

Offering Circular dated January 1, 1992

**Freddie
Mac**

Federal Home Loan Mortgage Corporation

Multiclass Mortgage Participation Certificates (Issuable in Series)

The Federal Home Loan Mortgage Corporation ("Freddie Mac") from time to time will offer Multiclass Mortgage Participation Certificates ("Multiclass PCs") in "Series" by means of this Offering Circular and a separate Offering Circular Supplement (a "Supplement") for each Series. Each Series will consist of two or more "Classes." The Classes of each Series will receive principal and interest payments, in differing proportions and at differing times, from the cash flows provided by Freddie Mac "PCs." Underlying the PCs will be pools of first lien, residential mortgages and mortgage participations that Freddie Mac has acquired ("Mortgages").

PCs include "Gold PCs," "Original PCs," "ARM PCs," "Gold Giant PCs," "Original Giant PCs" and "ARM Giant PCs." Gold PCs, Original PCs and ARM PCs represent undivided interests in discrete pools consisting of Mortgages. Gold Giant PCs, Original Giant PCs and ARM Giant PCs represent beneficial ownership interests in discrete pools consisting of PCs.

Freddie Mac guarantees to each "Holder" of a Multiclass PC (i) the timely payment of interest at the applicable Multiclass PC interest rate ("Class Coupon") or as otherwise described in the applicable Supplement and (ii) the payment of the principal amount of the Holder's Multiclass PC as described in the applicable Supplement. Freddie Mac also guarantees the payment of interest and principal on all PCs. See "Description of Multiclass PCs — Guarantees."

Freddie Mac will make interest and principal payments on the Classes of each Series entitled to such payments on each "Payment Date," as described in the applicable Supplement. Payments on the PCs underlying each Series, together with any other assets described in the applicable Supplement, will be sufficient to make timely payments of interest on the Multiclass PCs of that Series and to retire each Class of that Series on or before its "Final Payment Date." The rate of principal payments on each Class of each Series will depend in part on the rate of principal payments (including prepayments) on the related Mortgages.

Each Series will be either a "Single-Tier Series" or a "Double-Tier Series." In a Single-Tier Series, each Class will represent a beneficial ownership interest in a single "REMIC Pool," including PCs or securities backed by PCs. In a Double-Tier Series, each Class will represent a beneficial ownership interest in one of two REMIC Pools, called the "Upper-Tier REMIC Pool" and the "Lower-Tier REMIC Pool." The assets of the Upper-Tier REMIC Pool will include one or more securities ("Mortgage Securities") representing "regular interests" in the related Lower-Tier REMIC Pool, and the Lower-Tier REMIC Pool will include PCs or securities backed by PCs. Any REMIC Pool may also include cash or other eligible assets.

An election will be made to treat each REMIC Pool as a "real estate mortgage investment conduit" ("REMIC") pursuant to the Internal Revenue Code. The "Regular Classes" of each Series will constitute "regular interests" in a REMIC for federal income tax purposes. A single "Residual Class" constituting the "residual interest" in a REMIC for federal income tax purposes will be created for each REMIC Pool. Residual Classes will be subject to transfer restrictions. See "Certain Federal Income Tax Consequences."

Unless otherwise specified in the applicable Supplement, Regular Classes will be sold in book-entry form only, and Residual Classes will be sold in registered, certificated form only. See "Description of Multiclass PCs — Form of Multiclass PCs, Holders, Minimum Principal Amounts and Transfers."

This Offering Circular should be read in conjunction with the Supplement applicable to each Series and the additional documents specified in that Supplement. See "Availability of Information and Incorporation by Reference."

The obligations of Freddie Mac under its guarantees of the Multiclass PCs are obligations of Freddie Mac only. Multiclass PCs, including any 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 Multiclass PCs has no exemption under federal law from federal, state or local taxation. The Multiclass 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.

This Offering Circular may not be used to consummate sales of Multiclass PCs unless accompanied by the applicable Supplement.

This Offering Circular, together with the Supplement for each Series, constitutes an offer to sell only that Series. 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 the applicable Supplement and in the other documents and sources of information prepared by Freddie Mac that are specified in that Supplement. 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 Multiclass 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 Multiclass PCs take place on a later date.

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OFFERING CIRCULAR SUMMARY

The summary information below is qualified in its entirety by reference to the information appearing elsewhere in this Offering Circular and by reference to the information regarding each Series of Multiclass PCs contained in the related Supplement.

- Seller and Guarantor** The Federal Home Loan Mortgage Corporation, a publicly held government-sponsored enterprise.
- The Multiclass PCs** Freddie Mac will create the Multiclass PCs of each Series under a Multiclass Mortgage Participation Certificate Agreement dated as of January 1, 1992 and included in this Offering Circular as Exhibit A, as supplemented by a Terms Supplement relating to each Series (together, the "Multiclass PC Agreement"). The Multiclass PCs of each Single-Tier Series will represent beneficial ownership interests in the related REMIC Pool formed by Freddie Mac under the Multiclass PC Agreement. In the case of a Double-Tier Series, (i) the Classes issued in respect of the related Lower-Tier REMIC Pool (the "Lower-Tier Classes") will represent beneficial ownership interests in that Pool, (ii) one or more Lower-Tier Classes, representing "regular interests" in that Pool, will constitute the Mortgage Securities for the related Upper-Tier REMIC Pool and (iii) the Classes issued in respect of the Upper-Tier REMIC Pool (the "Upper-Tier Classes") will represent beneficial ownership interests in that Pool. In a Double-Tier Series, the Multiclass PCs include all of the Upper-Tier Classes plus the Residual Class issued in respect of the Lower-Tier REMIC Pool.
- The REMIC Pool Assets** Various PCs or other securities created or acquired by Freddie Mac having the characteristics described under "Description of Multiclass PCs — The REMIC Pool Assets" in this Offering Circular and, as to a particular Series, in the related Supplement. The Mortgages underlying such PCs or other securities will be first lien, residential mortgages, including whole mortgage loans and/or mortgage participation interests. PCs include Gold PCs, Original PCs, ARM PCs, Gold Giant PCs, Original Giant PCs and ARM Giant PCs. The Mortgages in each pool underlying a PC will be entirely conventional Mortgages or entirely Mortgages insured by the Federal Housing Administration and/or guaranteed, in part, by the Department of Veterans Affairs.
- Form of Multiclass PCs** Unless otherwise specified in the Supplement relating to a Series, the Regular Classes of that Series will be issued and maintained, and may be transferred by Holders, only on the book-entry system of the Federal Reserve Banks. Regular Classes maintained on such book-entry system may be held of record only by entities eligible to maintain book-entry accounts with a Federal Reserve Bank. If a Series includes one or more "Retail Classes," each such Class will be represented by one or more certificates held by or on behalf of The Depository Trust Company or its successor (the "Depository"), unless otherwise provided in the related Supplement. The Depository will maintain each such Class through its book-entry facilities. The Residual Class for each REMIC Pool will be issued in registered, certificated form. Residual Classes will be transferable and exchangeable at the office of Texas Commerce Bank National Association or its successor (the "Registrar").
- Holders** The term "Holders" means (i) in the case of a Regular Class other than a Retail Class, the entities that appear on the book-entry records of a Federal Reserve Bank as holders of that Class, (ii) in the case of a Retail Class, the Depository or its nominee and (iii) in the case of a Residual Class, the entities or individuals that appear on the records of the Registrar as the registered holders of that Class.
- A Holder of a Multiclass PC is not necessarily the beneficial owner of such Multiclass PC. Beneficial owners ordinarily will hold Regular Classes, and may hold Residual Classes, through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A Holder that is not also the beneficial owner of a Multiclass PC, and each other financial intermediary in the chain to the beneficial owner, will be responsible for establishing and maintaining accounts for their customers and for remitting payments to those accounts. See "Description of Multiclass PCs — Form of Multiclass PCs, Holders, Minimum Principal Amounts and Transfers."

Minimum Principal Amounts and Transfers

Multiclass PCs will be issued and must be maintained and transferred in the minimum original principal amounts and additional increments specified in the applicable Supplement. See "Description of Multiclass PCs — Form of Multiclass PCs, Holders, Minimum Principal Amounts and Transfers."

Payment Dates

Unless otherwise provided in the applicable Supplement, Freddie Mac will pay principal and interest to Holders of Multiclass PCs of each Series entitled to such payments on the 15th of each month specified in the related Supplement or, if the 15th is not a Business Day (as defined in the Multiclass PC Agreement), on the next Business Day (a "Payment Date"), beginning on the date specified in the related Supplement.

Method of Payment

Unless otherwise provided in the applicable Supplement, a Federal Reserve Bank will credit payments on each Payment Date to the accounts of Holders of Regular Classes maintained on the Federal Reserve Banks' book-entry system. Each Holder, and each other financial intermediary in the chain to the beneficial owner, will be responsible for remitting payments to their customers.

Unless otherwise provided in the applicable Supplement, the Registrar will make payments on a Retail Class to the Depository in immediately available funds. The Depository will be responsible for crediting payments to the accounts of the appropriate Depository participants in accordance with the Depository's normal procedures. Each Depository participant, and each other financial intermediary in the chain to the beneficial owner, will be responsible for remitting payments to their customers.

The Registrar will mail payments on a Residual Class by check to the addresses of the Holders of such Class, as they appear on the Registrar's records, or, if specified in the related Supplement, by wire transfer to such Holders, in either case not later than the applicable Payment Date. However, a Holder will receive (i) the final payment of principal, if any, on a Residual Class only upon presentation of the Holder's certificate to the Registrar for notation of such payment and (ii) the final payment on a Residual Class only upon surrender of the Holder's certificate to the Registrar. See "Description of Multiclass PCs — Form of Multiclass PCs, Holders, Minimum Principal Amounts and Transfers."

Interest

Interest will accrue on each Class of each Series at its applicable Class Coupon (which may be zero) or as otherwise described in the related Supplement and will be paid on each Payment Date, except for interest on any "Accrual Classes" contained in such Series. Interest on each Accrual Class will be paid to the extent, if any, provided in the related Supplement. The amount of any interest accrued and not paid on any Accrual Class will be added to the principal amount of that Class. Any accrued interest so added will also accrue interest. Interest payable or added to principal on a Payment Date will accrue during the period or periods specified in the related Supplement. See "Description of Multiclass PCs — Payments of Interest."

Principal

Freddie Mac will pay principal on the Multiclass PCs of each Series on each Payment Date as described in the related Supplement. Subject to any allocation procedures that may apply in the case of a Retail Class, the Holders of any Class entitled to receive principal payments on any Payment Date will receive such payments on a pro rata basis. See "Description of Multiclass PCs — Payments of Principal."

Residual Classes

Holders of each Residual Class will be entitled to receive (i) on each Payment Date, any payments of principal and interest specified in the related Supplement and (ii) the proceeds of the remaining assets, if any, of the related REMIC Pool after the principal amounts of all Classes issued in respect of that REMIC Pool have been paid in full.

Each Residual Class will be subject to transfer restrictions. See "Certain Federal Income Tax Consequences — Transfers of Interests in a Residual Class."

Record Date

Each payment on the Multiclass PCs of a Series will be made to Holders of record as of the day specified in the related Supplement.

