Offering Circular

Freddie Mac

Federal Home Loan Mortgage Corporation

Mortgage Participation Certificates (Guaranteed)

Freddie Mac offers its Gold PCs (also referred to in this Offering Circular as "PCs") for sale on a continuous basis by means of this Offering Circular and applicable Supplements. Only Gold PCs are offered for sale by this Offering Circular. Each PC represents an undivided interest in a PC Pool consisting of fixed-rate Mortgages.

Each PC entitles its Holder to receive interest at the applicable PC Coupon on the principal balance of the PC and a pro rata share of principal payments on the underlying Mortgages, as calculated by Freddie Mac using the Pool Factor Method described in this Offering Circular. Freddie Mac makes interest and principal payments on PCs monthly on each Payment Date.

Freddie Mac guarantees to each Holder of a PC the timely payment of interest at the applicable PC Coupon, the timely payment of Monthly Principal Reduction, and the ultimate collection of principal, without offset or deduction, not later than the Payment Date in the month of the Final Payment Date for that PC.

Investors should read this Offering Circular in conjunction with any applicable Supplements, Freddie Mac's current Information Statement and any subsequent Information Statement Supplements. This Offering Circular incorporates by reference the Information Statement and Information Statement Supplements. Freddie Mac also publishes and regularly updates information regarding PC Pools and the related Mortgages. See "Availability of Information" beginning on page 17.

The "Glossary of Terms" included as Exhibit D to this Offering Circular defines capitalized terms used in this Offering Circular.

The obligations of Freddie Mac under its guarantees of the PCs are obligations of Freddie Mac only. The PCs, including the interest thereon, are not guaranteed by the United States and do not constitute debts or obligations of the United States or any agency or instrumentality of the United States other than Freddie Mac. Income on 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 June 30, 1992

TABLE OF CONTENTS

This Offering Circular, together with any applicable Supplements, constitutes an offer to sell only the PCs described in these documents. Freddie Mac has not authorized any broker, dealer or salesperson, or anyone else, to make any statements, written or oral, in connection with any such offer, except for those contained in this Offering Circular, in any applicable Supplements and in the other documents and sources of information prepared by Freddie Mac that are described in this Offering Circular. Investors must not rely on any other statements as having been authorized by Freddie Mac. Neither this Offering Circular nor any Supplement constitutes an offer to sell or a solicitation of an offer to buy any PCs by anyone in any jurisdiction where such an offer or solicitation would be unlawful, or where the person making such an offer or solicitation would not be qualified to do so, or to anyone to whom it would be unlawful to make such an offer or solicitation. Freddie Mac makes no representation that the statements in this Offering Circular, any Supplement or any other document will be correct at any time after the date of such document, even though delivery of the document and the sale of the PCs take place on a later date.

SUMMARY

The summary information below is qualified in its entirety by the information appearing elsewhere in this Offering Circular and in any applicable Supplement.

Seller And Guarantor .... Freddie Mac, a publicly held government-sponsored enterprise.

PCs .... Each PC represents an undivided interest in specified fixed-rate Mortgages purchased by Freddie Mac and placed in a PC Pool. Freddie Mac creates PCs under the PC Agreement included in this Offering Circular as Exhibit A.

Freddie Mac classifies PCs (i) as either Gold PCs or Original PCs, depending on whether the period from the first day of the month of issuance to the initial Payment Date is approximately 45 days (Gold PCs) or approximately 75 days (Original PCs), and (ii) as either Cash PCs or Guarantor PCs, depending on the purchase program under which Freddie Mac acquired the related Mortgages. PCs also are classified by reference to their underlying Mortgages. For example, Balloon/Reset PCs are backed by Balloon/Reset Mortgages, 15-year PCs by 15-year Mortgages, and so forth.

The only PCs offered under this Offering Circular are Gold PCs formed under Freddie Mac's Cash Program (Cash PCs), under its Guarantor Program (Guarantor PCs) or as a result of an exchange of Eligible Original PCs for Gold PCs (Converted Gold PCs). References to "PCs" in this Offering Circular include *only* Gold PCs, unless the context otherwise requires. Exhibit C to this Offering Circular describes Original PCs, and Freddie Mac's current Giant Offering Circular describes Original Giants.

- *Cash PCs* are (i) backed by Mortgages that Freddie Mac has purchased for cash from a number of sellers under its Cash Program or (ii) backed by, and issued in exchange for, Mortgages acquired from multiple sellers under Freddie Mac's MultiLender Swap Program.

- *Guarantor PCs* are backed by, and issued in exchange for, Mortgages acquired from a single seller under Freddie Mac's Guarantor Program. Guarantor PCs include Mini-Guarantor PCs, for which the Original Unpaid Principal Balance of the related PC Pool may be as small as $250,000.

- *Converted Gold PCs* are backed by a PC Pool consisting of interests in Mortgages that originally were sold by Freddie Mac as Original PCs (including Original PCs that may have been resecuritized as Original Giants). Eligible Original PCs are exchanged for Converted Gold PCs in accordance with the terms of the Exchange Offer described in the Exchange Circular.

Freddie Mac sells Original PCs only pursuant to other offering circulars and/or Supplements. Since October 1, 1990 most of the PCs sold by Freddie Mac have been Gold PCs and the remainder have been Original PCs. Prior to October 1, 1990 Freddie Mac sold only Original PCs.

Mortgages

The Mortgages are fixed-rate residential mortgages, including whole mortgage loans and mortgage participation interests. For pooling purposes, Freddie Mac classifies Mortgages by their status as either Conventional or FHA/VA, by their maximum original terms to maturity and by certain other defining characteristics:

Conventional or FHA/VA:

- Conventional Mortgages are neither guaranteed nor insured by the United States or any agency or instrumentality of the United States.

- FHA/VA Mortgages are insured by the FHA or partly guaranteed by the VA.

Maximum Original Term to Maturity:

- 30-year Mortgages have original terms of more than 180 months and up to approximately 360 months; 15-year Mortgages have original terms up to approximately 180 months; and so forth.

- Freddie Mac calculates the original term from the date one month prior to the date the first payment is due on the Mortgage.

Defining Characteristics:

- *Standard*—fixed Mortgage Coupons; 15-year or 30-year Mortgages; first lien; level monthly payments; fully amortizing; secured by one-to-four family dwellings. Except as indicated, the Mortgages described below have the same characteristics as Standard Mortgages.

- *Balloon/Reset*—Mortgages with 5-year or 7-year original terms to maturity requiring level payments during their original terms based on the amortization schedule for a 30-year Mortgage. At the end of the original term, the borrower must make a "balloon" payment to retire the Mortgage or, subject to certain conditions, may extend the Mortgage at a "reset" Mortgage Coupon.

- *Biweekly*—provides for payments every 14 days in an amount equal to one-half of the monthly payment as calculated using the monthly amortization schedule for a 15-year Mortgage or a 30-year Mortgage, as applicable. Biweekly Mortgages include Non-Convertible Biweekly Mortgages (which do not permit termination of the biweekly payment arrangement) and Convertible Biweekly Mortgages and Pseudo-Biweekly Mortgages (both of which permit termination of the biweekly payment arrangement in favor of a monthly payment arrangement).

- *Cooperative Share*—secured by a first lien or other security interest on (i) the stock or membership certificate issued to a Tenant-Stockholder in a Cooperative and (ii) the Tenant-Stockholder's proprietary lease, occupancy agreement or right of tenancy.

- *Extended Buydown*—Buydown Mortgages having an effective interest rate to the borrower during their buydown period more than 200 basis points below the Mortgage Coupon or a buydown period of more than two years.

- *Relocation*—Mortgages made to transferred employees under an employee relocation program sponsored by the employer to which the employer makes a significant contribution.

- *Second*—secured by a lien subordinate only to the first lien on the mortgaged property.

- *Non-Purchase Money First*—first lien Mortgages made for a purpose other than the purchase of the mortgaged property and originated on terms similar to Second Mortgages.

Form	PCs are issued and may be transferred by Holders only on the book-entry system of the Federal Reserve Bank in minimum original principal amounts of $1,000 and additional increments of $1.
Holders	Holders are the entities that appear on the book-entry records of a Federal Reserve Bank as owners of record of PCs.
Payment Dates	On each Payment Date, Freddie Mac passes through payments of principal and interest to entities that were Holders as of the related Record Date. Payment Dates are on the 15th of each month or, if the 15th is not a Business Day, on the next Business Day.
Record Dates	A Holder of a PC on the Record Date is entitled to the payment of principal and interest to be made on the PC in the following month. Record Dates are at the end of each month.
Method of Payment	A Federal Reserve Bank credits payments monthly on each Payment Date to Holders' accounts. The Holder and each other financial intermediary in the chain to the Beneficial Owner are responsible for remitting payments to their respective customers.
Principal	On each Payment Date, a Holder receives a pro rata pass-through of principal payments on the Mortgages backing the Holder's PC. Freddie Mac calculates principal payments using the Pool Factor Method.
Interest	On each Payment Date, a Holder receives one month's interest at the applicable PC Coupon on the principal balance of the Holder's PC, as calculated by Freddie Mac under the Pool Factor Method.
Guarantees	Freddie Mac guarantees to each Holder of a PC the timely payment of interest at the applicable PC Coupon, the timely payment of Monthly Principal Reduction, and the ultimate collection of principal, without offset or deduction, not later than the Payment Date in the month of the Final Payment Date for that PC.
Prepayment Behavior	The rate of principal payments on PCs depends primarily on the rate of principal payments on the Mortgages backing the PCs. Mortgage principal payments may be in the form of scheduled amortization or unscheduled prepayments, including Curtailments and Full Prepayments. The Mortgages are subject to prepayment at any time without penalty. In general, when prevailing mortgage interest rates decline significantly below the Mortgage Coupons on the Mortgages, the prepayment rate on the Mortgages is likely to increase, although a number of other factors also may influence the prepayment rate.

Full Prepayments as a result of transfers of mortgaged properties are an important factor affecting the prepayment rate on the Mortgages, especially in periods of high housing turnover. Most Conventional Mortgages provide that, in the event of the transfer or prospective transfer of the underlying mortgaged property, the remaining principal balance is due and payable at the option of the owner of the Mortgage. Freddie Mac, in most cases, requires mortgage servicers to enforce such ''due-on-transfer'' clauses where permitted by applicable law.

Final Payment Date.............	The Holder of a PC will receive the final payment on the PC not later than the Payment Date in the month of that PC's Final Payment Date.
Tax Status	Income on the PCs has no exemption under federal law from federal, state or local taxation.
ERISA Considerations	For employee benefit plans subject to ERISA, PCs, and not the Mortgages backing the PCs, are considered to be plan assets.
Legality of Investment	See ''Legality of Investment'' and ''Regulatory Constraints'' on pages 37 and 38.
Offering Procedure.............	Freddie Mac offers PCs for sale pursuant to its Cash Program (which includes the MultiLender Swap Program) and its Guarantor Program under various distribution arrangements. Freddie Mac offers Converted Gold PCs continuously in exchange for Original PCs and Original Giants.
Secondary Market	Certain securities dealers, as well as Freddie Mac through SS&TG, buy, sell and make a market in PCs. There may be a limited secondary market for certain types of PCs.
Market Support	Freddie Mac supports the market for PCs by, among other things, acquiring PCs in order to issue derivative securities such as Giant PCs and Multiclass PCs, trading in PCs and purchasing PCs for its portfolio and for various other corporate purposes. Freddie Mac may increase, reduce or eliminate the purchase of PCs at any time.

FEDERAL HOME LOAN MORTGAGE CORPORATION

Freddie Mac is a publicly held government-sponsored enterprise created on July 24, 1970 pursuant to the Freddie Mac Act. Freddie Mac's statutory mission is to provide stability in the secondary market for residential mortgages, to respond appropriately to the private capital market and to provide ongoing assistance to the residential mortgage secondary market by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing. The principal activity of Freddie Mac consists of the purchase of first lien, conventional, residential mortgages and 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.

PAYMENTS ON PCs

Pool Factor Method

Freddie Mac makes principal and interest payments on PCs using the Pool Factor Method. The Pool Factor Method works as follows:

- For each month, Freddie Mac determines the aggregate principal payment to be made on the PCs representing interests in each PC Pool. In general, the principal payment on a PC represents a pass-through of principal payments on the Mortgages in the related PC Pool. The principal balance of a PC usually will not reflect exactly the principal balances of the underlying Mortgages, however, due to delays inherent in processing mortgage information.
- After determining the aggregate principal payment for each PC Pool for the month, Freddie Mac calculates the remaining principal balance of the PC Pool, which it converts into a decimal fraction called a Pool Factor. The reduction in the Pool Factor in a given month measures the amount of principal to be paid to Holders on the Payment Date in the same month.
- On each monthly Payment Date, Freddie Mac passes through to the Holder of a PC:
  - • principal reflecting that month's reduction in the related Pool Factor; and
  - • interest reflecting one month's interest at the applicable PC Coupon on the principal balance of the PC before giving effect to the principal payment made on the same Payment Date.

The following sections explain the Pool Factor Method and the manner in which Pool Factors are determined in more detail.

Calculation of Principal

The aggregate principal payment in any month on the PCs representing interests in a given PC Pool equals the sum of:

- Monthly Principal Reduction for the Monthly Reporting Period ending in that month;
- Full Prepayments on the related Mortgages for the Monthly Reporting Period that ended in the preceding month; and
- The Monthly Adjustment Amount for the PC Pool for that month.

For a given month, Monthly Principal Reduction for a PC Pool reflects Freddie Mac's calculation of the amount of scheduled amortization due on the related Mortgages in the Monthly Reporting Period ending in the same month. Freddie Mac calculates Monthly Principal Reduction each month based upon:

- The WAC and WARM of the related Mortgages for the previous month, rather than the individual Mortgage Coupons and remaining terms to maturity of each of the Mortgages; and
- The principal balance of the PC Pool as reflected by the Pool Factor for the previous month (adjusted for Full Prepayments and the Monthly Adjustment Amount), rather than the actual principal balances of the Mortgages.

In the case of a Balloon/Reset PC Pool, however, Freddie Mac assumes a 360-month amortization period for the Mortgages in that PC Pool to arrive at a weighted average remaining term, instead of using the actual WARM of those Mortgages.

If Freddie Mac does not have the information necessary to calculate the WAC and WARM of the Mortgages in a PC Pool, it calculates Monthly Principal Reduction using the following estimates: (i) a WARM determined by reducing the original term of each related PC (based on its Final Payment Date) by the number of months elapsed since the formation of the PC Pool and (ii) a WAC determined by adding 0.375% to the weighted average of the net yield rates at which the servicers are required to remit interest on the Mortgages in that PC Pool to Freddie Mac. Freddie Mac's procedures for calculating Monthly Principal Reduction in this manner for such PCs can result in principal payment rates that differ significantly from those on the Mortgages backing those PCs.

The Monthly Adjustment Amount reconciles differences, on a ''lagging'' basis, between the principal balances of the PCs and the principal balances of the related Mortgages as reported by servicers. These differences may arise from Curtailments, from the methodology used to calculate Monthly Principal Reduction, from errors in servicers' reports and from other sources. The Monthly Adjustment Amount for a PC Pool for a given month equals the difference (either positive or negative) between (i) the principal balance of the PC Pool as determined using the preceding month's Pool Factor plus the previous month's Monthly Principal Reduction and (ii) the aggregate principal balance of the related Mortgages reported by servicers for the Monthly Reporting Period ending in the second preceding month. For example, Freddie Mac determines the Monthly Adjustment Amount for calculating a June Pool Factor by multiplying the May Pool Factor by the original principal amount of the PC Pool and then adding the Monthly Principal Reduction passed through in May. This produces the aggregate principal balance of the Mortgages on Freddie Mac's records as of April 15. Freddie Mac then compares this balance with the April 15 balance of the Mortgages which was reported by the servicers; any difference is the Monthly Adjustment Amount used in the June Pool Factor calculation. For this purpose, Freddie Mac disregards differences attributable to defaults and delinquencies on the Mortgages, because Holders of PCs are entitled to receive principal amortization payments regardless of any default or delinquency.

If a servicer fails to file an accurate or timely report of its collections of principal payments or the report cannot be processed, the principal payment on the PCs reflects Freddie Mac's usual calculation of Monthly Principal Reduction during the applicable Monthly Reporting Period, with any difference between actual payments on the Mortgages and the principal payments on the PCs being reconciled in subsequent periods.

Freddie Mac calculates Monthly Principal Reduction for Convertible Biweekly and Pseudo-Biweekly Mortgage PCs and Simple Interest Mortgage PCs without regard to the special payment characteristics of the related Mortgages, which frequently result in Curtailments. Such Curtailments are reflected in subsequent Monthly Adjustment Amounts.

In general, Freddie Mac calculates principal payments for Converted Gold PCs in the same way as for Gold PCs originally issued as such. This general rule has three exceptions:

Exception One. The principal payment cycles for Original Cash PCs and Original Guarantor PCs differ from each other and from the cycle for Gold PCs. To compensate, Freddie Mac makes payment on a Converted Gold PC differently on its first Payment Date than on later Payment Dates. On the first Payment Date:

- The Holder of a Converted Gold PC issued in exchange for Original Cash PCs receives one month's worth of Monthly Principal Reduction and nothing for Full Prepayments;
- The Holder of a Converted Gold PC issued in exchange for Original Guarantor PCs receives two months' worth of Monthly Principal Reduction and Full Prepayments for the Monthly Reporting Period that ended in the month of exchange; and
- The Holder of a Converted Gold PC issued in exchange for both Original Cash and Original Guarantor PCs receives a principal payment based on the relative proportions of the Original PCs exchanged.

Exception Two. Beginning on the second Payment Date after the exchange, Freddie Mac may adjust the amount of principal payments on a Converted Gold PC to compensate for erroneous estimates of principal reduction on the underlying Mortgages made before the exchange. In some cases, this adjustment can increase significantly the principal payment on the second Payment Date; in others, it can reduce significantly, or even eliminate, the principal payment on the second and succeeding Payment Dates.

Exception Three. Under its Exchange Offer, Freddie Mac from time to time creates Converted Gold PCs from ''Restricted Eligible PCs,'' for which updated WAC and WARM information is not publicly available. Because Freddie Mac cannot employ its usual method of using the current WAC and WARM to calculate the Monthly Principal Reduction for Converted Gold PCs issued in exchange for Restricted Eligible PCs, Freddie Mac uses instead the estimation method described above in the third paragraph of this section.

These exceptions may result in significant variations in principal reduction, or possibly no principal reduction for several months following the exchange, on Converted Gold PCs.

