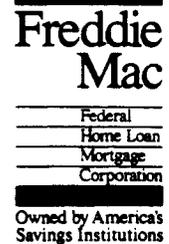


Supplement dated August 7, 1985 to
Offering Circular dated January 2, 1985

Federal Home Loan Mortgage Corporation



Mortgage Participation Certificates
(Guaranteed as to Timely Payment of Principal)

Under its Guarantor Program, Freddie Mac offers PCs which include a guarantee of timely payment of Scheduled Principal (as defined below). Such PCs are referred to in this Supplement as "Scheduled Principal PCs." Pool numbers for Scheduled Principal PCs begin with the Prefix "26". Scheduled Principal PCs are offered pursuant to Freddie Mac's Offering Circular for Mortgage Participation Certificates dated January 2, 1985 (the "Offering Circular") as amended by this Supplement.

This Supplement describes the terms of Freddie Mac's guarantee of timely payment of Scheduled Principal and the manner in which Scheduled Principal guarantee payments will be made to the entity whose name appears in the books and records of the Federal Reserve Bank of New York as the entity for whose account the Scheduled Principal PC has been deposited (the "Depositor"). Scheduled Principal PCs are sold under the terms of the Mortgage Participation Certificate Agreement, Series 700A (June 1985) (the "Scheduled Principal PC Agreement") included in this Supplement as Exhibit A, which qualifies this Supplement in its entirety. Depositors and all others having a beneficial interest in such PCs should refer to the Scheduled Principal PC Agreement for a complete description of the rights and obligations of such parties and Freddie Mac with respect to Scheduled Principal PCs.

Guarantee of Timely Payment of Scheduled Principal

In addition to Freddie Mac's guarantees of timely payment of interest and ultimate collection of principal, Freddie Mac also guarantees with respect to Scheduled Principal PCs the timely payment by each mortgagor of the monthly principal scheduled to be paid under the amortization schedule applicable to each Mortgage ("Scheduled Principal") and represented by the Scheduled Principal PCs. Servicers of the Mortgages comprising Scheduled Principal PCs are required to pay Scheduled Principal to Freddie Mac whether or not received from the mortgagors. Freddie Mac, in turn, guarantees to pay Scheduled Principal to Depositors whether or not received from servicers. Freddie Mac's monthly payments of Scheduled Principal are computed based upon the servicer's monthly report to Freddie Mac of the amount of Scheduled Principal due to be paid on the Mortgages.

Payments of principal and interest, Pool Factor calculations and the method of adjusting Pool Factors resulting from incorrect reporting with respect to Scheduled Principal PCs will be made by Freddie Mac in the same manner as such payments, calculations and adjustments are made for PCs without a Scheduled Principal guarantee. See "Pool Factors" and "Interest and Principal Payments" in the Offering Circular. Payments of Scheduled Principal will be deemed to have been received by the servicer on the date Scheduled Principal was due to be paid by the mortgagor. Payments made on account of Freddie Mac's guarantee of timely payment of Scheduled Principal constitute payments of principal for purposes of calculating (i) the Pool Factor, (ii) the Scheduled Principal PC holder's pro rata share of the unpaid principal balance outstanding on the Mortgages and (iii) interest payments at the PC Coupon.

Final Payment Date on the Mortgages

The Final Payment Date is the date which corresponds to the first day of the month and year in which the last monthly payment on the latest maturing Mortgage in a given PC Pool is scheduled to be paid. See "Final Payment Date" in the Mortgage Participation Certificate Agreement attached hereto as Exhibit A.

Holders of Scheduled Payment PCs may receive payments of principal and interest on the Mortgages after the Final Payment Date because scheduled monthly payments of principal and interest on the Mortgages are passed through to Scheduled Principal PC holders up to 75 days after the payment is made by the mortgagor. Any payment plans, periods of forbearance or other actions with respect to the Mortgages which would otherwise delay the receipt of principal payments by Freddie Mac will not cause any delay in the Depositor's receipt of Scheduled Principal payments due to Freddie Mac's guarantee of timely payment of Scheduled Principal. Accordingly, the final payment with respect to a Scheduled Principal PC will be received by the Depositor no later than 75 days after the Final Payment Date.

Tax Status

The discussion contained in the "Tax Status" section of the Offering Circular applies solely to PCs as to which neither Freddie Mac nor the seller or servicer of the underlying Mortgages has guaranteed the timely payment of Scheduled Principal with respect to the Mortgages. In the case of Scheduled Principal PCs, the seller or servicer guarantees to Freddie Mac and Freddie Mac guarantees to the Depositor the timely payment of Scheduled Principal.