Final Payment Date

The Final Payment Date for each Class of a Series is the latest date by which such Class will be retired. Freddie Mac will calculate the Final Payment Date

	for each Class as described in the related Supplement. See "Description of Multiclass PCs — Final Payment Dates and Weighted Average Lives."
Guarantees	Freddie Mac guarantees to each Holder of a Multiclass PC (i) the timely payment of interest at the applicable Class Coupon or as otherwise described in the applicable Supplement and (ii) the payment of the principal amount of the Holder's Multiclass PC as described in the applicable Supplement. Freddie Mac also guarantees payment of interest and principal on all PCs. See "Description of Multiclass PCs — Guarantees."
Optional Redemption	Unless otherwise provided in the Supplement relating to a Series, Freddie Mac may redeem the outstanding Multiclass PCs of such Series (or, in the case of a Double-Tier Series, the outstanding Lower-Tier Classes) in whole, but not in part, on any Payment Date when their aggregate outstanding principal amount would be less than 1% of their aggregate original principal amount. Upon any such redemption of Lower-Tier Classes in a Double-Tier Series, the redemption price of the Mortgage Securities will be applied to retire the outstanding Upper-Tier Classes. See "Description of Multiclass PCs — Optional Redemption."
Class Factors	On or about the first (or, if so provided in the related Supplement, the seventh) business day of each month, Freddie Mac will publish a Class Factor for each Class having a principal amount. The Class Factor for any Class for any month will be a truncated seven-digit decimal which, when multiplied by the original principal amount of that Class, will equal its remaining principal amount, after giving effect to any payment of (or addition to) principal to be made on the Payment Date in the following month or, in the case of a Series backed by Gold PCs or Gold Giant PCs, in the same month. See "Description of Multiclass PCs — Class Factors."
REMIC Election and Tax Status of the Multiclass PCs	<p>Freddie Mac will elect to treat each REMIC Pool as a REMIC for federal income tax purposes. Regular Classes will be "regular interests," and Residual Classes will be "residual interests," in the related REMICs for federal income tax purposes.</p> <p>As a consequence of the REMIC election, the Multiclass PCs will generally be treated as "qualifying real property loans" for mutual savings banks and domestic building and loan associations, "regular or residual interests in a REMIC" for domestic building and loan associations, "real estate assets" for real estate investment trusts and, except for Residual Classes, as "qualified mortgages" for other REMICs. See "Certain Federal Income Tax Consequences — Status of Multiclass PCs."</p> <p>Special tax considerations apply to Residual Classes. The taxation of a Residual Class can produce a significantly less favorable after-tax return than if (i) the Residual Class were taxable as a debt instrument or (ii) no portion of the taxable income on the Residual Class were treated as "excess inclusions." In certain periods, taxable income and the resulting tax liability on a Residual Class may exceed payments received on that Class. See "Certain Federal Income Tax Consequences — Taxation of Residual Classes." In addition, a substantial tax may be imposed on certain transferors of a Residual Class and certain beneficial owners of a Residual Class that are "pass-thru entities." See "Certain Federal Income Tax Consequences — Transfers of Interests in a Residual Class." Investors should not purchase Residual Classes before consulting their tax advisors.</p>
Legality of Investment	See "Legality of Investment" and "Regulatory Constraints." Fiduciaries of ERISA plans should review "ERISA Considerations."

FEDERAL HOME LOAN MORTGAGE CORPORATION

Freddie Mac is a publicly held government-sponsored enterprise created on July 24, 1970 pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§ 1451-1459 (the "Freddie Mac Act"). Freddie Mac's statutory mission is to provide stability in the secondary market for home mortgages, to respond appropriately to the private capital market and to provide ongoing assistance to the home mortgage secondary market by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for home mortgage financing. The principal activity of Freddie Mac consists of the purchase of first lien, conventional, residential mortgages 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 securities. Mortgages retained by Freddie Mac are financed with short-term and long-term debt and equity capital.

AVAILABILITY OF INFORMATION AND INCORPORATION BY REFERENCE

Freddie Mac prepares an 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. Freddie Mac periodically prepares "PC Offering Circulars" for Gold PCs, Original PCs and ARM PCs and "Giant PC Offering Circulars" for Gold Giant PCs, Original Giant PCs and ARM Giant PCs. These Offering Circulars describe the general characteristics of such securities, the related mortgages and other matters. Each includes a copy of the agreement under which such securities are created and sold (a "PC Agreement" in the case of the Gold PCs, Original PCs and ARM PCs; a "Giant PC Agreement" in the case of Gold Giant PCs, Original Giant PCs and ARM Giant PCs). The Supplement for each Series of Multiclass PCs will incorporate by reference the current Information Statement, the applicable PC Offering Circulars and Giant PC Offering Circulars and any applicable supplements to those documents. Investors can obtain any of these documents and any other documents prepared and made available by Freddie Mac by writing or calling the Investor Inquiry Department at Freddie Mac at 8200 Jones Branch Drive, McLean, Virginia 22102 (outside Washington, D.C. metropolitan area, phone 800/336-FMPC; within Washington, D.C. metropolitan area, phone 703/759-8160).

DESCRIPTION OF MULTICLASS PCs

General

Freddie Mac will offer Multiclass PCs from time to time in Series by means of this Offering Circular and a Supplement relating to each Series. Each Series of Multiclass PCs will consist of two or more Classes.

Each Class will represent a beneficial ownership interest in the REMIC Pool, or in one of the two REMIC Pools, for the related Series. In the case of a Single-Tier Series, the Multiclass PCs will represent beneficial ownership interests in a single REMIC Pool, consisting of PCs or securities backed by PCs and, if so provided in the related Supplement, cash or other eligible assets. In the case of a Double-Tier Series, (i) the Lower-Tier Classes will represent beneficial ownership interests in the Lower-Tier REMIC Pool, consisting of PCs or securities backed by PCs, (ii) one or more Lower-Tier Classes, representing "regular interests" in that Pool, will constitute the Mortgage Securities for the related Upper-Tier REMIC Pool and (iii) the Upper-Tier Classes will represent beneficial ownership interests in the Upper-Tier REMIC Pool. Either REMIC Pool in a Double-Tier Series may, if so provided in the related Supplement, also include cash or other eligible assets. Each Single-Tier Series will include a single Residual Class, and each Double-Tier Series will include two Residual Classes (one for each REMIC Pool).

Each Series of Multiclass PCs will be created under the Multiclass PC Agreement, including the Terms Supplement for that Series. Holders and anyone having a beneficial interest in Multiclass PCs of any Series should refer to the Multiclass PC Agreement for a complete description of their rights and obligations and the rights and obligations of Freddie Mac. Holders and beneficial owners of Multiclass PCs will acquire their Multiclass PCs subject to all terms and conditions of the Multiclass PC Agreement.

Standard Definitions and Abbreviations for Classes

Classes of Multiclass PCs fall into different categories. The following chart identifies and generally defines most categories. The first column of the chart shows Freddie Mac's standard abbreviation for each category. The cover page of each Supplement will identify the categories of Classes of the related Series by means of one or more of these abbreviations.

<u>Freddie Mac Standard Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
PRINCIPAL TYPES		
AD	Accretion Directed (or Stated Maturity)	Classes that are designed to receive principal payments from accretions on specified Accrual Classes. These Classes also may receive principal payments from principal paid on the underlying PCs or other REMIC Pool assets.
CPT	Component	Classes consisting of "Components." The Components of a Component Class may have different principal and/or interest payment characteristics but together constitute a single Class.
NPR	No Payment Residual	Residual Classes that are designed to receive no payment of principal.
NSJ	Non-Sticky Jump	Classes whose principal payment priorities change temporarily upon the occurrence of one or more "trigger" events. A Non-Sticky Jump Class "jumps" to its new priority on each Payment Date when the trigger condition is met and reverts to its original priority (does not "stick" to the new priority) on each Payment Date when the trigger condition is not met.
NTL	Notional	Classes having only a notional principal amount. A notional principal amount is the amount used as a reference to calculate the amount of interest due on an Interest Only Class that is not entitled to any principal.
PAC	PAC (or Planned Amortization Class)	Classes that are designed to receive principal payments using a predetermined schedule derived by assuming two <i>constant</i> prepayment rates for the underlying Mortgages. These two rates are the endpoints for the "structuring range" for the PAC Classes. The PAC Classes in any Series may include two or more "Types." The PAC Class or Classes within any Type have a single structuring range. The different Types have different structuring ranges and different principal payment priorities. In cases where there is more than one Type, the PAC Classes are designated as <i>Type I PAC Classes</i> , <i>Type II PAC Classes</i> and so forth (standard abbreviations: <i>PAC I</i> , <i>PAC II</i> and so forth).
SCH	Scheduled	Classes that are designed to receive principal payments using a predetermined schedule, but that do not fit the definitions of PAC or TAC Classes.
SEQ	Sequential Pay	Classes that receive principal payments in a prescribed sequence, that do not have predetermined schedules and that under all circumstances receive payments of principal continuously from the first Payment Date on which they receive principal until they are retired. Sequential Pay Classes may receive principal payments concurrently with one or more other Sequential Pay Classes.
SJ	Sticky Jump	Classes whose principal payment priorities change permanently upon the occurrence of one or more "trigger" events. A Sticky Jump Class "jumps" to its new priority on the first Payment Date when the trigger condition is met and retains ("sticks" to) that priority until retired.
STP	Strip	Classes that receive a constant proportion, or "strip," of the principal payments on the underlying PCs or other REMIC Pool assets.

**Freddie Mac
Standard
Abbreviation**

**Category
of Class**

Definition

SUP	Support (or Companion)	Classes that receive principal payments on any Payment Date only if scheduled payments have been made on specified PAC, TAC and/or Scheduled Classes.
TAC	TAC (or Targeted Amortization Class)	Classes that are designed to receive principal payments using a predetermined schedule derived by assuming a single <i>constant</i> prepayment rate for the underlying Mortgages. The TAC Classes in any Series may include two or more "Types." The different Types have different principal payment priorities and have schedules that are derived from different assumed prepayment rates. In cases where there is more than one Type, the TAC Classes are designated as <i>Type I TAC Classes</i> , <i>Type II TAC Classes</i> and so forth (standard abbreviations: <i>TAC I</i> , <i>TAC II</i> and so forth).
XAC	Index Allocation Class	Classes whose principal payment allocations are based on the value of an index.

INTEREST TYPES

ARB	Ascending Rate	Classes that have predetermined Class Coupons that change one or more times on dates determined before issuance.
EXE	Excess	Residual Classes that receive any principal and interest paid on the underlying PCs or other REMIC Pool assets in excess of the amount of the prescribed principal and interest required to be paid on all Classes in the Series. Excess Classes frequently have specified principal amounts but no specified Class Coupon.
FIX	Fixed Rate	Classes whose Class Coupons are fixed throughout the life of the Class.
FLT	Floating Rate	Classes with Class Coupons that are reset periodically based on an index and that vary directly with changes in the index.
INV	Inverse Floating Rate	Classes with Class Coupons that are reset periodically based on an index and that vary inversely with changes in the index.
IO	Interest Only	Classes that receive some or all of the interest payments made on the underlying PCs or other REMIC Pool assets and little or no principal. Interest Only Classes have either a nominal or a notional principal amount. A nominal principal amount represents actual principal that will be paid on the Class. It is referred to as nominal since it is extremely small compared to other Classes. A notional principal amount is the amount used as a reference to calculate the amount of interest due on an Interest Only Class that is not entitled to any principal.
NPR	No Payment Residual	Residual Classes that are designed to receive no payments of interest.
PO	Principal Only	Classes that do not receive any interest.
PZ	Partial Accrual	Classes that accrete a part of their interest, which is added to the outstanding principal balance, and simultaneously receive payments of the remainder as interest.
W	WAC (or Weighted Average Coupon)	Classes whose Class Coupons represent a blended interest rate that may change from period to period. WAC Classes may consist of Components some of which have different interest rates.