Pool Factors

Each month Freddie Mac calculates a Pool Factor for each PC Pool to reflect the aggregate amount of principal to be paid on the related PCs. The Pool Factor for any month is a truncated seven digit decimal that, when multiplied by the original principal balance of the related PCs, equals their remaining principal balance after giving effect to the principal payment to be made in the same month. The Pool Factor for a given month also reflects the approximate principal balance of the related Mortgages, based on Freddie Mac's records, as of the 15th of that month. Freddie Mac publishes Pool Factors for each month after formation of a PC Pool on or about the first business day of the month. The Pool Factor for the month of PC Pool formation, which is not published, is always 1.0000000.

Principal and Interest Payments

Freddie Mac makes payments on a PC on each Payment Date beginning in the month after issuance. All payments are based on the applicable Pool Factors, as follows:

- The principal payment in any month on a PC equals its original principal balance multiplied by the difference in the Pool Factors published in the preceding and current months.
- The interest payment in any month on a PC equals $1/12$ of its PC Coupon multiplied by the principal balance of the PC as determined using the preceding month's Pool Factor, which reflects the principal reduction on the PC through the preceding month.

Illustrative Timeline

The following timeline illustrates the payment of principal and interest under the Pool Factor Method on (i) Gold PCs originally issued as such and (ii) Converted Gold PCs. The timeline assumes in each case that the PC Pool is formed, or the Converted Gold PCs are issued in exchange for Original PCs, on April 20.

Approximate Date	Gold PCs (other than Converted Gold PCs)	Converted Gold PCs
April 1	Initial Pool Factor equals 1.0000000.	Initial Pool Factor for Converted Gold PCs equals 1.0000000. April Pool Factors for Original PCs are published.
April 20	PC Pool formation. Original principal balance of PCs equals aggregate principal balance of Mortgages on Freddie Mac's records as of March 15 (for Cash PCs) or as reported at delivery by seller (for Guarantor PCs), as reduced by scheduled amortization through April 15.	Holder delivers Original PCs in exchange for Converted Gold PCs. Original principal balance of Converted Gold PCs equals aggregate principal balance of Original PCs, based on their April Pool Factors.
April 30	Record Date for May payment.	Record Date for May payment on Converted Gold PCs.
May 1	May Pool Factor reflects (i) Monthly Principal Reduction from April 16 through May 15 and (ii) Full Prepayments from March 16 through April 15 (for Cash PCs).	May Pool Factor for Converted Gold PCs reflects (i) Monthly Principal Reduction from April 16 through May 15 (to the extent Original PCs were Cash PCs) or from March 16 through May 15 (to the extent Original PCs were Guarantor PCs) and (ii) Full Prepayments from March 16 through April 15 (but only to the extent Original PCs were Guarantor PCs).
May 15	First Payment Date. Principal payment reflects difference between April and May Pool Factors. Interest payment is based on initial Pool Factor (reflecting original principal balance of PCs).	Last Payment Date for Original PCs. Holder as of March 31 of each Original PC receives (i) final principal payment, reflecting difference between March and April Pool Factors, and (ii) final interest payment, based on March Pool Factor. First Payment Date for Converted Gold PCs. Holder as of April 30 of Converted Gold PCs receives (i) first principal payment, reflecting difference between April and May Pool Factors, and (ii) first interest payment, based on initial Pool Factor (reflecting original principal balance of Converted Gold PCs).
May 31	Record Date for June payment.	Record Date for June payment.
June 1	June Pool Factor reflects (i) Monthly Principal Reduction from May 16 through June 15, (ii) Full Prepayments from April 16 through May 15 (for Cash PCs) or from delivery through May 15 (for Guarantor PCs) and (iii) Monthly Adjustment Amount to reconcile differences between original principal balance of PCs and aggregate principal balance of Mortgages at April 15 as reported by servicers.	June Pool Factor reflects (i) Monthly Principal Reduction from May 16 through June 15, (ii) Full Prepayments from April 16 through May 15, (iii) Monthly Adjustment Amount to reconcile differences between original principal balance of Converted Gold PCs and aggregate principal balance of Mortgages at April 15 as reported by servicers and (iv) in some cases, other adjustments to correct previous estimates regarding Original PCs.
June 15	Second Payment Date. Principal payment reflects difference between May and June Pool Factors. Interest payment is based on May Pool Factor (reflecting principal balance of PCs after May 15 payment).	Second Payment Date. Principal payment reflects difference between May and June Pool Factors. Interest payment is based on May Pool Factor (reflecting principal balance of Converted Gold PCs after May 15 payment).
June 30	Record Date for July payment.	Record Date for July payment.
July 1	July Pool Factor reflects (i) Monthly Principal Reduction from June 16 through July 15, (ii) Full Prepayments from May 16 through June 15 and (iii) Monthly Adjustment Amount to reconcile differences between the principal balance of the PCs as of June 1 (i.e., the amount reflected by the June Pool Factor plus Monthly Principal Reduction for June) and the aggregate principal balance of Mortgages at May 15 as reported by servicers.	July Pool Factor reflects (i) Monthly Principal Reduction from June 16 through July 15, (ii) Full Prepayments from May 16 through June 15, (iii) Monthly Adjustment Amount to reconcile differences between the principal balance of the Converted Gold PCs as of June 1 (i.e., the amount reflected by the June Pool Factor plus Monthly Principal Reduction for June) and the aggregate principal balance of Mortgages at May 15 as reported by servicers and (iv) other adjustments, if not fully reflected in June Pool Factor.
July 15	Third Payment Date. Principal payment reflects difference between June and July Pool Factors. Interest payment is based on June Pool Factor (reflecting principal balance of PCs after June 15 payment).	Third Payment Date. Principal payment reflects difference between June and July Pool Factors. Interest payment is based on June Pool Factor (reflecting principal balance of Converted Gold PCs after June 15 payment).
Subsequent Months	Follow pattern for July.	Follow pattern for July.

FINAL PAYMENT DATE

The Holder of a PC will receive the final payment on the PC not later than the Payment Date in the month of that PC's Final Payment Date. By convention, the Final Payment Date of a PC is always designated as the first day of a month, even though Payment Dates occur on the 15th of each month. The following table and discussion describe how Freddie Mac determines the month of the Final Payment Date for different types of PCs.

Type of PC	Final Payment Date
Gold (other than Converted Gold)	Month in which last scheduled payment is due on latest maturing Mortgage in PC Pool
Converted Gold	Latest Final Payment Date of all Original PCs and Original Giants exchanged for the Converted Gold PC

Freddie Mac determines the Final Payment Date for Balloon/Reset PCs based on the original five- or seven-year terms to maturity of the Mortgages without regard to any potential extension resulting from the exercise of "reset" options by the borrowers. Freddie Mac determines the Final Payment Date for Biweekly Mortgage PCs by giving effect to the biweekly payment arrangement and resulting reduction in term to maturity only in the case of Non-Convertible Biweekly Mortgages, but not in the case of Convertible Biweekly Mortgages and Pseudo-Biweekly Mortgages.

GUARANTEES

Freddie Mac guarantees to each Holder of a PC the timely payment of interest at the applicable PC Coupon on the principal balance of the PC, as calculated by Freddie Mac under the Pool Factor Method.

Freddie Mac also guarantees to each Holder the payment of principal as calculated by Freddie Mac under the Pool Factor Method. The guarantee of principal includes:

(i) the timely payment of Monthly Principal Reduction, calculated as described above and subject to the Monthly Adjustment Amount and any other applicable adjustments; and

(ii) the ultimate collection of the Holder's pro rata share of all principal of the related Mortgages, without offset or deduction, not later than the Payment Date in the month of the PC's Final Payment Date.

Freddie Mac may 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) the foreclosure sale of the mortgaged property; (ii) if applicable, the payment of an insurance claim by the FHA or other Mortgage insurer or payment of a guaranty claim by the VA or other Mortgage guarantor; or (iii) the expiration of any right of redemption that the borrower may have, whichever is the last to occur. In no event, however, will Freddie Mac make payment on account of this guarantee later than the earlier of: (i) one year after an outstanding demand has been made upon the borrower for accelerated payment of principal or for payment of the principal due at maturity or (ii) the Payment Date in the month of the PC's Final Payment Date.

In taking actions to collect principal after default, including the timing of a demand for acceleration, Freddie Mac requires servicers to service the Mortgages in substantially the same manner as Mortgages of the same type that Freddie Mac has purchased but not resold. See "Mortgage Purchase and Servicing Standards—Mortgage Servicing—Defaults and Delinquencies" and "—Foreclosures" at pages 30 and 31, respectively, for descriptions of (i) the circumstances under which a demand for acceleration may be made and, if made, withdrawn; and (ii) 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 acceleration and on payment under Freddie Mac's guarantee of ultimate collection of principal.

Under the SSCRA, military personnel in active service may be entitled to mortgage interest reduction or other relief for 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. Relief granted under the SSCRA will not affect Freddie Mac's guarantees of timely payment of interest at the applicable PC Coupon, timely payment of Monthly Principal Reduction or ultimate collection of principal.

The obligations of Freddie Mac under its guarantees of the PCs are obligations of Freddie Mac only. The PCs, including the interest thereon, are not guaranteed by the United States and do not constitute debts or obligations of the United States or any agency or instrumentality of the United States other than Freddie Mac. Certain of the Mortgages are insured by the FHA or partly guaranteed by the VA, both of which are federal agencies.

BOOK-ENTRY FORM, HOLDERS, MINIMUM PRINCIPAL AMOUNTS AND TRANSFERS

Freddie Mac sells PCs only in Book-Entry Form through the Federal Reserve Banks' book-entry system. Freddie Mac's fiscal agent for PCs is each Federal Reserve Bank. The Fiscal Agency Agreement between Freddie Mac and the Federal Reserve Bank of New York, acting on behalf of the Federal Reserve Banks, makes generally applicable to PCs (i) the Freddie Mac Book-Entry Rules (1 C.F.R. Part 462), (ii) the procedures, insofar as applicable, established from time to time by regulations of the Treasury governing United States securities and (iii) such other procedures as may be agreed upon from time to time by Freddie Mac and the Federal Reserve Banks. These rules and procedures relate primarily to the registration, transfer and pledge of Freddie Mac's book-entry securities. Each PC Pool is assigned a unique nine-character CUSIP Number used, among other things, to identify the related PCs.

PCs are issued and must be maintained and transferred only on the book-entry system of the Federal Reserve Banks in minimum original principal amounts, by PC Pool, of $1,000 and additional increments of $1, pursuant to applicable Federal Reserve Bank requirements. 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. Transfers also are subject to other applicable Federal Reserve Bank wire transfer requirements.

PCs may be held of record only by entities eligible to maintain book-entry accounts with a Federal Reserve Bank. A Federal Reserve Bank's book-entry records will reflect a Holder's aggregate holdings of PCs by account.

A Holder of a PC is not necessarily the Beneficial Owner of the PC. Beneficial Owners ordinarily hold PCs through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. For example, an investor 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 that case, the Beneficial Owner of the PC would be the investor and the entity that appears as the holder on the records of a Federal Reserve Bank would be the Holder. A Holder that is not also the Beneficial Owner of a PC, and each other financial intermediary in the chain between the Holder and the Beneficial Owner, will be responsible for 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. Neither Freddie Mac nor any Federal Reserve Bank will have a 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 payments to Holders on each applicable 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 on the PC on the Payment Date in the next month.

PC POOLS

Pool Formation; Purchase Programs

Pool Formation

Each PC represents an undivided interest in the Mortgages that constitute the related PC Pool. Freddie Mac forms PC Pools and creates and sells PCs under the PC Agreement. Holders and Beneficial Owners of PCs should refer to the PC Agreement (Exhibit A) for a complete description of their rights and obligations and those of Freddie Mac. Each Holder and Beneficial Owner of a PC acquires the PC subject to all the terms of the PC Agreement.

PC Pools consist of specified types of Mortgages as described in this Offering Circular and any applicable Supplement. Once Freddie Mac has identified a Mortgage to a PC Pool, the Mortgage will remain in that PC Pool unless it is paid in full, foreclosed upon, repurchased or replaced by a substitute Mortgage.

A Mortgage repurchase can result from a material breach of a warranty, representation or agreement by the seller or a defect in documentation; a right of recourse to the seller; certain payment plans and bankruptcy court actions; payment under Freddie Mac's guarantee of principal collection; actions taken to maintain proper servicing of the Mortgage or to minimize loss; and certain other circumstances. In determining whether a Mortgage should be repurchased, Freddie Mac considers a variety of factors, including whether the repurchase will reduce Freddie Mac's administrative costs or Freddie Mac's possible exposure under its guarantees. The repurchase of a Mortgage constitutes a Full Prepayment of that Mortgage; Freddie Mac passes through the proceeds of a repurchase as if the borrower had prepaid the Mortgage. Under certain circumstances Freddie Mac may require a seller to repurchase all or substantially all of the Mortgages in a PC Pool.

A Mortgage substitution can result from a material breach of a warranty, representation or agreement by the seller or a defect in documentation. If one of these occurs, Freddie Mac may require or permit the seller, within six months of Freddie Mac's purchase of the Mortgage, to substitute another Mortgage of comparable type, principal balance, term to maturity and yield.

Generally, the yield payable to Freddie Mac on the Mortgages in any PC Pool will equal or exceed the PC Coupon of the related PCs, with the difference retained by Freddie Mac as its management and guarantee fee. Any excess of the interest payable by the borrower 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.

Cash PC Pools

A Cash PC Pool contains Mortgages that Freddie Mac has acquired from a number of sellers for cash or, under the MultiLender Swap Program, in exchange for Cash PCs representing undivided interests in the Mortgages in the Cash PC Pool. A Cash PC Pool under the MultiLender Swap Program may or may not contain Mortgages Freddie Mac recently has acquired for cash or that it has held in its retained portfolio.

Under the Cash Program, Freddie Mac purchases most Mortgages at prices established by reference to prices for Cash PCs in the secondary market. Freddie Mac may purchase Mortgages at a premium, at a discount or at par. In general, Cash PC Pools do not include Mortgages having a yield to Freddie Mac that is less than interest payable at the PC Coupon. If, however, a Cash PC Pool were to include such Mortgages, Freddie Mac would retain an interest in the Mortgages large enough that the interest payments attributable to Freddie Mac's retained interest would enable it to pass through to Holders the difference between the yield on the Mortgages and the interest payable to Holders at the PC Coupon.

Under the MultiLender Swap Program, a seller delivers Mortgages to Freddie Mac and, on the settlement date, receives a Cash PC with a principal balance equal to the aggregate principal balance of the same Mortgages as of delivery to Freddie Mac. The seller pays to Freddie Mac, and Freddie Mac retains, principal payments on the Mortgages equal to any difference between the aggregate principal balance of the Mortgages as of delivery by the seller and their aggregate principal balance as of settlement. Freddie Mac uses these payments to purchase additional Mortgages for inclusion in the related PC Pool. Therefore, such principal payments are not passed through to Holders like other principal payments.

Under the Cash Program, a purchaser of a PC pays Freddie Mac on the settlement date interest at the PC Coupon for the period from the first day of the month of settlement through the day prior to settlement. Under the MultiLender Swap Program, Freddie Mac pays to the Mortgage seller on the settlement date interest, at a rate equal to the difference between Freddie Mac's required net yield on the Mortgages and the PC Coupon, for the period from the first day of the month of settlement through the day prior to settlement.

Guarantor PC Pools

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 principal balance of, and the number of Mortgages in, a Guarantor PC Pool depend on the dollar amount and number of Mortgages offered by the seller and accepted for purchase by Freddie Mac. The Mortgages in most Guarantor PC Pools are less geographically diverse than those in a typical Cash PC Pool.

The original principal balance of a Guarantor PC Pool equals the aggregate principal balance of the Mortgages as reported by the seller at delivery to Freddie Mac, rounded down to the nearest dollar. At the time a seller delivers Mortgages to Freddie Mac for purchase, the seller reports their current principal balances, normally reduced to reflect scheduled amortization in the month of PC settlement. If the Mortgage balances have not been so reduced, scheduled amortization due on the Mortgages for the month of PC settlement is reflected in the related Pool Factor published in the second month following PC Pool formation and is passed through to Holders accordingly.

Any differences between the principal balances of the Mortgages as reported at delivery to Freddie Mac and their principal balances as of settlement are reported to Freddie Mac after settlement and reflected in subsequent Pool Factors and payments to Holders. Mortgages that become delinquent during the period between delivery and settlement normally are repurchased by the seller following PC Pool formation.

Under the Guarantor Program, Freddie Mac pays to the Mortgage seller on the settlement date interest, at a rate equal to the difference between Freddie Mac's required net yield on the Mortgages and the PC Coupon, for the period from the first day of the month of settlement through the day prior to settlement.

PC Pool Numbers and Chart

Freddie Mac identifies each PC Pool by a PC Pool Number, the Prefix of which designates certain characteristics of the related PCs and Mortgages. The following chart summarizes, by Prefix, the characteristics of Gold PC Pools. (The Prefixes of Converted Gold PCs and Original PCs are set forth in a chart on page C-7 of Exhibit C.) All Mortgages are Standard Mortgages unless otherwise noted. This chart should be read in conjunction with "Pooling Criteria," which immediately follows.

Gold Prefix	Purchase Program	Maximum Mortgage Term (Years)	Type of Mortgage	Minimum Original Principal Balance of PC Pool
B3	Mini-Guarantor	30	Conventional	$ 250,000
B5	Mini-Guarantor	15	Conventional	250,000
B7	Guarantor	15,30(1)	FHA/VA	1,000,000
B9	Mini-Guarantor	15,30(1)	FHA/VA	250,000
C0-C9	Cash	30	Conventional	1,000,000
D0-D9	Guarantor	30	Conventional	1,000,000
E0-E2	Cash	15	Conventional	1,000,000
E3-E9	Guarantor	15	Conventional	1,000,000
F0	Guarantor	30	Conventional (Extended Buydown)	1,000,000
F1	Guarantor	15	Conventional (Extended Buydown)	1,000,000
M1	Guarantor	5	Conventional (Balloon/Reset)	1,000,000
M3	Guarantor	15	Conventional (Relocation)	1,000,000
M5	Guarantor	15	Conventional (Pseudo-Biweekly and Convertible Biweekly)	1,000,000
M7	Guarantor	15	Conventional (Cooperative Share)	1,000,000
M8	Cash	7	Conventional (Balloon/Reset)	1,000,000
M9	Cash	5	Conventional (Balloon/Reset)	1,000,000
N1	Guarantor	15,30(2)	Conventional (Second/ Non-Purchase Money First)	1,000,000
N3	Guarantor	30	Conventional (Relocation)	1,000,000
N5	Guarantor	30	Conventional (Pseudo-Biweekly and Convertible Biweekly)	1,000,000
N7	Guarantor	30	Conventional (Cooperative Share)	1,000,000
N9	Guarantor	7	Conventional (Balloon/Reset)	1,000,000
P5	Mini-Guarantor	30	Conventional (Pseudo-Biweekly and Convertible Biweekly)	250,000
P6	Mini-Guarantor	15	Conventional (Pseudo-Biweekly and Convertible Biweekly)	250,000

(1) Prefixes B7 and B9 may include PC Pools consisting entirely of either 15-year or 30-year FHA/VA Mortgages. 15-year FHA/VA Mortgages and 30-year FHA/VA Mortgages will not be included together in a single PC Pool.

