

Offering Circular Supplement
 (To Offering Circular Dated April 29, 1991)

**Freddie
 Mac**

Federal Home Loan Mortgage Corporation

Mortgage Participation Certificates (Guaranteed)

This Offering Circular Supplement supplements and amends certain information set forth in Freddie Mac's Mortgage Participation Certificates (Guaranteed) Offering Circular dated April 29, 1991 ("Offering Circular") and should be read in conjunction therewith. Capitalized terms used and not otherwise defined in this Supplement have the respective meanings set forth in the Offering Circular.

DESCRIPTION OF MORTGAGE PARTICIPATION CERTIFICATES

The Mortgages

Buydown Mortgages

Certain Mortgages ("Buydown Mortgages") are originated with special payment arrangements under which funds are placed in a separate account used to pay a portion of the scheduled monthly payment on the Mortgage for a specified period (the "Buydown Period"), reducing the effective interest rate paid by the borrower during the Buydown Period to a rate below the Mortgage Coupon. See "Certain Federal Income Tax Consequences – Buydown Accounts" and "Mortgage Purchase and Servicing Standards – Special Financing Arrangements" in the Offering Circular. Certain Buydown Mortgages ("Extended Buydown Mortgages") have an effective interest rate during the Buydown Period more than two percentage points below the Mortgage Coupon or a Buydown Period of more than two years. See "Description of Mortgage Participation Certificates – PC Pools" and "– Weighted Average Life and Payment Behavior" in this Supplement.

PC Pools

The following additional information is added to the chart in the Offering Circular which summarizes, by Prefix, PC type and Mortgage type, certain characteristics of the PCs.

| <u>Prefix</u> | <u>Converted Gold PC Prefix</u> | <u>Type of PC</u> | <u>Program</u> | <u>Maximum Mortgage Term (Years)</u> | <u>Type of Mortgage</u> | <u>Minimum Original Unpaid Principal Balance of PC Pool</u> |
|---------------|---|-----------------------|----------------|--|---------------------------------------|---|
| F0 | — | Gold | Guarantor | 30 | Conventional (Extended Buydown) | \$1,000,000 |
| F1 | — | Gold | Guarantor | 15 | Conventional (Extended Buydown) | \$1,000,000 |

Offering Circular Supplement dated August 15, 1991

Commencing July 8, 1991, Freddie Mac provides monthly updated WAC, WARM and Quartile information on or about the fifth business day of each month for Gold PCs (including Gold PCs representing interests in Balloon/Reset Mortgages, in which case the WARM reflects the weighted average remaining Original Term of such Mortgages) and Original PCs (other than Tiered Payment PCs) issued under the Cash Program and the Guarantor Program. In certain cases, updated WAC and WARM information may not be available for some PCs. In such cases, Freddie Mac calculates the Monthly Principal Reduction for Gold PCs based, in part, on estimates of the WAC and WARM of the related Mortgages, in the same manner as it does for Converted Gold PCs issued in exchange for Restricted Eligible PCs. See "Description of Mortgage Participation Certificates – Pool Factors – Gold PCs" in the Offering Circular.

Commencing August 8, 1991, Freddie Mac provides the following additional information on or about the fifth business day of each month for Gold PCs and Original PCs (other than Tiered Payment PCs) issued under the Cash Program and the Guarantor Program: original and updated average original loan size ("AOLS"); original and updated weighted average loan age ("WALA"); original and updated weighted average original loan term ("WAOLT"); and updated longest maturity date ("ULMD"). For each PC Pool, the AOLS reflects the simple average of origination amounts of the related Mortgages; the WALA reflects the weighted average number of months since the date of origination of the related Mortgages; the WAOLT reflects the weighted average of the number of monthly principal and interest payments to be made over the life of the related Mortgages; and the ULMD reflects the longest maturity of the related Mortgages (which does not affect the Final Payment Date of the PC Pool). Freddie Mac also provides on a monthly basis Quartiles for each WAC, WARM, AOLS, WALA and WAOLT provided.

Original information is made available approximately one month after the month of PC Pool formation based on information available as of PC Pool formation. Updated information is made available in each succeeding month based on information reported to Freddie Mac by servicers as of the close of the monthly reporting period ending in the month prior to publication. See "Description of Mortgage Participation Certificates – Pool Factors" in the Offering Circular. Monthly updated information will reflect corrections, if any, to previously reported information. Weighted average calculations assume that scheduled payments and partial prepayments of principal have been applied proportionately to all Mortgages in an accounting group. Accordingly, the WAC, WARM, WALA and WAOLT published by Freddie Mac may differ from the actual WAC, WARM, WALA and WAOLT of the Mortgages in each PC Pool.