<u>Freddie Mac Standard Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
Z	Accrual	Classes that accrete all of their interest, which is added to the outstanding principal balance. This accretion may continue until the Class begins receiving principal payments, until some other event has occurred or until the Class is retired.
OTHER TYPES		
LIQ	Liquid Asset	Classes intended to qualify as "liquid assets" for certain savings institutions. Liquid Asset Classes have Final Payment Dates not later than five years from their dates of issuance.
RTL	Retail	Classes designated for sale to retail investors. Retail Classes frequently are sold in small "units" or other increments and may receive principal payments in accordance with special priorities and allocation procedures.

Form of Multiclass PCs, Holders, Minimum Principal Amounts and Transfers

Unless otherwise provided in the applicable Supplement, Freddie Mac will sell Regular Classes (other than Retail Classes) only in book-entry form through the Federal Reserve Banks' book-entry system. Freddie Mac's fiscal agent for such Regular Classes will be the Federal Reserve Banks. 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 such Regular Classes (i) the Freddie Mac book-entry regulations (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 a Federal Reserve Bank. These regulations and procedures relate primarily to the registration, transfer and pledge of Freddie Mac's book-entry securities. Each Class of Multiclass PCs is assigned a unique nine-character designation (a "CUSIP Number") used, among other things, to identify such Class.

Unless otherwise provided in the applicable Supplement, Regular Classes (other than Retail Classes) will be issued and must be maintained and transferred on the book-entry system of the Federal Reserve Banks in the minimum original principal amounts and additional increments specified in that Supplement. Transfers of Regular Classes will also be subject to any applicable Federal Reserve Bank minimum wire transfer requirements.

A Regular Class in book-entry form (other than a Retail Class) 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 Holders' aggregate holdings of a Regular Class by account.

If a Series includes one or more Retail Classes, each such Class will be represented by one or more certificates registered in the name of the Depository or its nominee, unless otherwise provided in the related Supplement. The Depository will maintain each such Class through its book-entry facilities.

Unless otherwise provided in the applicable Supplement, Residual Classes will be issued only in certificated form in the minimum original principal amounts (or percentage interests) and additional increments specified in that Supplement. Residual Classes will be transferable and exchangeable at the offices of the Registrar. A service charge may be imposed for any exchange or registration of transfer of an interest in a Residual Class, and Freddie Mac may require payment of a sum sufficient to cover any tax or other governmental charge.

The term "Holders" means (i) in the case of a Regular Class other than a Retail Class, the entities that appear on the book-entry records of a Federal Reserve Bank as holders of that Class, (ii) in the case of a Retail Class, the Depository or its nominee and (iii) in the case of a Residual Class, the entities or individuals that appear on the records of the Registrar as the registered holders of that Class.

A Holder of a Multiclass PC is not necessarily the beneficial owner of such Multiclass PC. Beneficial owners ordinarily will hold Regular Classes, and may hold Residual Classes, through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. For example, an investor may hold an interest in a Regular Class through a brokerage firm which, in turn, holds such interest through an entity eligible to maintain book-entry accounts with a Federal Reserve Bank. In that case, the beneficial owner of such interest 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 Multiclass 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 customers. The rights of the beneficial owner of a Multiclass PC with respect to Freddie Mac and (in the case of a Regular Class maintained on the Federal Reserve Banks' book-entry system) a Federal Reserve Bank may be exercised only through the Holder of the Multiclass PC. Neither Freddie Mac nor any Federal Reserve Bank will have a direct obligation to a beneficial owner of a Multiclass PC that is not also the Holder of the Multiclass PC. A Federal Reserve Bank will act only upon the instructions of the Holder in recording transfers of a Regular Class maintained on the Federal Reserve Banks' book-entry system.

A Federal Reserve Bank will credit payments to Holders on each applicable Payment Date. Holders of a Regular Class on the books and records of a Federal Reserve Bank on the applicable Record Date will be entitled to any payments on the Regular Class made on the related Payment Date. The Multiclass PC Agreement provides that in the event of a principal or interest payment error, Freddie Mac in its sole discretion either may request a Federal Reserve Bank to correct such error or may effect corrections by the adjustment of payments to be made on future Payment Dates.

Unless otherwise provided in the applicable Supplement, payments on a Retail Class will be made by the Registrar to the Depository in immediately available funds. The Depository will be responsible for crediting the payment to the accounts of the appropriate Depository participants in accordance with the Depository's normal procedures. Each Depository participant and each other financial intermediary will be responsible for remitting payments to the beneficial owners of the Retail Class that it represents.

Payments on a Residual Class will be made by check mailed by the Registrar to the addresses of the Holders, as they appear on the register maintained by the Registrar, or, if specified in the related Supplement, by wire transfer to such Holders, in either case not later than the applicable Payment Date. However, a Holder will receive (i) the final payment of principal, if any, on a Residual Class only upon presentation of the Holder's certificate to the Registrar for notation of such payment and (ii) the final payment on a Residual Class only upon surrender of the Holder's certificate to the Registrar.

The REMIC Pool Assets

Each REMIC Pool will include any one or more of the following types of securities:

- (i) Freddie Mac Mortgage Participation Certificates, which may be:
 - "Gold PCs," for which the period from the first day of their month of issuance to their initial Payment Date is approximately 45 days;
 - "Original PCs," for which the period from the first day of their month of issuance to their initial Payment Date is approximately 75 days; or
 - "ARM PCs," which are Freddie Mac Adjustable Rate Mortgage Participation Certificates.
- (ii) Freddie Mac Giant Mortgage Participation Certificates, which may be:
 - "Gold Giant PCs," which represent beneficial ownership interests in discrete pools consisting of specified Gold PCs and, in some cases, other Gold Giant PCs;
 - "Original Giant PCs," which represent beneficial ownership interests in discrete pools consisting of specified Original PCs and, in some cases, other Original Giant PCs; or
 - "ARM Giant PCs," which represent beneficial ownership interests in discrete pools consisting of specified ARM PCs.
- (iii) Securities representing the "regular interests" in a REMIC, including, in the case of an Upper-Tier REMIC Pool, the Mortgage Securities representing "regular interests" in the related Lower-Tier REMIC Pool.
- (iv) Debt obligations ("Funding Notes") representing "regular interests" in a REMIC, which Funding Notes are secured by PCs and provide for the receipt by Freddie Mac of payments on such PCs in

amounts needed to amortize the principal amounts of, and pay accrued interest on, such Funding Notes.

- (v) Any other types of securities which are eligible for inclusion in a REMIC and whose payments are derived from PCs.

Each REMIC Pool may also include cash or other eligible assets. The Supplement relating to each Series will contain more specific information regarding the assets of the REMIC Pool or Pools for such Series.

Class Factors

On or about the first (or, if so provided in the related Supplement, the seventh) business day of each month, Freddie Mac will publish the Class Factor for each Class of outstanding Multiclass PCs having a principal amount. The Class Factor for any month will be a truncated seven-digit decimal which, when multiplied by the original principal amount of that Class, will equal its remaining principal amount, after giving effect to any payment of (or addition to) principal to be made on the Payment Date in the following month or, in the case of a Series backed by Gold PCs or Gold Giant PCs, in the same month. Freddie Mac will also publish a Class Factor for each Interest Only Class having a notional principal amount. Such a Class Factor will reflect the remaining notional principal amount of the Interest Only Class in an analogous manner.

Payments of Interest

Unless otherwise provided in the related Supplement, interest will accrue on each Regular Class during each applicable interest accrual period, at the applicable Class Coupon specified in or determined as specified in that Supplement. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on a Class other than an Accrual Class will be paid on the Payment Dates specified in the related Supplement. Interest accrued on an Accrual Class will be payable only to the extent provided in the related Supplement, and the amount of any interest accrued and not paid will be added to the principal amount of that Class. Any accrued interest so added will accrue interest.

Unless otherwise provided in the related Supplement, interest in respect of each Residual Class will be paid on each Payment Date either (i) at the applicable Class Coupon or (ii) in an amount equal to the amount received as interest payments on the PCs or other securities in the related REMIC Pool on that Payment Date, less the aggregate amount of interest payable on (or added to the principal amount of) the related Regular Classes on that Payment Date.

Interest Rate Indices

Unless otherwise provided in the related Supplement, each Floating Rate and Inverse Floating Rate Class will bear interest during each interest accrual period for such Class (a "Floating Interest Accrual Period") by reference to one of the following indices: (i) "LIBOR," the arithmetic mean of the London interbank offered quotations for one-month Eurodollar deposits; (ii) "COFI," the weighted average cost of funds for member savings institutions of the Eleventh Federal Home Loan Bank District; or (iii) a "Treasury Index," the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of one, seven or ten years or some other constant maturity, as specified in the related Supplement. Classes bearing interest by reference to these indices are called "LIBOR Classes," "COFI Classes" and "Treasury Index Classes," respectively.

Absent manifest error, Freddie Mac's determination of LIBOR, COFI and the applicable Treasury Index and its calculation of the Class Coupons of the Floating Rate and Inverse Floating Rate Classes for each Floating Interest Accrual Period will be final and binding. Investors can get the rates for the current and preceding Floating Interest Accrual Periods by writing or calling Freddie Mac's Investor Inquiry Department at the address or phone numbers shown on page 6.

Determination of LIBOR

Freddie Mac will calculate the Class Coupons of LIBOR Classes for each Floating Interest Accrual Period (after the first) on the second business day before the Floating Interest Accrual Period begins (a "Floating Rate Adjustment Date"). On each Floating Rate Adjustment Date, Freddie Mac will determine LIBOR on the basis of

the offered LIBOR quotations of the Reference Banks (as defined below), as such quotations are provided to Freddie Mac as of 11:00 a.m. (London time) on such Floating Rate Adjustment Date. For this purpose, "business day" means a day on which banks are open for dealing in foreign currency and exchange in London, New York City and Washington, D.C.; "Reference Banks" means four leading banks engaged in transactions in Eurodollar deposits in the international Eurocurrency market (i) with an established place of business in London, (ii) whose quotations appear on the Reuters Screen LIBO Page on the Floating Rate Adjustment Date in question and (iii) which have been designated as such by Freddie Mac and are able and willing to provide such quotations to Freddie Mac on each Floating Rate Adjustment Date; and "Reuters Screen LIBO Page" means the display designated as page "LIBO" on the Reuters Monitor Money Rates Service (or such other page as may replace the LIBO page on that service for the purpose of displaying London interbank offered quotations of major banks). If any Reference Bank designated by Freddie Mac should be removed from the Reuters Screen LIBO Page or in any other way fails to meet the qualifications of a Reference Bank, Freddie Mac may, in its sole discretion, designate an alternative Reference Bank.

On each Floating Rate Adjustment Date, Freddie Mac will determine LIBOR for the next Floating Interest Accrual Period as follows:

(i) If on any Floating Rate Adjustment Date two or more of the Reference Banks provide such offered quotations, LIBOR for the next Floating Interest Accrual Period will be the arithmetic mean of such offered quotations (rounding such arithmetic mean upwards, if necessary, to the nearest whole multiple of $\frac{1}{16}\%$).

(ii) If on any Floating Rate Adjustment Date only one or none of the Reference Banks provides such offered quotations, LIBOR for the next Floating Interest Accrual Period will be whichever is the higher of (x) LIBOR as determined on the previous Floating Rate Adjustment Date or (y) the Reserve Interest Rate. The "Reserve Interest Rate" will be the rate per annum which Freddie Mac determines to be either (A) the arithmetic mean (rounding such arithmetic mean upwards, if necessary, to the nearest whole multiple of $\frac{1}{16}\%$) of the one-month Eurodollar lending rates that the New York City banks selected by Freddie Mac are quoting, on the relevant Floating Rate Adjustment Date, to the principal London offices of leading banks in the London interbank market or (B) in the event that Freddie Mac can determine no such arithmetic mean, the lowest one-month Eurodollar lending rate that the New York City banks selected by Freddie Mac are quoting on such Floating Rate Adjustment Date to leading European banks.