(2) Prefix N1 may include PC Pools consisting entirely of either 15-year or 30-year Second and Non-Purchase Money First Mortgages. 15-year Second and Non-Purchase Money First Mortgages and 30-year Second and Non-Purchase Money First Mortgages will not be included together in a single PC Pool.

Pooling Criteria

This section describes Freddie Mac's current pooling criteria for (i) the permitted range of Mortgage Coupons of the Mortgages in a given PC Pool and (ii) the pooling of non-Standard Mortgages.

Mortgage Coupons

Freddie Mac's current Mortgage pooling criteria require that the Mortgage Coupon of each Mortgage in a PC Pool fall within the range shown in the following table.

Type of PC Pool	Permitted Mortgage Coupons
Cash	50 through 100 basis points higher than PC Coupon
Guarantor	PC Coupon (plus minimum required servicing fee) through 250 basis points higher than PC Coupon

Examples: If the PC Coupon of a Cash PC is 9%, the Mortgage Coupons of the related Mortgages may be as low as 9.5% and as high as 10%. If the PC Coupon of a Guarantor PC is 9%, the Mortgage Coupons of the related Mortgages may be as low as 9.25% (assuming a minimum required servicing fee of 0.25%) and as high as 11.5%.

Non-Standard Mortgages

Freddie Mac currently employs the following criteria, among others, in pooling non-Standard Mortgages.

- Up to 10% of the Mortgages in a Standard PC Pool, by original principal balance, may be Relocation Mortgages, Extended Buydown Mortgages or Cooperative Share Mortgages, so long as these types of Mortgages, in combination, do not account for more than 15% of the Original Unpaid Principal Balance of the PC Pool.
- If any of the preceding limits are exceeded, the PC Pool will have a PC Pool Number designating the type of non-Standard Mortgage that it contains. If the PC Pool contains more than one type of non-Standard Mortgage, the PC Pool Number will reflect the type that Freddie Mac expects to constitute the largest percentage.
- Any PC Pool containing one or more Biweekly Mortgages at the time of formation will have a PC Pool Number designating that type of Mortgage.
- Any PC Pool whose PC Pool Number designates Second Mortgages and Non-Purchase Money First Mortgages will consist exclusively of such Mortgages. Second Mortgages will be included only in such PC Pools; Non-Purchase Money First Mortgages may be included in other PC Pools if the Non-Purchase Money First Mortgages conform to the pooling criteria for such PC Pools.
- Balloon/Reset Mortgages are not pooled with other types of Mortgages.

AVAILABILITY OF INFORMATION

Information Statement

Freddie Mac prepares an annual Information Statement that describes Freddie Mac, its business and operations and contains Freddie Mac's audited financial statements. From time to time Freddie Mac prepares Information Statement Supplements that include unaudited financial data and other information concerning its business and operations. This Offering Circular incorporates by reference the most current Information Statement and any subsequent Information Statement Supplements.

PC Pool Information

Freddie Mac regularly makes available to investors information regarding PCs and the Mortgages in the related PC Pools. Information generally is provided as of PC Pool formation (''original security information'') and as of subsequent scheduled information release dates (''updated security information''). This information is available from various sources, including electronic data bases maintained by Freddie Mac and several information vendors that provide both original and updated security information.

Original security information usually is available for a PC Pool on the morning of the next business day after the PC Pool is settled. Freddie Mac publishes a Pool Factor for each PC Pool on or about the first business day of each subsequent month, and other updated security information is available on or about the fifth business day of each subsequent month.

- *PC Pools:* Freddie Mac initially furnishes for each PC Pool (i) the Original Unpaid Principal Balance of the PC Pool, (ii) the original WAC, WARM, AOLS, WALA and WAOLT, including information grouped by quartiles, (iii) the geographic distribution of the Mortgages and (iv) for certain tax purposes, information (if available to Freddie Mac) as to whether any of the Mortgages was originated on or before July 18, 1984 or September 27, 1985. Freddie Mac's monthly updates include similar information, as well as the ULMD of the Mortgages. Information regarding geographic distribution is updated annually. Original security information for each Converted Gold PC Pool is contained in the related Exchange Pool Supplement, which includes a list of the PC Pool Numbers of the converted Eligible Original PCs.
- *PC Pools containing Relocation, Extended Buydown or Cooperative Share Mortgages:* If the PC Pool has a PC Pool Number designating one or more of these types of Mortgages, the Pool Supplement or a separate Supplement will specify the percentage of each type.
- *Freddie Mac's Resecuritization Electronic Data Base (''FRED'')* displays, among other things, WACs, WARMs and WALAs of new PC issues for the month of issuance.
- Information concerning such matters as current and historical Pool Factors of PC Pools, PC Coupons, PC issuance and maturity dates, original and updated WACs, WARMs, AOLS, ULMDs, WAOLTs, WALAs and geographic distribution of the Mortgages in PC Pools is available through FreddieAnswers℠. FreddieAnswers is a touch-tone telephone-based automated information service that is available to investors, free of charge, 24 hours each business day. FreddieAnswers is updated promptly once new information becomes public.

Investors can order any documents prepared and made available by Freddie Mac by writing or calling Freddie Mac's Investor Inquiry Department at 8200 Jones Branch Drive, McLean, Virginia 22102 (outside the Washington, D.C. metropolitan area, phone 800/336-FMPC; within the Washington, D.C. metropolitan area, phone 703/759-8160). FRED is available through the AT&T Mail Service (an electronic mail system). Investors can obtain information about access to FRED and the names of the publications used by Freddie Mac for the dissemination of PC Pool information, and may subscribe to FreddieAnswers, by writing or calling the Investor Inquiry Department.

THE MORTGAGES

General Characteristics; Standard Mortgages

The Mortgages are residential mortgages secured by one-to-four family dwellings and include both whole loans and 50% to 95% participations. Each Mortgage provides for interest to be paid at a fixed Mortgage Coupon.

Most PC Pools consist entirely or predominantly of Standard Mortgages. A Standard Mortgage:

- is either a 15-year Mortgage or a 30-year Mortgage;
- grants a first lien security interest in the mortgaged property;
- requires the borrower, who, except under certain limited circumstances, must be a natural person or persons, to make level monthly payments throughout its term to maturity;
- provides for payments based on an amortization schedule that will result in full payment of the original principal balance of the Mortgage over its term to maturity;
- is secured by a detached or semi-detached dwelling, townhouse, condominium unit, dwelling in a planned unit development, or on-site or manufactured housing unit that is treated as real property under local law; and
- may be secured either by the borrower's primary residence or by another dwelling such as an investment property or second home.

Most of the Mortgages that Freddie Mac acquires are Conventional Mortgages. In general, Conventional Mortgages are originated on Uniform Instruments approved by Freddie Mac and Fannie Mae and, with some exceptions, contain due-on-transfer clauses. Freddie Mac also purchases FHA/VA Mortgages, which are originated on mortgage instruments approved by the FHA or VA and generally do not contain due-on-transfer clauses. See ''Mortgage Purchase and Servicing Standards—Mortgage Servicing—Assumption and Due-on-Transfer Policies'' beginning on page 29. From time to time, Freddie Mac may purchase Mortgages that are insured or guaranteed by agencies or instrumentalities of the United States other than the FHA or VA. Such Mortgages may be pooled with Conventional Mortgages to the extent that they are originated on Uniform Instruments and otherwise have characteristics similar to Conventional Mortgages, but will be pooled with FHA/VA Mortgages if they do not have such characteristics.

Freddie Mac classifies all Mortgages as 15-year Mortgages or 30-year Mortgages, except for 5-year and 7-year Balloon/Reset Mortgages. Freddie Mac calculates the original term to maturity of a Mortgage from the date one month before the date the first payment is due on the Mortgage. If, prior to delivery to Freddie Mac, a Mortgage has been assumed or its term, interest rate, scheduled monthly payment or principal amount has been modified, Freddie Mac calculates the original term from the date the first payment is due on the assumed or modified Mortgage. The actual original term of a Mortgage may be slightly longer than the stated term due to several factors, such as a first payment that is due in the second month after origination.

Some PC Pools may contain Converted Mortgages. These are Mortgages that were originated as adjustable rate or graduated payment mortgages and later modified by agreement, or converted by their terms, to fully amortizing, fixed-rate, level-payment mortgages.

Most Mortgages are Scheduled Mortgages (also called ''due-date-to-due-date'' mortgages). Each monthly payment on a Scheduled Mortgage, regardless of the date it is actually received, is applied to principal and interest according to a predetermined monthly payment schedule. The payment is applied first to interest accrued since the previous monthly due date and then to principal, with the principal component becoming steadily larger and the interest component steadily smaller. Certain of the Mortgages (particularly Second Mortgages and Non-Purchase Money First Mortgages) may be Simple Interest Mortgages (also called ''payment-date-to-payment-date'' mortgages) rather than

Scheduled Mortgages. Each monthly payment on a Simple Interest Mortgage is applied first to interest accrued from the date the previous monthly payment was actually received to the date the current monthly payment was actually received. The remainder of each monthly payment is then applied as a reduction of the principal balance of the Mortgage. Thus, consistently early payments on a Simple Interest Mortgage tend to shorten the life of the Mortgage and, from the viewpoint of an investor in the related PCs, will result in Curtailments. Consistently late payments, on the other hand, tend to result in a slower rate of principal reduction than would be the case with an otherwise similar Scheduled Mortgage and may result in the borrower's owing a "balloon" payment at maturity.

Servicers of Simple Interest Mortgages report to Freddie Mac the amount applied to the reduction of the principal balance of each Mortgage during each 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 principal balance of each Mortgage as of the beginning of the related Monthly Reporting Period.

Freddie Mac receives payments on the Mortgages from servicers under various remittance arrangements. These arrangements for remittance of funds 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.

For a description of Freddie Mac's general mortgage purchase requirements, see "Mortgage Purchase and Servicing Standards" beginning on page 26.

Balloon/Reset Mortgages

Balloon/Reset Mortgages have 5-year or 7-year original terms to maturity. A Balloon/Reset Mortgage provides for level payments of principal and interest during its original term, with principal payments based on an amortization schedule calculated to pay the original principal balance of the Mortgage in full in up to 30 years. At the expiration of the original term, the borrower owes a lump sum or "balloon" payment equal to the remaining principal balance of the Mortgage. Subject to the satisfaction of certain conditions, each Balloon/Reset Mortgage provides the borrower with an option to extend the term of the Mortgage at an adjusted Mortgage Coupon. The adjusted Mortgage Coupon will equal the sum of (i) either Freddie Mac's or Fannie Mae's currently quoted required net yield for the purchase of 30-year Conventional Mortgages plus (ii) 0.50%. If, however, the adjusted Mortgage Coupon would be more than 500 basis points higher than the Mortgage Coupon in effect during the original term of the Mortgage, the borrower may not extend the term of the Mortgage and must instead make the required balloon payment. Each Balloon/Reset Mortgage is removed from its PC Pool by the 15th of the month in which the balloon payment is due.

Biweekly Mortgages

Each Biweekly Mortgage provides for the borrower to make payments every 14 days rather than monthly. Each payment under the biweekly arrangement is in an amount equal to one-half of the monthly payment as calculated using the monthly amortization schedule for a 15-year Mortgage or 30-year Mortgage, as applicable, rather than a biweekly amortization schedule. Thus, during any 12-month period, there will be 26 (or sometimes 27) biweekly payments made with respect to a Biweekly Mortgage, which will be equivalent in amount to 13 (or sometimes 13½) monthly payments. Freddie Mac classifies a Mortgage as a Biweekly Mortgage only if the biweekly payment obligation is arranged directly between the borrower and the originator or servicer and not, as sometimes occurs, between the borrower and a third party. The biweekly payment obligation may appear either in the Mortgage note itself or in a separate agreement with the originator or servicer.

Borrowers under Pseudo-Biweekly Mortgages and servicers under Convertible Biweekly Mortgages generally have the option to terminate the biweekly payment arrangement under certain circumstances. In either case, payments must be made thereafter on a monthly basis. Once terminated, the biweekly payment arrangement may not be reinstated. There is no right to terminate the biweekly payment arrangements under Non-Convertible Biweekly Mortgages.

In the case of Convertible and Non-Convertible Biweekly Mortgages, biweekly payments are applied to the principal balance of the Biweekly Mortgage on a biweekly basis as each payment is received. When a third payment is made in a given month, it is applied to principal and interest on the Mortgage in the same manner as any other payment.

In the case of a Pseudo-Biweekly Mortgage, biweekly payments are collected every 14 days but are applied as a single monthly payment on the first day of the month following the month in which the payments are received. In months when only two biweekly payments are scheduled to be made, payments on a Pseudo-Biweekly Mortgage are applied in the same manner as on a Mortgage for which only one payment is scheduled to be made each month. When a third payment is made in a month, the entire amount of the payment is treated as a Curtailment.

The following chart compares the payments, principal amortization and total interest paid on three hypothetical mortgages, each with a 10% Mortgage Coupon, originated in December 1991. In each case, the first scheduled payment is due in January 1992, payments are based on a 30-year amortization schedule, and the borrower makes all payments when due on a monthly, Pseudo-Biweekly or Convertible/Non-Convertible Biweekly basis, as indicated.

Monthly and Biweekly
Payment Schedule Comparison

	Monthly Payment Schedule	Pseudo-Biweekly Payment Schedule	Convertible/Non-Convertible Biweekly Payment Schedule
Principal	$100,000.00	$100,000.00	$100,000.00
Mortgage Coupon	10%	10%	10%
Term (or Revised 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 2021	November 2012*	October 2012
Balance in November 2012	$ 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 on the Pseudo-Biweekly Mortgage compared to the Convertible/Non-Convertible Biweekly Mortgage, but in the same number of months. The payoff date for the Pseudo-Biweekly Mortgage falls in the month after that for the Convertible/Non-Convertible Biweekly Mortgage because the servicer holds payments until the first day of the following month before applying them to the outstanding principal balance of the Mortgage.

This chart is for illustrative purposes only; the data shown for both the Pseudo-Biweekly and the Convertible/Non-Convertible Biweekly Mortgages would change depending on the Mortgage Coupon and the timing of the first month in which the borrower makes three biweekly payments. The chart assumes that all payments are made on a biweekly basis.

Buydown Mortgages; Extended Buydown Mortgages

Buydown Mortgages are originated with special payment arrangements under which funds are placed in a separate account by the borrower, the lender or a third party and are used to pay a portion of the scheduled monthly payment on the Mortgage for a specified period, usually 18 to 36 months. Use of a buydown account reduces the effective interest rate paid by the borrower during the buydown period to a rate below the Mortgage Coupon. During the buydown period, the effective interest rate at which the borrower makes monthly payments 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 borrower's interest payments increase to the fixed Mortgage Coupon, which may be higher than the rate the borrower would have paid absent the buydown feature. An Extended Buydown Mortgage has an effective interest rate during its buydown period more than 200 basis points below the Mortgage Coupon or a buydown period of more than two years.

Cooperative Share Mortgages

Each Cooperative Share Mortgage is secured by a first lien or other security interest on (i) the stock or membership certificate issued to a Tenant-Stockholder in a Cooperative 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 building 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. Ownership interests and occupancy rights in a Cooperative generally are subject to restrictions on transfer, and such interests and rights also are subject to claims by the Cooperative for unpaid "maintenance" charges. Thus, the lender and the Cooperative ordinarily enter into a recognition agreement in which the Cooperative acknowledges the lender's rights and the Cooperative's responsibilities to the lender if the Tenant-Stockholder defaults under either the Cooperative Share Mortgage or the proprietary lease or occupancy agreement.

The Cooperative, as the owner of the building (including the land, dwelling units, eligible ground leases and common areas), is responsible for its management and typically pays the cost of real property taxes and insurance. If, as is usually the case, there is a blanket mortgage on the building, the Cooperative also is responsible as borrower for payments on that mortgage. Tenant-Stockholders generally must make monthly payments to the Cooperative for their pro rata share of maintenance charges, 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 on the project.

Cooperative Share Mortgages currently are originated primarily in urban areas in the northeastern United States, particularly the New York City metropolitan area.

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 arrangement with the employer or its agent.

Second Mortgages; Non-Purchase Money First Mortgages

A Second Mortgage is subordinate only to any first lien on the mortgaged property. The properties securing Second Mortgages must be occupied by the borrowers as their principal residences. Non-Purchase Money First Mortgages are first Mortgages made for a purpose other than the purchase of the property securing the Mortgage and are originated on terms generally similar to Second Mortgages.

PREPAYMENT, WEIGHTED AVERAGE LIFE AND YIELD ANALYSIS

Prepayments

The rate of principal payments on PCs depends primarily on the rate of principal payments on the underlying Mortgages. Mortgage principal payments may be in the form of scheduled amortization or prepayments, including both Curtailments and Full Prepayments. While some prepayments occur randomly, prepayments generally are affected by a variety of economic, tax, social, geographic, demographic, legal and other factors.

Each borrower has the option, at any time during the term of a Mortgage, to pay principal in an amount greater than the scheduled payment, resulting in a Curtailment, or to prepay the entire principal balance, resulting in a Full Prepayment. For example, a borrower may decide to make biweekly payments after the Mortgage has been originated, sold to Freddie Mac and pooled as a Standard Mortgage, with the result that the borrower will make a series of Curtailments over the life of the Mortgage.

Freddie Mac believes that, in a fluctuating interest rate environment, the predominant factor affecting the payment rate on a large, geographically diverse, concurrently originated 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 coupons generally available during the terms to maturity of the mortgages in that group. In general, prepayment rates are inversely correlated with changes in prevailing mortgage coupons. Thus, in an environment of rising mortgage interest rates, mortgage prepayment rates tend to decline. Conversely, in an environment of falling mortgage interest rates, prepayment rates tend to increase. Freddie Mac believes prepayment tendencies reflect both increased borrower refinancing activity and increased homeowner mobility in periods of lower mortgage interest rates.

Full Prepayments as a result of transfers of mortgaged properties are an important factor affecting prepayment rates, especially in periods of high housing turnover. Most Conventional Mortgages contain due-on-transfer clauses. Freddie Mac, in most cases, requires mortgage servicers to enforce such clauses where permitted by applicable law. See ''Mortgage Purchase and Servicing Standards — Mortgage Servicing — Assumption and Due-on-Transfer Policies'' beginning on page 29.