In the opinion of Cadwalader, Wickersham & Taft, tax counsel to Freddie Mac, the treatment of PCs for federal income tax purposes as described in the "Tax Status" section of the Offering Circular should not be altered by virtue of Freddie Mac's or the seller's or servicer's guarantee of the timely payment of Scheduled Principal. A request for Internal Revenue Service rulings confirming the foregoing conclusions is presently pending, and there can be no assurance that such rulings will be obtained or that the Service will rule as requested by Freddie Mac.

EXHIBIT A

FEDERAL HOME LOAN MORTGAGE CORPORATION
Mortgage Participation Certificate Agreement
(Guaranteed as to Timely Payment of Principal)
Series 700A

AGREEMENT among the Federal Home Loan Mortgage Corporation ("Freddie Mac") and Depositors of undivided interests in certain mortgages (and/or interests therein) which are owned by and identified in the records maintained by Freddie Mac and which are represented by Mortgage Participation Certificates ("PCs").

Whereas:

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

(b) Pursuant to Section 305 of the Act, Freddie Mac owns certain conventional residential mortgages (as defined in Section 302 of the Act), including Whole Loans and/or Participations, all of which are identified in the records maintained by Freddie Mac; and

(c) Pursuant to Section 305 of the Act, Freddie Mac intends to create and sell undivided interests in certain Whole Loans and/or Participations acquired as set forth above, and to guarantee timely payment of interest and Scheduled Principal and to guarantee ultimate collection of principal, as described herein, for the benefit of the Depositors; and

(d) Freddie Mac intends to transfer said undivided interests to Depositors by sale of the PCs.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereby agree that the following terms and conditions of this Agreement shall govern the creation by Freddie Mac of undivided interests in specified Whole Loans and/or Participations and the transfer, sale and assignment of such interests as are represented by the PCs:

ARTICLE I

DEFINITIONS

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

Aggregate Scheduled Principal: The aggregate amount of principal scheduled to be paid by the mortgagors under the amortization schedules applicable to each of the Mortgages in an accounting group, as reported by servicers for each Freddie Mac monthly accounting period.

Aggregate Unpaid Principal Balance: The aggregate amount of principal not yet paid to Depositors with respect to the Mortgages after giving effect to any payments of principal made by Freddie Mac pursuant to Section 4.09.

Book-Entry Form: A security which (i) is issued by means of an entry on the books and records of the Federal Reserve Bank of New York, which includes the name of the Depositor, the principal balance owned by such Depositor, the designation and the Final Payment Date of the security, and (ii) is evidenced only by such entry and is not evidenced by a definitive security.

Book-Entry Rules: The provisions from time to time in effect, presently contained in Title I, Part 462 of the Code of Federal Regulations, setting forth the terms and conditions under which Freddie Mac may issue securities in Book-Entry Form and authorizing the Federal Reserve Banks to act as Freddie Mac's agents in connection with securities issued by means of entries on the books and records of such Federal Reserve Banks.

Business Day: A day other than (i) a Saturday or Sunday, (ii) a day on which the Federal Reserve Bank of New York (or other agent maintained for the purpose of making payments on the PCs) is authorized or obligated by law or executive order to remain closed, (iii) a day in which offices of the federal government located in the District of Columbia are generally closed for business, or (iv) a day in which the offices of Freddie Mac are closed for business.

CUSIP Number: A unique 9 digit number assigned to each PC pool by the CUSIP bureau and used to identify the PC pool on the records of the Federal Reserve Bank of New York.

Depositor: The entity whose name appears in the books and records of the Federal Reserve Bank of New York as the entity for whose account a PC has been deposited. Such entity will be a federal depository institution which is a member of the Second Federal Reserve District.

Final Payment Date: The date which corresponds to the first day of the month and year in which the last monthly payment on the latest maturing Mortgage in a given PC Pool is scheduled to be paid.

Mortgages: The Whole Loans and/or Participations identified in the records maintained by Freddie Mac as comprising a PC Pool, which Mortgages have been purchased by Freddie Mac and consist of or represent interests in promissory notes with original maturities of not more than 30 years, which notes are secured by residential real property comprising one-to-four family dwelling units. A "Mortgage" shall mean any mortgage included, in whole or in part, in the Mortgages.

