sold to the initial Holder thereof.

PC: A mortgage participation certificate sold pursuant to this Agreement, representing an undivided interest in a pool of Mortgages identified by a particular PC Pool Number and CUSIP Number. For purposes of this Agreement, the term PC shall include the term Gold PC and the term Original PC, unless the context otherwise requires.

PC Coupon: The annual rate at which interest is passed through to a Holder of a PC. Interest at the PC Coupon shall be computed on the basis of a 360-day year, each month being assumed to have 30 days.

PC Pool: A discrete pool of Mortgages identified on the books and records maintained by Freddie Mac by a PC Pool Number. For purposes of this Agreement, the term PC Pool shall also include the terms Gold PC Pool and Original PC Pool, unless the context requires otherwise.

PC Pool Number: A unique numeric or alpha-numeric designation assigned to each PC Pool by Freddie Mac and used to identify the PC Pool on the books and records of Freddie Mac.

Pool Factor: A seven-digit truncated decimal calculated by Freddie Mac with respect to a calendar month which, when multiplied by the original unpaid principal balance of a PC, represents the amount determined by Freddie Mac to be the Holder's pro rata share of the Remaining PC Pool Balance as reflected on the books and records of Freddie Mac as of the date of its publication.

Remaining PC Pool Balance: The aggregate amount of principal not yet paid to Holders of PCs with respect to the Mortgages constituting the related PC Pool, after giving effect to any payments of principal made by Freddie Mac pursuant to Section 4.09, as calculated using the related Pool Factor.

Scheduled Principal: The amount of principal scheduled to be paid by a mortgagor under the amortization schedule applicable to a Mortgage.

Scheduled Principal PC: An Original PC as to which, in addition to its other guarantees, Freddie Mac guarantees timely payment of Scheduled Principal, whether or not received by Freddie Mac.

Scheduled Principal PC Pool: An Original PC Pool in which the undivided interests are represented by Scheduled Principal PCs.

Tiered Payment PC: An Original PC representing an undivided interest in a PC Pool consisting of tiered payment Mortgages identified by a particular PC Pool Number and CUSIP Number, which Mortgages each provide for interest payments at a fixed rate for the entire term of the Mortgage, scheduled monthly payments during an initial period of interest only or interest and principal at less than the fully amortizing level, and annual increases in scheduled monthly payments following the initial period until such payments are sufficient to fully amortize the remaining principal balance of the Mortgage over its remaining term to maturity on a level payment basis.

Tiered Payment PC Pool: An Original PC Pool in which the undivided interests are represented by Tiered Payment PCs.

Unscheduled Principal Payment: For any month, the sum of principal payments (excluding Scheduled Principal) made in respect of the Mortgages contained in a PC Pool representing full prepayments made, or deemed to be made pursuant to Section 4.01, as of the close of the monthly reporting period ending in the previous month, including prepayments attributable to insurance proceeds, liquidation proceeds and repurchase proceeds, and payments made as a result of a foreclosure sale, condemnation, the payment of insurance or guaranty claims by the FHA or VA, or payment by any other insurer.

VA Mortgage: A Mortgage guaranteed, in part, by the VA.

ARTICLE II

Conveyance of Undivided Interests in Mortgages

Section 2.01. Sale of PCs. Sale of a PC by Freddie Mac pursuant to this Agreement shall be deemed to occur upon the date of settlement and payment for such PC and shall constitute a sale, assignment, transfer, and conveyance by Freddie Mac to the Holder of a pro rata undivided interest in the Mortgages constituting the related PC Pool. Such pro rata undivided interest of a Holder shall be determined in accordance with Section 4.02. Freddie Mac shall be bound by all of the terms and conditions of this Agreement at such time as a PC is sold by Freddie Mac to a Holder. Upon settlement of and payment for a PC, a Holder shall, by virtue thereof, acknowledge, accept and agree to be bound by all of the terms and conditions of this Agreement. Under the Guarantor Program or the MultiLender Swap Program, or pursuant to a PC Exchange, payment for a PC shall be deemed to occur on the settlement date on which such PC is sold to the initial Holder thereof.

