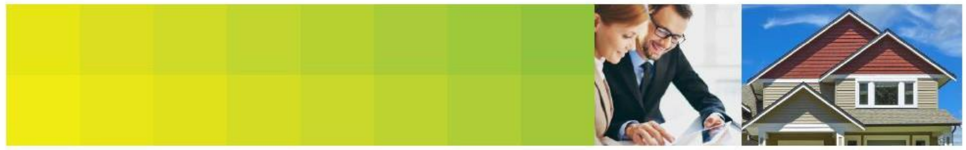

Freddie Mac FAQs

Potential STACR Enhancement

General FAQs

1. Why are you proposing making this change?

Credit Risk Transfer is a key objective for Freddie Mac and our conservator, the Federal Housing Finance Agency (FHFA). Our objective in developing the Structured Agency Credit Risk (STACR®) program is to ensure a scalable and liquid market for credit risk that is responsive to market feedback. In order to continue to promote a broad and liquid market for credit risk, we are exploring ways to expand and diversify the investor base, notably for REITs who are a natural pool of capital for mortgage risk. This change would make the program more attractive to REITs and certain other investors, while avoiding disruption to the To Be Announced (TBA) market.

2. What is the proposed change?

Freddie Mac proposes to structure future STACR offerings as notes issued by a trust that qualifies as a Real Estate Mortgage Investment Conduit (REMIC). Freddie Mac would facilitate this change by making a REMIC tax election on a majority of single-family loans that we acquire.

3. What is the timing of this proposed change?

Pending market feedback, we expect to implement changes to our Offerings Circular in a timeframe that would allow us to aggregate a sufficient amount of loans with a REMIC election to bring a STACR REMIC transaction to market in the first half of 2018. The aggregation period between when Freddie Mac acquires a loan and when we transfer the credit risk on such loans through our STACR program is generally a minimum of six months.

4. Is Freddie Mac seeking any advice from outside tax or legal counsel about this enhancement?

Yes, Freddie Mac has engaged outside tax counsel to evaluate and provide feedback on making STACR REMIC eligible and will seek an opinion of counsel that the new STACR structure will qualify as a REMIC for federal tax purposes. In addition, we will engage outside legal counsel to evaluate and provide feedback on the application of the whole pool test to this enhancement.

PC FAQs

5. Will the REMIC structure have an impact to the TBA market?

On March 28th, 2018, the Securities Industry and Financial Markets Association (SIFMA) released a statement that it has “not identified any issues that would impair the To-Be-Announced (TBA) eligibility of MBS under this new structure”. Similarly we expect that the proposed change will not have any adverse impact on the TBA market.

PCs will continue to be single-class guaranteed mortgage pass-through certificates, and PC investors would receive the same cash flows as they do today.

6. Does this change the nature of the PC trust? Are the securities issued by the PC trust REMIC securities or pass-through securities?

The PC trust will remain a grantor trust. Pursuant to our trust agreement, that grantor trust will continue to issue single class pass-through securities guaranteed by Freddie Mac and backed by whole mortgage loans. From a tax perspective, only, the PC grantor trust holds mortgage loans with a REMIC election.

7. **How does this planned change impact the Single Security?**

   We do not anticipate any impact to the Single Security initiative. We do not expect any material changes to the contractual structure or the trust agreement for a PC, a PC issued before this REMIC election can be re-securitized with a PC issued after the REMIC election on the underlying loans.

8. **How does this impact investment guidelines, particularly for investors who cannot invest in REMICs?**

   The PC grantor trust will continue to issue single class pass-through securities guaranteed by Freddie Mac and backed by whole mortgage loans; the legal entitlement to principal and interest (and guarantee) payments will not change. Accordingly, we do not believe that any changes will need to be made to investment guidelines. However, we continue to solicit feedback from PC investors to validate our analysis.

9. **Does this impact the whole pool test for PC REIT investors?**

   We do not anticipate any impact to REITs that invest in PCs. The PC trust would continue to issue PCs that are whole pool certificates.

10. **How does this impact re-securitizing the PCs, including into REMICs?**

    This proposed change will not impact eligibility to securitize and re-securitize securities, including into REMICs. A future re-securitization would be able to comingle pools in which the underlying loans do not contain a REMIC election and underlying loans that do contain a REMIC election.

11. **What does it mean to have a loan with a REMIC election?**

    Under our trust agreement, the PC grantor trust continues to hold beneficial ownership of whole mortgage loans. However, for tax purposes only, the PC grantor trust would now own an interest in mortgage loans with a REMIC election, thus we will not make any material changes to our trust agreement. We do not expect material changes to our Offering Circular with a REMIC election either.

12. **Would Collateralized Mortgage Obligations (CMOs) that use PCs as collateral be considered Re-REMICs?**

    Re-REMIC is a term Freddie Mac uses to identify structured pools (CMOs) comprised of existing CMOs. Freddie Mac is not planning on tagging newly formed REMICs which use PCs with loan level tax REMIC elections because the underlying cash flows are unaltered and remain a pass through.