Other factors affecting prepayment 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 and their equity positions in their houses; 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 or other provisions that increase the effective interest rate to the borrower during the term of the Mortgage. 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 concerning the particular effect that any of these factors may have on prepayment behavior.

The number of foreclosures of Mortgages in a PC Pool and the number of repurchases of Mortgages also will affect payment behavior. Periods of declining property values, increasing use of secondary financing, and other factors that erode borrowers' equity may affect the frequency of foreclosures. In addition, servicing decisions regarding 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, also may have an impact upon the prepayment behavior of Mortgages in particular PC Pools.

PC Pools consisting of Mortgages with similar characteristics in some cases experience differing prepayment behavior during the same period. PC Pools consisting of non-Standard Mortgages may experience payment behavior that is similar to or different from PC Pools consisting of Standard

Mortgages. PC Pools consisting of non-Standard Mortgages may respond differently than PC Pools consisting of Standard Mortgages to the factors described above, and also may respond to the additional factors described below.

Weighted Average Lives

The weighted average life of a security refers to the average amount of time that will elapse from the date of its issuance until each dollar of its principal has been repaid to the investor. The weighted average life of a PC reflects the amount of principal, including both scheduled amortization and prepayments, 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 assuming that 30-year Mortgages will produce a weighted average life of approximately eight and one-half years and 15-year Mortgages will produce a weighted average life of approximately six years. Freddie Mac has revised, and will continue to revise, these estimates from time to time to reflect more accurately both actual and projected payment experience on Freddie Mac's mortgage portfolio. However, Freddie Mac makes no representation regarding the weighted average life of any PC.

Yields

The yield of a PC will depend upon its purchase price, its PC Coupon and the rate of principal payments on the PC. An investor should consider carefully the associated risks. In the case of any PCs purchased at a discount, a slower than anticipated rate of principal payments on the Mortgages will result in an actual yield to the investor that is lower than the anticipated yield. In the case of any PCs purchased at a premium, a faster than anticipated rate of principal payments will result in an actual yield to the investor that is lower than the anticipated yield.

During the time that a PC is outstanding, the market interest rate available for comparable investments from time to time may be either greater or less than the PC Coupon. Holders may receive principal prepayments 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 generally occur most frequently when other reinvestment opportunities are least attractive, prepayments constitute a source of risk for investors.

Balloon/Reset Mortgages

Because Balloon/Reset Mortgages have 5-year and 7-year original terms to maturity, in general they will have significantly shorter weighted average lives than Standard Mortgages. Moreover, borrowers under Balloon/Reset Mortgages are thought by many within the mortgage industry to be more likely than borrowers under Standard Mortgages to prepay or refinance their Mortgages within the initial 5-year or 7-year period.

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 Standard Mortgage. The two (or, in certain years, three) extra biweekly payments made each year on a Pseudo-Biweekly Mortgage, and the application of payments to the principal balance of a Convertible or Non-Convertible Biweekly Mortgage on a biweekly basis, will accelerate the amortization of the Mortgage. The reduction in the term to maturity will vary in a direct relationship with the related Mortgage Coupon. The following table illustrates generally the impact of biweekly payments on the terms to maturity and weighted average lives of three comparable hypothetical 30-year Mortgages having different Mortgage Coupons.

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 that affect prepayments on Mortgages generally also may affect the willingness of borrowers to continue making biweekly payments on Pseudo-Biweekly Mortgages, on which the borrowers have the option to terminate the biweekly payment arrangements.

Buydown Mortgages; Extended Buydown Mortgages

Buydown Mortgages may exhibit payment behavior different from mortgages without buydown features, depending in part on such factors as the ability of borrowers to adjust to the rate of periodic payment increase and the total increase in monthly payments on the Mortgage. Such factors may be more pronounced in the case of Extended Buydown Mortgages because of the greater total increase in monthly payments that may occur during the buydown period as compared to other Buydown Mortgages.

Cooperative Share Mortgages

Certain factors could contribute to a higher prepayment rate for Cooperative Share Mortgages than for Mortgages secured by other types of residential property. Tenant-Stockholders may have purchased their interests in the Cooperative at below-market prices available only to persons who were residents of the building 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 or to "trade-up" to another 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 have fully paid their pro rata share of maintenance costs.

On the other hand, certain factors could contribute to a lower prepayment rate for Cooperative Share Mortgages than for other types of mortgages. Transfers of ownership interests and occupancy rights in a Cooperative generally are subject to restrictions, including a requirement for prior approval by the Cooperative's board of directors. 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.

Relocation Mortgages

The prepayment behavior of Relocation Mortgages may depend upon whether the Mortgages are made in connection with a permanent relocation of a corporate headquarters, the likelihood that the borrowers will be relocated again, and the frequency with which further relocations may occur.

Second Mortgages

Prepayment of a Second Mortgage can be expected to occur in connection with any refinancing of the related first mortgage. Refinancing of the first mortgage and/or the Second Mortgage is likely to be affected by the difference between prevailing mortgage interest rates and the interest rate on the first mortgage or the Second Mortgage, or between prevailing rates and the effective interest rate of the first mortgage and the Second Mortgage combined. A Second Mortgage usually requires the borrower to perform all obligations on the underlying first mortgage, including the obligation to make payments when due. Thus, a default on the first mortgage also may constitute a default on the Second Mortgage, even if the borrower has made all payments on the Second Mortgage on a timely basis. The payment behavior of Second Mortgages also may be influenced by the purposes for which the borrowers obtained the Second Mortgages. Second Mortgages that are used to purchase or 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 uses of the proceeds of the Second Mortgages that it purchases.

MORTGAGE PURCHASE AND SERVICING STANDARDS

All Mortgages purchased by Freddie Mac must meet certain standards established by the Freddie Mac Act. The Freddie Mac Act sets specific requirements for Mortgages with loan-to-value ratios in excess of 80% and limitations on the maximum mortgage amount, as discussed below. The Freddie Mac Act also confines Freddie Mac to purchasing, so far as practicable, Mortgages that 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 contained in the *Sellers' & Servicers' Guide* and other Mortgage purchase documents.

Freddie Mac may from time to time modify its non-statutory Mortgage purchase standards, including its credit, appraisal and underwriting guidelines, as set forth in the *Sellers' & Servicers' Guide.* Accordingly, Freddie Mac's Mortgage purchase standards in the future may not 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 if it determines that the waiver or modification will not materially alter the likely principal payment behavior of the Mortgages. Since Freddie Mac may grant one or several waivers or modifications for 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*, other Mortgage purchase documents or this Offering Circular.

The following summary of certain aspects of Freddie Mac's Mortgage purchase standards is qualified in its entirety by the *Sellers' & Servicers' Guide* and any other applicable Mortgage purchase documents. Copies of the *Sellers' & Servicers' Guide* and other materials may be obtained from Freddie Mac's Subscription Services Department by paying the 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 guidelines have been modified or waived in connection with the purchase of specific Mortgages. Freddie Mac's administration of its guidelines may vary 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. Freddie Mac's 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 is 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.

All FHA Mortgages, VA Mortgages and Mortgages insured or guaranteed by other agencies or instrumentalities of the United States must conform to the credit and appraisal guidelines established for the FHA, VA or other programs pursuant to which the Mortgages are insured or guaranteed.

Loan-To-Value Ratio

Under the Freddie Mac Act, Freddie Mac may not purchase a Conventional Mortgage if at the time of purchase the outstanding principal balance (or, in the case of a Second Mortgage, the total outstanding indebtedness as a result of such Mortgage) 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%; (ii) the seller agrees to repurchase or replace the Mortgage if the borrower defaults; or (iii) the portion of the principal balance of the Mortgage (or, in the case of a Second Mortgage, the total outstanding indebtedness as a result of such Mortgage) that exceeds 80% of the property's value is insured by a mortgage insurer that meets Freddie Mac's eligibility requirements.

Freddie Mac generally requires a first Mortgage on a one-family primary residence to have an original loan-to-value ratio not 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), type of property securing the Mortgage (*e.g.*, primary residence as compared to second home or investment property), and program under which the Mortgage is purchased (*e.g.*, standard program as compared to special programs designed to assist borrowers with low or moderate incomes), Freddie Mac may require lower loan-to-value ratios or permit higher loan-to-value ratios for Mortgages it purchases. 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 that refinance existing Mortgages than for Mortgages that finance the purchase of properties, although in some situations Freddie Mac may purchase Mortgages that refinance existing Mortgages previously purchased by Freddie Mac that, due to declines in property values since the original Mortgage was made, have loan-to-value ratios higher than is otherwise ordinarily permitted for refinance Mortgages. Freddie Mac imposes more stringent loan-to-value ratio requirements for refinance Mortgages if they permit borrowers to take cash out of the Mortgage proceeds.

Generally, Freddie Mac requires a Second Mortgage to have a total financing-to-value ratio not exceeding 80%. The total financing-to-value ratio is determined by dividing the sum of the outstanding principal balances of the first mortgage and the Second Mortgage by the appraised value of the mortgaged property at the time the Second Mortgage was closed or, in the case of a Second Mortgage originated concurrently with the purchase of the mortgaged property, the purchase price of such property, if lower than its appraised value.

Freddie Mac purchases FHA Mortgages having loan-to-value ratios prescribed by the National Housing Act. The FHA generally permits maximum loan-to-value ratios of between 90% and 100% for owner-occupied properties and 85% for non-owner-occupied properties. The VA does not impose loan-to-value ratio limitations on VA Mortgages. Freddie Mac purchases a VA Mortgage only if the portion of the Mortgage not guaranteed by the VA does not exceed 75% of the lower of the purchase price of the mortgaged property or the appraised value of the mortgaged property at the time the Mortgage is closed. Freddie Mac also purchases Conventional Mortgages with loan-to-value ratios between 95% and 100% under special programs designed to assist borrowers with low or moderate incomes or who are first-time homebuyers.

Special Financing Arrangements

Under conditions specified in the *Sellers' & Servicers' Guide* and any applicable FHA or VA regulations, Freddie Mac purchases first Mortgages on properties that are subject to secondary or special financing arrangements, including, for example, junior mortgages, buydown plans, other property-seller contributions or shared equity plans. Junior mortgages may contain features such as the absence of regular amortization of principal and deferred interest and/or principal payments.

The property securing a Second Mortgage may be subject to liens that are subordinate to the Second Mortgage, provided that the proceeds of the first mortgage and the Second Mortgage were applied to the purchase of the property, the total financing on the property (including the first 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 mortgage and the Second Mortgage does not exceed 80% of the appraised value of the property at the time of origination of the Second Mortgage.

Mortgage Amount

The Freddie Mac Act establishes limits on the maximum original mortgage amount of any first lien Conventional Mortgage that Freddie Mac may purchase. For Mortgages delivered to Freddie Mac after January 1, 1992, the original mortgage amount is limited to $202,300 for a one-family dwelling, $258,800 for a two-family dwelling, $312,800 for a three-family dwelling and $388,800 for a four-family dwelling. The applicable limitations for Conventional Mortgages are 50% higher for properties located in Alaska, Guam or Hawaii.

The maximum original mortgage amount for a Second Mortgage is one-half of the current maximum mortgage amount for first mortgages on one-family dwellings ($101,150 generally and $151,725 for properties located in Alaska, Guam or Hawaii). If Freddie Mac has purchased the first mortgage secured by the same property, the sum of the original amount of the first mortgage and the original amount of the Second Mortgage may not exceed $202,300, (or $303,450 for properties located in Alaska, Guam or Hawaii), the limit established for a first 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, which are lower than those established for Conventional Mortgages.

Eligible Sellers, Servicers and Warranties

Substantially all of the Mortgages are purchased from and serviced by financial institutions whose deposits are insured by the FDIC, or mortgage bankers approved by HUD for participation in mortgage insurance programs 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.

Sellers are required to give warranties to Freddie Mac that are customary in secondary mortgage market purchases. 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; and compliance by the originator with the requirements of all state and federal laws. Sellers also warrant that each Mortgage complies with the requirements of the applicable Freddie Mac purchase program, with requirements generally imposed by private institutional mortgage investors in the area where the mortgaged property is located, and with FHA, VA or other federal regulations, if applicable.

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, VA or other federal regulations. Servicers generally must retain a minimum servicing fee on both whole loans and participation interests. The duties performed by servicers include collection and remittance of principal and interest, computation and adjustment of the payments due on Buydown Mortgages, administration of escrow accounts, collection of insurance or guaranty claims, property inspections and, if necessary, foreclosure and disposal of property acquired through foreclosure.

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 so long as the policies and procedures as modified continue to be prudent. Freddie Mac requires servicers to service the Mortgages in PC Pools in substantially the same manner as they service Mortgages Freddie Mac holds for its own account.

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 follows. This description is not intended to be complete and is qualified in its entirety by the *Sellers' & Servicers' Guide.*

Prepayments

A Full Prepayment may occur upon a transfer of the real property securing a Mortgage or a refinancing of the Mortgage. A borrower may prepay a Mortgage in full at any time. Moreover, a servicer may permit a borrower to make Curtailments to reduce the number or size of subsequent scheduled monthly payments of principal and interest, provided the Mortgage is current and 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

The Uniform Instruments developed by Freddie Mac and Fannie Mae contain a ''due-on-transfer clause'' that permits acceleration of the entire principal balance of the Mortgage upon transfer of the property or an interest therein. Most of the Conventional Mortgages purchased by Freddie Mac are originated on Uniform Instruments or otherwise contain due-on-transfer clauses. 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, irrespective of the creditworthiness of the transferee.

The DIA is the principal federal statute addressing enforcement of due-on-transfer clauses. The DIA provides for federal preemption of state law (except as noted below) that would otherwise restrict enforcement of due-on-transfer clauses. The DIA, however, prohibits enforcement of due-on-transfer clauses in several cases. These include transfers between spouses (including transfers incident to divorce), 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, 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 DIA also ''grandfathers'' certain state law restrictions for Mortgages originated by state chartered financial institutions. Specifically, Mortgages originated or assumed in Michigan between January 5, 1977 and October 15, 1982, in New Mexico between March 15, 1979 and October 15, 1982 and in Utah between May 12, 1981 and October 15, 1982 are assumable throughout the life of the Mortgage.

The security instruments for FHA Mortgages and VA Mortgages generally do not contain due-on-transfer clauses. Therefore, the transfer of 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, however, 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

Fees paid by borrowers, 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 that 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. A servicer may 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 and 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 do not affect Freddie Mac's guarantees, but they may defer payment of principal by the borrower and may delay or avoid demand for acceleration of principal by Freddie Mac.

Under certain circumstances, Freddie Mac also may authorize a servicer to resolve a delinquency by modifying the terms of the defaulted Mortgage. Modification is allowed only where the defaulted Mortgage otherwise likely would proceed to foreclosure and circumstances indicate that the borrower would be able to make all payments under the modified Mortgage terms. Any defaulted Mortgage whose terms are modified is repurchased from the PC Pool prior to modification.

Freddie Mac requires a servicer to take all reasonable steps to resolve any delinquency before it authorizes the servicer to initiate foreclosure proceedings and demand 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 does not require that the demand be made within any specified period.

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. If Freddie Mac is precluded by bankruptcy proceedings from making a demand for acceleration, for purposes of Freddie Mac's guarantee of ultimate collection of principal, demand for acceleration is 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 principal and interest payment on the Mortgage. If a bankruptcy court approves a plan that materially affects the terms of a Mortgage, authorizes a transfer of the underlying property or provides for substitution of collateral, Freddie Mac repurchases the Mortgage from its PC Pool.

In certain bankruptcy cases where the unpaid principal balance of a Mortgage exceeds the current value of the property securing the Mortgage, some bankruptcy 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 Curtailment as early as the date of such court action and pass through such amount in accordance with the Pool Factor Method.

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. The *Sellers' & Servicers' Guide* and applicable FHA or VA regulations contain 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 jurisdictions where this practice is authorized. Freddie Mac actively pursues alternatives to foreclosure, including assumptions, refinancing, forbearance, modification, preforeclosure and third-party sales, charge-offs and deeds-in-lieu of foreclosure, where these 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. If 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 this right. In any event, payment is made pursuant to Freddie Mac's guarantee of ultimate collection of principal on a delinquent Mortgage no later than the earlier of 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) or the Payment Date in the month of the Final Payment Date of the PC representing the PC Pool in which such Mortgage was contained, without regard to any delay in Freddie Mac's receipt of any insurance or guaranty payments.

Information regarding 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.

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 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 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.

Freddie Mac will furnish or make available, within a reasonable time after the end of each calendar year, to each Holder of a PC, such information as Freddie Mac deems necessary or desirable to assist Holders in preparing their federal income tax returns, or to enable Holders to make such information available to Beneficial Owners or other financial intermediaries for which such Holders hold such PCs as nominees.

General Tax Characteristics

PCs have the following characteristics for federal income tax purposes (subject to the qualifications described under ''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 Code 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 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, and 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.

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 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 on 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 on the Mortgage. If the 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 extended to individual borrowers that were originated before March 2, 1984 and Mortgages extended to partnership borrowers that were 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 corporate borrower or a Mortgage issued by a partnership borrower after July 1, 1982, and as ordinary income in the case of a Mortgage issued by an individual borrower (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 Treasury. The legislative history of the Code 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 otherwise would 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 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 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. On August 8, 1991, the Service issued guidance taking the position that, when mortgages are sold and the contract entitles the servicer to receive amounts that exceed reasonable compensation for the mortgage servicing to be performed, the mortgages are treated as stripped bonds within the meaning of Section 1286 of the Code. If this is the case, a Beneficial Owner of a PC would not be treated as having a pro rata undivided interest in the interest payments on the related 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.

The Service also has issued guidance providing that a purchaser of a particular mortgage that is a stripped bond must treat such bond as a market discount bond if the amount of original issue discount with respect to such stripped bond is considered to be zero after application of the *de minimis* rule of Section 1273(a)(3) of the Code or if the annual stated rate of interest payable on the stripped bond is no more than 100 basis points lower than the annual stated rate of interest payable on the mortgage. These conditions apparently are based on the premise that the interest payments that remain associated with the stripped bond are treated, for purposes of the original issue and market discount provisions of the Code, as stated interest payable with respect to the stripped bond. If such conditions are met, a Beneficial Owner would be required to account for any market discount in accordance with the rules for market discount described herein. The maximum Mortgage Coupon on any Mortgage in a Cash PC Pool represented by PCs will be no more than 100 basis points above the related PC Coupon. The Service guidance indicates that the tax treatment of a stripped bond as a market discount bond is a method of accounting and is requested by filing a statement with the return for the tax year ending on or after August 8, 1991.

It is unclear whether the position taken by the Service in the recent guidance would be upheld if challenged. Investors should consult their own tax advisors regarding the application of the Service guidance to their ownership of PCs.