In addition to the above information, commencing August 8, 1991, Freddie Mac provides on a monthly basis original and updated information for Gold PCs and Original PCs (other than Tiered Payment PCs) issued under the Cash Program and the Guarantor Program indicating whether the related PC Pool contains any Mortgages originated on or before July 18, 1984 or September 27, 1985, to the extent such information is available to Freddie Mac. See "Certain Federal Income Tax Consequences – Discount and Premium" and "– Backup Withholding and Foreign Withholding" in the Offering Circular.

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

The minimum Mortgage Coupon on any Mortgage in a Cash PC Pool represented by Gold PCs will be 50 basis points above the related PC Coupon, and the maximum Mortgage Coupon on any Mortgage in such Cash PC Pool will be up to 100 basis points above the related PC Coupon. For example, with respect to Gold PCs with a 9% PC Coupon, the Mortgages in the related Cash PC Pool will have Mortgage Coupons which are at least 9.5% and up to and including 10%.

For PCs issued on and after December 1, 1991, 15-year or 30-year Cash PC Pools may contain Extended Buydown Mortgages with an unpaid principal balance of up to ten percent (10%), or Relocation Mortgages with an unpaid principal balance of up to ten percent (10%), or a combination of Extended Buydown Mortgages and Relocation Mortgages with an aggregate unpaid principal balance of up to fifteen percent (15%), of the Original Unpaid Principal Balance of the PC

Pool, without separate designation by Prefix or PC Pool Number for PC Pools containing Mortgages of that type. PC Pools formed under the Cash Program will not contain Biweekly Mortgages.

PC Pools formed under the Guarantor Program

For PCs issued on and after December 1, 1991, 15-year or 30-year Guarantor PC Pools may contain Cooperative Share Mortgages with an unpaid principal balance of up to ten percent (10%), Extended Buydown Mortgages with an unpaid principal balance of up to ten percent (10%), or Relocation Mortgages with an unpaid principal balance of up to ten percent (10%), or a combination of Cooperative Share Mortgages, Extended Buydown Mortgages and/or Relocation Mortgages with an aggregate unpaid principal balance of up to fifteen percent (15%), of the Original Unpaid Principal Balance of the PC Pool, without separate designation by Prefix or PC Pool Number for PC Pools containing Mortgages of that type. However, if such PC Pools contain Cooperative Share Mortgages, the percentage of Cooperative Share Mortgages will be specified in the related Pool Supplement or in a separate Supplement.

For PCs issued on and after December 1, 1991 (except as otherwise noted below), any 15-year or 30-year Guarantor PC Pool that contains Cooperative Share Mortgages with an unpaid principal balance of more than ten percent (10%), Extended Buydown Mortgages with an unpaid principal balance of more than ten percent (10%), or Relocation Mortgages with an unpaid principal balance of more than ten percent (10%), or a combination of Cooperative Share Mortgages, Extended Buydown Mortgages and/or Relocation Mortgages with an aggregate unpaid principal balance of more than fifteen percent (15%), of the Original Unpaid Principal Balance of the PC Pool will be designated by an appropriate Prefix or PC Pool Number specified above or in the Offering Circular for PC Pools containing Mortgages of that type. The percentage of Cooperative Share Mortgages, Extended Buydown Mortgages or Relocation Mortgages in such Guarantor PC Pools, if less than 100%, will be specified in the related Pool Supplement or in a separate Supplement. Any such PC Pool containing more than one type of such Mortgages will be designated by a Prefix or PC Pool Number reflecting the type of Mortgage that, as of delivery of the Mortgages to Freddie Mac, is expected to represent the largest percentage of the Original Unpaid Principal Balance of the PC Pool, and the percentage of the Original Unpaid Principal Balance of the PC Pool for each type of such Mortgages, if less than 100%, will be specified in the related Pool Supplement or in a separate Supplement.