13. **Does the REMIC election on the underlying loans affect the tax treatment of the PC pools for the PC investor?**

    Institutional investors will not have their tax consequences changed, nor will individuals that hold PCs through a fund or tax-advantaged account. However, individuals that hold PCs directly (that is, not through a fund or tax-advantaged account) will need to report taxable income on an accrual basis after this REMIC election is made.

14. **How does this impact an individual investor who own PCs?**

    Some individual investors that hold PCs directly (that is, not through a fund or tax-advantaged account) today can elect to report taxable income for PCs using the cash method of accounting. Individual investors who hold PCs with issue dates on or after the date on which the change is implemented will have to report taxable income for those PCs using the accrual method of accounting. Individual investors should consult their tax advisors for further guidance. Freddie Mac provides access to tax factor information on its webpages.

15. **Loans delivered into what prefixes will receive the REMIC election? How will you identify the population of single-family loans that will not adopt this tax designation?**

    Freddie Mac is adopting this designation at the loan-level for a majority of the loans it funds. The Offerings Circular will identify the prefixes for which the underlying loans will be excluded from the tax election, which would generally include prefixes comprised of loans that are otherwise not REMIC-eligible, such as loans with loan-to-value ratios greater than 125 percent. In addition, certain otherwise eligible loans may be excluded on occasion. We will disclose to investors when a REMIC election has not been made for a PC pool.

16. **Will this enhancement impact PC prefixes?**

    No. The PC prefixes will not change.

17. **Are there any changes to the PC Trust Agreement?**

    We do not expect any material change to the PC Trust Agreement.

18. **Will PC disclosures change?**

    There will be no material changes to the PC disclosure file layout. We will disclose to investors when and if REMIC election has not been taken for loans underlying a PC pool.

19. **Does this introduce any changes to cash window or swap pools?**

    There would be no changes to loans delivered into or pools issued through either process.

CRT FAQs

20. **What will the proposed new STACR structure look like?**

    Under the proposed new structure, the STACR notes would be issued by a trust that qualifies as a REMIC and therefore be treated as regular interests for federal income tax purposes. This structure should address certain U.S. tax constraints that previously existed for REITs and non-U.S. persons investing in STACR securities.

21. **How does the new structure reduce investors' potential counterparty exposure to Freddie Mac?**

    STACR notes under the new structure would be issued by a trust and proceeds from the sale of the notes would be placed in a trust account, which would be managed by a third party trustee. Funds from the trust account will be used to pay principal to note holders and compensate Freddie Mac for losses. This differs from the current STACR notes that are issued as Freddie Mac corporate debt, and which proceeds of the note sale are commingled with Freddie Mac corporate funds.

22. **Will the capital structure, cash flow waterfall, and/or loss provisions in STACR deals change?**

    We anticipate that the capital structure, cash flow waterfall, and loss provisions will remain substantially the same as under the current STACR structure. We expect to continue offering M1, M2, and B1 notes as par-priced floating rate notes tied to 1-month LIBOR with a final maturity of 12.5 years. However, we continually evaluate our program for enhancements in response to changing market conditions and investor needs.

23. **Will the STACR notes issued by a REMIC trust continue to be ERISA-eligible?**

    We anticipate that the M1 and M2 notes issued under the new structure will be ERISA-eligible.

24. **What assurances will Freddie Mac provide to investors that the STACR notes issued under the new structure will qualify as a REMIC?**

    For each STACR REMIC transaction, we anticipate that Freddie Mac will obtain a REMIC opinion from its outside tax counsel.

25. How would the new STACR structure be reported on TRACE?

We understand that many market participants would prefer that securities issued under the new STACR REMIC structure be reported on TRACE in a similar manner (timing in particular) as today. We are currently working with FINRA with the goal of achieving that result.

26. What would change as a result of the STACR REMIC structure being issued as a 144A structure, compared to the current structure issued under Freddie Mac's agency exemption?

STACR securities currently are issued in minimum denominations and are not limited to qualified institutional buyers (QIBs). In a 144A offering, the sale of STACR securities will be limited to QIBs, but with lower minimum denominations than under the current STACR program. We do not believe that this change will impact the potential investor base. As mentioned above, we are working with FINRA to ensure that the change in exemption will not alter the transparency about our securities trading.

27. Will Freddie Mac begin transferring credit risk on different populations of loans?

We anticipate that our target loan population for STACR transactions will continue to focus on 30-year fixed rate loans with loan-to-value ratios greater than 60 percent. We expect that the eligibility criteria for selection of loans for credit risk transfer in STACR transactions will remain largely unchanged.

28. Will this change to the STACR program have any impact on Freddie Mac's ACIS program?

No. These STACR program enhancements will not have any impact on our ability to transfer portions of our single-family credit risk through our re-insurance credit risk transfer program, ACIS, and we do not anticipate any changes to the ACIS program.