Section 2.02. Identity of the Mortgages; Substitution and Repurchase. In the case of a PC Pool formed under the Cash Program, unless otherwise stated in connection with a particular offering of PCs, Freddie Mac shall have the power and authority to determine the amount and identity of the Mortgages which constitute the PC Pool until the day prior to the date the first payment of principal and interest is payable with respect to the PC Pool. Any Mortgage added to or withdrawn from a PC Pool after the Month of Initial Sale and prior to the date the first payment of principal and interest is payable to the Holders shall be added or withdrawn at its unpaid principal balance as of the last day of the Month of Initial Sale. A PC Pool formed under the Guarantor Program shall consist only of those Mortgages acquired by Freddie Mac from a single seller in exchange for PCs representing undivided interests in the same Mortgages. Except as provided in Section 2.03, once the identity of the Mortgages has been determined, such identity shall not thereafter be changed; provided, however, that (i) Freddie Mac may, in connection with its performance of servicing responsibilities pursuant to Section 3.02, repurchase any Mortgage at its then unpaid principal balance, if such repurchase is necessary in order to maintain proper servicing of the Mortgages or to minimize loss; (ii) a seller to Freddie Mac or a servicer of a Mortgage may repurchase such Mortgage at its then unpaid principal balance pursuant to such seller's or servicer's obligation to Freddie Mac to do so in the event such Mortgage is in default; (iii) Freddie Mac may, in connection with the performance of its servicing responsibilities pursuant to Section 3.02, agree to the repurchase by the seller or servicer of any Mortgage at its then unpaid principal balance, if such repurchase is necessary in order to maintain proper servicing of the Mortgages or to minimize loss; (iv) if, in the event of the bankruptcy of a mortgagor, a bankruptcy court approves a plan which materially affects the terms of a Mortgage, authorizes a transfer of the underlying property or provides for substitution of collateral, Freddie Mac may repurchase such Mortgage at its then unpaid principal balance; (v) in the case of a material breach of warranty by a seller or servicer of any Mortgage, or a material defect in documentation as to any Mortgage, or a failure by a seller or servicer to comply with any requirements or terms set forth in the Purchase Documents (as defined in the Guide) as to any Mortgage, Freddie Mac may require the seller or servicer to repurchase such Mortgage or may, within six months of the purchase of such Mortgage, require or permit the seller or servicer to substitute for such Mortgage a mortgage of comparable type, unpaid principal balance, remaining term and yield; (vi) Freddie Mac shall repurchase any Balloon/Reset Mortgage at its then unpaid principal balance no later than the 15th day of the month in which the original maturity date of the Mortgage occurs; and (vii) in the event that the purchase of any Mortgage by Freddie Mac is determined by a court of competent jurisdiction to have been unauthorized, Freddie Mac may effectuate a cure by such means as Freddie Mac determines to be necessary and appropriate or, if Freddie Mac determines that a cure is not practicable without unreasonable effort or expense, or if such court so requires, Freddie Mac will repurchase such Mortgage at its then unpaid principal balance, or will, within two years of the purchase of such Mortgage, substitute for such Mortgage a mortgage of comparable type, unpaid principal balance, remaining term and yield. Any repurchase of a Mortgage by a seller or servicer from a PC Pool shall be at its then unpaid principal balance, less any outstanding advances of Scheduled Principal which were paid by the seller or servicer to Freddie Mac. Any repurchase of a Mortgage by Freddie Mac shall be at its then unpaid principal balance, less any outstanding advances of principal attributable to such Mortgage which were paid to Holders by Freddie Mac but not received by Freddie Mac from the seller or servicer. In determining whether a Mortgage shall be repurchased from a PC Pool as described in this Section 2.02, Freddie Mac may consider such factors as it deems appropriate, including whether a repurchase will reduce Freddie Mac's administrative costs or will reduce Freddie Mac's possible exposure under its guarantees.

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

Section 2.04. Custody of Mortgage Documents. Freddie Mac may adopt and modify its policies and procedures for the custody of Mortgage documents at any time, provided that such policies and procedures shall be prudent and shall not materially and adversely affect the interests of Holders. Freddie Mac may hold Mortgage notes, participation certificates which evidence Freddie Mac's ownership interest in the Mortgages, and/or other Mortgage documents; Mortgage notes and documents may also be held by a custodian acting as Freddie Mac's agent (which may be either a third party or a trust department of the seller or servicer) or by the originator or seller of the Mortgage.

Section 2.05. Retention of Undivided Interest by Freddie Mac. In the event that the interest rate received by Freddie Mac on the Mortgages constituting a PC Pool formed under the Cash Program shall be less than the PC Coupon, Freddie Mac shall retain ownership of a sufficient undivided interest in the aggregate unpaid principal balance of such Mortgages so that the interest payments attributable to Freddie Mac's retained undivided interest shall be sufficient to pass through to Holders pro rata interest at the PC Coupon.

Section 2.06. PCs Held or Acquired by Freddie Mac. PCs held or acquired by Freddie Mac from time to time shall have an equal and proportionate benefit to PCs held by other Holders, without preference, priority or distinction. Except as provided in Section 2.05, in the event that Freddie Mac retains any undivided interest in the Mortgages not represented by a PC, Freddie Mac and Holders shall share pro rata, without preference, priority or distinction. No Holder shall have any priority over any other Holder.