Backup Withholding and Foreign Withholding

A Beneficial Owner who is a U.S. Person 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 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 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.

ERISA CONSIDERATIONS

A Department of Labor regulation provides that, if an employee benefit plan subject to 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 the certificate, but do not, solely by reason of the plan's holding of the certificate, include any of the mortgages underlying such certificate. Under this regulation, the term ''guaranteed governmental mortgage pool certificate'' includes a certificate ''backed by, or evidencing an interest in, specified mortgages or participation interests therein'' if interest and principal payable on the certificate are guaranteed by Freddie Mac. Freddie Mac has received an advisory opinion from the Department of Labor that the term ''mortgages'' in the regulation covers any obligations, including Cooperative Share Mortgages, that fall within the definition of ''residential mortgage'' in the Freddie Mac Act. The effect of the regulation is to make clear that the sponsor (that is, the entity that organizes and services the mortgage pool, in this case Freddie Mac) 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, or 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. Thus, under the regulation, PCs qualify as "guaranteed governmental mortgage pool certificates" and PCs, and not the underlying Mortgages, are considered to be plan assets.

LEGALITY OF INVESTMENT

Set forth below is a summary of certain federal statutes and regulations relating to the purchase or pledge of PCs by certain financial institutions. The information in this section is qualified by the considerations described under "Regulatory Constraints" below.

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

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

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). PCs are acceptable as collateral for Treasury tax and loan accounts pursuant to 31 C.F.R. Section 203.15(d)(1).

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).

PCs are eligible as security for advances by Federal Home Loan Banks to federal savings associations, federal savings banks and other members for which PCs are legal investments. 12 U.S.C. Section 1430(a)(2) and 12 C.F.R. Section 935.7(b)(2).

In addition to the specific authorizations discussed above, pursuant to Section 106 of 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 securities issued or guaranteed by Freddie Mac (including 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, states were authorized by SMMEA to enact legislation that specifically refers to Section 106 and either eliminates or limits an investor's authority to invest in securities issued or guaranteed by Freddie Mac. To Freddie Mac's knowledge, 17 states currently have legislation limiting to varying degrees the ability of certain entities (in most cases, insurance companies) to invest in securities issued or guaranteed by Freddie Mac.

REGULATORY CONSTRAINTS

The regulatory or lending authorities that administer the statutes or regulations discussed in the preceding section generally reserve discretion whether securities, such as PCs, that are otherwise acceptable for investment or as security for borrowings may be purchased or pledged by the institutions subject to their jurisdiction. The ability of an institution to purchase or pledge PCs in the various circumstances described in the preceding section may be limited in the exercise of such discretion. Such authorities, in their discretion, may also impose limitations on the collateral value of PCs that are otherwise acceptable as security.

Any institution under 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, the Treasury or any other federal or state agency with similar authority should review any applicable regulations, policy statements and guidelines before purchasing or pledging PCs.

Investors should consult with their legal advisors in determining whether and to what extent PCs constitute legal investments for such investors, and whether and to what extent PCs can be used as collateral for various types of borrowings. This and the preceding section do not take into consideration the applicability of statutes, 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 that may restrict or prohibit investments in securities that are issued in Book-Entry Form.

LIQUID ASSETS

Obligations with up to five years remaining until maturity that are issued, or fully guaranteed as to principal and interest, by Freddie Mac constitute "liquid assets" for federal savings associations, federal savings banks and state-chartered savings associations whose deposits are insured by the FDIC. See 12 C.F.R. Section 566.1(g)(3)(xi). The final payment to Holders of PCs will be made no later than the Payment Date in the month of the Final Payment Date. Such PCs should be treated as liquid assets beginning five years prior to the date by which their final payment is required to be made. Holders should consult their legal advisors to ascertain whether and when PCs would constitute liquid assets in any particular case.

APPLICATION OF PROCEEDS

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

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.

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 pursuant to its Dealer Agreement (Exhibit B to this Offering Circular) and re-offering or placement with investors; or direct placement with securities dealers or investors. The purchase price of the PCs is based on the aggregate principal balance of the Mortgages in the PC Pool as of the month of settlement as determined by the Pool Factor Method.

The original principal balance of a PC represents its principal balance during the month the PC Pool is formed. If the PCs are purchased at a premium or discount, the purchase price may be more or less than the principal balance of the PCs as of the month of settlement. The principal balance of a PC as of the month of settlement also may be less than the original principal balance of the PC or the 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 (or the trade date) and the settlement date. Interest and principal payments made on 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 is established on the trade date by mutual agreement. Confirmation and settlement of PC purchases are made in accordance with the Uniform Practices. If a PC is resold by a securities dealer, the dealer is required to confirm the sale; notify the purchaser of the settlement date, purchase price, concessions and fees; deliver a copy of this Offering Circular and any applicable Supplement; and otherwise act in accordance with the Uniform Practices.

Guarantor and MultiLender Swap Programs

Under the Guarantor Program, Freddie Mac purchases Mortgages from a seller and, in exchange, delivers to the seller PCs representing interests in the same Mortgages. Under the MultiLender Swap Program, Freddie Mac purchases Mortgages from a seller and, in exchange, delivers to the seller Cash PCs representing interests in the PC Pool that includes such Mortgages as well as Mortgages purchased from other sellers. Freddie Mac accepts offers for delivery of Mortgages under these programs for a variety of periods on a daily basis in accordance with terms contained in the *Sellers' & Servicers' Guide*. Freddie Mac's commitment to exchange PCs for Mortgages is conditioned on the seller's full compliance with the applicable terms and conditions of the *Sellers' & Servicers' Guide* and other Mortgage purchase documents, including the seller's timely delivery of acceptable Mortgages in an amount specified by Freddie Mac.

Freddie Mac furnishes Pool Supplements to initial purchasers of Guarantor PCs. An initial purchaser that sells the Guarantor PCs, or offers them for sale, is required to furnish the appropriate Pool Supplements, as well as any other applicable Supplements, to purchasers or prospective purchasers of these PCs. In the case of certain Guarantor PCs, sellers furnish additional Supplements to prospective purchasers.

Exchange Offer

Converted Gold PCs are sold by Freddie Mac in exchange for one or more Eligible Original PCs. Eligible Original 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.

SECONDARY MARKETS

Certain securities dealers, as well as Freddie Mac through SS&TG, buy, sell and make a market in 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 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). A list of PC dealers may be obtained by writing or calling Freddie Mac's Investor Inquiry Department.

MARKET SUPPORT

Freddie Mac supports the market for PCs in several ways:

- Freddie Mac regularly acquires PCs, usually from investment banking firms that have purchased such PCs in the market in order to issue derivative securities such as Multiclass PCs and Giant PCs.
- Freddie Mac regularly buys, sells and makes a market in PCs through SS&TG.
- Freddie Mac continuously makes available to the market updated information regarding PC Pools and the related Mortgages.
- Freddie Mac may, from time to time, purchase PCs for market support reasons, for its investment portfolio and for various other corporate purposes.

Freddie Mac's acquisitions of PCs may, among other things, increase the market prices and reduce the yields of PCs and, indirectly, reduce mortgage coupons.

Freddie Mac may increase, reduce or eliminate its purchases of PCs at any time.

[This Page Intentionally Left Blank]

Federal Home Loan Mortgage Corporation

MORTGAGE PARTICIPATION CERTIFICATE AGREEMENT

(Guaranteed)

AGREEMENT dated as of June 1, 1992, among Freddie Mac and Holders of undivided interests in certain Mortgages that are identified in the records maintained by Freddie Mac and that are represented by PCs. Capitalized terms used in this PC Agreement have the respective meanings set forth in the Glossary of Terms attached as Exhibit D to the Offering Circular to which this PC Agreement is attached as Exhibit A.

Whereas:

(a) Freddie Mac is a corporation duly organized and existing under and by virtue of the Freddie Mac Act and has full corporate power and authority to enter into this PC Agreement and to undertake the obligations undertaken by it herein; and

(b) Pursuant to Section 305 of the Freddie Mac Act, Freddie Mac from time to time purchases certain fixed-rate residential Mortgages, all of which are identified in the records maintained by Freddie Mac; and

(c) Pursuant to Section 305 of the Freddie Mac 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 Original Giants, forms discrete pools consisting of interests in the Mortgages represented by such Original PCs and Original Giants, 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 PC 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

Conveyance of Undivided Interests in Mortgages

Section 1.01. Sale of PCs. Sale of a PC by Freddie Mac pursuant to this PC 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 3.02. Freddie Mac shall be bound by all of the terms and conditions of this PC 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 PC 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 1.02. 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 that 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 1.03, 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 2.02, repurchase any Mortgage 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 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 2.02, agree to the repurchase by the seller or servicer of any Mortgage 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 that 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; (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 *Sellers' & Servicers' Guide* and other Mortgage purchase documents 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 no later than the 15th of the month in which the balloon payment is due; and (vii) in the event that the purchase of any Mortgage by Freddie Mac is determined by a court of competent jurisdiction, or a United States government agency duly authorized to oversee or regulate Freddie Mac's mortgage purchase business, 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 or government agency so requires, Freddie Mac will repurchase such Mortgage 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 principal advanced 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 1.02, 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 1.03. Post-Settlement Purchase Corrections. With respect to each PC Pool, Freddie Mac shall make such post-settlement purchase corrections with respect to 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 corrections 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. With respect to a Converted Gold PC Pool, Freddie Mac shall make such post-conversion adjustments with respect to the aggregate unpaid principal balance of the related Mortgages as may be necessary to reconcile any difference between such aggregate unpaid principal balance and the Remaining PC Pool Balance. The foregoing corrections or adjustments may be made in such manner as Freddie Mac determines to be appropriate, including, in the case of a Converted Gold PC Pool, the retention of monthly principal payments on such Mortgages received by Freddie Mac from the related servicers. The foregoing corrections or 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 or Freddie Mac's guarantees as set forth in Section 3.09. An amount equal to any correction 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 1.04. 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 that evidence Freddie Mac's ownership interest in the Mortgages, and/or other Mortgage documents; Mortgage notes and documents also may 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 1.05. 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 1.06. Interests 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 1.05, 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 II

Administration and Servicing of the Mortgages

Section 2.01. Freddie Mac to Act as Principal Servicer. Freddie Mac shall service or supervise servicing of the Mortgages in accordance with the provisions of the *Sellers' & Servicers' 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 that 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 2.02. 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, VA or other federal 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 servicing 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 V of this PC 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 II. Except with regard to its guarantee obligations pursuant to Section 3.09, 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 that it exercises in the conduct and management of its own affairs. Freddie Mac shall have no liability of whatever nature for consequential damages.

Section 2.03. 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 2.04. 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 current 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 Mortgage Coupon 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 2.05. Fees. Any prepayment fees on Mortgages collected by Freddie Mac shall be passed through to Holders pursuant to the procedures specified in Article III. 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 2.06. 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 III.

(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 III

Payments to Holders and Guarantees

Section 3.01. Monthly Reporting Period. For purposes of this PC 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 as having been made within a Monthly Reporting Period, 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.

Section 3.02. Holder's Undivided Interest. An entity recognized as a Holder of a PC on the Record Date 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 PC Agreement, and shall be entitled to interest at the PC Coupon on such pro rata undivided interest on the related Payment Date. Such pro rata undivided interest will change if any Mortgage is added to or removed from the PC Pool in accordance with Section 1.02. 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 3.03. 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 Monthly Principal Reduction guaranteed pursuant to Section 3.09(c)), 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 3.10 with respect to payments made pursuant to Freddie Mac's guarantees. Freddie Mac may retain from any Full Prepayment or Curtailment or payment of delinquent principal in respect of any Mortgage any amounts, not previously received by Freddie Mac, that 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 1.02 shall be treated in the same manner as a Full Prepayment and shall be passed through to Holders in accordance with this Article III.

Section 3.04. 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 1.05. A partial month's interest retained by Freddie Mac or remitted to each Holder with respect to Full Prepayments and Curtailments shall constitute an adjustment to Freddie Mac's management and guarantee fee.

Section 3.05. Payments. Freddie Mac will cause payments of principal, interest or any other sum due to Holders to be made by directing the Federal Reserve Banks to credit the Holders' accounts at the Federal Reserve Banks. A Holder shall receive the payment of principal and interest with respect to a PC on each Payment Date as to which such Holder was a Holder on the related Record Date.

Freddie Mac shall pay to each Holder of a PC such Holder's pro rata share of Monthly Principal Reduction due to be paid on such PC, interest at the applicable PC Coupon, and any other sums due to Holders under this PC Agreement, at the time or times provided for in this Article III. 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 3.05. 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 3.09 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 PC 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 PC Agreement.

Section 3.06. 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 3.06.

(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.

(ii) 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.

(iii) 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 month prior to the month of payment and (z) the Remaining PC Pool Balance as determined by the Pool Factor for the month of payment.

(b) Each Pool Factor applicable to a PC Pool will be based upon an adjustment of the Remaining PC Pool Balance resulting from 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 PC Pool under such procedure for calculating Monthly Principal Reduction as may be adopted by Freddie Mac. To the extent a given Pool Factor (adjusted as necessary for payments made pursuant to Freddie Mac's guarantee of timely payment of Monthly Principal Reduction) 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 3.09. 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 3.06.

Section 3.07. 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 Mortgage Coupon 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 3.08. Each servicer may retain from Full Prepayments, Curtailments or payments of delinquent principal any payments of principal, or from collections of delinquent interest any payments of interest, that 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 certain assumption fees or prepayment fees paid to Freddie Mac on the Mortgages.

Section 3.08. Amounts Retained by Freddie Mac. Subject to any adjustments required by Section 3.04, 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 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 that 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 *Sellers' & Servicers' 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 3.09 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 3.09. 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 PC Agreement.

(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 3.08, from payments otherwise due such Holder. Freddie Mac shall pay the amounts described in the first sentence of this Section 3.09(b) not later than the 15th 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 or guarantor, if applicable, or (iii) the expiration of any redemption period, whichever occurs last, 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 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) Timely payment of Monthly Principal Reduction due to be paid on the PC, whether or not received by Freddie Mac. Freddie Mac's guarantee of timely payment of Monthly Principal Reduction on any PC shall be computed in accordance with such procedure as may be adopted by Freddie Mac and shall be subject to any applicable adjustments, including the Monthly Adjustment Amount. 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 calculating (i) the Pool Factor with respect to the related PC Pool and (ii) the Holder's pro rata share of unpaid principal pursuant to Section 3.09(b).

Section 3.10. 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 of principal and/or interest have been made by Freddie Mac to the extent of such payments.

Section 3.11. Termination Upon Final Payment. Except as provided in Section 3.05, the obligations and responsibilities of Freddie Mac under this PC 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 3.12. Effect 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 1.02. The final payment in respect of any PC will not occur later than the month in which the Final Payment Date occurs.

ARTICLE IV

The PCs

Section 4.01. 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 4.02. 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 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 of a PC, and will be made for any tax or other governmental charge imposed in connection with a transfer of a PC.

Section 4.03. Record Date. The Record Date for each month shall be the last day of the month. 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 on the next Payment Date. 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.

ARTICLE V

Remedies

Section 5.01. 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 Monthly Principal Reduction) 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 PC 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 5.02. 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 PC 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 5.02, 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 PC Agreement with respect to such PC Pool to the successor. Subject to the Freddie Mac 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 PC Agreement.

Section 5.03. Limitation on Suits by Holders. Except as provided in Section 5.02, 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 PC 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 PC 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 PC 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 5.03, 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 PC 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 VI

Miscellaneous Provisions

Section 6.01. 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 6.02. 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 PC 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 PC Agreement or the PCs, other than any loss, liability or expense relating to any Mortgage (except as permitted in this PC 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 PC 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 PC 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 3.08.

Section 6.03. 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 PC 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 6.04. Control by Holders. Except as otherwise provided in Article V, 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 PC Agreement pursuant to any provision hereof.

Section 6.05. Amendment.

(a) This PC 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 PC Agreement, which shall not be inconsistent with the other provisions of this PC 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 6.05(c), with respect to any PC Pool formed pursuant to the terms hereof, any provision of this PC 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 PC 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 PC Agreement differ from the provisions of any Mortgage Participation Certificate Agreement of Freddie Mac dated prior to the date of this PC Agreement, this PC 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. Notwithstanding any contrary provision of this PC Agreement, however, in the case of outstanding Original PCs that have not been exchanged for Converted Gold PCs, the provisions of the respective prior Mortgage Participation Certificate Agreements pursuant to which such Original PCs were issued, as such prior Agreements may have been changed or amended subsequent to such issuances, shall not be deemed to have been changed or amended by the provisions of this PC Agreement and shall have the same force and effect as they did prior to the effectiveness of this PC Agreement; provided, however, that each Converted Gold PC issued in exchange for each such Original PC shall be governed by the provisions of this PC Agreement as in effect from time to time after the date set forth on the first page hereof.

Section 6.06. 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 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 6.07. Governing Law. This PC 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 Freddie Mac Act or any provision of this PC 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 6.08. 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 6.09. Successors. This PC 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 6.10. Headings. The Article and Section headings herein are for convenience only and shall not affect the construction of this PC Agreement.

Section 6.11. Notice and Demand. Any notice, demand or other communication which by any provision of this PC 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 PC 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 PC AGREEMENT, AND THE AGREEMENT OF FREDDIE MAC, SUCH HOLDER AND SUCH OTHERS THAT THOSE TERMS AND PROVISIONS SHALL BE BINDING, OPERATIVE AND EFFECTIVE AS AMONG FREDDIE MAC AND SUCH HOLDER AND SUCH OTHERS.

FEDERAL HOME LOAN MORTGAGE CORPORATION

[This Page Intentionally Left Blank]

FEDERAL HOME LOAN MORTGAGE CORPORATION
PC DEALER GROUP AGREEMENT

AGREEMENT dated as of June 30, 1992 by and between Freddie Mac and each Dealer. Capitalized terms used in this Dealer Agreement have the respective meanings specified in the Glossary of Terms attached as Exhibit D to the Offering Circular to which this Dealer Agreement is attached.

Whereas:

(a) Freddie Mac from time to time creates undivided interests in Mortgages acquired by Freddie Mac and sells and transfers such undivided interests in the form of mortgage-related securities pursuant to Section 305 of the Freddie Mac Act; and

(b) Freddie Mac intends to purchase and sell Freddie Mac Mortgage-Related Securities through members of the PC Dealer Group in order to effect the wide distribution of the securities to investors; and

(c) Dealer intends to become a member of the PC Dealer Group and to use its best efforts to (i) purchase and sell Freddie Mac Mortgage-Related Securities and (ii) make a secondary market for Freddie Mac Mortgage-Related Securities.