(iii) If on any Floating Rate Adjustment Date Freddie Mac is required but is unable to determine the Reserve Interest Rate in the manner provided in paragraph (ii) above, LIBOR for the next Floating Interest Accrual Period will be LIBOR as determined on the previous Floating Rate Adjustment Date, or, in the case of the first Floating Rate Adjustment Date, the level of LIBOR used to calculate the initial Class Coupon of the particular LIBOR Class.

Table 1 below shows historical values for LIBOR as published in *The Wall Street Journal* on the first business day of each month for the period from April 1988 through December 1991. Table 1 does not purport to be representative of subsequent levels of LIBOR or of LIBOR determined as described above. No assurance can be

given as to any subsequent levels. Subsequent levels of LIBOR that are available will be set forth in the Supplements for Series that include LIBOR Classes.

Table 1
Historical Values of LIBOR

<u>Month</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
January	* %	9.1875%	8.5000%	7.6250%
February	*	9.2500	8.3125	6.9375
March	*	10.0625	8.3750	7.0000
April	6.8125	10.0625	8.3750	6.3750
May	7.1250	9.8750	8.2500	6.0625
June	7.6250	9.6875	8.3125	5.9375
July	7.8125	9.4375	8.3125	6.0625
August	8.1250	8.6875	8.0000	5.9375
September	8.3750	9.0000	8.0625	5.4375
October	8.3750	9.1250	8.2500	5.1250
November	8.3750	8.7500	7.9375	5.1875
December	9.5625	8.8125	8.8750	4.3125

* A LIBOR value was not available in *The Wall Street Journal* on the first day of each of these months.

Determination of COFI

On each Floating Rate Adjustment Date, Freddie Mac will calculate the Class Coupons of COFI Classes by reference to COFI as published most recently by the Federal Home Loan Bank of San Francisco (the "FHLB of San Francisco") prior to such Floating Rate Adjustment Date. COFI is currently published by the FHLB of San Francisco on or about its last working day of each month and is designed to represent the monthly weighted average cost of funds for savings institutions in the Eleventh District (which consists of Arizona, California and Nevada) for the month prior to the month of publication. COFI is computed by the FHLB of San Francisco for each month by dividing the cost of funds (interest paid during the month by Eleventh District savings institutions on savings, advances and other borrowings) by the average of the total amount of these funds outstanding at the end of that month and the prior month and annualizing and adjusting the result to reflect the actual number of days in the particular month. If necessary, before these calculations are made, the FHLB of San Francisco adjusts the component figures to neutralize the effect of events such as member institutions leaving the Eleventh District or acquiring institutions outside the Eleventh District. COFI has been reported each month since August 1981.

COFI is intended to reflect the interest costs paid on all types of funds held by Eleventh District member savings associations and savings banks. COFI is weighted to reflect the relative amount of each type of funds held at the end of the relevant month. There are three major components of funds of Eleventh District member institutions: (i) savings deposits, (ii) Federal Home Loan Bank advances and (iii) all other borrowings, such as reverse repurchase agreements and mortgage-backed bonds. Unlike most other interest rate measures, COFI does not necessarily reflect current market rates, since the component funds represent a variety of terms to maturity whose costs may react in different ways to changing conditions. The following is a percentage breakdown prepared by the

FHLB of San Francisco of the types of funds held, as of September 30, 1991, by Eleventh District member institutions:

Savings:	
Passbook	4.4%
Transaction accounts	6.1
Money market deposit accounts	11.8
Deposits with fixed maturities, fixed rate:	
6 months or less	20.9
6 months through 1 year	17.6
1 year through 3 years	13.5
More than 3 years	4.8
Deposits with fixed maturities, variable rate	2.0
FHLB advances	9.0
Other borrowings:	
Reverse repurchase agreements	3.0
All other borrowings	7.3

The FHLB of San Francisco prepares a new breakdown of the types of funds held by such institutions quarterly. Consequently, the percentages shown above are not likely to reflect the actual breakdown of types of funds for any date after September 30, 1991.

A number of factors affect the performance of COFI which may cause it to move in a manner different from indices tied to specific interest rates, such as LIBOR or any Treasury Index. Because of the various terms to maturity of the liabilities upon which COFI is based, COFI may not necessarily reflect the average prevailing market interest rates on new liabilities of similar maturities. Additionally, COFI may not necessarily move in the same direction as market interest rates at all times, since as longer term deposits or borrowings mature and are renewed at prevailing market interest rates, COFI is influenced by the differential between the prior and the new rates on those deposits or borrowings. Moreover, as stated above, COFI is designed to represent the average cost of funds for Eleventh District savings institutions for the month prior to the month in which COFI is published. Because COFI is based on a regional and not a national cost of funds, it may not behave as would a nationally based index. In addition, the movement of COFI, as compared to other indices tied to specific interest rates, may be affected by changes instituted by the FHLB of San Francisco in the method used to calculate COFI. Investors can order an informational brochure explaining COFI by writing or calling the FHLB of San Francisco's Office of Public Information, P.O. Box 7948, San Francisco, California 94120, phone 415/616-2601. The current level of COFI can be obtained by calling the FHLB of San Francisco at 415/616-2600.

Table 2 below shows historical values for COFI as published for each month for the period from January 1987 through December 1991. Table 2 does not purport to be representative of subsequent levels of COFI. No assurance can be given as to any subsequent levels. Subsequent levels of COFI that are available will be set forth in the Supplements for Series that include COFI Classes.

Table 2
Historical Values of COFI

<u>Month to which COFI applies</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
January	7.396%	7.615%	8.125%	8.369%	7.858%
February	7.448	7.647	8.346	8.403	7.848
March	7.314	7.509	8.423	8.258	7.654
April	7.245	7.519	8.648	8.211	7.501
May	7.223	7.497	8.797	8.171	7.329
June	7.274	7.618	8.923	8.086	7.155
July	7.275	7.593	8.844	8.109	6.998
August	7.277	7.659	8.763	8.075	6.845
September	7.394	7.847	8.807	8.091	6.714
October	7.444	7.828	8.643	8.050	6.566
November	7.562	7.914	8.595	8.044	6.414
December	7.645	8.022	8.476	7.963	6.245

The failure by the FHLB of San Francisco to publish COFI for a period of 65 calendar days will constitute an "Alternative Rate Event." Upon the occurrence of an Alternative Rate Event, Freddie Mac will calculate the Class Coupons of the COFI Classes for the subsequent Floating Interest Accrual Periods by using, in place of COFI, (i) the replacement index, if any, published or designated by the FHLB of San Francisco or (ii) if no replacement index is so published or designated, an alternative index selected by Freddie Mac that has performed, or that Freddie Mac expects to perform, in a manner substantially similar to COFI. At the time an alternative index is first selected by Freddie Mac, Freddie Mac will determine the average number of basis points, if any, by which the alternative index differed from COFI for such period as Freddie Mac, in its sole discretion, reasonably determines to reflect fairly the long-term difference between COFI and the alternative index, and will adjust the alternative index by such average. Freddie Mac will select a particular index as the alternative index only if it receives an opinion of counsel that the selection of such index will not cause the related REMIC Pool or Pools to lose their classification as REMICs for federal income tax purposes.

If at any time after the occurrence of an Alternative Rate Event, the FHLB of San Francisco resumes publication of COFI, the Class Coupons of the COFI Classes for each subsequent Floating Interest Accrual Period will be calculated by reference to COFI.

Determination of the Treasury Index

Freddie Mac will calculate the Class Coupons of Treasury Index Classes for each Floating Interest Accrual Period (after the first) on the fourth business day before the Floating Interest Accrual Period begins (an "Index Adjustment Date"). On each Index Adjustment Date, Freddie Mac will determine the applicable Treasury Index, which will be the weekly average yield, expressed as a per annum percentage rate, on U.S. Treasury securities adjusted to a constant maturity of one, seven or ten years or some other constant maturity (as specified in the applicable Supplement), as published by the Federal Reserve Board in the most recent edition of Federal Reserve Board Statistical Release No. H.15 (519) that is available to Freddie Mac. Statistical Release No. H.15 (519) is published on Monday or Tuesday of each week. Investors can order it from the Publications Department at the Board of Governors of the Federal Reserve System, 21st and C Streets, N.W., M.S. 138, Washington, D.C. 20551. Freddie Mac considers a new value for the Treasury Index to have been made available on the day following the date it is released by the Federal Reserve Board.

The weekly average yield reflects the average yields of the five calendar days ending on Friday of the previous week. Yields on Treasury securities at "constant maturity" are estimated from the Treasury's daily yield curve. This curve, which relates the yield on a security to its time to maturity, is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. These market yields are calculated from composites of quotations reported by five leading U.S. Government securities dealers to the Federal Reserve Bank of New York. This method permits estimation of the yield for a given maturity even if no security with that exact maturity is outstanding. In the event that the applicable Treasury Index becomes unavailable, Freddie Mac will designate a new index based upon comparable information and methodology. Freddie Mac will select a particular index as the alternative index only if it receives an opinion of counsel that the selection of such alternative index will not cause the related REMIC Pool or Pools to lose their classification as REMICs for federal income tax purposes.

If at any time after the applicable Treasury Index becomes unavailable, it again becomes available, the Class Coupons for the related Treasury Index Classes for each subsequent Floating Interest Accrual Period will be calculated by reference to the applicable Treasury Index.

Tables 3, 4 and 5 below show historical values for the One-Year, Seven-Year and Ten-Year Treasury Indices, respectively, for the period from January 1987 through December 1991. The figure shown in each Table for each month represents the value of the applicable Treasury Index for the week ending on the last Friday of that month. The Tables do not purport to be representative of subsequent levels of the Treasury Indices. No assurance can be given as to any subsequent levels. Subsequent levels of the applicable Treasury Index that are available will be set forth in the Supplements for Series that include Treasury Index Classes.

Table 3
Historical Values of the One-Year Treasury Index

<u>Month</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
January	5.82%	6.77%	8.97%	8.01%	6.58%
February	5.90	6.63	9.41	8.19	6.30
March	6.07	6.77	9.71	8.34	6.34
April	6.67	7.07	9.22	8.57	6.25
May	6.95	7.58	8.86	8.22	6.13
June	6.77	7.53	8.28	8.13	6.36
July	6.88	7.85	7.86	7.85	6.29
August	7.16	8.28	8.36	7.85	5.74
September	7.70	8.18	8.38	7.79	5.50
October	6.73	8.13	7.81	7.50	5.39
November	7.02	8.71	7.64	7.30	4.74
December	7.19	9.07	7.80	6.95	4.17

Table 4
Historical Values of the Seven-Year Treasury Index

<u>Month</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
January.....	6.96%	8.19%	9.02%	8.33%	7.92%
February.....	7.01	8.00	9.38	8.60	7.76
March.....	7.08	8.31	9.47	8.62	8.01
April.....	8.10	8.60	9.13	9.04	7.96
May.....	8.42	9.04	8.67	8.70	7.92
June.....	8.14	8.80	8.16	8.55	8.20
July.....	8.45	8.97	7.86	8.43	8.11
August.....	8.67	9.24	8.27	8.79	7.68
September.....	9.29	8.90	8.37	8.85	7.37
October.....	8.71	8.66	7.90	8.50	7.34
November.....	8.77	9.05	7.81	8.20	7.03
December.....	8.72	9.22	7.99	8.08	6.51

Table 5
Historical Values of the Ten-Year Treasury Index

<u>Month</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
January.....	7.15%	8.39%	8.97%	8.36%	8.04%
February.....	7.20	8.20	9.31	8.58	7.86
March.....	7.27	8.48	9.37	8.56	8.10
April.....	8.30	8.82	9.09	9.02	8.09
May.....	8.55	9.22	8.63	8.66	8.06
June.....	8.28	8.94	8.14	8.51	8.31
July.....	8.62	9.12	7.97	8.48	8.25
August.....	8.85	9.36	8.23	8.88	7.84
September.....	9.45	8.99	8.31	8.92	7.55
October.....	8.90	8.77	7.89	8.64	7.66
November.....	8.95	9.10	7.83	8.29	7.42
December.....	8.87	9.17	7.93	8.15	6.86

Payments of Principal

On each Payment Date for a Series of Multiclass PCs, Freddie Mac will pay principal in the manner described in the related Supplement to the Holders of each Class on which principal is then due.