ARTICLE III

Administration and Servicing of the Mortgages

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

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

Section 3.03. Realization Upon Defaulted Mortgages. Freddie Mac shall foreclose upon or otherwise comparably convert, or cause to be foreclosed upon or comparably converted, the ownership of any real property securing a Mortgage which comes into and continues in default and as to which no satisfactory arrangements can be made for collection of delinquent payments. In connection with such foreclosure or conversion, Freddie Mac shall cause to be followed such practices or procedures as it shall deem necessary or advisable and as shall be normal and usual in general mortgage servicing activities. In the case of FHA Mortgages or VA Mortgages, Freddie Mac shall cause to be followed such practices or procedures as may be required by applicable FHA or VA regulations effective at the time of foreclosure or conversion of any such FHA Mortgage or VA Mortgage and as shall be normal and usual in servicing FHA Mortgages or VA Mortgages.

Section 3.04. Automatic Acceleration and Assumptions.

(a) With respect to a Conventional Mortgage, if the terms of the security instrument of the Mortgage taken as a whole accord the mortgagee the right to demand full payment of the unpaid principal balance of the Mortgage upon sale or transfer of the property securing the Mortgage irrespective of the creditworthiness of the transferee (which right is herein referred to as a right of "automatic acceleration"), Freddie Mac's policy is to require a servicer to enforce such right to the extent permitted by law and to require the full payment of the principal balance of a Mortgage upon the sale or the transfer of the property securing the Mortgage or an interest therein. Notwithstanding the preceding sentence, Freddie Mac does not require automatic acceleration upon the sale or transfer of property securing the Mortgage in the case of a sale or transfer from a child to a parent, between siblings, between a grandparent and a grandchild, or between original co-borrowers under the Mortgage, provided that in each case, at least 12 months have elapsed from the date of Mortgage origination to the date of transfer and that the transferee occupies the property as the transferee's primary residence. In jurisdictions where the enforcement of such provisions is prohibited, or where the security instrument contains a due-on-transfer clause or is accompanied by a due-on-transfer rider which by its terms does not permit automatic acceleration, Freddie Mac will allow a transfer of the property if the transferee is found by Freddie Mac or the servicer to meet Freddie Mac's credit requirements. Where the security instrument contains no due-on-transfer clause or is not accompanied by a due-on-transfer rider and does not provide for a review of the creditworthiness of the borrower, Freddie Mac will allow a transfer of the property without a credit review of the transferee. Any fees charged by Freddie Mac or servicers in connection with the assumption of a Mortgage are retained by Freddie Mac or the servicers and are not passed through to Holders. Freddie Mac requires, in connection with any such Mortgage assumption, that no change be made in the rate of interest or the terms of payment applicable to the Mortgage.

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

Section 3.05. Fees. In the case of Conventional Home Mortgages, any prepayment fees collected by Freddie Mac shall be passed through to Holders pursuant to the procedures specified in Article IV. Any fees collected by servicers and not passed through to Freddie Mac and any prepayment fees or assumption fees on Multifamily Mortgages collected by Freddie Mac or servicers shall not be passed through to Holders.

Section 3.06. Mortgage Insurance and Guarantees.

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

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

ARTICLE IV

Payments to Holders and Guarantees

Section 4.01. Monthly Reporting Period. For purposes of this Agreement, the payments of principal, interest or any other sums, including but not limited to prepayment fees due to Holders, insurance proceeds, liquidation proceeds and repurchase proceeds, with respect to any Mortgage, and the occurrence of any event with respect to any Mortgage, including but not limited to foreclosure sale, payment of insurance or guaranty claims by the FHA or VA, payment by any other insurer, and expiration of any redemption period, reported to Freddie Mac by servicers for a monthly reporting period employed by Freddie Mac for the purpose of accounting for such payments and of reporting such occurrences, shall be deemed to be received or to occur within the calendar month within which such monthly reporting period ends, and the last day of such monthly reporting period shall be deemed to correspond to the last day of such calendar month. For purposes of Section 4.04, scheduled payment dates on all Mortgages shall be deemed to be the first day of the calendar month within which a monthly reporting period ends, and all scheduled principal payments and full and partial payments of principal, including but not limited to amounts treated as full prepayments under Section 4.03, with respect to the Mortgages made within a monthly reporting period shall be deemed to be made on the first day of the calendar month within which such monthly reporting period ends.