Under the Guarantor Program, Freddie Mac may, pursuant to outstanding contractual commitments, issue Gold PCs and/or Original PCs on and after December 1, 1991 representing interests in Extended Buydown Mortgages with an unpaid principal balance of more than ten percent (10%) of the Original Unpaid Principal Balance of the PC Pool without separate designation by Prefix or PC Pool Number for PC Pools containing Mortgages of that type. The number of such PC Pools, if any, is expected to be limited. In addition, Converted Gold PCs issued on and after December 1, 1991 will be designated by an appropriate Prefix or PC Pool Number for PC Pools containing Cooperative Share Mortgages, Extended Buydown Mortgages and/or Relocation Mortgages only if one or more of the Original PCs exchanged for such Converted Gold PCs has been identified (whether by PC Pool Number, legend or otherwise) as representing interests in Mortgages of that type.

Any 15-year or 30-year Guarantor PC Pool that contains Biweekly Mortgages will be designated by the Prefix specified in the Offering Circular for PC Pools containing Mortgages of that type. The percentage of the Original Unpaid Principal Balance of the PC Pool represented by Biweekly Mortgages, if less than 100%, will be specified in the related PC Pool Supplement or in a separate Supplement. In addition, the percentage of Cooperative Share Mortgages, Extended Buydown Mortgages or Relocation Mortgages, if any, in such PC Pool will be specified in the related Pool Supplement or in a separate Supplement.

Weighted Average Life and Payment Behavior

Buydown Mortgages

Whether and the extent to which Buydown Mortgages may exhibit payment behavior materially different from Mortgages without buydown features depends primarily upon factors such as the ability of borrowers to adjust to both the rate of periodic payment increase and the total increase in monthly payments on the Mortgage. Such factors may be more pronounced in the case of Extended Buydown Mortgages because of the greater total increase in monthly payments that may occur during the Buydown Period as compared to other Buydown Mortgages. See “Description of Mortgage Participation Certificates—Weighted Average Life and Payment Behavior” and “Mortgage Purchase and Servicing Standards—Special Financing Arrangements” in the Offering Circular.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

Balloon/Reset Mortgages

Cadwalader, Wickersham & Taft, special counsel to Freddie Mac, has advised Freddie Mac that in the firm’s opinion the sale of PCs that provide for mandatory repurchase of the underlying Balloon/Reset Mortgages at the Option Date will be treated for federal income tax purposes as a sale to Holders of undivided beneficial interests in such Mortgages.

Discount and Premium

On August 8, 1991, the Internal Revenue Service issued guidance taking the position that, when mortgages are sold and the contract entitles the seller-servicer to receive amounts that exceed reasonable compensation for the mortgage servicing to be performed, the mortgages are treated as stripped bonds within the meaning of Section 1286 of the Code. If this is the case, a Beneficial Owner of a PC would not be treated as having a pro rata undivided interest in the interest payments on the related Mortgages, but rather an ownership interest in such payments to the extent of the PC Coupon plus reasonable servicing fees. Under the rules of Section 1286, the Beneficial Owner would be treated as if the payments to be received in respect of the ownership interest in the Mortgages were purchased at an original issue discount equal to the difference between the price at which such Beneficial Owner is considered to have purchased such payments and the aggregate amount of such payments. The Beneficial Owner would include in income such original issue discount in accordance with the normal Code provisions governing original issue discount. This would have the effect of requiring both interest and discount on the Mortgages to be reported as ordinary income as such income accrues under a constant interest method pursuant to Sections 1271-1273 and 1275 of the Code.

The Internal Revenue Service has also issued guidance providing that a purchaser of a particular mortgage that is a stripped bond must treat such bond as a market discount bond if the amount of original issue discount with respect to such stripped bond is considered to be zero after application of the *de minimis* rule of Section 1273(a)(3) of the Code or if the annual stated rate of interest payable on the stripped bond is no more than 100 basis points lower than the annual stated rate of interest payable on the mortgage. These conditions apparently are based on the premise that the interest payments which remain associated with the stripped bond are treated, for purposes of the original issue and market discount provisions of the Code, as stated interest payable with respect to the stripped bond. If such conditions are met, a Beneficial Owner would be required to account for any market discount in accordance with the rules for market discount described under “Certain Federal Income Tax Consequences—Discount and Premium” in the Offering Circular. As noted under “Description of Mortgage Participation Certificates—PC Pools—PC Pools formed under the Cash Program and the Multilender Swap Program” in this Supplement, the maximum Mortgage Coupon on any Mortgage in a Cash PC Pool represented by Gold PCs will be no more than 100 basis points above the related PC Coupon. The Internal Revenue Service guidance

indicates that the tax treatment of a stripped bond as a market discount bond is a method of accounting and is requested by filing a statement with the return for the tax year ending on or after August 8, 1991.

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

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