Original Unpaid Principal Balance: The aggregate unpaid balance of the Mortgages as of the date the Mortgages are delivered to Freddie Mac, which shall be equal to the aggregate original unpaid principal balance of the PCs representing interests in such Mortgages.

Participation: A percentage undivided interest in a conventional residential mortgage purchased by Freddie Mac.

PC: A Mortgage Participation Certificate sold pursuant to this Agreement, representing undivided interests in the Mortgages identified by a particular PC Pool number.

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

PC Pool: A discrete pool of Whole Loans and/or Participations identified in records maintained by Freddie Mac and bearing a unique pool number beginning with the two-digit prefix "26".

Pool Factor: A seven digit decimal calculated by Freddie Mac with respect to a calendar month which, when multiplied by the Original Unpaid Principal Balance of the PC, represents the amount determined by Freddie Mac to be the Depositor's pro rata share of the aggregate unpaid principal balance of the Mortgages with respect to that calendar month.

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

Whole Loan: A conventional residential mortgage purchased in its entirety by Freddie Mac.

ARTICLE II

CONVEYANCE OF UNDIVIDED INTERESTS IN MORTGAGES

Section 2.01. Sale of PCs. Sale of a PC by Freddie Mac pursuant to this Agreement shall be deemed to occur upon the date of settlement and payment for such PC and shall constitute a sale, assignment, transfer, and conveyance by Freddie Mac to the Depositor of the Depositor's pro rata undivided interest in the Mortgages determined in accordance with Section 4.02. Freddie Mac shall be bound by all of the terms and conditions of this Agreement at such time as a PC is sold to such Depositor. Upon settlement of and payment for a PC, a Depositor shall, by virtue thereof, acknowledge, accept and agree to be bound by all of the terms and conditions of this Agreement. Payment for a PC shall be deemed to occur upon the settlement date as of which PCs are sold to the initial Depositor thereof.

Section 2.02. Identity of the Mortgages; Substitution and Repurchase. Except as provided in Section 2.03, once the identity of

the Mortgages in a PC Pool has been determined, such identity shall not thereafter be changed; provided, however, (i) that Freddie Mac may, in connection with its performance of servicing responsibilities pursuant to Section 3.02, repurchase any Mortgage at its then unpaid principal balance, (ii) that a seller to Freddie Mac of a Mortgage may repurchase such Mortgage at its then unpaid principal balance, less any uncollected payments of Scheduled Principal which were paid by the seller, pursuant to seller's obligation to Freddie Mac to do so in the event such Mortgage is in default, (iii) that Freddie Mac may, in the exercise of its judgment in performing its servicing responsibilities pursuant to Section 3.02, agree to a repurchase by the seller of any Mortgage at its then unpaid principal balance, less any uncollected payments of Scheduled Principal which were paid by the seller, and (iv) in the case of a material breach of warranty by a seller of any such Mortgage, or a material defect in documentation, Freddie Mac may require such a repurchase or may, within six months of the settlement for the PCs representing an undivided interests in such Mortgage, permit a substitution for such Mortgage of another Mortgage of comparable type, unpaid principal balance, remaining term and yield.

Section 2.03. Post-Settlement Purchase Adjustments. Freddie Mac shall make such post-settlement purchase adjustments with respect to the unpaid principal balance of any Mortgage as may be necessary to reflect the actual unpaid principal balance of such Mortgage as of the date of its purchase by Freddie Mac. Freddie Mac shall make such post-settlement purchase adjustments as may be necessary to reflect the difference between the Original Unpaid Principal Balance of the PCs and the actual unpaid principal balance of the related Mortgages as of the last day of the month of initial sale of each PC. The foregoing adjustments shall not affect the Depositor's entitlement to interest at the PC Coupon and to receipt of the Depositor's pro rata share of principal payments made with respect to the Mortgages.

Section 2.04. Custody of Mortgage Documents. In the case of Whole Loans, the mortgage notes are endorsed to and held by Freddie Mac. Where local law or practice requires, assignments of the Mortgages are recorded in Freddie Mac's name. In the case of Participations, Freddie Mac holds the participation certificates which evidence Freddie Mac's ownership interest, but the seller or originator holds the mortgage notes and mortgages.

Section 2.05. PCs Acquired by Freddie Mac. PCs held or acquired by Freddie Mac from time to time shall have an equal and proportionate benefit to PCs owned by Depositors, without preference, priority or distinction. No Depositor shall have any priority over any other Depositor.