Section 4.02. Holder's Undivided Interest. An entity recognized as a Holder of a PC on the Record Date, as defined in Section 5.03, shall be the owner of record of a pro rata undivided interest in the related Remaining PC Pool Balance as of such date, as calculated pursuant to this Agreement, and shall be entitled to interest at the PC Coupon on such pro rata undivided interest from such date. Such pro rata undivided interest will change if any Mortgage is added to or removed from the PC Pool in accordance with Section 2.02. For purposes of determining a Holder's pro rata undivided interest in the PC Pool evidenced by a PC, the original unpaid principal balance of the PC shall be divided by the Original Unpaid Principal Balance of the related PC Pool.

Section 4.03. Pass-Through of Principal. Freddie Mac shall pass through to each Holder such Holder's pro rata share of principal payments made in respect of the Mortgages (including any Scheduled Principal or Monthly Principal Reduction guaranteed pursuant to Sections 4.09(c) and (d), respectively), any net income, net profits or proceeds of the Mortgages and net proceeds realized from any property of whatever character received or acquired in substitution for or upon realization on the Mortgages, whether through insurance, guaranty payment, condemnation, foreclosure, or otherwise; provided, however, that Freddie Mac's obligations herein shall be subject to Freddie Mac's rights pursuant to Section 4.10 with respect to payments made pursuant to Freddie Mac's guarantees. Freddie Mac may retain from any full or partial prepayment or payment of delinquent principal in respect of any Mortgage any amounts, not previously received by Freddie Mac, which it paid to Holders in respect of such Mortgage pursuant to its guarantees. With respect to Mortgages delivered to Freddie Mac in exchange for PCs under the MultiLender Swap Program, Freddie Mac shall retain principal payments made on such Mortgages in an amount equal to the difference between the aggregate unpaid principal balance as of delivery of the Mortgages by such seller and the aggregate unpaid principal balance as of the settlement date of such Mortgages, and Freddie Mac shall purchase additional Mortgages with such principal payments and shall include such additional Mortgages in the related PC Pool. Insurance proceeds, the proceeds of any liquidation of a Mortgage, including proceeds resulting from acquisition by Freddie Mac of the real property securing a Mortgage, and the proceeds of any repurchase of a Mortgage described in Section 2.02 shall be treated in the same manner as a full prepayment of principal and shall be passed through to Holders in accordance with this Article IV.

Section 4.04. Pass-Through of Interest. Freddie Mac shall pass through to each Holder such Holder's pro rata share of the interest paid by mortgagors with respect to each Mortgage in an amount sufficient to produce the PC Coupon, including, if necessary for such purpose, interest received by servicers attributable to the seller's retained undivided interest in any participation or interest received by Freddie Mac attributable to any interest retained by Freddie Mac pursuant to the provisions of Section 2.05. A partial month's interest retained by Freddie Mac or remitted to each Holder with respect to full and partial prepayments of principal deemed to have been made on the first day of a calendar month in accordance with Section 4.01 shall constitute an adjustment to Freddie Mac's management and guarantee fee.

Section 4.05. Payments. Freddie Mac will cause payments of principal, interest or any other sum due to Holders to be made by directing the Federal Reserve Bank to credit the Holders' accounts at the Federal Reserve Bank. In the case of a Gold PC, a Holder shall receive the first payment of principal and interest with respect to such PC on the 15th day of the month immediately following the month in which the Holder becomes recognized as such pursuant to Section 5.03. In the case of an Original PC, a Holder shall receive the first payment of principal and interest with respect to such PC on the 15th day of the second month following the month in which the Holder becomes recognized as such pursuant to Section 5.03. After the first payment of principal and interest is made on any PC, a Holder shall receive a payment with respect thereto on the 15th day of each month.

Subject to the provisions of this Article IV, Freddie Mac shall pay to each Holder of a PC such Holder's pro rata share of principal received by Freddie Mac (including any Scheduled Principal or Monthly Principal Reduction, where applicable), interest at the applicable PC Coupon, and any other sums due to Holders under this Agreement, within 60 days of the date on which such payments are deemed to be received by Freddie Mac from servicers of the Mortgages pursuant to Section 4.01. Freddie Mac reserves the right to change the period during which a servicer may hold funds prior to payment to Freddie Mac; provided, however, that any such change shall not delay the time of payments to Holders as otherwise provided in this Section 4.05. Pending payment to Holders of funds received by Freddie Mac from servicers, Freddie Mac shall be entitled to invest and reinvest such funds for Freddie Mac's sole risk and benefit. Freddie Mac's guarantees as set forth in Section 4.09 shall continue to be effective or shall be reinstated in the event that any payment of principal or interest with respect to the Mortgages paid under this Agreement to a Holder is, for any reason, returned by the Holder pursuant to an order, decree or judgment of any court of competent jurisdiction that the Holder was not entitled to retain such payment pursuant to this Agreement.