NOW, THEREFORE, in consideration of the mutual promises contained in this Dealer Agreement, Freddie Mac and each Dealer agree as follows:

ARTICLE I

General

Section 1.01. Operative Effect of Agreement. This Dealer Agreement shall be effective as of the date set forth above and shall govern all purchases and sales of Freddie Mac Mortgage-Related Securities or Options between Dealer and Freddie Mac pursuant to this Dealer Agreement from and after such date.

Section 1.02. Representations and Warranties.

(a) *Representations of Freddie Mac.* Freddie Mac represents and warrants that:

(i) it is a corporation duly organized and existing under and by virtue of the laws of the United States and has full corporate power and authority to enter into, and to perform its obligations under, this Dealer Agreement; and

(ii) the Freddie Mac representative transacting business with Dealer has the power and authority to conduct such business pursuant to this Dealer Agreement on behalf of Freddie Mac and to bind Freddie Mac to enter into, and to perform its obligations under, this Dealer Agreement.

(b) *Representations of Dealer.* Dealer represents and warrants that:

(i) it is duly organized and existing under and by virtue of the laws of the jurisdiction of its organization and has full power and authority to enter into, and to perform its obligations under, this Dealer Agreement;

(ii) the Dealer representative transacting business with Freddie Mac has the power and authority to conduct such business pursuant to this Dealer Agreement on behalf of Dealer and to bind Dealer to enter into, and to perform its obligations under, this Dealer Agreement;

(iii) it is and will be in compliance with the laws of any jurisdiction in which it sells, offers for sale or induces the sale of Freddie Mac Mortgage-Related Securities; and

(iv) it is, and at all times shall be, a Participant in good standing.

ARTICLE II

Purchase and Sale of Freddie Mac Mortgage-Related Securities; Securities Transactions

Section 2.01. Dealer as Principal. All purchases and/or sales of Freddie Mac Mortgage-Related Securities or Options by Dealer under this Dealer Agreement, whether pursuant to a mandatory or an optional delivery contract, shall be deemed to be by Dealer as principal. Dealer may purchase Freddie Mac Mortgage-Related Securities or Options for resale or for its own account. Freddie Mac shall not be obligated for any expense incurred by Dealer in connection with the purchase or sale of Freddie Mac Mortgage-Related Securities or Options.

Section 2.02. Auction Procedures; Position Allocations.

(a) Freddie Mac shall conduct auctions for the purpose of selling Freddie Mac Mortgage-Related Securities each Business Day at such times and in accordance with such procedures as are established by Freddie Mac from time to time. Freddie Mac shall notify Dealer of any change in the time or procedures relating to the auctions as soon as practicable but in any event prior to the beginning of the next scheduled auction.

(b) Except as provided in this Dealer Agreement, Freddie Mac shall accept the highest bid price at each auction.

(c) Where more than one Dealer bids the highest price for a position offered by Freddie Mac at an auction, Freddie Mac will employ a formula, determined by Freddie Mac at its sole discretion, to allocate the position among those Dealers bidding the highest price.

Section 2.03. Reservation of Rights. Notwithstanding anything to the contrary contained in this Dealer Agreement, Freddie Mac reserves the right, in its sole discretion and without prior notice to Dealer, to (i) reject any offer for the purchase of Freddie Mac Mortgage-Related Securities, (ii) allot to Dealer less than the amount of Freddie Mac Mortgage-Related Securities requested by Dealer, or (iii) terminate the sale of Freddie Mac Mortgage-Related Securities at any time. Freddie Mac shall notify Dealer as soon as possible after taking any of the foregoing actions.

Section 2.04. Settlements. Freddie Mac Mortgage-Related Securities will be sold in Book-Entry Form only. Each settlement under this Dealer Agreement for any purchase of Freddie Mac Mortgage-Related Securities or Options, as the case may be, shall be cleared through the Clearing Division of the MBSCC in accordance with the Clearing Division Rules promulgated from time to time for that purpose by the Clearing Division of the MBSCC. Unless Freddie Mac notifies Dealer to the contrary, Freddie Mac will not exercise MBSCC delivery variances.

Section 2.05. Rights of Dealer. By virtue of its membership in Freddie Mac's PC Dealer Group, Dealer has the right to submit proposals for Freddie Mac's consideration for transactions in Freddie Mac Giants, Multiclass PCs and other derivative mortgage securities. Any acceptance of Dealer's proposals by Freddie Mac shall be at Freddie Mac's sole discretion. Accepted proposals shall be consummated in accordance with the applicable governing documents including:

(i) in the case of Freddie Mac Giants, the dealer agreement designated by Freddie Mac from time to time, and

(ii) in the case of Multiclass PCs and other derivative mortgage securities, the purchase documents applicable to the particular transaction.

Section 2.06. Obligations of Dealer.

(a) *Secondary Market.* Dealer shall use its best efforts to offer for sale and to sell Freddie Mac Mortgage-Related Securities and to maintain an orderly secondary market for Freddie Mac Mortgage-Related Securities and Freddie Mac Giants. Dealer shall use its best efforts to provide, on a continuous basis, bid and ask prices for Freddie Mac Mortgage-Related Securities and to quote such prices in the secondary market. All such prices shall be quoted by observing the standards and practices of the industry and taking into consideration all relevant circumstances. Any secondary market activities undertaken by Dealer shall be for Dealer's own account and not as agent for Freddie Mac. Any bid and ask price quoted by Dealer may be published by Freddie Mac with Dealer's prior consent.

(b) *Auction Participation.* Dealer shall participate actively in each and every auction conducted by Freddie Mac under Section 2.02 of this Dealer Agreement by submitting bids which are representative of prevailing market prices.

(c) *Books and Records.* Dealer shall maintain books and records and other information regarding the purchase and sale of Freddie Mac Mortgage-Related Securities in such a manner as to permit Freddie Mac to verify the accuracy of information provided by Dealer to Freddie Mac with respect to the trading of Dealer in Freddie Mac Mortgage-Related Securities including, but not limited to, the verification of such matters as the provision of bid and ask prices for the Freddie Mac Mortgage-Related Securities, the quotation of such prices in the secondary market, the observation of industry standards and practices as to pricing, and other trading and pricing-related activities. When reasonably requested by Freddie Mac, Dealer shall provide access to such of its books and records and other information as will permit Freddie Mac to substantiate compliance by Dealer with the terms and provisions of this Dealer Agreement. Dealer shall provide to Freddie Mac a copy of Dealer's audited annual financial statements within 90 days after the end of Dealer's fiscal year. If requested by Freddie Mac, Dealer shall provide to Freddie Mac a copy of Dealer's unaudited quarterly financial statements, to the extent such information is otherwise publicly available.

(d) *Compliance with Law.* Dealer shall be solely responsible for determining the application of federal and state laws with respect to Dealer's ability to sell, offer for sale or induce the purchase of Freddie Mac Mortgage-Related Securities and for complying with such laws notwithstanding any information which may be furnished by Freddie Mac relating to this matter.

(e) *Appropriate Disclosure.* In the event of Dealer's offer or sale of Freddie Mac Mortgage-Related Securities acquired pursuant to this Dealer Agreement:

(i) Dealer shall deliver to each purchaser of a Freddie Mac Mortgage-Related Security from Dealer a copy of the then current Offering Circular, any applicable Supplement and/or other applicable offering materials published or otherwise made public by Freddie Mac with respect to such Freddie Mac Mortgage-Related Security, and shall further inform the purchaser that such Freddie Mac Mortgage-Related Security is purchased pursuant to the terms and conditions of those documents; and

(ii) Dealer shall not give any information or make any representations not contained in the Offering Circular, Supplement and/or other offering materials published or otherwise made public by Freddie Mac with respect to the Freddie Mac Mortgage-Related Securities offered or sold by Dealer.

Section 2.07. Non-Exclusivity. (a) Dealer acknowledges that the PC Dealer Group consists of a number of members, and that the members of the PC Dealer Group may change from time to time. Any changes in the members of the PC Dealer Group shall not affect the rights and obligations of Freddie Mac and Dealer in this Dealer Agreement.

(b) Notwithstanding any contrary provision of this Dealer Agreement, Freddie Mac shall have the right to purchase and sell Freddie Mac Mortgage-Related Securities directly without any participation by Dealer. Freddie Mac also shall have the right to select another selling group comprised of investment bankers, securities dealers, brokers, banks and/or others for the purchase or sale of Freddie Mac Mortgage-Related Securities, at any time and in Freddie Mac's sole discretion. Freddie Mac shall have no obligation to notify Dealer of any such selection.

ARTICLE III

Electronic Data Interchange

Section 3.01. Trade Terms. Except as otherwise provided herein, or in any confirmation relating to a specific transaction in Freddie Mac Mortgage-Related Securities, all transactions between Freddie Mac and Dealer hereunder shall be subject to the Uniform Practices.

Section 3.02. Transmissions. Confirmations relating to purchases and sales of Freddie Mac Mortgage-Related Securities or Options required pursuant to the Uniform Practices may be transmitted via U.S. mail, commercial express courier, facsimile or electronic mail, directly or through any mutually acceptable third party service provider (and, for purposes hereof, AT&T electronic mail shall be deemed mutually acceptable, unless and until the parties otherwise agree in writing), subject to the following terms:

(a) Each facsimile transmission, including the copy transmitted via facsimile copy by the sending party and the facsimile printout received by the receiving party (including any complete photocopy thereof), shall be deemed "signed" counterpart "originals", and neither party will contest the validity or enforceability of any obligation evidenced thereby on the ground that the contents thereof are not signed or original documents.

(b) Each electronic mail transmission shall be deemed to have been properly received when available at the recipient's electronic address, regardless of whether such transmission is accessed or responded to by the recipient.

(c) Each electronic mail transmission shall be deemed to be in "writing", "signed" and "original", once such transmission becomes fixed in a tangible medium of expression; and when printed or reproduced from electronic files or records established or maintained in the ordinary course of business shall be acceptable for all legal purposes, and neither party will contest the validity or enforceability of any obligation evidenced thereby on the ground that the contents thereof are not written, signed or original.

(d) If any electronic mail or facsimile transmission is received in an unintelligible or garbled form, the receiving party shall promptly notify the originating party, to the extent identifiable from the transmission, in a reasonable time and manner.

ARTICLE IV

Miscellaneous Provisions

Section 4.01. Limitations on Liability; Indemnification.

(a) Neither Freddie Mac nor any of its directors, officers, employees or agents shall be liable to Dealer for any action taken by them or for their refraining from the taking of any such action in good faith pursuant to this Dealer 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 under this Dealer Agreement. 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 under this Dealer Agreement.

(b) Dealer shall indemnify and hold Freddie Mac and any of its officers, directors, agents and employees harmless against any loss, claim, liability or expense (including attorney's fees) of whatever nature that may arise from or be related to the performance of its obligations under this Dealer Agreement except for losses, claims, liabilities or expenses 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 under this Dealer Agreement. For purposes of this Dealer Agreement, losses, claims, liabilities or expenses will include but not be limited to losses resulting from failed trades due to Freddie Mac's exercise of any of its rights described in Section 2.03 above.

Section 4.02. Entire Agreement. This Dealer Agreement, which will be deemed to include any recorded or written information or reports provided by Dealer or Freddie Mac and any confirmations issued pursuant to Article III, represents the entire agreement of the parties hereto, and supersedes any prior oral or written agreements or understandings with respect to the subject matter hereof.

Section 4.03. Amendments. This Dealer Agreement may be amended, modified or revised by Freddie Mac at any time by notifying Dealer of such amendment, modification or revision in writing. Dealer's offer to buy or sell Freddie Mac Mortgage-Related Securities pursuant to this Dealer Agreement, whether or not as part of an auction conducted by Freddie Mac, after a period of three Business Days has elapsed from the date that Freddie Mac distributed the text of an amendment, modification or revision to Dealer shall constitute Dealer's acceptance of such amendment, modification or revision. Any such amendment, modification or revision shall become effective as of the date that Freddie Mac distributes the text thereof to Dealer.

Section 4.04. Termination.

(a) Dealer or Freddie Mac may terminate this Dealer Agreement, without cause, upon prior written notice to the other.

(b) At its sole discretion, Freddie Mac may exclude Dealer from membership in the PC Dealer Group if, in the opinion of Freddie Mac, Dealer has materially breached a representation or has otherwise failed to perform its duties and obligations under this Dealer Agreement.

(c) Any termination of the Dealer Agreement pursuant to this Section 4.04 shall not affect the obligations of Dealer or Freddie Mac, as the case may be, that are outstanding at the time of such termination.

Section 4.05. Survival of Obligations. Except as provided in Section 4.04, the obligations of the parties under the Dealer Agreement will survive the consummation of any transaction for the purchase and sale of Freddie Mac Mortgage-Related Securities.

Section 4.06. Governing Law. This Dealer Agreement and the rights and obligations of the parties hereto will 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 Freddie Mac Act, or any provision of this Dealer Agreement or the transactions governed thereby, the local laws of the State of New York will be deemed reflective of the laws of the United States.

Section 4.07. Successors and Assigns. This Dealer Agreement shall inure to the benefit of, and be binding upon, the respective successors and assigns of each of Freddie Mac and Dealer; provided, however, that Dealer may not assign its obligations under this Dealer Agreement without the prior written consent of Freddie Mac.

Section 4.08. Headings. Article and section headings are for convenience only and shall not affect the construction of this Dealer Agreement.

Section 4.09. Contacts. Any communication regarding trading and operational matters arising in connection with any provision of this Dealer Agreement will be directed to such persons and at such addresses, telephone numbers, and telefax numbers as Dealer and Freddie Mac shall designate from time to time to each other by recorded telephonic conversation or in writing.

Section 4.10. Incorporation by Reference. This Dealer Agreement incorporates by reference certain definitions set forth in the Glossary of Terms attached as Exhibit D to the Offering Circular. Such incorporation by reference shall not be deemed to constitute the incorporation by reference herein of any other term or provision contained in the Offering Circular or any other exhibit or attachment thereto, or of any interpretation of or usage with respect to such other term or provision, unless otherwise expressly so provided in this Dealer Agreement.

A DEALER'S OFFER TO BUY OR SELL FREDDIE MAC MORTGAGE-RELATED SECURITIES IN, OR AS PART OF, AN AUCTION TO BUY OR SELL FREDDIE MAC MORTGAGE-RELATED SECURITIES CONDUCTED BY FREDDIE MAC, WITHOUT ANY SIGNATURE OR FURTHER MANIFESTATION OF ASSENT, SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY SUCH DEALER OF ALL THE TERMS AND PROVISIONS OF THIS DEALER AGREEMENT, AND THE AGREEMENT OF FREDDIE MAC AND SUCH DEALER THAT THOSE TERMS AND PROVISIONS SHALL BE BINDING, OPERATIVE AND EFFECTIVE AS BETWEEN FREDDIE MAC AND SUCH DEALER.

FEDERAL HOME LOAN MORTGAGE CORPORATION

DESCRIPTION OF ORIGINAL PCs

GENERAL CHARACTERISTICS OF ORIGINAL PCs

Freddie Mac offers Original PCs pursuant to the Offering Circular to which this Description is attached only if, when and to the extent that the Offering Circular is accompanied by a Supplement that so provides. (For example, Freddie Mac may offer Original Cash TPM PCs and Original Guarantor TPM PCs pursuant to the Offering Circular and such a Supplement; reference should be made to such Supplement for a description of the terms and provisions of those PCs.) Original PCs may be converted into Gold PCs issued pursuant to the Exchange Circular and the PC Agreement. Freddie Mac also may resecuritize Original PCs pursuant to other Freddie Mac programs and issue other securities, such as Original Giants or Multiclass PCs, representing undivided beneficial ownership interests in Original PCs.

Original PCs differ from Gold PCs in several essential aspects, particularly with respect to:

- the interval between the first day of the month of issuance and the first payment of principal and interest: such interval is approximately 75 days in the case of Original PCs (compared with approximately 45 days in the case of Gold PCs); and
- the operation of Freddie Mac's guarantee of principal payment: in the case of Original PCs, Freddie Mac generally guarantees only ultimate collection of Mortgage principal, without offset or deduction; in the case of Gold PCs, Freddie Mac guarantees both (i) the timely payment of Monthly Principal Reduction and (ii) the ultimate collection of Mortgage principal, without offset or deduction, by the month of the Final Payment Date.

With respect to Original PCs, Freddie Mac may have included in the related Original PC Pools Mortgages with a broader range of Mortgage Coupons and a differing mix of Mortgage types (*e.g.,* Biweekly Mortgages, Cooperative Share Mortgages, Relocation Mortgages) or property types (*e.g.,* Multifamily Mortgages could have constituted up to 5% of certain Original Cash PC Pools at formation) than currently are placed in PC Pools represented by Gold PCs.

The following discussion generally describes those aspects of Original PCs that differ from comparable aspects of Gold PCs. Applicable section and subsection captions parallel those contained in the Offering Circular. Reference should be made to the Offering Circular for a description of the characteristics that are unique to Gold PCs. The ''Glossary of Terms'' included as Exhibit D to the Offering Circular defines capitalized terms used in this Description.

The obligations of Freddie Mac under its guarantees of the Original PCs are obligations of Freddie Mac only. The Original PCs, including the interest thereon, are not guaranteed by the United States and do not constitute debts or obligations of the United States or any agency or instrumentality of the United States other than Freddie Mac. Income from the Original PCs has no exemption under federal law from federal, state or local taxation. The Original 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.

PAYMENTS ON ORIGINAL PCs

Pool Factor Method

Freddie Mac uses the Pool Factor Method to make principal and interest payments on Original PCs. The Pool Factor Method for Original PCs differs from that employed for Gold PCs by virtue of the manner in which Freddie Mac calculates the Pool Factor, the principal payments on the related Mortgages that the Pool Factor reflects, and the particular Pool Factors that Freddie Mac uses to make the monthly principal and interest payments on Original PCs.

- After determining the aggregate principal payment for each PC Pool for the month, Freddie Mac calculates the remaining principal balance of the PC Pool, which it converts into a Pool Factor. The reduction in the Pool Factor in a given month measures the amount of principal to be paid to Holders on the Payment Date in the next, rather than the same, month.
- On each monthly Payment Date, Freddie Mac passes through to the Holder of an Original PC:
  - • principal reflecting the preceding month's, rather than the same month's, reduction in the related Pool Factor; and
  - • interest reflecting one month's interest at the applicable PC Coupon on the principal balance of the PC before giving effect to the principal payment made on the same Payment Date.

The following sections explain the Pool Factor Method and the manner in which Pool Factors are determined in more detail.