Unless otherwise provided in the related Supplement, the total amount of principal required to be paid on the Classes of any Series on a Payment Date will equal the sum of (i) the interest, if any, that has accrued on any Accrual Classes of that Series during the applicable interest accrual period but that is not payable as interest on such Payment Date and (ii) the amount of principal payments required to be made on that Payment Date on the underlying PCs.

Subject to any allocation procedures that may apply in the case of Retail Classes, the Holders of Multiclass PCs of any Class entitled to receive principal payments on any Payment Date will receive such payments on a pro rata basis.

Residual Classes

Holders of each Residual Class will be entitled to receive (i) on each Payment Date, any payments of principal and interest specified in the related Supplement and (ii) the proceeds of the remaining assets, if any, of the related REMIC Pool after the principal amounts of all Classes issued in respect of such REMIC Pool have been paid in full.

Residual Classes will be subject to certain transfer restrictions, including certain restrictions on the ownership of such Classes by foreign persons. See “Certain Federal Income Tax Consequences—Transfers of Residual Class PCs.”

Freddie Mac will furnish Holders of Residual Classes the information it deems necessary or appropriate to enable them to prepare any reports required under the Internal Revenue Code or applicable Treasury regulations. Freddie Mac does not intend to hold any Residual Class for its account, and applicable law may not permit Freddie Mac to perform tax administrative functions for the REMIC Pools. Accordingly, the Holders of a Residual Class may have certain tax administrative obligations (for which Freddie Mac will act as attorney-in-fact and agent). See “Certain Federal Income Tax Consequences.”

Guarantees

Freddie Mac guarantees to each Holder of a Multiclass PC (i) the timely payment of interest at the applicable Class Coupon or as otherwise described in the applicable Supplement and (ii) the payment of the principal amount of the Holder’s Multiclass PC, as described in the applicable Supplement.

Freddie Mac also guarantees the payment of interest and principal on all PCs, as follows:

Gold PCs: Freddie Mac guarantees to each holder the timely payment of (i) interest at the applicable PC interest rate on the principal balance of the holder’s Gold PC, reflecting the holder’s pro rata share of the principal balance of the related Mortgages on Freddie Mac’s records, as calculated by Freddie Mac under the “Pool Factor method” described in the applicable PC Offering Circular and (ii) the “Monthly Principal Reduction” (as defined in the applicable PC Offering Circular) due on such Mortgages as calculated by Freddie Mac (subject to applicable adjustments), to the extent of such holder’s pro rata share of the principal balance of such Mortgages. Freddie Mac also guarantees to each holder of a Gold PC the ultimate collection of all principal of the related Mortgages, without offset or deduction, not later than the Payment Date in the month of the Final Payment Date of such Gold PC. See the discussion of Freddie Mac’s guarantees of Gold PCs in the applicable PC Offering Circular.

Original PCs and ARM PCs: Freddie Mac guarantees to each holder the timely payment of interest at the applicable PC interest rate on the principal balance of the holder’s PC, reflecting the holder’s pro rata share of the principal balance of the related Mortgages on Freddie Mac’s records, as calculated by Freddie Mac under the Pool Factor method. Freddie Mac also guarantees to each such holder the ultimate collection of all principal of the related Mortgages, without offset or deduction. With respect to certain Original PCs, in addition to Freddie Mac’s other guarantees, Freddie Mac guarantees to each Holder the timely payment of monthly principal scheduled to be paid under the amortization schedule applicable to each Mortgage, as reported by the servicer; few, if any, such Original PCs are expected to be included in any REMIC Pool.

Gold Giant PCs, Original Giant PCs and ARM Giant PCs: Freddie Mac guarantees to each holder (i) the timely payment of interest at the applicable Giant PC interest rate, (ii) the payment of the principal amount of such Gold Giant PC, Original Giant PC or ARM Giant PC as payments are made on the underlying PCs and (iii) in the case of a Gold Giant PC, the payment of the entire principal amount not later than the Payment Date in the month of the Final Payment Date of such Gold Giant PC. See the discussion of Freddie Mac’s guarantees of Gold Giant PCs, Original Giant PCs and ARM Giant PCs in the applicable Giant PC Offering Circulars.

Currently, Freddie Mac may pay the amount due on account of its guarantee of ultimate collection of principal on Gold PCs, Original PCs or ARM PCs at any time after default on an underlying mortgage, but not later than 30 days after the latest of: (i) foreclosure sale of the mortgaged property, (ii) if applicable, payment of an insurance claim by the Federal Housing Administration or other mortgage insurer or payment of a guaranty claim by the

Department of Veterans Affairs or other mortgage guarantor or (iii) the expiration of any right of redemption that the borrower may have; and in no event later than 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. See the discussion of Freddie Mac's guarantees of Gold PCs, Original PCs and ARM PCs in the applicable PC Offering Circulars.

THE OBLIGATIONS OF FREDDIE MAC UNDER ITS GUARANTEES OF MULTICLASS PCs AND PCs ARE OBLIGATIONS OF FREDDIE MAC ONLY. MULTICLASS PCs AND PCs, INCLUDING ANY 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.

Optional Redemption

Unless otherwise provided in the applicable Supplement, Freddie Mac may at its option redeem the outstanding Classes of each Series (or, in the case of a Double-Tier Series, the outstanding Lower-Tier Classes) in whole, but not in part, on any Payment Date when the aggregate outstanding principal amount of such Classes, after giving effect to principal payments to be made on such Payment Date, would be less than 1% of the aggregate original principal amount of such Classes. Freddie Mac will give notice of any optional redemption to the Holders of outstanding Classes of Multiclass PCs not less than 30 or more than 60 days before the date of redemption. Any optional redemption will be at a redemption price equal to 100% of the unpaid principal amount of the Classes redeemed, plus accrued and unpaid interest for the interest accrual period or periods relating to the applicable Payment Date.

In order to effect an optional redemption, Freddie Mac will liquidate all of the PCs in the REMIC Pool (or, in the case of a Double-Tier Series, the Lower-Tier REMIC Pool) at fair market value as determined by Freddie Mac, and apply the net proceeds of liquidation (together with funds contributed by Freddie Mac if the net proceeds are insufficient) to pay the redemption price. Upon any redemption of Lower-Tier Classes in a Double-Tier Series, the redemption price of the Mortgage Securities will be applied as principal and interest on the outstanding Upper-Tier Classes, resulting in the retirement of those Classes. Following any redemption, any remaining proceeds from the liquidation of the PCs in the REMIC Pool (or, in the case of a Double-Tier Series, the Lower-Tier REMIC Pool), net of liquidation expenses, will be distributed pro rata to the Holders of the related Residual Class upon surrender of their certificates to the Registrar.

All decisions as to the making of an optional redemption, including the timing of any optional redemption, will be at Freddie Mac's sole discretion. Freddie Mac will be under no obligation to any Holder to make an optional redemption, even if redemption would be in the Holder's interest. PCs are not subject to redemption by Freddie Mac.

Prepayment Considerations

The rate of principal payments on the PCs underlying each Series of Multiclass PCs, and therefore of payments on such Multiclass PCs, will depend primarily on the rate of principal payments on the underlying Mortgages. Mortgage principal payments may be in the form of scheduled amortization or partial or full prepayments. ("Prepayments" include prepayments by the borrower, liquidations resulting from default, casualty or condemnation and payments made by Freddie Mac pursuant to its guarantee of ultimate collection of principal on the PCs). The Mortgages are subject to prepayment at any time without penalty. In general, when prevailing mortgage interest rates decline significantly below the interest rates on the underlying Mortgages, the prepayment rate on the Mortgages is likely to increase, although a number of other factors also may influence the prepayment rate. See the discussions of the weighted average lives and payment behavior in the applicable PC and Giant PC Offering Circulars.

Acceleration of mortgage payments as a result of transfers of mortgaged properties is an important factor affecting prepayment rates. The Mortgages underlying PCs (other than ARM PCs and ARM Giant PCs) generally provide that, in the event of the transfer or prospective transfer of the underlying mortgaged property, the full unpaid principal balance is due and payable at the option of the holder. Freddie Mac, in most cases, requires mortgage servicers to enforce such "due-on-transfer" provisions where permitted by applicable law. Unless otherwise stated in the applicable PC or Giant PC Offering Circular, all of the Mortgages underlying ARM PCs and ARM Giant PCs

provide by their terms that, in the event of the transfer of the underlying mortgaged property, such Mortgages are assumable by a creditworthy transferee. If, however, a "due-on-transfer" provision can be exercised under the terms of such a Mortgage, Freddie Mac requires servicers to enforce that provision. See the discussion of mortgage purchase and servicing standards and, in particular, the discussion of assumption and due-on-transfer policies in the applicable PC Offering Circulars relating to ARM PCs.

Final Payment Dates and Weighted Average Lives

The Final Payment Date for each Class in a Series is the latest date by which it will be retired. Freddie Mac will calculate each Final Payment Date on the basis of assumptions specified in the Supplement relating to each Series.

The weighted average life of a security refers to the average amount of time that will elapse from the date of its issuance until all of its principal has been repaid to the investor. The weighted average lives of the Classes of each Series will depend primarily on the rate at which principal is paid on the underlying Mortgages. Each Supplement will show weighted average lives for the Classes of the related Series under various Mortgage prepayment assumptions. In each case, Freddie Mac will calculate the weighted average life by (a) multiplying the assumed net reduction, if any, of the principal amount on each Payment Date by the number of years from the date of issuance to such Payment Date, (b) summing the results and (c) dividing the sum by the aggregate amount of the assumed net reductions in principal amount.

The Supplement for each Series of Multiclass PCs will contain a table showing (i) the percentage of the original principal amount of each Class of such Series that would be outstanding after specified Payment Dates and (ii) the corresponding weighted average life of each Class. Freddie Mac will prepare this table based on assumptions specified in such Supplement.

THE MULTICLASS PC AGREEMENT

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

Transfer of Assets to REMIC Pool

The assets in each REMIC Pool will be identified to that Pool. The PCs in any REMIC Pool will be held in Freddie Mac's name on the books of a Federal Reserve Bank. Other assets will be held by Freddie Mac or its custodian or other agent for the benefit of the Holders of each related Series of Multiclass PCs pursuant to the Multiclass PC Agreement. Freddie Mac has the limited right to substitute PCs for PCs of the same type originally placed in a REMIC Pool.

Certain Matters Regarding Freddie Mac

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

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

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

Voting Under Any PC or Giant PC Agreement

To the extent set forth in each PC Agreement and Giant PC Agreement, the record holders of PCs representing a specified percentage of the remaining unpaid principal balance of any affected PCs may take certain actions, including termination of certain obligations and duties of Freddie Mac with respect thereto, if an “event of default” under the applicable PC or Giant PC Agreement has occurred and is continuing. The Multiclass PC Agreement provides that Holders of Multiclass PCs may, upon the occurrence of an event of default with respect to a PC backing the related Series, take any such action rather than Freddie Mac. For this purpose, the Holders of Multiclass PCs will be deemed the holders of the affected PC, in proportion to the outstanding principal amounts of their Multiclass PCs.