Section 4.06. Pool Factors.

(a) Freddie Mac shall calculate and make payments to Holders pursuant to the Pool Factor method until such time as Freddie Mac shall determine that there is a more accurate and practicable method for calculating such payments, in which event Freddie Mac shall calculate and make payments to Holders pursuant to the more accurate method. As long as Freddie Mac shall use the Pool Factor method, it shall do so pursuant to the provisions of this Section 4.06.

(i) Freddie Mac will publish or cause to be published for each month a Pool Factor with respect to each PC Pool on or about the first business day of each month, or, in the case of Tiered Payment PC Pools formed under a Cash Program, on or about the seventh business day of each month.

(ii) In the case of a Gold PC, interest at the applicable PC Coupon shall be paid by Freddie Mac each month on the Holder's pro rata share of the Remaining PC Pool Balance as determined by the Pool Factor for the month prior to the month in which payment to the Holder is made. In the case of an Original PC, interest at the applicable PC Coupon shall be paid by Freddie Mac each month on the Holder's pro rata share of the Remaining PC Pool Balance as determined by the Pool Factor for the second month prior to the month in which payment to the Holder is made.

(iii) In the case of a Gold PC, principal payments shall be made to a Holder by Freddie Mac each month in an amount equal to the difference between the Holder's pro rata share of (w) the Remaining PC Pool Balance as determined by the Pool Factor for the month prior to the month of payment and (x) the Remaining PC Pool Balance as determined by the Pool Factor for the month of payment. In the case of an Original PC, principal payments shall be made to a Holder by Freddie Mac each month in an amount equal to the difference between the Holder's pro rata share of (y) the Remaining PC Pool Balance as determined by the Pool Factor for the second month prior to the month of payment and (z) the Remaining PC Pool Balance as determined by the Pool Factor for the month prior to the month of payment.

(b) Each Pool Factor shall be determined as follows:

(i) Each Pool Factor applicable to any Gold PC Pool will be based upon a reduction of the Remaining PC Pool Balance by the Unscheduled Principal Payments and the Monthly Adjustment Amount for the month in which the Pool Factor is being determined and a calculation of Monthly Principal Reduction with respect to the Mortgages constituting the related Gold PC Pool under such procedure for calculating Monthly Principal Reduction as may be adopted by Freddie Mac.

(ii) Each Pool Factor applicable to any Original PC Pool other than a Scheduled Principal PC Pool, Tiered Payment PC Pool, or PC Pool containing Balloon/Reset Mortgages will be based upon the unpaid principal balances of the related Mortgages as reported to Freddie Mac by servicers or upon an estimation of principal collections with respect to the Mortgages under such procedure for estimating such payments as may be adopted by Freddie Mac.

(iii) Each Pool Factor applicable to any Scheduled Principal PC Pool will be based upon a reduction of the Remaining PC Pool Balance by the Unscheduled Principal Payments and Aggregate Scheduled Principal or upon an estimation of Aggregate Scheduled Principal under such procedure as may be adopted by Freddie Mac.

(iv) Each Pool Factor applicable to any Tiered Payment PC Pool, or PC Pool containing Balloon/Reset Mortgages, will be based upon the unpaid principal balances of the related Mortgages as reported to Freddie Mac by servicers, and Freddie Mac will not estimate principal collections with respect to such Mortgages.

To the extent a given Pool Factor (adjusted as necessary for payments made pursuant to Freddie Mac's guarantees of timely payment of Scheduled Principal or Monthly Principal Reduction, as the case may be) does not reflect the unpaid principal balance of the Mortgages, any difference will be accounted for as soon as practicable by adjusting subsequent Pool Factors.

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

Section 4.07. Amounts Retained by Servicers. Pursuant to its contractual arrangement with Freddie Mac, the servicer of each Mortgage shall be entitled to retain each month as a servicing fee an amount equal to the excess, if any, of interest at the interest rate on the Mortgage over interest at the interest rate which the servicer is obligated by contract to remit monthly to Freddie Mac. Each servicer is required to pay all expenses incurred by it in connection with its servicing activities and shall not be entitled to reimbursement therefor, except as provided in Section 4.08. Each servicer may retain from full or partial prepayments of principal or payments of delinquent principal any payments of principal, or from collections of delinquent interest any payments of interest, which the servicer advanced to Freddie Mac prior to receipt from the mortgagor with respect to such Mortgage. The servicer is entitled to retain all incidental fees with respect to a Mortgage other than assumption fees or prepayment fees, if any, paid to Freddie Mac on the Mortgages.