ARTICLE III

ADMINISTRATION AND SERVICING OF THE MORTGAGES

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

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

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

Section 3.04. Automatic Acceleration and Assumptions. If the security instrument of a Mortgage contains a due-on-sale clause, Freddie Mac requires a servicer to enforce such provision to the extent permitted by law and to require the full payment of the principal balance of a Mortgage upon the sale or the transfer of the property securing the Mortgage. For purposes of this Section 3.04, a security instrument shall be considered to contain a due-on-sale clause if the terms of the security instrument taken as a whole accord the mortgagee the right to demand full payment of the unpaid principal balance of the promissory note upon sale or transfer of the property, or an interest therein, securing the note irrespective of the creditworthiness of the transferee. In jurisdictions where the enforcement of such provisions is prohibited or where the security

instrument contains no due-on-sale clause, Freddie Mac will allow assumption by a new mortgagor of a Mortgage only if the assuming borrower is found by the servicer or by Freddie Mac to meet Freddie Mac's credit requirements. Any fees charged by servicers in connection with the assumption of a Mortgage are retained by servicers and are not remitted to Freddie Mac or Depositors. While Freddie Mac requires, in connection with any assumption of a Mortgage, that no change be made in the rate of interest or the terms of payment applicable to the Mortgage, Freddie Mac reserves the right to amend its policy as it shall deem necessary or advisable.

Section 3.05. Mortgage Insurance. To the extent that a Mortgage may be insured by a mortgage insurer, such insurer shall have no obligation to recognize or deal with any person with respect to such Mortgage, other than Freddie Mac, with regard to the rights, benefits and obligations of the mortgagee under the respective contract of insurance relating to each such Mortgage insured by such insurer. If a mortgage insurer exercises an option under any contract of insurance to purchase any Mortgage, the proceeds of such purchase shall be considered to be repurchase proceeds for purposes of Article IV.

ARTICLE IV

PAYMENTS TO DEPOSITORS AND GUARANTEES

Section 4.01. Monthly Reporting Period. For purposes of this Agreement, the payments of principal, interest or any other sums, including insurance proceeds, liquidation proceeds and repurchase proceeds with respect to the Mortgages and the occurrence of any event with respect to any Mortgage, including foreclosure sale, payment by any insurer and expiration of any redemption period, reported to Freddie Mac by servicers for a monthly reporting period employed by Freddie Mac for the purpose of accounting for such payments and of reporting such occurrences, shall be deemed to be received or to occur within the calendar month within which such monthly reporting period ends, and the last day of such monthly reporting period shall be deemed to correspond to the last day of such calendar month. For purposes of Section 4.04, scheduled payment dates on all Mortgages shall be deemed to be the first day of the calendar month within which such a monthly reporting period ends, and all Scheduled Principal payments and full and partial payments of principal, including amounts treated as full prepayments under Section 4.03, with respect to the Mortgages made within such a monthly reporting period shall be deemed to be made on the first day of the calendar month within which such monthly reporting period ends.

Section 4.02. Depositor's Undivided Interest. An entity recognized as a Depositor of a PC on the last day of a month pursuant to Section 5.03 shall be the owner of a pro rata share of the Aggregate Unpaid Principal Balance outstanding on the Mortgages as of such date and shall be entitled to interest at the PC Coupon on such pro rata undivided interest from the first day of that month. Such pro rata undivided interest in the Mortgages will change if any Mortgage is added to or removed from the PC Pool in accordance with Section 2.02. For purposes of determining a Depositor's pro rata undivided interest in the Mortgages evidenced by a PC, the Original

Unpaid Principal Balance of the PC shall be divided by the Original Unpaid Principal Balance of the Mortgages.

Section 4.03. Pass-Through of Principal. Freddie Mac shall pass through to each Depositor such Depositor's pro rata share of Scheduled Principal and all other principal payments made in respect of the Mortgages, such Depositor's pro rata share of any net income, net profits or proceeds of the Mortgages and such Depositor's pro rata share of the net proceeds realized from any property of whatever character received or acquired in substitution or realization thereof, whether through insurance, condemnation, foreclosure, or otherwise; provided, however, that Freddie Mac's obligations herein shall be subject to Freddie Mac's rights pursuant to Section 4.10 with respect to payments made pursuant to Freddie Mac's guarantees, and provided further that Freddie Mac may retain from full or partial prepayments or payments of delinquent principal any amounts, not received by Freddie Mac, which it paid to Depositors pursuant to its guarantee of timely payment of Scheduled Principal. Insurance proceeds, the proceeds of any liquidation of a Mortgage, including proceeds resulting from acquisition by Freddie Mac of the real property securing the Mortgage, and the proceeds of any repurchase of a Mortgage as described in Section 2.02 shall be treated in the same manner as a full prepayment of principal and shall be passed through to Depositors in accordance with this Article IV.