As set forth in each PC Agreement and Giant PC Agreement, the holders of PCs owning a majority of the remaining unpaid principal balance of any affected PCs may consent to certain amendments to the PC Agreement or Giant PC Agreement. The Multiclass PC Agreement provides that Freddie Mac may consent to such an amendment as to any PC backing a Series of Multiclass PCs, so long as such amendment would not adversely affect in any material respect the interests of the Holders of Classes of that Series. If the amendment would have such effect, Freddie Mac may consent to it only with the written consent of Holders of Multiclass PCs of each Class so affected representing not less than 50% of the outstanding principal amount of that Class.

Events of Default

“Events of Default” under the Multiclass PC Agreement will consist of (i) any failure by Freddie Mac to pay to Holders of any Class any required payment that continues unremedied for 30 days; (ii) any failure by Freddie Mac to perform in any material respect any other covenant or agreement in the Multiclass PC Agreement, which failure continues unremedied for 60 days after the giving of notice of such failure to Freddie Mac by the Holders of any affected Class representing not less than 60% of the aggregate outstanding principal amount of such Class; and (iii) certain events of bankruptcy, insolvency or similar proceedings involving Freddie Mac.

Rights Upon Event of Default

As long as an Event of Default under the Multiclass PC Agreement remains unremedied, the Holders of any Class representing not less than 50% of the aggregate outstanding principal amount of such Class may, in writing, remove Freddie Mac and nominate a successor to Freddie Mac. That nominee will be deemed appointed as successor to Freddie Mac (except as to its guarantee obligation) unless, within 10 days after such nomination, Freddie Mac objects, 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. The court may, upon any prescribed notice, appoint a successor to Freddie Mac.

Amendment

Freddie Mac may amend the Multiclass PC Agreement, without the consent of any Holder or Holders, (i) to cure any ambiguity, to correct or supplement any provision which may be inconsistent with any other provision, or to make any other provisions with respect to matters or questions arising under the Multiclass PC Agreement that are not inconsistent with the other provisions of the Multiclass PC Agreement, provided that any such amendment shall not adversely affect in any material respect the interest of any Holder; or (ii) to permit Freddie Mac to take any necessary or helpful action to maintain the qualification of any REMIC Pool as a REMIC under the Internal Revenue Code or to avoid the imposition of any state or federal tax on a REMIC Pool.

Freddie Mac may also amend the Multiclass PC Agreement in any other respect with the consent of the Holders of each affected Class representing not less than 50% of the aggregate outstanding principal amount of such Class. However, without the consent of a Holder, Freddie Mac may not amend the Multiclass PC Agreement to impair or affect the right of such Holder to receive payment of principal and interest (including any payment under Freddie Mac’s guarantee) due such Holder, on or after the due date of such payment, or to institute suit for the enforcement of any such payment on or after such date.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

General

The following generally describes the anticipated material federal income tax consequences of purchasing, owning and disposing of Multiclass PCs. It does not address special rules which may apply to particular types of investors. The authorities on which this discussion is based are subject to change or differing interpretations, and any such change or interpretation could apply retroactively. Investors should consult their own tax advisors regarding Multiclass PCs.

REMIC Election

Freddie Mac will elect to treat each REMIC Pool as a REMIC under the Internal Revenue Code (the "Code"). Cadwalader, Wickersham & Taft, special counsel to Freddie Mac, has advised Freddie Mac that in the firm's opinion, assuming (i) such election, (ii) compliance with the Multiclass PC Agreement and (iii) compliance with changes in the law, each REMIC Pool will qualify as a REMIC. In such case, the REMIC Pool will generally not be subject to tax, the related Regular Classes will be "regular interests" in a REMIC and the related Residual Class will be the "residual interest" in a REMIC.

Status of Multiclass PCs

Multiclass PCs will constitute:

- "qualifying real property loans" under Code Section 593(d)(1);
- assets described in Code Section 7701(a)(19)(C); and
- "real estate assets" under Code Section 856(c)(5)(A)

to the extent the assets of the related REMIC Pool are so treated. Interest on the Multiclass PCs will be "interest on obligations secured by mortgages on real property or on interests in real property" within the meaning of Code Section 856(c)(3)(B) in the same proportion that the income of the REMIC Pool would be so treated. If at all times 95% or more of the assets or income of the related REMIC Pool qualifies for any of the foregoing treatments, the Multiclass PCs (and income thereon) will qualify for the corresponding status in their entirety. In determining the tax status of an Upper-Tier REMIC Pool, however, Freddie Mac will apply the 95% test assuming the Lower-Tier Classes have the same characteristics as the Lower-Tier REMIC Pool. Freddie Mac anticipates that the Multiclass PCs will qualify for the foregoing treatments in their entirety. Regular Classes will be "qualified mortgages" under Code Section 860G(a)(3) for another REMIC.

Taxation of Regular Classes

General

The Regular Classes will be taxed as newly originated debt instruments for federal income tax purposes. Interest, original issue discount and market discount accrued on a Regular Class will constitute ordinary income to the beneficial owner (the "Owner"). Each Owner of a Regular Class must account for interest income on the accrual method.

Original Issue Discount

The REMIC Pool may issue certain Regular Classes with "original issue discount." An Owner must include original issue discount in income as it accrues, without regard to the timing of payments.

The total amount of original issue discount on a Regular Class is the excess of its "stated redemption price" over its "issue price." The issue price is the price (including any accrued interest) at which a substantial portion of the Regular Class is first sold to the public. The stated redemption price of a Class always includes its original principal amount, but generally does not include distributions of stated interest (except in the case of an Accrual Class or, in all likelihood, an Interest Only Class). Proposed regulations under Sections 1271 through 1275 of the Code (the "Proposed OID Regulations"), however, could be interpreted to provide that, if the interval between the issue date and the first Payment Date exceeds the interval between subsequent Payment Dates, all interest payments

are included in the stated redemption price. Accordingly, a Regular Class with such payment intervals may be considered to be issued with original issue discount and Freddie Mac intends to report original issue discount based on this approach. In general, this approach would result in more interest on such a Regular Class being allocated to the initial interval and less interest being allocated to all subsequent intervals.

Freddie Mac intends to report income to the Internal Revenue Service and to Holders of Interest Only Classes based on the assumption that the stated redemption price is the sum of all payments determined under the Prepayment Assumption (as defined below). As a result, such Interest Only Classes would have original issue discount. The Internal Revenue Service might contend, however, that the stated redemption price is the principal amount. If such a position prevailed, the rules described below under "Premium" would apply.

Under a *de minimis* rule, original issue discount on a Regular Class will be considered zero if it is less than 0.25% of its stated redemption price multiplied by its weighted average maturity. The weighted average maturity of a Regular Class is computed based on the number of full years (*i.e.*, rounding down partial years) each distribution of principal is scheduled to be outstanding. The schedule of such distributions likely should be determined in accordance with the assumed rate of prepayment of the Mortgages used in pricing the Regular Classes (the "Prepayment Assumption"), which will be set forth in the related Supplement.

The Owner of an interest in a Regular Class generally must include in income the original issue discount accrued for each day on which the Owner holds such interest, including the date of purchase, but excluding the date of disposition. The original issue discount accruing on an interest in a Regular Class in any period equals:

$$PV \text{ End} + \text{Dist} - PV \text{ Beg}$$

Where:

PV End = present value of all remaining distributions to be made as of the end of the accrual period;

Dist = distributions made during the accrual period includable in stated redemption price; and

PV Beg = present value of all remaining distributions as of the beginning of the accrual period.

The present value of the remaining distributions is calculated based on (i) the original yield to maturity of the Regular Class, (ii) events (including actual prepayments) that have occurred prior to the end of the period and (iii) the Prepayment Assumption. For these purposes, the original yield to maturity of an interest in a Regular Class will be calculated based on its issue price and assuming that such interest will be prepaid in all periods in accordance with the Prepayment Assumption. The original issue discount accruing during any accrual period will then be divided by the number of days in the period to determine the daily portion of original issue discount for each day.

The daily portions of original issue discount generally will increase if prepayments on the underlying Mortgages exceed the Prepayment Assumption and decrease if prepayments are slower than the Prepayment Assumption (changes in the rate of prepayments having the opposite effect in the case of an Interest Only Class). If the relative principal payment priorities of the Classes of a Series change (*e.g.*, for Sticky Jump Classes), any increase or decrease in the present value of the remaining payments to be made on any such Class will affect the computation of original issue discount for the period in which the change in payment priority occurs.

If original issue discount computed as described above is negative for any period, the Owner will be entitled to offset such amount only against future positive original issue discount from such Class. Although not entirely free from doubt, such an Owner may be entitled to deduct a loss to the extent that its remaining basis would exceed the maximum amount of future payments to which such Owner is entitled, assuming no further prepayments of the Mortgages.

An initial Owner of interests in two or more Regular Classes issued in respect of the same REMIC Pool should be aware that the Proposed OID Regulations may treat such interests as a single debt instrument for purposes of the original issue discount provisions.

If a subsequent Owner of an interest in a Regular Class acquires such interest for a price greater than its "revised issue price," the daily portion for any day is reduced by an amount equal to the product of (i) such daily portion and (ii) a fraction, the numerator of which is the amount by which the price exceeds the revised issue price and the denominator of which is the sum of the daily portions for such Regular Class interest for all days after the

date of purchase. The revised issue price of an interest in a Regular Class on any given day is equal to the sum of its adjusted issue price at the beginning of the accrual period during which such day occurs and the daily portions of original issue discount for all days during such accrual period prior to such day.

Market Discount

The market discount rules may also apply to an Owner of an interest in a Regular Class. Market discount equals the excess of (a) either (i) the stated redemption price (less any prior distributions included in the stated redemption price) or (ii) in the case of a Regular Class having original issue discount, the revised issue price over (b) such Owner's basis in the Regular Class interest. Such Owner generally must recognize accrued market discount as ordinary income to the extent of any distributions includable in the stated redemption price.

The Conference Committee Report accompanying the Tax Reform Act of 1986 (the "Committee Report") provides that, until the Treasury Department issues regulations, market discount would accrue (a) on the basis of a constant interest rate (similar to the method described above for accruing original issue discount) or (b) alternatively, either (i) in the ratio of stated interest distributable in the relevant period to the total stated interest remaining to be distributed from the beginning of such period (computed taking into account the Prepayment Assumption) or (ii) in the case of a Regular Class issued with original issue discount, in the ratio of original issue discount accrued for the relevant period to the total remaining original issue discount at the beginning of such period. Such Owner also generally must treat a portion of any gain on a sale or exchange as ordinary income to the extent of the accrued, but unrecognized, market discount to the date of disposition under one of the foregoing methods. Alternatively, an Owner may elect to include market discount in income currently as it accrues on all market discount instruments acquired by such Owner in that taxable year or thereafter. An Owner may revoke such an election only with the consent of the Secretary of the Treasury.

In addition, the deduction for a portion of an Owner's interest expense on any indebtedness that the Owner incurs or maintains in order to purchase or carry an interest in a Regular Class purchased with market discount may be deferred. The deferred portion would not exceed the portion of market discount that accrues but is not taken into income currently. Any such deferred interest expense is, in general, allowed as a deduction not later than the year in which the related market discount income is recognized.

Market discount with respect to a Regular Class will be considered to be zero if such market discount is *de minimis* under a rule similar to that described above in the fourth paragraph under "Original Issue Discount." Owners should consult their own tax advisors regarding the application of the market discount rules as well as the advisability of making any election with respect to market discount.