Section 4.08. Amounts Retained by Freddie Mac. Subject to any adjustments required by Section 4.04, Freddie Mac shall retain from monthly interest payments on each Mortgage received by Freddie Mac from the servicer a management and guarantee fee which is an amount equal to the excess, if any, of interest payments received by Freddie Mac from the servicer over the amount of such interest paid to Holders at the applicable PC Coupon; provided, however, that the amount retained by Freddie Mac hereunder shall be adjusted automatically to the extent a Pool Factor does not reflect the unpaid principal balance of the Mortgages. Any such adjustment shall be equal to the difference between (i) interest at the applicable PC Coupon computed on the aggregate unpaid principal balance of the Mortgages for such month based on monthly principal payments actually received by or reported to Freddie Mac and (ii) interest at the applicable PC Coupon computed on the Remaining PC Pool Balance derived from the Pool Factor. Freddie Mac shall pay all expenses incurred by it in connection with administration of a PC Pool and the related Mortgages; provided, however, that any amounts expended by Freddie Mac or on Freddie Mac's behalf by servicers for the protection, preservation or maintenance of the Mortgages, or property received in liquidation of or realization upon the Mortgages, shall be deemed expenses to be borne pro rata by Freddie Mac and the Holders in accordance with their interests in each Mortgage. A servicer shall be entitled to reimbursement from Freddie Mac for any amount expended by the servicer on Freddie Mac's behalf, and with Freddie Mac's approval, for the protection, preservation or maintenance of the Mortgages, or of the real property which secures the Mortgages, or of property received in liquidation of or realization upon the Mortgages. Such expenses shall be approved, and reimbursement therefor shall be made, by Freddie Mac in accordance with the provisions of the Guide. Expenses borne pro rata by Holders as described above may be paid by Freddie Mac from payments otherwise due to Holders, and therefore will affect the timing of receipt of payments by Holders, but in no event shall Freddie Mac's guarantees, as set forth in Section 4.09, be affected by fees deducted by Freddie Mac or servicers or by amounts expended by Freddie Mac or servicers for the protection, preservation or maintenance of the real property securing the Mortgages.

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

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

(b) Ultimate collection of principal, without offset or deduction. For purposes of this guarantee, principal shall include the Holder's pro rata share of the unpaid principal balance plus the Holder's pro rata share of amounts expended by any servicer of the Mortgages or by Freddie Mac and deducted, pursuant to Section 4.08, from payments otherwise due such Holder. In the case of Gold PCs, Freddie Mac shall pay the amounts described in the first sentence of this subparagraph (b) not later than the 15th day of the month in which the Final Payment Date with respect to such PC occurs. Freddie Mac shall pay the amount due on account of its guarantee of ultimate collection of principal at any time after default on a Mortgage, but not later than 30 days following (i) foreclosure sale, (ii) payment of a claim for insurance or guaranty by the FHA or the VA, or by any other mortgage insurer, if applicable, or (iii) the expiration of any redemption period, whichever occurs later, but in any event no later than the earlier of one year after an outstanding demand has been made upon the borrower for accelerated payment of principal or for payment of the principal due on the maturity of a Mortgage. In the case of any Original PC representing interests in Balloon/Reset Mortgages, Freddie Mac shall pay the amounts described in the first sentence of this subparagraph (b) not later than the 15th day of the second month following the month in which the Final Payment Date with respect to such PC occurs. In the exercise of its servicing discretion, Freddie Mac may withdraw a demand for accelerated payment of principal or for payment of the principal due on the maturity of a Mortgage in order to maintain proper servicing of the Mortgage or to minimize loss.

(c) In the case of Scheduled Principal PCs, in addition to the guarantees contained in subsections (a) and (b) of this Section 4.09, timely payment of Scheduled Principal due on each Mortgage. Freddie Mac's guarantee of timely payment of Scheduled Principal shall be computed based upon information with respect to Aggregate Scheduled Principal furnished to Freddie Mac by servicers for each Freddie Mac monthly reporting period or, in the event Freddie Mac does not receive from servicers or cannot process a timely report of Aggregate Scheduled Principal, upon an estimation of Aggregate Scheduled Principal with respect to the Mortgages under such procedure as may be adopted by Freddie Mac. Any payment made by Freddie Mac to Holders on account of Freddie Mac's guarantee of timely payment of Scheduled Principal shall be considered to be payment of principal for purposes of calculation of the Pool Factor with respect to the related Scheduled Principal PC Pool and to be a payment of principal for purposes of calculating the Holder's pro rata share of unpaid principal pursuant to subsection (b) of this Section 4.09.