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

Section 4.05. Payments. Payments of principal, interest or any other sum due to Depositors will be made to Depositors by the Federal Reserve Bank of New York which will maintain the book-entry accounts relating to PCs. Such payments will be made by crediting Depositors' accounts at the Federal Reserve Bank of New York. A Depositor shall receive the first payment of principal and interest with respect to the Mortgages on or about the fifteenth day of the second month following the month in which the Depositor becomes recognized as such pursuant to Section 5.03. Thereafter, a Depositor shall receive on or about the fifteenth day of each month a payment with respect to the Mortgages. Subject to the provisions of this Article IV, Freddie Mac shall pay to each Depositor such Depositor's pro rata share of Scheduled Principal and all other principal payments received by Freddie Mac, interest to the extent of the PC Coupon and any other sums due to Depositors under this Agreement within 60 days of the date on which such payments are received by Freddie Mac from servicers of the Mortgages. Freddie Mac requires that a servicer pay to Freddie Mac all funds received for Mortgages paid in full within five business

days of the date of payment in full. All other principal payments must be paid to Freddie Mac not later than the first week of the second month following the month of the mortgagor's payment. Freddie Mac reserves the right to change the period during which a servicer may hold funds prior to payment to Freddie Mac; provided, however, that any such change shall not delay the time of payments to Depositors as otherwise provided in this Section 4.05. Pending payment to Depositors of funds received by Freddie Mac from servicers, Freddie Mac shall be entitled to invest and reinvest such funds for Freddie Mac's sole risk and benefit. Freddie Mac's guarantees as set forth in Section 4.09 shall continue to be effective or shall be reinstated in the event that any payment of principal or interest with respect to the Mortgages paid under this Agreement to a Depositor is, for any reason, returned by the Depositor pursuant to an order, decree or judgment of any court of competent jurisdiction that the Depositor was not entitled to retain such payment pursuant to this Agreement.

Section 4.06. Pool Factors. On or about the first business day of each month, Freddie Mac may publish or cause to be published a Pool Factor with respect to each PC Pool. Interest at the PC Coupon may be paid by Freddie Mac on the Depositor's pro rata share of the Aggregate Unpaid Principal Balance of the Mortgages as determined by the Pool Factor for the second month prior to the month in which payment to Depositors is made. Principal payments may be paid to Depositors by Freddie Mac in an amount equal to the difference between the Depositor's pro rata share of the Aggregate Unpaid Principal Balance of the Mortgages as determined by the Pool Factor for the second month prior to the month in which payment is made to Depositors and such pro rata share as determined by the Pool Factor for the month prior to the month in which payment is made to Depositors. The Pool Factor applicable to each PC Pool may be based upon reports of Scheduled Principal with respect to the Mortgages as reported to Freddie Mac by servicers or upon an estimation of Scheduled Principal with respect to the Mortgages under such procedure as may be adopted by Freddie Mac. To the extent a given Pool Factor (adjusted as necessary for payments made pursuant to Freddie Mac's guarantee of timely payment of Scheduled Principal with respect to the Mortgages) does not reflect the monthly principal payments actually made in respect of the Mortgages, Freddie Mac shall correct any difference as soon as practicable by adjustment of subsequent Pool Factors. Subject to this Article IV, the Pool Factor method of determining principal payments shall not affect Freddie Mac's guarantees of timely payment and ultimate collection of principal as set forth in Section 4.09.

Section 4.07. Amounts Retained by Servicers. Pursuant to their contractual arrangements with Freddie Mac, servicers shall be entitled to retain an amount equal to the excess, if any, of interest at the interest rate on each Mortgage serviced by them and interest at the contractual net yield which they are obligated to pay monthly to Freddie Mac. Each servicer shall be required to pay all expenses incurred by it in connection with its servicing activities and shall not be entitled to reimbursement therefor, except (i) servicers may retain from full or partial prepayments or payments of delinquent principal and/or collections of delinquent interest any payments of principal or interest, respectively, which servicers made to Freddie

Mac but did not receive from the mortgagor with respect to such Mortgages, and (ii) as provided in Section 4.08. Each servicer shall be entitled to retain any incidental fees with respect to the Mortgages.