Premium

An interest in a Regular Class, other than an Accrual or Interest Only Class, purchased at a cost (net of accrued interest) greater than its principal amount generally is considered to be purchased at a premium. The Owner may elect under Code Section 171 to amortize such premium under the constant interest method, using the Prepayment Assumption. Such premium is an offset to interest income from an interest in a Regular Class, rather than a separate interest deduction. In addition, the Committee Report indicates Congress intended that the methods for determining the accrual of market discount described above which are alternatives to accrual on the basis of a constant interest rate will also apply for purposes of amortizing bond premium on obligations such as Regular Classes. An election made by an Owner would generally apply to all its debt instruments, unless the election is revoked with the Internal Revenue Service's consent. If an Owner's election to amortize bond premium was effective as of October 22, 1986, however, such election will apply to obligations issued after September 27, 1985 only if the Owner so chooses.

Retail Classes

For purposes of the original issue and market discount rules, a payment in full of an interest in a Retail Class that is subject to payment in units or other increments, rather than on a pro rata basis with other interests in such Retail Class, will be treated as a prepayment.

Floating Rate and Inverse Floating Rate Classes

Although not entirely clear, the rules of the Code relating to original issue discount, market discount and premium likely apply to a Regular Class whose Class Coupon is based on an index, assuming such Class will bear interest in all periods after the first Payment Date at a fixed rate equal to its initial rate. Absent clarification, Freddie Mac will compute original issue discount and report such amounts to the Internal Revenue Service and to Holders of such a Regular Class based on this assumption, with adjustments in each period to reflect the actual rate.

Taxation of Residual Classes

Taxation of REMIC Income

Generally, REMIC taxable income or net loss is ordinary income or loss for Owners of an interest in a Residual Class ("Residual Owners"). REMIC taxable income is generally determined under the accrual method of accounting in the same manner as the taxable income of an individual. REMIC taxable income generally means the REMIC Pool's gross income, including interest, original issue discount income and market discount income, if any, on the REMIC Pool Assets in the REMIC Pool and income from the amortization of any premium on Regular Classes, minus deductions. Deductions include interest and original issue discount expense on the Regular Classes, servicing fees on the REMIC Pool Assets (or an allocable portion in the case of a Double-Tier Series), other administrative expenses and deduction or amortization of any premium on the REMIC Pool Assets.

A Residual Owner may not amortize the cost of its Residual Class interest. Taxable income of the REMIC Pool, however, will not include cash received by the REMIC Pool that represents a recovery of the REMIC Pool's basis in its assets. Such recovery of basis by the REMIC Pool will have the effect of amortization of the issue price of the Residual Class over its life. The issue price of a Residual Class is the price at which a substantial portion of the Residual Class is first sold to the public. The period of time over which such issue price is effectively amortized, however, may be longer than the economic life of the Residual Class.

A subsequent Residual Owner must report on its federal income tax returns amounts of taxable income or net loss equal to that which an original Residual Owner must report. Adjustments to reduce (or increase) the income of a subsequent Residual Owner that purchased such an interest at a price greater than (or less than) the adjusted issue price of such interest are apparently not permitted or required.

The method of taxation of Residual Classes described in this section can produce a significantly less favorable after-tax return for an interest in a Residual Class than would be the case if (i) the Residual Class were taxable as a debt instrument or (ii) no portion of the taxable income on the Residual Class in each period were treated as "excess inclusions" (as defined below). In certain periods, taxable income and the resulting tax liability on an interest in a Residual Class are likely to exceed payments received on that Class. This may occur because the yield of the Mortgage Securities in a Double-Tier Series, and the REMIC Pool Assets in a Single-Tier Series, typically will exceed the average yield of the Regular Classes in earlier periods. In addition, a substantial tax may be imposed on certain transferors of an interest in a Residual Class and certain Residual Owners that are "pass-thru" entities. See "Transfers of Interests in a Residual Class." Investors should consult their tax advisors before purchasing an interest in a Residual Class.

Losses

A Residual Owner may recognize a net loss of the REMIC Pool only to the extent of the adjusted basis of its interest in the Residual Class. A Residual Owner that is a U.S. person (as defined below), however, may carry over any disallowed loss to offset any taxable income generated by the same REMIC Pool.

Treatment of Certain Items of REMIC Income and Expense

Original Issue Discount. In the case of a Double-Tier Series, the Proposed OID Regulations provide, and Freddie Mac intends to report assuming, that the Mortgage Securities will be treated as a single debt instrument for purposes of the original issue discount provisions. A determination that the Mortgage Securities are not treated as a single debt instrument would have a material adverse effect on the Residual Owners of the Lower-Tier REMIC Pool.

Market Discount. In respect of Mortgages that have market discount, such market discount would be recognized in the same fashion as if it were original issue discount.

Premium. The election to amortize premium under Code Section 171 will not be available for premium on Mortgages that are obligations of individuals originated on or prior to September 27, 1985. Premium on such Mortgages may be deductible, if in accordance with a reasonable method. The allocation of such premium pro rata among principal payments or on the basis of a constant interest rate should be considered a reasonable method.

Excess Inclusions

A portion of the REMIC taxable income of each Residual Owner will be subject to federal income tax in all events. That portion, referred to as the "excess inclusion," is equal to the excess of REMIC taxable income for the calendar quarter over the daily accruals for such period. The daily accruals are equal to the product of (i) 120% of the federal long-term rate under Code Section 1274(d) determined for the month of the Closing Date and (ii) the adjusted issue price of such interest at the beginning of such quarter. The adjusted issue price of an interest in a Residual Class at the beginning of a quarter is the issue price of the interest, plus the amount of the daily accruals of REMIC income attributable to such interest for all prior quarters, decreased (but not below zero) by any prior distributions. If the aggregate value of the Residual Class is not considered to be "significant," then to the extent provided in Treasury regulations a Residual Owner's entire share of REMIC taxable income will be treated as an excess inclusion. The proposed regulations under Sections 860A through 860G of the Code (the "Proposed REMIC Regulations"), however, do not contain such a rule.

"Excess inclusions" may not be offset by unrelated losses or loss carryforwards of a Residual Owner. Thrift institutions, however, are permitted to use losses to offset their excess inclusion income from a Residual Class if such Class has "significant value." The Proposed REMIC Regulations provide that a REMIC residual interest has significant value if, as of the pricing date or the closing date, (i) the issue price of such interest equals at least 2% of the aggregate of the issue prices of all interests in the REMIC and (ii) the anticipated weighted average life of such REMIC residual interest is at least 20% of the anticipated life of the REMIC.

A Residual Owner's excess inclusion is treated as unrelated business taxable income for an organization subject to the tax on unrelated business income. In addition, under Treasury regulations yet to be issued, if a real estate investment trust, regulated investment company or certain other pass-through entities are Residual Owners, a portion of distributions made by such entities would constitute excess inclusions.

Prohibited Transactions

Income from certain transactions, called prohibited transactions, will not be part of the calculation of income or loss includable in the federal income tax returns of Residual Owners, but rather will be taxed directly to the REMIC Pool at a 100% rate. Because of Freddie Mac's guarantee, in the event such tax is imposed on a REMIC Pool, payments of principal and interest on the Multiclass PCs will not be affected.

Sale or Exchange of Multiclass PCs

An Owner will generally recognize gain or loss upon sale or exchange of a Multiclass PC equal to the difference between the amount received and its adjusted basis in the Multiclass PC. The adjusted basis in a Multiclass PC generally will equal the cost of the Multiclass PC, increased by income previously included, and reduced (but not below zero) by previous distributions and by any amortized premium, in the case of an interest in a Regular Class, or net losses allowed as a deduction, in the case of an interest in a Residual Class.

Except as described below, any gain or loss on the sale or exchange of a Multiclass PC held as a capital asset will be capital gain or loss and will be long-term or short-term depending on whether the interest has been held for the long-term capital gain holding period (more than one year). Such gain or loss will be ordinary income or loss (i) for a bank or thrift institution; and (ii) in the case of an interest in a Regular Class, (a) to the extent of any accrued, but unrecognized, market discount or (b) to the extent income recognized by the Owner is less than the income that would have been recognized if the yield on such interest were 110% of the applicable federal rate under Code Section 1274(d).

Whether the termination of the REMIC will be treated as a sale or exchange of a Residual Owner's interest is not clear. If it is, the Residual Owner will recognize a loss at that time equal to the amount of the Owner's remaining adjusted basis in such interest.

Except as provided in Treasury regulations, the wash sale rules of Code Section 1091 will apply to dispositions of an interest in a Residual Class where the seller of the interest, during the period beginning six months before the sale or disposition of the interest and ending six months after such sale or disposition, acquires (or enters into any other transaction that results in the application of Code Section 1091) any residual interest in any REMIC or any interest in a "taxable mortgage pool" (such as a non-REMIC owner trust) that is economically comparable to a Residual Class.

Transfers of Interests in a Residual Class

Disqualified Organizations

A transfer of an interest in a Residual Class to a "disqualified organization" (as defined below) may result in a tax equal to the product of (i) the present value of the total anticipated future excess inclusions with respect to such interest and (ii) the highest corporate marginal federal income tax rate. Such a tax would generally be imposed on the transferor of the interest in the Residual Class, except that if the transfer is through an agent for a disqualified organization, the agent is liable. A transferor is not liable for such tax if the transferee furnishes to the transferor an affidavit that the transferee is not a disqualified organization and, as of the time of the transfer, the transferor does not have actual knowledge that such affidavit is false.

A "pass-thru entity" (as defined below) is subject to tax (at the highest corporate marginal federal income tax rate) on excess inclusions to the extent disqualified organizations hold interests in the pass-thru entity. However, such tax will not apply if the pass-thru entity receives an affidavit that the record holder is not a disqualified organization and does not have actual knowledge that the affidavit is false.

For these purposes, (i) "disqualified organization" means the United States, any state or political subdivision thereof, any foreign government, any international organization, any agency or instrumentality of any of the foregoing, certain organizations that are exempt from taxation under the Code (including tax on excess inclusions) and certain corporations operating on a cooperative basis and (ii) "pass-thru entity" means any regulated investment company, real estate investment trust, common trust fund, partnership, trust or estate and certain corporations operating on a cooperative basis. Except as may be provided in Treasury regulations, any person holding an interest in a pass-thru entity as a nominee for another will, with respect to such interest, be treated as a pass-thru entity.

The Multiclass PC Agreement prohibits a disqualified organization from owning a beneficial or record interest in a Residual Class and provides that record ownership of an interest in a Residual Class may not be transferred unless (i) the proposed transferee provides to Freddie Mac (a) an affidavit that such transferee is not a disqualified organization and is not purchasing such interest on behalf of a disqualified organization and (b) if requested by Freddie Mac, an opinion of counsel to the effect that the proposed transfer will not cause such Residual Class interest to be held by a disqualified organization; or (ii) Freddie Mac consents to such transfer. The Multiclass PC Agreement provides that any attempted or purported transfer in violation of these transfer restrictions will be null and void and will vest no rights in any purported transferee.

Legislation pending in both the House of Representatives and the Senate would treat all partners in any "large partnership" as "disqualified organizations," thus subjecting such a partnership to tax on all of its excess inclusions at the highest corporate rate. The legislation would also disallow 70% of any large partnership's miscellaneous itemized deductions, including the deductions for servicing compensation relating to the PCs in a REMIC Pool, although the remaining deductions would not be subject to the 2% floor at the partner level. A "large partnership" generally includes a partnership having 250 or more partners during any taxable year. This provision is proposed to be effective for taxable years ending on or after December 31, 1992. No prediction can be made whether such legislation will be enacted.

