

# Federal Home Loan Mortgage Corporation

**Freddie  
Mac**

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## Freddie Mac Giants (Guaranteed)

Freddie Mac Giants are derivative pass-through securities that represent beneficial ownership interests in discrete pools of existing Freddie Mac mortgage-related securities. Each pool contains PCs and/or Giant PCs or ARM PCs. These Contributing PCs represent interests in pools of fixed-rate or adjustable rate residential mortgages purchased by Freddie Mac. Freddie Mac Giants are offered from time to time pursuant to this Offering Circular, which describes the formation, sale and administration of Freddie Mac Giants, and an Offering Circular Supplement relating to each offering.

Some Giant PC Pools are represented by a single Class of Standard Giant PCs entitled to receive all of the principal and interest payments on the Contributing PCs. Other Giant PC Pools are represented by two or more Classes of Stripped Giant PCs, each of which is entitled to receive interest only, principal only, or a portion of both the principal and interest payments on the Contributing PCs.

Freddie Mac Giants entitled to receive interest bear interest at a specified annual fixed rate or adjustable rate called the Giant PC Coupon. The Giant PC Coupon is determined by reference to the interest rates of the Contributing PCs, which are, in turn, determined by reference to the interest rates on the underlying Mortgages. In the case of a Giant PC Pool consisting of fixed-rate Contributing PCs, the Giant PC Coupon is fixed at the time the Giant PC Pool is created and does not change. In the case of a Giant PC Pool consisting of adjustable rate Contributing PCs, the Giant PC Coupon generally adjusts each month based on the weighted average of the interest rates on the Contributing PCs.

Freddie Mac guarantees to each Holder of a Freddie Mac Giant entitled to receive interest the timely payment of interest at the applicable Giant PC Coupon. Freddie Mac guarantees to each Holder of a Freddie Mac Giant entitled to receive principal the payment of principal as payments are made on the Contributing PCs. Freddie Mac also guarantees interest and principal on the Contributing PCs.

In addition to this Offering Circular and the related Offering Circular Supplement, Freddie Mac furnishes offering materials which describe the general characteristics of the Contributing PCs. Those offering materials are updated from time to time and include offering circular supplements containing selected information about the characteristics of the Contributing PCs.

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This Offering Circular may not be used to consummate sales of Freddie Mac Giants unless accompanied by the applicable Offering Circular Supplement. This Offering Circular should be read in conjunction with the applicable Offering Circular Supplement, Freddie Mac's PC Offering Circular, ARM PC Offering Circular and current Information Statement, and any supplements thereto, each of which is incorporated herein by reference. Capitalized terms used in this Offering Circular are defined in the "Glossary of Terms," which is attached as Exhibit C.

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

The yield to investors in Freddie Mac Giants will be sensitive in varying degrees to the rate of principal payments (including prepayments) on the Mortgages. The Mortgages may be prepaid at any time without penalty and the rate of principal payments may fluctuate significantly from time to time. Investors in Freddie Mac Giants should carefully consider the associated risks, including, in the case of any Freddie Mac Giants purchased at a discount (especially Giant PO PCs), the risk that a slower than anticipated rate of principal payments could result in an actual yield to investors that is lower than the anticipated yield and, in the case of any Freddie Mac Giants purchased at a premium (especially Giant IO PCs), the risk that a faster than anticipated rate of principal payments could result in an actual yield to investors that is lower than the anticipated yield. Investors in Giant IO PCs should also consider the risk that rapid rates of principal payments could result in the failure of such investors to recover their investments. See “Description of Freddie Mac Giants—Prepayment and Yield Considerations and Risks; Weighted Average Lives” in this Offering Circular.

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This Offering Circular, together with any applicable Offering Circular Supplement, constitutes an offer to sell only the Freddie Mac Giants described in these documents. Freddie Mac has not authorized any broker, dealer or salesperson, or anyone else, to make any statements, written or oral, in connection with any such offer, except for those contained in this Offering Circular, in any applicable Offering Circular Supplement and in the other documents and sources of information prepared by Freddie Mac that are described in this Offering Circular. Copies of the Offering Circular, Offering Circular Supplement, and other documents prepared by Freddie Mac may be obtained from Freddie Mac and shall be provided by the seller of any Freddie Mac Giant to the purchaser thereof. Investors must not rely on any other statements as having been authorized by Freddie Mac. Neither this Offering Circular nor any Offering Circular Supplement constitutes an offer to sell or a solicitation of an offer to buy any Freddie Mac Giants 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 Offering Circular Supplement or any other documents will be correct at any time after the date of such document, even though delivery of the document and the sale of the Freddie Mac Giants take place on a later date.

## OFFERING CIRCULAR SUMMARY

The summary information set forth below is qualified in its entirety by reference to the information appearing elsewhere in this Offering Circular and by reference to the information with respect to each specific offering of Freddie Mac Giants contained in the related Offering Circular Supplement.

**Issuer and Guarantor** ..... Federal Home Loan Mortgage Corporation, a publicly held government-sponsored enterprise created pursuant to an Act of Congress.

**Freddie Mac Giants**..... Freddie Mac Giants represent beneficial ownership interests in Giant PC Pools formed under the Giant PC Agreement attached to this Offering Circular as Exhibit A. Each Giant PC Pool will be represented by *Standard Giant PCs*—a single Class of Giant PCs or ARM Giant PCs, or *Stripped Giant PCs*—two or more Classes of Giant PCs or ARM Giant PCs, Giant PO PCs and/or Giant IO PCs. The Classes receive differing proportions of principal and interest payments as follows:

- *Giant PCs* and *ARM Giant PCs* receive all or a portion of both the principal and interest payments on the Contributing PCs.
- *Giant PO PCs* receive all or a portion of the principal payments on the Contributing PCs and no interest payments.
- *Giant IO PCs* receive all or a portion of the interest payments on the Contributing PCs and no principal payments.