(d) In the case of Gold PCs, in addition to the guarantees contained in subsections (a) and (b) of this Section 4.09, timely payment of Monthly Principal Reduction due to be paid on the Gold PC, whether or not received by Freddie Mac. Freddie Mac's guarantee of timely payment of Monthly Principal Reduction on any Gold PC shall be computed in accordance with such procedure as may be adopted by Freddie Mac. Any payment made by Freddie Mac to Holders on account of Freddie Mac's guarantee of timely payment of Monthly Principal Reduction shall be considered to be a payment of principal for purposes of calculation of the Pool Factor with respect to the related Gold PC Pool and to be a payment of principal for purposes of calculating the Holder's pro rata share of unpaid principal pursuant to subsection (b) of this Section 4.09.

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

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

Section 4.12. Modification of Final Payment Date. The final payment in respect of a PC may occur prior to the month in which the Final Payment Date occurs by virtue of prepayments of principal, including but not limited to prepayments made in connection with the repurchase of any Mortgage in accordance with Section 2.02. The final payment in respect of any Gold PC will not occur later than the month in which the Final Payment Date occurs. The final payment in respect of any Original PC may occur after the month in which the Final Payment Date occurs by virtue of the procedure for payment of principal and interest as described in Section 4.05. The final payment in respect of any Original PC, other than any Scheduled Principal PC, also may occur after the month in which the Final Payment Date occurs (but not later than the second month following such month, in the case of Original PCs representing interests in Balloon/Reset Mortgages) by virtue of (i) forbearance or payment plans affecting any Mortgage, or (ii) payment under Freddie Mac's guarantee of ultimate collection of principal after a mortgagor default as described in Section 4.09(b).

ARTICLE V

The PCs

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

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

Section 5.03. Record Date. The Record Date for each month shall be the last Business Day of the month (disregarding for this purpose clauses (iv) and (v) of the definition of "Business Day"). A Holder of a PC on the books and records of the Federal Reserve Bank as of the close of business on the Record Date shall be entitled to payment of principal and interest in respect of such PC for such month. A transfer of a PC made on or before the close of business on the Record Date for a month shall be recognized as effective as of the first day of the month of such transfer.

Section 5.04. Surrender of PCs on Final Payment. Any PC held in certificated form shall be surrendered to the Federal Reserve Bank of New York (or other agency maintained by Freddie Mac for that purpose, the identity and location of which will be furnished by Freddie Mac on request) against the final payment of principal and interest due to the Holder of such PC as herein provided.

ARTICLE VI

Remedies

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

(a) Default in the payment to Holders of interest at the applicable PC Coupon as and when the same shall become due and payable as herein provided, and continuance of such default for a period of 30 days; or

(b) Default in the payment to Holders of principal (including any required payments to Holders of Scheduled Principal or Monthly Principal Reduction, as the case may be) as and when the same shall become due and payable as herein provided, and continuance of such default for a period of 30 days; or

(c) Failure on the part of Freddie Mac to observe or perform any other of the covenants of this Agreement, continued for a period of 60 days after the date on which written notice of such failure, requiring Freddie Mac to remedy the same, shall have been given to Freddie Mac by the Holders of not less than sixty-five percent (65%) of the Remaining PC Pool Balance of any affected PC Pool; or

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

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

Section 6.02. Remedies. If an Event of Default occurs and is continuing, then and in each and every such case, the Holders of a majority of the Remaining PC Pool Balance of any affected PC Pool may, by written notice to Freddie Mac, remove Freddie Mac and nominate a successor to Freddie Mac under this Agreement with respect to such PC Pool, which nominee shall be deemed appointed as successor to Freddie Mac unless within 10 days after such nomination Freddie Mac objects thereto, in which case Freddie Mac may petition any court of competent jurisdiction for the appointment of a successor or any Holder who has been a bona fide Holder for at least six months may, on behalf of such Holder and all others similarly situated, petition any such court for appointment of a successor to Freddie Mac. Such court may thereupon, after such notice, if any, as it may deem proper, appoint a successor to Freddie Mac. Upon the appointment of any successor pursuant to this Section 6.02, Freddie Mac shall submit to its successor a complete written report and accounting of the Mortgages relating to any such affected 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 PC Pool to the successor. Subject to the Act, such successor may take such action with respect to such Mortgages as may be reasonable and appropriate in the circumstances. Prior to any such designation of a successor, the Holders of a majority of the Remaining PC Pool Balance of any affected PC Pool may waive any past default or Event of Default. Appointment of a successor will not relieve Freddie Mac of its guarantee obligations as set forth in this Agreement.