Additional Transfer Restrictions

Under the Proposed REMIC Regulations, a transfer of a noneconomic residual interest is disregarded for all federal income tax purposes if a significant purpose of the transfer is to impede the assessment or collection of tax. The Proposed REMIC Regulations do not provide any guidance, however, as to what constitutes such a purpose. A residual interest in a REMIC (including a residual interest with significant value at issuance) is a noneconomic residual interest unless, at the time of the *transfer*, (i) the present value of the expected future distributions on the residual interest at least equals the product of the present value of the anticipated excess inclusions and the highest corporate income tax rate in effect for the year in which the transfer occurs and (ii) the transferor reasonably expects that the transferee will receive distributions from the REMIC at or after the time at which taxes accrue in an amount sufficient to satisfy the taxes.

The Proposed REMIC Regulations provide that any transfer of a residual interest (whether or not a noneconomic residual interest) to a non-U.S. person is disregarded for all federal tax purposes if the residual interest has “tax avoidance potential.” A residual interest has tax avoidance potential under the Proposed REMIC Regulations unless at the time of transfer:

- (i) the expected future distributions on the residual interest equal at least 30 percent of the anticipated excess inclusions, and
- (ii) the transferor reasonably expects that the transferee will receive sufficient distributions to satisfy the expected withholding tax liability from the REMIC at or after the time at which the excess inclusions accrue.

The Proposed REMIC Regulations also provide that a transfer *from* a non-U.S. person *to* a U.S. person (and, presumably, to a non-U.S. person engaged in a United States trade or business) is disregarded if the transfer has “the effect of allowing the transferor to avoid tax on accrued excess inclusions.”

With respect to a Residual Class that has been held at any time by a non-U.S. person, Freddie Mac (or its agent) will be entitled to withhold (and to pay to the Internal Revenue Service) any portion of any payment on such Residual Class that Freddie Mac reasonably determines is required to be withheld. If Freddie Mac (or its agent) reasonably determines that a more accurate determination of the amount required to be withheld from a distribution can be made within a reasonable period after the scheduled date for such distribution, it may hold such distribution in trust for the Owners of any such Residual Class, until it can make the more accurate determination.

Certain restrictions will be imposed on transfers of the interests in the Residual Classes, including the requirement that no transfer to a non-U.S. person (or, for certain Residual Classes, to any person) will be permitted without Freddie Mac’s written consent. These restrictions, together with those imposed under the Proposed REMIC Regulations, may have the practical effect of rendering the interests in certain Residual Classes non-transferable.

The term “non-U.S. person” means any person who is not a “U.S. person.” A U.S. person is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, or an estate or trust that is subject to U.S. federal income tax regardless of the source of its income.

Miscellaneous

If the equity interest in a non-U.S. person investor is held in whole or in part by a U.S. person, such investor or U.S. person should consult its own tax advisors regarding any tax consequences to such U.S. person of the investor’s purchase of an interest in a Residual Class.

The federal income tax consequences of any consideration paid to a transferee on a transfer of an interest in a Residual Class are unclear. A transferee of such an interest should consult its tax advisors. The preamble to the Proposed REMIC Regulations indicates that the Internal Revenue Service is considering the tax treatment of these types of residual interests, including whether such residual interests may have a negative basis or a negative issue price.

Treatment of Servicing Compensation

An Owner that is an individual, estate or trust will be subject to limitation with respect to certain itemized deductions described in Code Section 67, to the extent that such deductions, in the aggregate, do not exceed 2% of the Owner's adjusted gross income, and such Owner may not be able to deduct such fees and expenses to any extent in computing such Owner's alternative minimum tax liability. Such deductions will include servicing fees paid to the servicer of the Mortgages or to Freddie Mac as guarantor of the PCs. These deductions will be allocated entirely to the Owners of the Residual Class in the case of REMIC Pools with multiple classes of interests that pay their principal amounts sequentially. As a result, the REMIC Pool will report additional taxable income to Owners of such Residual Class in an amount equal to their allocable share of such servicing compensation, and individuals, estates, or trusts holding an interest in such Residual Class may have taxable income in excess of the cash received. In the case of a "Single-class REMIC" as defined in applicable Treasury regulations, such deductions will be allocated proportionately among the Regular and Residual Classes.

Taxation of Certain Foreign Investors

Regular Classes

Interest, including original issue discount, distributable to Owners of Regular Class interests that are non-U.S. persons will be considered "portfolio interest" and, therefore, generally will not be subject to the 30% United States withholding tax provided that such non-U.S. person (i) is not a "10-percent shareholder" within the meaning of Code Section 871(h)(3)(B) or a controlled foreign corporation described in Code Section 881(c)(3)(C), and (ii) provides an appropriate statement, signed under penalties of perjury, identifying the Owner and stating, among other things, that the Owner of the Regular Class interest is a non-U.S. person. If such statement is not provided, 30% withholding will apply unless an income tax treaty reduces or eliminates such tax or unless the interest is effectively connected with the conduct of a trade or business within the United States by such non-U.S. person. In the latter case, such non-U.S. person will be subject to United States federal income tax at regular rates. Owners of Regular Class interests that are non-U.S. persons should consult their own tax advisors.

Residual Classes

Provided that the conditions described in the preceding paragraph are met with respect to an interest in a Residual Class, the portion, if any, of any such distribution that does not constitute an "excess inclusion" would be exempt from the 30% (or lower) withholding tax (but only, in the case of a Single-Tier Series or the Lower-Tier REMIC Pool in a Double-Tier Series, to the extent the Mortgages were originated after July 18, 1984). Excess inclusions are subject to a 30% withholding tax in all events when distributions are made (or when the interest in the Residual Class is disposed of). The Code grants the Treasury Department authority to issue regulations requiring withholding earlier if necessary to prevent avoidance of tax. The Proposed REMIC Regulations, however, do not contain such a rule. Owners of an interest in a Residual Class that are non-U.S. persons should consult their own tax advisors.

Backup Withholding

Distributions made on the Multiclass PCs and proceeds from the sale of Multiclass PCs to or through certain brokers may be subject to a "backup" withholding tax of 20% of "reportable payments" (including interest accruals, original issue discount, and, under certain circumstances, distributions in reduction of principal amount) unless, in general, the Owner of the Multiclass PCs complies with certain procedures or is an exempt recipient. Any amounts so withheld from distributions on the Multiclass PCs would be refunded by the Internal Revenue Service or allowed as a credit against the Owner's federal income tax.

Reporting and Administrative Matters

Reports will be made to the Internal Revenue Service and to Holders of record of Multiclass PCs that are not excepted from the reporting requirements.

Freddie Mac will prepare, sign and file federal income tax returns for each REMIC Pool. To the extent allowable, Freddie Mac will also act as the tax matters partner for each REMIC Pool. Each Owner of a Residual

Class, by the acceptance of its interest in a Residual Class, agrees that Freddie Mac will act as the Owner's fiduciary in the performance of any duties required of the Owner in the event that the Owner is the tax matters partner.

An Owner of a Residual Class is required to treat items on its returns consistently with their treatment on the REMIC Pool's return, unless the Owner owns 100% of the Residual Class for the entire calendar year or the Owner either files a statement identifying the inconsistency or establishes that the inconsistency resulted from incorrect information received from the REMIC Pool. The Internal Revenue Service may assess a deficiency resulting from a failure to comply with the consistency requirement without instituting an administrative proceeding at the REMIC level. Any person that holds a Residual Class interest as a nominee for another person may be required to furnish the REMIC Pool, in a manner to be provided in Treasury regulations, the name and address of such other person and other information.

ERISA CONSIDERATIONS

A Department of Labor regulation provides that, if an employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), acquires a "guaranteed governmental mortgage pool certificate," then, for purposes of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code, the plan's assets include the certificate and all of its rights with respect to the certificate, but do not, solely by reason of the plan's holding of the certificate, include any of the mortgages underlying the 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. The effect of the regulation is to make clear that the sponsor (that is, the entity that organizes and services the pool, in this case Freddie Mac) and other persons, in providing services with respect to the assets in the pool, would not be subject to the fiduciary responsibility provisions of Title I of ERISA, or the prohibited transaction provisions of Section 406 of ERISA or Code Section 4975, merely by reason of the plan's investment in a certificate. At the time this Labor Department regulation was issued, certificates similar to Multiclass PCs were not in existence. However, Freddie Mac has been advised by its special counsel, Cadwalader, Wickersham & Taft, that the Multiclass PCs should qualify as "guaranteed governmental mortgage pool certificates."

The purchase of an interest in a Residual Class by a plan may give rise to "unrelated business taxable income" as described in Code Sections 511 through 515 and Section 860E. See "Certain Federal Income Tax Consequences—Taxation of Residual Classes—Excess Inclusions."

LEGALITY OF INVESTMENT

Subject to the considerations described under "Regulatory Constraints" below:

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

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

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

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

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

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

Federal credit unions may purchase Multiclass PCs, subject to restrictions on investing in certain Classes. 12 U.S.C. § 1757(7)(E) and 12 C.F.R. § 703.5(f)-(k). National Credit Union Administration (“NCUA”) Letter to Credit Unions No. 96, as modified by Letter to Credit Unions No. 108, includes guidelines to assist federal credit unions in making investment decisions for mortgage related securities.

In addition to the specific authorizations discussed above, pursuant to Section 106 of the Secondary Mortgage Market Enhancement Act of 1984 (“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 Multiclass 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 which specifically refers to Section 106 and either prohibits or limits an investor’s authority to invest in securities issued or guaranteed by Freddie Mac. To the best of Freddie Mac’s knowledge, 18 states have enacted 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

Any institution under the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision (“OTS”), the NCUA or any other federal or state agency with similar authority should review any applicable regulations and guidelines before purchasing Multiclass PCs. The Federal Home Loan Bank System’s Office of Regulatory Activities (whose functions have been assumed by the OTS) issued a bulletin, entitled “Mortgage Derivative Products and Mortgage Swaps.” Such bulletin established guidelines for the investment by federally-insured savings institutions in certain “high-risk” derivative mortgage-backed securities and limitations on the use of such securities by insolvent, undercapitalized or otherwise “troubled” institutions. According to the bulletin, such “high-risk” derivative mortgage-backed securities include Interest Only Classes, Principal Only Classes, Inverse Floating Rate Classes, Residual Classes, Accrual Classes and Classes (such as Support Classes) that are particularly sensitive to mortgage principal prepayments due to the presence of one or more PAC, TAC or Scheduled Classes. Certain other Classes offered from time to time may be considered “high-risk” derivative mortgage-backed securities.

Depository institutions should review and consider the applicability of the Federal Financial Institutions Examination Council (the “FFIEC”) Supervisory Policy Statement on the Selection of Securities Dealers and Unsuitable Investment Practices (to the extent adopted by their respective regulators), which, among other things, sets forth guidelines for investing in certain types of mortgage related securities, including securities such as the Multiclass PCs. On December 2, 1991, the FFIEC approved revisions to such Supervisory Policy Statement, which, to the extent adopted by such regulators, will supersede the earlier Supervisory Policy Statement and will prohibit depository institutions from investing in certain “high-risk mortgage securities” (including securities such as certain Classes of the Multiclass PCs), except under limited circumstances.

The NCUA has adopted rules that prohibit federal credit unions from investing in certain Classes of Multiclass PCs, except under limited circumstances.

Institutions whose investment activities are subject to review by regulatory authorities may become subject to restrictions, which may be retroactively imposed by such regulatory authorities, on investment by such institutions in certain types of Multiclass PCs. Furthermore, certain state regulators have indicated that regulated institutions subject to their jurisdiction should not hold so-called “interest only” mortgage-backed securities, including “interest only” mortgage-backed securities previously purchased.

Investors should consult with their own legal advisors in determining whether and to what extent Multiclass PCs constitute legal investments for such investors. 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 which may restrict or prohibit investments in securities that are issued in book-entry form or that are not “interest-bearing” or “income-paying.”