Section 4.08. Amounts Retained by Freddie Mac. Freddie Mac shall retain as a management and guarantee fee an amount equal to the excess, if any, of interest payments received by Freddie Mac from servicers at the contractual net yield on each Mortgage over the amount of such interest remitted to Depositors at the PC Coupon; provided, however, that the amounts retained by Freddie Mac hereunder shall be automatically adjusted to the extent a Pool Factor does not reflect the monthly principal payments actually made in respect of the Mortgages. Any such adjustment shall be equal to the difference between (i) interest at the PC Coupon computed on the unpaid principal balance of the Mortgages for such month based on monthly principal payments actually received by or reported to Freddie Mac and (ii) interest at the PC Coupon computed on such principal balance derived from the Pool Factor based on Freddie Mac's determination of monthly principal payments. Freddie Mac shall pay all expenses incurred by it in connection with administration of the PC Pool and the Mortgages; provided, however, that any amounts expended by Freddie Mac or on Freddie Mac's behalf by servicers for the protection, preservation or maintenance of the Mortgages, or property received in liquidation or realization thereof, shall be deemed expenses to be borne pro rata by Freddie Mac and the Depositors in accordance with their interests in each Mortgage. Such expenses borne pro rata by Depositors may be paid by Freddie Mac from payments otherwise due to Depositors. In no event shall Freddie Mac's guarantees of timely payment of Scheduled Principal and interest at the PC Coupon or Freddie Mac's guarantee of collection of principal as set forth in Section 4.09 be affected by fees deducted by Freddie Mac or servicers or by amounts expended by Freddie Mac or servicers for the protection, preservation or maintenance of the Mortgages.

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

(a) Timely payment of interest by each mortgagor at the applicable PC Coupon on the Depositor's pro rata share of the Aggregate Unpaid Principal Balance of the Mortgages as determined pursuant to this Agreement; and

(b) Timely payment of Scheduled Principal due from each mortgagor on each Mortgage. Freddie Mac's guarantee of timely payment of Scheduled Principal shall be computed based upon information with respect to Scheduled Principal and Aggregate Scheduled Principal furnished to Freddie Mac by servicers for each Freddie Mac monthly accounting period. Scheduled Principal with respect to each Mortgage will, for purposes of Freddie Mac's guarantee of timely payment of Scheduled Principal, be deemed to have been received by the servicer of the Mortgage on the date Scheduled Principal was due to be paid by the mortgagor and will be paid to Depositors pursuant to Section 4.05 on the basis of this assumption. Any payment made by Freddie Mac to Depositors on account of Freddie Mac's guarantee of timely payment of

Scheduled Principal shall be considered to be a payment of principal for purposes of calculation of the Pool Factor with respect to the PC Pool and to be a payment of principal for purposes of calculating the Depositor's pro rata share of unpaid principal pursuant to subsection (c) of this Section 4.09; and

(c) Ultimate collection of principal, without offset or deduction of any fees due Freddie Mac or servicers hereunder. For purposes of this guarantee, principal shall include the Depositor's pro rata share of the unpaid principal plus the Depositor's pro rata share of amounts expended by any servicer of the Mortgages or by Freddie Mac under Section 4.08. Freddie Mac shall pay the amount due on account of its guarantee of ultimate collection of principal at any time after default on a Mortgage, but not later than: (i) thirty days following foreclosure sale, (ii) thirty days following payment of a claim by any mortgage insurer, if applicable, or (iii) thirty days following the expiration of any redemption period, whichever occurs later, but in any event no later than one year after demand upon the mortgagor for accelerated payment of principal.

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

Section 4.11. Termination Upon Final Payment. Except as provided in Section 4.05, Freddie Mac's obligations and responsibilities to a Depositor created by this Agreement shall terminate upon: (i) the payment to the Depositor of all principal and interest due the Depositor pursuant to the Pool Factor procedure or by reason of Freddie Mac's guarantees of timely payment of Scheduled Principal and interest and guarantee of ultimate collection of principal, or (ii) the payment to the Depositor of all amounts held by Freddie Mac and required to be paid hereunder or required to be paid under Freddie Mac's guarantees of timely payment of Scheduled Principal and interest and guarantee of ultimate collection of principal.