Calculation of Principal

Original Guarantor PCs

The aggregate principal payment in any month on the Original Guarantor PCs representing interests in a given Original Guarantor PC Pool equals the reduction in the principal balance of the related Mortgages during the Monthly Reporting Period that ended in the second preceding month, as reported by the servicer. This reduction reflects principal payments on the Mortgages, including Full Prepayments and Curtailments, during the applicable Monthly Reporting Period. For example, the July principal payment reflects the reduction in the Pool Factor published on or about June 1, which is based on the servicer's report of principal payments for the Monthly Reporting Period that ended in May.

If a servicer fails to file an accurate or timely report of its collections of principal payments or the report cannot be processed, the principal payment on the Original Guarantor PCs reflects Freddie Mac's estimate of scheduled amortization on the Mortgages during the applicable Monthly Reporting Period, with any difference between actual and estimated principal payments being reconciled in subsequent periods by adjustment of subsequent Pool Factors and, as a result, by adjustment of subsequent principal payments made to Holders. However, Freddie Mac does not estimate payments in the case of Original Balloon/Reset PCs—if a servicer's report for a Monthly Reporting Period is not timely or accurate or cannot be processed, then no principal payment is made on the Original Balloon/Reset PCs in the second following month.

A small percentage of Original Guarantor PCs are Scheduled Principal PCs. For Scheduled Principal PCs, Freddie Mac passes through principal scheduled to be paid under the amortization schedules for the Mortgages, based on the servicers' reports, as well as reported Full Prepayments and Curtailments.

Original Cash PCs

The aggregate principal payment in any month on the Original Cash PCs representing interests in a given Original Cash PC Pool equals Freddie Mac's estimate of principal payments on the underlying

Mortgages during the Monthly Reporting Period that ended in the previous month. Each month, Freddie Mac predicts scheduled amortization and prepayments on the Mortgages through the 15th of that month. Freddie Mac bases its predictions of prepayments for any month on actual prepayments reported by servicers for the second, third and fourth preceding months (but not for any month prior to Original PC Pool formation). Freddie Mac adjusts its estimates for seasonal factors and also for cyclical factors such as changing interest rates and refinancing activity.

For example, the July payment on Original Cash PCs reflects Freddie Mac's prediction of Mortgage principal payments by borrowers during the Monthly Reporting Period ended in June, based, in part, on actual prepayments reported for the Monthly Reporting Periods that ended in February, March and April. This prediction is reflected in the Pool Factor published on or about June 1.

Any difference between Freddie Mac's estimates and actual principal payments as reported by servicers is reconciled in subsequent periods by adjustment of subsequent Pool Factors and, as a result, by adjustment of subsequent principal payments made to Holders. Freddie Mac's procedure for estimating principal payments on Original Cash PCs sometimes results in principal payments on such PCs that differ significantly from principal payments on the Mortgages. In Freddie Mac's experience, such differences are most likely to increase during periods of volatile mortgage interest rates.

Pool Factors

Each month Freddie Mac calculates a Pool Factor for each Original PC Pool to reflect the aggregate amount of principal to be paid on the related Original PCs. The Pool Factor for any month is a truncated seven digit decimal that, when multiplied by the original principal balance of the related Original PCs, equals their remaining principal balance after giving effect to the principal payment to be made in the following month. The Pool Factor for a given month also reflects the approximate principal balance of the related Mortgages, based on Freddie Mac's records, as of the 15th of that month in the case of Original Cash PCs, or the 15th of the preceding month in the case of Original Guarantor PCs. Freddie Mac publishes Pool Factors for each month after formation of an Original PC Pool on or about the first business day of the month. The Pool Factor for the month of an Original PC Pool formation, which is not published, is always 1.0000000.

Principal and Interest Payments

Freddie Mac makes payments on an Original PC on each Payment Date beginning in the second month after issuance. All payments are based on the applicable Pool Factors, as follows:

- The principal payment in any month on an Original PC equals its original principal balance multiplied by the difference in the Pool Factors published in the two preceding months.
- The interest payment in any month on an Original PC equals 1/12 of its PC Coupon multiplied by the principal balance of the Original PC as determined using the second preceding month's Pool Factor, which reflects the principal reduction on the PC through the preceding month.

Illustrative Timeline

The following timeline illustrates the payment of principal and interest under the Pool Factor Method c Original Guarantor PCs and Original Cash PCs. The timeline assumes in each case that the Original PC Pool ı. formed on April 20.

Approximate Date	Original Guarantor PCs	Original Cash PCs
April 1	Initial Pool Factor equals 1.0000000.	Initial Pool Factor equals 1.0000000.
April 20	Original PC Pool formation. Original principal balance of Original Guarantor PCs equals aggregate principal balance of Mortgages as reported at delivery by seller, which may or may not include reduction for scheduled amortization due in April.	Original PC Pool formation. Original principal balance of Original Cash PCs equals aggregate principal balance of Mortgages as of April 15 or, if later, as of delivery to Freddie Mac.
April 30	Record Date for June payment.	Record Date for June payment.
May 1	May Pool Factor reflects Freddie Mac's estimate of scheduled amortization through April 15.* (However, May Pool Factor for Original Balloon/Reset PCs equals 1.0000000).	May Pool Factor reflects Freddie Mac's prediction of May 15 principal balance of Mortgages, assuming only scheduled amortization through May 15 and no reduction for expected prepayments. Freddie Mac publishes preliminary original principal balance of Original Cash PCs.
May 31	Record Date for July payment.	Record Date for July payment.
June 1	June Pool Factor reflects principal payments, including Full Prepayments and Curtailments, through May 15, as reported by servicer.	June Pool Factor reflects Freddie Mac's prediction of June 15 principal balance of Mortgages, based on scheduled amortization and expected prepayments through June 15. In calculating expected June prepayments, Freddie Mac considers prepayments made in April. Freddie Mac publishes the original principal balance of Original Cash PCs, reflecting aggregate principal balance of Mortgages as of April 15 or, if later, as of delivery to Freddie Mac.
June 15	First Payment Date. Principal payment reflects difference between April and May Pool Factors (zero for Original Balloon/Reset PCs). Interest payment is based on initial Pool Factor (reflecting original principal balance of Original Guarantor PCs).	First Payment Date. Principal payment reflects difference between April and May Pool Factors. Interest payment is based on original principal balance of Original Cash PCs as of April 15 published on June 1.
June 30	Record Date for August payment.	Record Date for August payment.
July 1	July Pool Factor reflects principal payments, including Full Prepayments and Curtailments, from May 16 through June 15, as reported by servicer.	July Pool Factor reflects Freddie Mac's prediction of July 15 principal balance of Mortgages, based on (i) scheduled amortization and expected prepayments through July 15 and (ii) an adjustment to reconcile any differences between aggregate principal balance of Mortgages reflected in May Pool Factor and aggregate principal balance as of May 15 as reported by servicers. In calculating expected July prepayments, Freddie Mac considers prepayments made in April and May.
July 15	Second Payment Date. Principal payment reflects difference between May and June Pool Factors. Interest payment is based on May Pool Factor (reflecting principal balance of Original Guarantor PCs after June 15 payment).	Second Payment Date. Principal payment reflects difference between May and June Pool Factors. Interest payment is based on May Pool Factor (reflecting principal balance of Original Cash PCs after June 15 payment).
Subsequent Months	Follow pattern for July.	Follow pattern for July, except that in calculating expected prepayments for August and subsequent months, Freddie Mac considers prepayments made in the second, third and fourth preceding months.

*If Original PC Pool had been formed before 15th of month (before April 15 in this example), May Pool Factor would reflect aggregate principal balance of Mortgages at April 15 as reported by servicer.

FINAL PAYMENT DATE

The Holder of an Original PC may receive payments after the month of the Final Payment Date, due to the timing of principal and interest payments on Original PCs as described above, as well as payment plans, periods of forbearance, defaults or other actions that delay the receipt of Mortgage payments by Freddie Mac. By convention, the Final Payment Date of an Original PC is always designated as the first day of a month, even though Payment Dates occur on the 15th of each month. The following table and discussion describe how Freddie Mac determines the month of the Final Payment Date for Original Guarantor and Cash PCs.

Type of Original PC	Final Payment Date
Original Guarantor	Month in which last scheduled payment is due on latest maturing Mortgage in Original PC Pool
Original Cash................	Month that is 15 or 30 years, as applicable, after formation of Original PC Pool

Freddie Mac determines the Final Payment Date for Original Balloon/Reset PCs based on the original five- or seven-year terms to maturity of the Mortgages without regard to any potential extension resulting from the exercise of ''reset'' options by the borrowers. Freddie Mac repurchases all Balloon/Reset Mortgages then remaining in the Original PC Pool no later than the 15th of the month of the Final Payment Date. Thus, the final payment to Holders of the Original Balloon/Reset PCs is made no later than the second month after the month of their Final Payment Date. For example, if the Final Payment Date of an Original Balloon/Reset PC is May 1, 1997, Freddie Mac will repurchase any remaining Mortgages by May 15, 1997 and that principal payment will be passed through to Holders on July 15, 1997.

GUARANTEES

Freddie Mac guarantees to each Holder of an Original PC the timely payment of interest at the applicable PC Coupon on the principal balance of the Original PC, as calculated by Freddie Mac under the Pool Factor Method. For Original PCs, Freddie Mac also guarantees:

(i) the ultimate collection of the Holder's pro rata share of all principal of the related Mortgages, without offset or deduction;

(ii) in the case of Original Balloon/Reset PCs, such ultimate collection of principal not later than the Payment Date in the second month after the month of the Final Payment Date; and

(iii) in the case of Scheduled Principal PCs, the timely payment of the monthly principal scheduled to be paid under the amortization schedule for each related Mortgage, as reported by the servicer.

Freddie Mac may 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 of the mortgaged property; (ii) if applicable, payment of an insurance claim by the FHA or other Mortgage insurer or payment of a guaranty claim by the VA or other Mortgage guarantor; or (iii) the expiration of any right of redemption that the borrower may have, whichever is the last to occur. In no event, however, will Freddie Mac make payment on account of this guarantee later than (i) 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 at maturity or (ii) in the case of Original Balloon/Reset PCs and Scheduled Principal PCs, the date prescribed by Freddie Mac's guarantee.

In taking actions to collect principal after default, including the timing of a demand for acceleration, Freddie Mac requires servicers to service the Mortgages in substantially the same manner as Mortgages of the same type that Freddie Mac has purchased but not resold. See ''Mortgage Purchase and Servicing Standards—Mortgage Servicing—Defaults and Delinquencies'' and

"—Foreclosures" in the Offering Circular for descriptions of (i) the circumstances under which a demand for acceleration may be made and, if made, withdrawn; and (ii) 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 acceleration and on payment under Freddie Mac's guarantee of ultimate collection of principal.

Under the SSCRA, military personnel in active service may be entitled to mortgage interest reduction or other relief for 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. Relief granted under the SSCRA will not affect Freddie Mac's guarantees of timely payment of interest at the applicable PC Coupon or scheduled principal on Scheduled Principal PCs, but may delay ultimate collection of principal with respect to Original PCs.

The obligations of Freddie Mac under its guarantees of the Original PCs are obligations of Freddie Mac only. The Original PCs, including the interest thereon, are not guaranteed by the United States and do not constitute debts or obligations of the United States or any agency or instrumentality of the United States other than Freddie Mac. Certain of the Mortgages are insured by the FHA or partly guaranteed by the VA, both of which are federal agencies.

BOOK-ENTRY FORM AND HOLDERS

Original PCs are issued and must be maintained and transferred only on the book-entry system of the Federal Reserve Banks. Original PCs may be held of record only by entities eligible to maintain book-entry accounts with a Federal Reserve Bank. A Federal Reserve Bank's book-entry records will reflect a Holder's aggregate holdings of Original PCs by account.

A Holder of an Original PC is not necessarily the Beneficial Owner of that PC. Beneficial Owners ordinarily hold Original PCs through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A Federal Reserve Bank credits payments to Holders on each applicable Payment Date. A Holder of an Original 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 on the Original PC on the Payment Date in the second succeeding month.

Some Original PCs still may be held in certificated form. Any PC held in that form must be surrendered by its Holder to the Federal Reserve Bank of New York against the final payment of principal and interest due on such PC.

ORIGINAL PC POOLS

Original PC Pool Numbers and Chart

Freddie Mac identifies each Original PC Pool by a PC Pool Number, the Prefix of which designates certain characteristics of the related Original PCs and Mortgages. The following chart summarizes the characteristics of Original PC Pools by Prefix or range of Original PC Pool Numbers. All Mortgages are Standard Mortgages unless otherwise noted. The chart also shows the Prefixes of Converted Gold PCs issued in exchange for Original PCs sharing each such Prefix.

Original Prefix or PC Pool Number Range	Converted Gold PC Prefix(1)(2)	Purchase Program	Maximum Mortgage Term (Years)	Type of Mortgage	Minimum Original Principal Balance of Original PC Pool(1)(2)
14	B6	Guarantor	30	FHA/VA	$1,000,000
26	A0-A9	Guarantor (Scheduled Principal)	30	Conventional	1,000,000
32	B0-B1	Guarantor (Scheduled Principal)	15	Conventional	1,000,000
33	B6	Guarantor (Scheduled Principal)	30	FHA/VA	1,000,000
36	A0-A9	Cash	30	Conventional	1,000,000
38	B0-B1	Cash	15	Conventional	1,000,000
43	A0-A9, B2	Mini-Guarantor	30	Conventional	250,000
44	B0-B1, B4	Mini-Guarantor	15	Conventional	250,000
45	B6, B8	Mini-Guarantor	30	FHA/VA	250,000
46	A0-A9, B2	Mini-Guarantor (Scheduled Principal)	30	Conventional	250,000
47	B0-B1, B4	Mini-Guarantor (Scheduled Principal)	15	Conventional	250,000
48	B6, B8	Mini-Guarantor (Scheduled Principal)	30	FHA/VA	250,000
50	B0-B1	Guarantor	15	Conventional	1,000,000
55	A0-A9	Guarantor	30	Conventional	1,000,000
85-0001 – 85-5999...	N0	Guarantor	15(3)	Conventional (Second/ Non-Purchase Money First)	1,000,000
85-6000 – 85-7999...	N0	Guarantor	30(3)	Conventional (Second/ Non-Purchase Money First)	1,000,000
88-0001 – 88-0999...	N2	Guarantor	30	Conventional (Relocation)	1,000,000
88-1000 – 88-1999...	M2	Guarantor	15	Conventional (Relocation)	1,000,000
88-2000 – 88-2999...	N4	Guarantor	30	Conventional (Non-Convertible Biweekly)	1,000,000
88-3000 – 88-3999...	M4	Guarantor	15	Conventional (Non-Convertible Biweekly)	1,000,000
88-4000 – 88-4999...	N6	Guarantor	30	Conventional (Cooperative Share)	1,000,000
88-5000 – 88-5999...	M6	Guarantor	15	Conventional (Cooperative Share)	1,000,000
89	M0	Guarantor	5	Conventional (Balloon/Reset)	1,000,000
95	N8	Guarantor	7	Conventional (Balloon/Reset)	1,000,000

(1) Prefixes A0-A9, B0-B1 and B6 identify Converted Gold PCs issued in exchange for Eligible Original PCs that either (i) do not include Mini-Guarantor PCs or (ii) include Mini-Guarantor PCs if the Converted Gold PC Pool has an original principal balance of at least $1,000,000. Prefixes B2, B4 and B8 identify Converted Gold PCs issued in exchange for Original PCs and/or Original Giants that include Mini-Guarantor PCs if the Converted Gold PC Pool has an original principal balance of less than $1,000,000.

(2) Prefixes M2, M4, M6, N2, N4 and N6 identify Converted Gold PCs issued in exchange for Eligible Original PCs if one or more of the Original PCs has been identified (by Original PC Pool Number or otherwise) as representing interests in Relocation, Biweekly or Cooperative Share Mortgages, as indicated.

(3) Prefix N0 may include PC Pools consisting entirely of 15-year or 30-year Second and Non-Purchase Money First Mortgages. 15-year Second and Non-Purchase Money First Mortgages and 30-year Second and Non-Purchase Money First Mortgages will not be included together in a single PC Pool.

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 Original Balloon/Reset PCs will be made no later than the 15th of the second month following the month in which the Final Payment Date occurs. Such Original 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 Original PCs would constitute liquid assets in any particular case.

GLOSSARY OF TERMS

The following definitions apply to capitalized terms used in the Offering Circular, the PC Agreement, the Dealer Agreement and the Description of Original PCs. These definitions also will apply to any Supplement, amendment or confirmation prepared by Freddie Mac, unless otherwise provided in such Supplement, amendment or confirmation.

AOLS: Average original loan size, the simple average of the principal amounts at origination of the Mortgages in a PC Pool.

Balloon/Reset Mortgage: A Mortgage with an original term to maturity up to seven years that grants the borrower an option to extend the original Mortgage term and which provides for level payments of principal and interest during the original term 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.

Beneficial Owner: The entity or individual that beneficially owns a PC.

Biweekly Mortgage: A Mortgage that provides for the borrower to make payments every 14 days in an amount equal to one-half of the monthly payment as calculated using the monthly amortization schedule for a 15-year Mortgage or 30-year Mortgage, as applicable. With respect to Convertible and Non-Convertible Biweekly Mortgages, biweekly payments are applied to the principal balance of the Biweekly Mortgage on a biweekly basis as each payment is received. With respect to Pseudo-Biweekly Mortgages, biweekly payments are collected every 14 days but are applied as a single monthly payment on the first day of the month following the month in which the payments are received; when a third payment is made in a month, the entire amount of the payment is treated as a Curtailment. Servicers under Convertible Biweekly Mortgages and borrowers under Pseudo-Biweekly Mortgages may, under certain circumstances, terminate the biweekly payment arrangement; and payments thereafter are required to be made on a monthly basis. With respect to Non-Convertible Biweekly Mortgages, there is no right to terminate the biweekly payment arrangement.

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 not by a certificated security.

Book-Entry Rules: The provisions from time to time in effect, currently contained in Title 1, Part 462, of the Code of Federal Regulations, setting forth the terms and conditions under which Freddie Mac may issue securities in Book-Entry Form and authorizing the Federal Reserve 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 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 principal offices of Freddie Mac are closed.

Buydown Mortgage: A Mortgage that is originated with a special payment arrangement pursuant to which funds are placed in a separate account used to pay a portion of the scheduled monthly payment on the Mortgage, and to reduce the effective rate of interest on the Mortgage below the Mortgage Coupon, for a specified period, usually 18 to 36 months (the "buydown period").

Cash PC: A PC representing an undivided interest in a PC Pool formed under the Cash Program.

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

Cash Program: A program pursuant to which Freddie Mac purchases Mortgages for cash (or in exchange for Cash PCs in the case of the MultiLender Swap Program) from eligible sellers, holds the Mortgages and periodically forms PC Pools and sells PCs representing undivided interests in the Mortgages.