Section 6.03. Limitation on Suits by Holders. Except as provided in Section 6.02, no Holder shall have any right to institute any action or proceeding at law or in equity or in bankruptcy or otherwise, upon, under or with respect to this Agreement, the PCs or the Mortgages, or for the appointment of a receiver or trustee, or for any other remedy whatsoever, unless such Holder previously shall have given to Freddie Mac written notice of an Event of Default and of the continuance thereof, as hereinbefore provided, and unless also the Holders of a majority of the Remaining PC Pool Balance of any affected PC Pool shall have made written request upon Freddie Mac to institute such action or proceeding in its own name and shall have offered to Freddie Mac such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and Freddie Mac for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action or proceeding, and no direction inconsistent with such written request shall have been given to Freddie Mac during such 60-day period by the Holders of a majority of the Remaining PC Pool Balance in any affected PC Pool. It is understood and intended, and expressly covenanted by each Holder of a PC in any affected PC Pool with every other Holder in such PC Pool and with Freddie Mac, that no one or more Holders shall have any right in any manner whatsoever by virtue of or by availing themselves of any provision of this Agreement to affect, disturb or prejudice the rights of any other Holder, or to obtain or seek to obtain preference or priority over any other Holder or to enforce any right under this Agreement, except in the manner herein provided and for the ratable and common benefit of all Holders of PCs in any affected PC Pool. For the protection and enforcement of the provisions of this Section 6.03, each and every Holder and Freddie Mac shall be entitled to such relief as can be given either at law or in equity. Notwithstanding the foregoing or any other provision of this Agreement, the right of any Holder to receive payment of principal and interest as herein provided, on or after the respective due date of such payment, or to institute suit for enforcement of any such payment on or after such date, shall not be impaired or affected without the consent of such Holder.

ARTICLE VII

Miscellaneous Provisions

Section 7.01. Annual Statements. Freddie Mac and/or its designated agent shall furnish, within a reasonable time after the end of each calendar year, to each entity the name of which appears as a Holder on the books and records of the Federal Reserve Bank on any Record Date during such year, such customary information as Freddie Mac deems necessary or desirable to enable Holders and beneficial owners of PCs to prepare their United States federal income tax returns, if applicable.

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

Section 7.03. Limitation on Rights of Holders. The death or incapacity of any person having an interest, beneficial or otherwise, in a PC shall not operate to terminate this Agreement or any 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 PC Pool, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

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

Section 7.05. Amendment.

(a) This Agreement may be amended from time to time by Freddie Mac, without the consent of any Holder or Holders, to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Agreement, which shall not be inconsistent with the other provisions of this Agreement, provided that any such amendment shall not adversely affect in any material respect the interest of any Holder.

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

(c) Without the consent of a Holder, this Agreement may not be amended to impair or affect the right of such Holder to receive payment of principal and interest as herein provided, on or after the respective due date of such payment, or to institute suit for the enforcement of any such payment on or after such date.

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

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

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

Section 7.08. Payments Due on Non-Business Days. If the date fixed for any payment on any PC shall be a day which is not a Business Day, then such payment need not be made on such date, but may be made on the next succeeding day which is a Business Day, with the same force and effect as though made on the date fixed for such payment, and no interest shall accrue for the period after such date.

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

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

Section 7.11. Notice and Demand. Any notice, demand or other communication which by any provision of this Agreement is required or permitted to be given to or served upon any Holder may be given or served in writing by deposit thereof, postage prepaid, in the United States mail, addressed to such Holder as such Holder's name and address may appear on the books and records of the Federal Reserve Bank, or by transmission to such Holder through the communication system linking the Federal Reserve Banks. Such notice, demand or other communication to or upon a Holder shall be deemed to have been sufficiently given or made, for all purposes, upon mailing or transmission.

Any notice, demand or other communication which by any provision of this Agreement is required or permitted to be given to or served upon Freddie Mac shall be given in writing addressed (until another address is published by Freddie Mac) as follows: Federal Home Loan Mortgage Corporation, 8200 Jones Branch Drive, McLean, Virginia 22102, 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 PC BY FREDDIE MAC AND RECEIPT AND ACCEPTANCE OF A PC BY OR ON BEHALF OF A HOLDER, WITHOUT ANY SIGNATURE OR FURTHER MANIFESTATION OF ASSENT, SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE HOLDER AND ALL OTHERS HAVING A BENEFICIAL INTEREST IN SUCH PC OF ALL THE TERMS AND PROVISIONS OF THIS AGREEMENT, AND THE AGREEMENT OF FREDDIE MAC, SUCH HOLDER AND SUCH OTHERS THAT THOSE TERMS AND PROVISIONS SHALL BE BINDING, OPERATIVE AND EFFECTIVE AS BETWEEN FREDDIE MAC AND SUCH HOLDER AND SUCH OTHERS.

FEDERAL HOME LOAN MORTGAGE CORPORATION

Freddie Mac