Section 4.12. Modification of Final Payment Date. The Final Payment date of a PC may be accelerated by virtue of prepayments of principal or extended by virtue of the procedure for payment of principal and interest as described in Section 4.05.

ARTICLE V

THE PCs

Section 5.01. Amounts; Form. PCs shall be sold in Book-Entry Form only in minimum original principal amounts of \$25,000 and in additional increments of \$1.00 and shall at all times remain on deposit with the Federal Reserve Bank of New York in accordance with the provisions of the Book-Entry Rules.

Section 5.02. Transfer of PCs. PCs may be transferred only in minimum original principal amounts of \$25,000 or more. PCs may not be transferred if, as a result of such transfer, the Depositor would have on deposit in its account PCs having an original unpaid principal balance of less than \$25,000. The transfer, exchange or pledge of PCs shall be governed by the Book-Entry Rules and such procedures, insofar as applicable, as may from time to time be established by regulations of the Treasury Department governing obligations of the United States as now set forth in Treasury Department Circular No. 300, and such other procedures as shall be agreed upon from time to time by Freddie Mac and the Federal Reserve Bank of New York.

Section 5.03. Book-entry Recordkeeping. The Federal Reserve Bank of New York shall maintain a book-entry recordkeeping system for all transactions in PCs. The purchase of a PC from Freddie Mac is effective as of the opening of business on the first day of the month of settlement for that purchase. A transfer of a PC on or before the last business day of each month is effective as of the opening of business on the first day of that month. A charge will be made for any tax or other governmental charge imposed in connection with a transfer of a PC.

ARTICLE VI

REMEDIES

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

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

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

(c) Failure, on the part of Freddie Mac to observe or perform any other of the covenants of this Agreement, continued for a period of sixty days after the date on which written notice of such failure, requiring Freddie Mac to remedy the same, shall have been given to Freddie Mac by the Depositors holding not less than 25 percent of the aggregate unpaid principal balance of the PCs in any affected PC Pool; or

(d) A court having jurisdiction in the premises shall enter a decree or order for relief in respect of Freddie Mac in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of Freddie Mac or for all or substantially all of its

property, or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of sixty consecutive days; or

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

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

Section 6.03. Limitation on Suits by Depositors. Except as provided in Section 6.02, no Depositor shall have any right to institute any action or proceeding at law or in equity or in bankruptcy or otherwise, upon, under or with respect to this Agreement, the PCs or the Mortgages, or for the appointment of a receiver or trustee, or for any other remedy whatever, unless such Depositor previously shall have given to Freddie Mac written notice of default and of the continuance thereof, as hereinbefore provided, and unless also the Depositors of a majority in aggregate unpaid principal balance of the PCs in any affected PC Pool shall have made written request upon Freddie Mac to institute such action or proceedings in its own name and shall have offered to Freddie Mac such reasonable indemnity as it may require against the costs, expenses and

liabilities to be incurred therein or thereby, and Freddie Mac for sixty days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action or proceedings, and no direction inconsistent with such written request has been given to Freddie Mac during such sixty day period by the Depositors holding a majority in aggregate unpaid principal balance of the PCs in any affected PC Pool, it being understood and intended, and being expressly covenanted by the Depositor of every PC in any affected PC Pool with every other Depositor in such PC Pool and with Freddie Mac that no one or more Depositors shall have any right in any manner whatever by virtue of or by availing themselves of any provision of this Agreement, to affect, disturb or prejudice the rights of any other Depositor, or to obtain or seek to obtain priority over or preference to any other such Depositor or to enforce any right under this Agreement, except in the manner herein provided and for the ratable and common benefit of all Depositors of PCs in any affected PC Pool. For the protection and enforcement of the provisions of this Section 6.03, each and every Depositor and Freddie Mac shall be entitled to such relief as can be given either at law or in equity. Notwithstanding any other provision in this Agreement, the right of any Depositor to receive payment of principal and interest as herein provided, on or after the respective due date of such payment, or to institute suit for the enforcement of any such payment on or after such date, shall not be impaired or affected without the consent of such Depositor.

ARTICLE VII

MISCELLANEOUS PROVISIONS

Section 7.01. Annual Statements. Freddie Mac and/or its designated agent shall furnish, within a reasonable time after the end of each calendar year, to each Depositor of record at any time during such year, information regarding the amount of the Depositor's pro rata share of coupon interest on the Mortgages, net interest paid at the PC Coupon, and such other customary information as Freddie Mac deems necessary or desirable to enable Depositors to prepare their United States income tax returns.