Code: The Internal Revenue Code of 1986, as amended.

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

Converted Gold PC: A Gold PC issued in exchange for Original PCs and/or Original Giants as described in the Offering Circular and the Exchange Circular.

Converted Gold PC Pool: A PC Pool formed under the Exchange Program in which the undivided interests are represented by Converted Gold PCs.

Converted Mortgage: A Mortgage that was originated as an adjustable rate or graduated payment mortgage and that later was modified by agreement, or converted by its terms, to a fully amortizing fixed-rate, level payment mortgage.

Convertible Biweekly Mortgage: See ''Biweekly Mortgage.''

Cooperative: A cooperative housing corporation within the meaning of Section 216(b) of the Code.

Cooperative Share Mortgage: A Mortgage 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 by a Cooperative, and (ii) the proprietary lease, occupancy agreement or right of tenancy granting the tenant-stockholder or resident-member exclusive rights to occupy a specific dwelling unit in the building owned by the Cooperative.

Curtailment: A partial prepayment of principal on a Mortgage by the borrower.

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

Dealer: Any entity that is a member of Freddie Mac's PC Dealer Group.

Dealer Agreement: Freddie Mac's PC Dealer Group Agreement dated as of June 30, 1992, attached as Exhibit B to the Offering Circular, including any recorded or written information or reports provided by a Dealer or Freddie Mac and any confirmations issued pursuant to such agreement, as such agreement may be supplemented, amended and in effect from time to time.

DIA: The Garn-St Germain Depository Institutions Act of 1982.

Eligible Original PC: An Original PC or an Original Giant that is eligible for the Exchange Program.

ERISA: The Employee Retirement Income Security Act of 1974, as amended.

Exchange Circular: Freddie Mac's current Mortgage Participation Certificates Exchange Circular, together with any supplements thereto.

Exchange Offer: Freddie Mac's offer to Holders of Eligible Original PCs of an opportunity to exchange such PCs for Converted Gold PCs in accordance with the terms and subject to the conditions described in the Exchange Circular.

Exchange Pool Supplement: A document that Freddie Mac furnishes to persons receiving Converted Gold PCs in exchange for Original PCs and/or Original Giants and that contains information regarding such converted Gold PCs and the underlying Mortgages.

Exchange Program: The program pursuant to which Freddie Mac makes its Exchange Offer.

Extended Buydown Mortgage: A Buydown Mortgage in which the buydown period is more than two years or the effective interest rate during the buydown period, irrespective of the duration of such period, is more than two percentage points below the Mortgage Coupon.

Fannie Mae: The Federal National Mortgage Association.

FDIC: The Federal Deposit Insurance Corporation.

Federal Reserve Bank: Each Federal Reserve Bank that maintains PCs in Book-Entry Form.

FHA: The Federal Housing Administration.

FHA Mortgage: A Mortgage fully insured by the FHA.

FHA/VA Mortgage: A Mortgage fully insured by the FHA or guaranteed in part by the VA.

15-year Mortgage: A Mortgage with an original term of up to approximately 180 months.

15-year FHA/VA Mortgage: An FHA/VA Mortgage with an original term of up to approximately 180 months.

15-year Non-Purchase Money First Mortgage: A Non-Purchase Money First Mortgage with an original term of up to approximately 180 months.

15-year Second Mortgage: A Second Mortgage with an original term of up to approximately 180 months.

Final Payment Date: For a Gold PC (other than a Converted Gold PC) and an Original Guarantor PC, the first day of the month in which the last scheduled payment is due on the latest maturing Mortgage in the PC Pool. For a Converted Gold PC, the latest Final Payment Date of all Original PCs and/or Original Giants exchanged for such Converted Gold PC. For an Original Cash PC, the first day of the month that is 15 or 30 years, as applicable, after formation of the related Original Cash PC Pool.

Fiscal Agency Agreement: The agreement between Freddie Mac and the Federal Reserve Bank of New York pursuant to which the Federal Reserve Banks act as fiscal agent for Freddie Mac's mortgage participation certificates.

FRED: Freddie Mac's Resecuritization Electronic Data Base, which, among other things, displays WACs, WARMs and WALAs of new PC Pools for the month of issuance.

Freddie Mac: The Federal Home Loan Mortgage Corporation, a corporation created pursuant to the Freddie Mac Act.

Freddie Mac Act: Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§ 1451-1459.

Freddie Mac Giants: See Exhibit C to the Giant Offering Circular for the definition of this term.

Freddie Mac Mortgage-Related Securities: Mortgage pass-through securities issued and sold by Freddie Mac that represent undivided beneficial interests in discrete pools consisting of (i) specified Mortgages having fixed, adjustable or variable interest rates and/or payment schedules and secured by single-family and/or multifamily residential properties, or (ii) such other type of Mortgages that Freddie Mac may determine, in its discretion, to purchase from time to time.

Full Prepayment: As to any Mortgage in a PC Pool, any event that causes the full principal amount of the Mortgage to be passed through as a principal payment on the related PCs, including a full prepayment of principal on the Mortgage by the borrower; a liquidation resulting from default, casualty or condemnation; the payment of principal on an insurance claim by the FHA or other Mortgage insurer; the payment of principal on a guaranty claim by the VA or other Mortgage guarantor; and the repurchase of the Mortgage from the PC Pool by the seller, the servicer or Freddie Mac, including any repurchase pursuant to Freddie Mac's guarantee of ultimate collection of principal.

Giant Offering Circular: The offering circular pursuant to which Freddie Mac offers its Giant PCs for sale.

Giant PC: A Freddie Mac Giant Mortgage Participation Certificate created pursuant to Freddie Mac's Giant Mortgage Participation Certificate Agreement, as supplemented, 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 the PC. The term "Gold PC" also shall include a Converted Gold PC unless the context requires otherwise.

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

Guarantor PC: A PC representing an undivided interest in a PC Pool formed under the Guarantor Program.

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

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.

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

HUD: The Department of Housing and Urban Development.

Information Statement: An annual statement prepared by Freddie Mac that describes Freddie Mac and its business and operations, and contains Freddie Mac's audited financial statements.

Information Statement Supplement: A supplement, prepared by Freddie Mac, to the Information Statement that includes unaudited financial data and/or other information concerning the business and operations of Freddie Mac.

MBSCC: The MBS Clearing Corporation, a Delaware corporation.

Mini-Guarantor PC: A Guarantor PC for which the original principal balance of the related PC Pool may be as small as $250,000.

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

Monthly Adjustment Amount: For a PC Pool for a given month, the difference (either positive or negative) between (a) the principal balance of the related PCs after the previous month's principal payment plus the Monthly Principal Reduction calculated for the previous month and (b) the aggregate principal balance of the related Mortgages reported by servicers as of 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 Monthly Reporting Period ending in the second previous month).

Monthly Principal Reduction: For a PC Pool for a given month, Freddie Mac's calculation of the amount of scheduled amortization due on the related Mortgages in the Monthly Reporting Period ending in the same month. Freddie Mac calculates Monthly Principal Reduction based upon the WAC and WARM of the Mortgages contained in the PC Pool for the previous month and the principal balance of the PC Pool as reflected by the Pool Factor for the previous month. For purposes of computing Monthly Principal Reduction, the WARM and WAC are recalculated monthly.

Monthly Reporting Period: The period from the 16th of a month through the 15th of the next month, for which period servicers report Mortgage payments to Freddie Mac. For example, payments due or made from April 16 through May 15 are referred to as May Mortgage payments.

Mortgage: A residential mortgage secured by a one-to-four-family dwelling, or a participation in such a mortgage, purchased by Freddie Mac and identified in the records maintained by Freddie Mac as included in a PC Pool.

Mortgage Coupon: The annual interest rate of a Mortgage.

Multiclass PC: A Freddie Mac Multiclass Mortgage Participation Certificate issued by Freddie Mac pursuant to Freddie Mac's Multiclass Mortgage Participation Certificate Agreement, as supplemented, amended and in effect from time to time.

Multifamily Mortgage: A mortgage secured by a residential property containing five or more dwelling units.

MultiLender Swap Program: A program pursuant to which Freddie Mac purchases Mortgages from multiple sellers, in each case in exchange for PCs with an unpaid principal balance equal to the remaining principal balance of the Mortgages delivered by each such seller, and which PCs represent undivided interests in a PC Pool containing the Mortgages so purchased.

Non-Convertible Biweekly Mortgage: See "Biweekly Mortgage."

Non-Purchase Money First Mortgage: A first Mortgage made for a purpose other than the purchase of the mortgaged property and originated on terms similar to a Second Mortgage.

Offering Circular: The Freddie Mac PC Offering Circular to which this Glossary of Terms is attached.

Option: An option or contractual right to purchase Freddie Mac Mortgage-Related Securities.

Original Cash PC: An Original PC representing an undivided interest in an Original Cash PC Pool formed under the Cash Program.

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

Original Giant: A Giant PC representing interests in an Original Giant PC Pool.

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

Original Guarantor PC: An Original PC representing an undivided interest in an Original Guarantor PC Pool formed under the Guarantor Program.

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

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 PC Pool Number: A unique six-character numeric or alpha-numeric designation assigned to each Original PC Pool by Freddie Mac and used to identify the Original PC Pool and the related 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 1.02 of the PC Agreement or, (ii) if a different date is specified in the documents pursuant to which the related Cash 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 Original PCs and/or Original Giants 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.

Participant: Any person or entity qualified to participate in the Clearing Division of the MBSCC pursuant to the Clearing Division Rules promulgated by the MBSCC from time to time.

Multiclass PC: A Freddie Mac Multiclass Mortgage Participation Certificate issued by Freddie Mac pursuant to Freddie Mac's Multiclass Mortgage Participation Certificate Agreement, as supplemented, amended and in effect from time to time.

Multifamily Mortgage: A mortgage secured by a residential property containing five or more dwelling units.

MultiLender Swap Program: A program pursuant to which Freddie Mac purchases Mortgages from multiple sellers, in each case in exchange for PCs with an unpaid principal balance equal to the remaining principal balance of the Mortgages delivered by each such seller, and which PCs represent undivided interests in a PC Pool containing the Mortgages so purchased.

Non-Convertible Biweekly Mortgage: See "Biweekly Mortgage."

Non-Purchase Money First Mortgage: A first Mortgage made for a purpose other than the purchase of the mortgaged property and originated on terms similar to a Second Mortgage.

Offering Circular: The Freddie Mac PC Offering Circular to which this Glossary of Terms is attached.

Option: An option or contractual right to purchase Freddie Mac Mortgage-Related Securities.

Original Cash PC: An Original PC representing an undivided interest in an Original Cash PC Pool formed under the Cash Program.

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

Original Giant: A Giant PC representing interests in an Original Giant PC Pool.

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

Original Guarantor PC: An Original PC representing an undivided interest in an Original Guarantor PC Pool formed under the Guarantor Program.

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

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 PC Pool Number: A unique six-character numeric or alpha-numeric designation assigned to each Original PC Pool by Freddie Mac and used to identify the Original PC Pool and the related 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 1.02 of the PC Agreement or, (ii) if a different date is specified in the documents pursuant to which the related Cash 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 Original PCs and/or Original Giants 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.

Participant: Any person or entity qualified to participate in the Clearing Division of the MBSCC pursuant to the Clearing Division Rules promulgated by the MBSCC from time to time.

Payment Date: The day of the month on which Freddie Mac passes through payments of principal and interest to Holders. The 15th of each month is a Payment Date unless the 15th is not a Business Day, in which case the next succeeding Business Day is the Payment Date.

PC: A mortgage participation certificate sold pursuant to the PC Agreement, representing an undivided interest in a pool of Mortgages identified by a particular PC Pool Number and CUSIP Number. For purposes of the PC Agreement, the term ''PC'' shall mean ''Gold PC.''

PC Agreement: Freddie Mac's Mortgage Participation Certificate Agreement dated as of June 1, 1992, attached as Exhibit A to the Offering Circular, as such agreement may be supplemented, amended and in effect from time to time.

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 Dealer Group: A selling group organized for the purpose of purchasing or selling Freddie Mac Mortgage-Related Securities and comprising investment bankers, securities dealers, brokers, banks and/or others who are acknowledged as members of such group by Freddie Mac either in writing or by an appropriate message of acknowledgement transmitted to them in accordance with Article III of the Dealer Agreement.

PC Exchange: An exchange of one or more Eligible Original PCs for one or more Converted Gold PCs effected in accordance with the terms and subject to the conditions of the Exchange Offer.

PC Exchange Agreement: Freddie Mac's Mortgage Participation Certificate Exchange Agreement, as supplemented, amended and in effect from time to time.

PC Pool: A discrete pool of Mortgages identified in the books and records maintained by Freddie Mac by a PC Pool Number. For purposes of the PC Agreement, the term ''PC Pool'' shall include PC Pools represented by both Gold PCs and Converted Gold PCs, unless the context requires otherwise.

PC Pool Number: A unique six-character numeric or alpha-numeric designation assigned to each PC Pool by Freddie Mac and used to identify the PC Pool and the related PCs.

Pool Factor: A truncated seven-digit decimal calculated by Freddie Mac with respect to a calendar month that, when multiplied by the original unpaid principal balance of the related PCs, equals their remaining principal balance after giving effect to the principal payment to be made in the same month, in the case of Gold PCs, or in the following month, in the case of Original PCs.

Pool Factor Method: The method used by Freddie Mac to determine the monthly PC principal and interest payment to be paid on the Payment Date, which method involves the monthly calculation of a Pool Factor for, and application of such Pool Factor to, a PC Pool.

Pool Supplement: A document that Freddie Mac furnishes to initial purchasers of Guarantor PCs that contains information regarding such PCs and the underlying Mortgages.

Prefix: The first two characters of a PC Pool Number.

Pseudo-Biweekly Mortgage: See ''Biweekly Mortgage.''

Record Date: As to each Payment Date, the close of business on the last day of the preceding month in the case of a Gold PC, or the close of business on the last day of the second preceding month in the case of an Original PC.

Relocation Mortgage: A Mortgage made to a transferred employee to finance a home purchase at a new job location pursuant to an employee relocation program administered by the employer or its agent, involving a significant employer contribution to mortgage funding, in which the Mortgage is originated by a lender pursuant to a contract or arrangement with the employer or its agent.

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

Restricted Eligible PC: An Eligible Original PC that is eligible for resecuritization on a restricted basis.

Scheduled Mortgage: A Mortgage, also known as a "due-date-to-due-date" Mortgage, with respect to which each monthly payment thereon, regardless of the date such payment actually is received, is applied to principal and interest according to a predetermined monthly payment schedule.

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.

Second Mortgage: A Mortgage secured by a lien subordinate only to the first lien on the mortgaged property.

Sellers' & Servicers' Guide: A Freddie Mac publication, as supplemented and amended from time to time, in which Freddie Mac sets forth its Mortgage purchase standards, including its credit, appraisal and underwriting guidelines, and Mortgage servicing policies and procedures.

Service: The Internal Revenue Service.

Settlement Date: For sales of Freddie Mac Mortgage-Related Securities pursuant to the Dealer Agreement, the date specified by Freddie Mac for payment and delivery of the Freddie Mac Mortgage-Related Securities. For Options purchased by Freddie Mac or Dealer, the date specified by Freddie Mac or Dealer for delivery of the Freddie Mac Mortgage-Related Securities.

Simple Interest Mortgage: A Mortgage, also known as a "payment-date-to-payment-date" Mortgage, with respect to which each monthly payment thereon is applied first to interest accrued from the date the previous monthly payment actually was received to the date the current monthly payment actually was received and any balance of such payment is applied as a reduction of the principal balance of the Mortgage.

SMMEA: The Secondary Mortgage Market Enhancement Act of 1984.

SSCRA: The Soldiers' and Sailors' Civil Relief Act of 1940.

SS&TG: Freddie Mac's Securities Sales and Trading Group.

Standard Cash PC Pool: A PC Pool in which the undivided interests are represented by Cash PCs backed by Standard Mortgages.

Standard Guarantor PC Pool: A PC Pool in which the undivided interests are represented by Guarantor PCs backed by Standard Mortgages.

Standard Mortgage: A fully amortizing first lien 15-year Mortgage or 30-year Mortgage with a fixed Mortgage Coupon and level monthly payments.

Supplement: A document that amends or supplements the Offering Circular and/or the PC Agreement. As to a given PC Pool, the term Supplement includes any applicable Pool Supplement or Exchange Pool Supplement.

Tenant-Stockholder: A tenant-stockholder or resident-member in a Cooperative.

30-year Mortgage: A Mortgage with an original term of more than 180 months and up to approximately 360 months.

30-year FHA/VA Mortgage: An FHA/VA Mortgage with an original term of more than 180 months and up to approximately 360 months.

30-year Non-Purchase Money First Mortgage: A Non-Purchase Money First Mortgage with an original term of more than 180 months and up to approximately 360 months.

30-year Second Mortgage: A Second Mortgage with an original term of more than 180 months and up to approximately 360 months.

TPM: A tiered payment mortgage; a Mortgage providing for monthly payments by the borrower that initially are below the level that would fully amortize the TPM over its term to maturity on a level payment basis, but that increase periodically in "tiers" until they reach such level.

Treasury: The Department of the Treasury.

ULMD: Updated longest maturity date, the latest maturity date of any of the Mortgages that remain in a PC Pool at any given time.

Uniform Instruments: Instruments approved by Freddie Mac and Fannie Mae for the origination of Conventional Mortgages.

Uniform Practices: The Uniform Practices for the Clearance and Settlement of Mortgage-Backed Securities as published from time to time by the Public Securities Association.

U.S. Person: For certain tax purposes, 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 of the United States, or an estate or trust that is subject to U.S. federal income taxation regardless of the source of its income.

Unscheduled Principal Payment: For any month, the sum of principal payments made in respect of the Mortgages contained in a PC Pool representing Full Prepayments made as of the close of the Monthly Reporting Period ending in the previous month.

VA: The Department of Veterans Affairs.

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

WAC: Weighted average coupon, the average of the Mortgage Coupons of the Mortgages in a PC Pool, weighted by principal balances.

WALA: Weighted average loan age, the average of the number of months since origination of the Mortgages in a PC Pool, weighted by principal balances. Freddie Mac measures the loan age of a Mortgage by reference to the due dates of monthly payments. A Mortgage that has not reached its first due date has a loan age of zero months (even if a month or more has elapsed since its actual date of origination); a Mortgage that has reached its first due date but not its second has a loan age of one month; and so forth.

WAOLT: Weighted average original loan term, the average of the original terms to maturity of the Mortgages in a PC Pool, weighted by principal balances.

WARM: Weighted average remaining maturity, the average of the remaining terms to maturity of the Mortgages in a PC Pool, weighted by principal balances.

[This Page Intentionally Left Blank]

Freddie
Mac