Section 7.02. Limitations on Liability of Freddie Mac and Others. Neither Freddie Mac nor any of the directors, officers, employees or agents of Freddie Mac shall be under any liability to Depositors for any action taken by them or by a servicer or for their or any servicer's refraining from the taking of any action in good faith pursuant to this Agreement, or for errors in judgment; provided, however, that this provision shall not protect Freddie Mac or any such person against any liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of reckless disregard of obligations and duties hereunder. Freddie Mac and any director, officer, employee or agent of Freddie Mac may rely in good faith on any document of any kind properly executed and submitted by any person respecting any matters arising hereunder. Depositors shall jointly and severally indemnify and hold harmless Freddie Mac and any director, officer, employee or agent of Freddie Mac against any loss,

liability or expense incurred in connection with any legal action relating to this Agreement or the PCs, other than any loss, liability or expense relating to any Mortgage (other than as otherwise permitted in this Agreement) or incurred by reason of willful misfeasance, bad faith or gross negligence in performance of their duties or by reason of reckless disregard of obligations and duties hereunder. Freddie Mac shall not be under any obligation to appear in, prosecute or defend any legal action which is not incidental to its duties to service the Mortgages in accordance with this Agreement and which in its opinion may involve it in any expense or liability; provided, however, that Freddie Mac may in its discretion undertake any such action which it may deem necessary or desirable in respect of any Mortgage, this Agreement, the PCs or the rights and duties of the parties hereto and the interests of the Depositors hereunder. In such event, the legal expenses and costs of such action and any liability resulting therefrom shall be expenses for the protection, preservation, and maintenance of the Mortgages borne pro rata by Freddie Mac and Depositors as provided by Section 4.08.

Section 7.03. Limitation on Rights of Depositors. The incapacity of any Depositor and/or the death or incapacity of any others having a beneficial interest in a PC shall not operate to terminate this Agreement or any PC Pool, nor entitle such Depositor's or others' legal representatives or heirs to claim an accounting or to take any action or proceeding in any court for a partition or winding up of any PC Pool nor otherwise to affect the rights, obligations and liabilities of the parties hereto or any of them.

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

Section 7.05. Amendment. This Agreement may be amended from time to time by Freddie Mac, without the consent of any Depositor or Depositors, to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Agreement, which shall not be inconsistent with the provisions of this Agreement, provided that such action shall not adversely affect in any material respect the interests of any Depositor.

Section 7.06. Persons Deemed Owners. Freddie Mac and the Federal Reserve Bank of New York, or any agent of Freddie Mac or the Federal Reserve Bank of New York, may deem and treat the Depositor as the absolute owner of a PC and the undivided interests in the Mortgages represented by such PC for the purpose of receiving payment of principal and interest and for all other purposes; and neither Freddie Mac nor the Federal Reserve Bank of New York, nor any agent of

Freddie Mac or the Federal Reserve Bank of New York, shall be affected by any notice to the contrary. All such payments so made to any such person, or upon such person's order, shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the duty for monies payable by Freddie Mac upon such PC.

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

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

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

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

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

Any notice, demand or other communication which by any provision of this Agreement is required or permitted to be given or served to or upon Freddie Mac shall be given or served in a writing addressed (until another address is published by Freddie Mac) as follows: Federal Home Loan Mortgage Corporation, 1776 G Street, N.W., P.O. Box 37248, Washington, D.C. 20013-7248, Attention: Executive Vice President -- Finance and Chief Financial Officer. Such notice, demand or other communication to or upon Freddie Mac shall be deemed to have been sufficiently given or made only upon actual receipt of the writing by Freddie Mac.

RECEIPT AND ACCEPTANCE OF PCs BY OR ON BEHALF OF A DEPOSITOR, WITHOUT ANY SIGNATURE OR FURTHER MANIFESTATION OF ASSENT, SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE DEPOSITOR AND ALL OTHERS HAVING A BENEFICIAL INTEREST IN SUCH PC OR PCs OF ALL OF THE TERMS AND PROVISIONS OF THIS AGREEMENT, AND THE AGREEMENT OF SUCH DEPOSITOR AND SUCH OTHERS THAT THOSE TERMS AND PROVISIONS SHALL OPERATE AND BE EFFECTIVE AS BETWEEN FREDDIE MAC AND THEMSELVES.

(August 1985)