Each Class of Freddie Mac Giants is assigned a unique Giant PC Pool Number as indicated in the related Offering Circular Supplement.

**The Contributing PCs and the Mortgages** .....

Gold Giant PC Pools and Original Giant PC Pools contain PCs and/or Giant PCs. ARM Giant PC Pools contain ARM PCs.

Different ARM Giant PC Pools may include different types of ARM PCs. The ARM PC Coupons of different types of ARM PCs may be based on different indexes, may adjust at different intervals and may be subject to different periodic and lifetime adjustment caps, each as described in the ARM PC Offering Circular and, as to a particular ARM PC Pool, in the related supplement to the ARM PC Offering Circular.

The Mortgages underlying PCs and ARM PCs are fixed-rate or adjustable rate residential mortgages, respectively, including whole mortgage loans and/or participation interests therein, purchased by Freddie Mac and placed in PC Pools or ARM PC Pools under the Cash Program or Guarantor Program.

|   |  |
|---|--|
| <b>Giant PC Pool Factors</b> .....                          | Each month Freddie Mac calculates a Giant PC Pool Factor for each Giant PC Pool which it uses to make principal and interest payments to Holders. The Giant PC Pool Factor reflects the payment of principal or reduction in notional principal to be made on the Payment Date in the same month in the case of Gold Giants, or in the following month in the case of Original Giants and ARM Giants.  |
| <b>Payment Dates; Method of Payment</b> .....               | Freddie Mac passes through payments of interest and principal on the Payment Date to Holders as of the Record Date. The Record Date for Gold Giants differs from the Record Date for other Freddie Mac Giants. Federal Reserve Banks credit Holders' accounts with payments on the Payment Date each month. The Holder and each other financial intermediary in the chain to the beneficial owner are responsible for remitting payments to their customers.   |
| <b>Interest</b> .....                                       | On each Payment Date, a Holder entitled to the payment of interest will receive one month's interest at the applicable Giant PC Coupon on the unpaid principal balance of the Holder's Freddie Mac Giant.  |
| <b>Principal</b> .....                                      | On each Payment Date, a Holder entitled to the payment of principal will receive the Holder's proportionate share of principal received on the Contributing PCs.   |
| <b>Guarantees</b> .....                                     | Freddie Mac guarantees to each Holder of a Giant PC, ARM Giant PC or Giant IO PC the timely payment of interest at the applicable Giant PC Coupon on such Holder's Freddie Mac Giant. Freddie Mac also guarantees to each Holder of a Giant PC, ARM Giant PC or Giant PO PC the payment of the principal amount of such Holder's Freddie Mac Giant as principal payments are made on the Contributing PCs. Freddie Mac guarantees to Holders of Gold Giants the reduction of the entire principal amount outstanding by the Payment Date occurring in the month of the Final Payment Date for such Gold Giant. |
| <b>Book-Entry Form; Transfers; Minimum Amounts; Holders</b> | Freddie Mac Giants are issued and may be transferred by Holders only on the book-entry system of a Federal Reserve Bank in minimum original principal amounts of \$1,000 and additional increments of \$1.   |
| <b>Tax Status of Freddie Mac Giants</b> .....               | Income from the Freddie Mac Giants has no exemption under federal law from federal, state or local taxation.   |

## FEDERAL HOME LOAN MORTGAGE CORPORATION

Freddie Mac is a publicly held government-sponsored enterprise created on July 24, 1970 pursuant to the Freddie Mac Act. Freddie Mac's statutory mission is to provide stability in the secondary market for home mortgages, to respond appropriately to the private capital market and to provide ongoing assistance to the secondary market for home mortgages 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 or participation interests in such mortgages from mortgage lending institutions and the resale of the whole loans and participations so purchased in the form of guaranteed mortgage securities. Freddie Mac generally matches its purchases of mortgages with sales of guaranteed mortgage securities. Mortgages retained by Freddie Mac are financed with short-term and long-term debt and equity capital.

### AVAILABILITY OF INFORMATION AND INCORPORATION BY REFERENCE

Freddie Mac prepares an Information Statement annually which describes Freddie Mac, its business and operations and contains Freddie Mac's audited financial statements for the two most recent fiscal years ending prior to the date of such Information Statement. From time to time, Freddie Mac prepares an Information Statement supplement which includes certain unaudited financial data and other information concerning the business and operations of Freddie Mac. Freddie Mac periodically prepares a PC Offering Circular with respect to its PCs, and an ARM PC Offering Circular with respect to its ARM PCs, each of which describes the general characteristics of such securities, the related Mortgages and other matters and which includes copies of the agreements pursuant to which such securities are issued. The current Information Statement, the current PC Offering Circular and the current ARM PC Offering Circular, and any supplements thereto, are incorporated by reference into this Offering Circular and made a part hereof. Any of these documents and any quarterly report, statistical information on its mortgage purchase and securities sales volume and other relevant information prepared and made available by Freddie Mac can be obtained by writing or calling the Investor Inquiry Department at Freddie Mac at 8200 Jones Branch Drive, McLean, Virginia 22102 (outside the Washington, D.C. metropolitan area, telephone 800/336-FMPC; within the Washington, D.C. metropolitan area, telephone 703/759-8160).

### DESCRIPTION OF FREDDIE MAC GIANTS

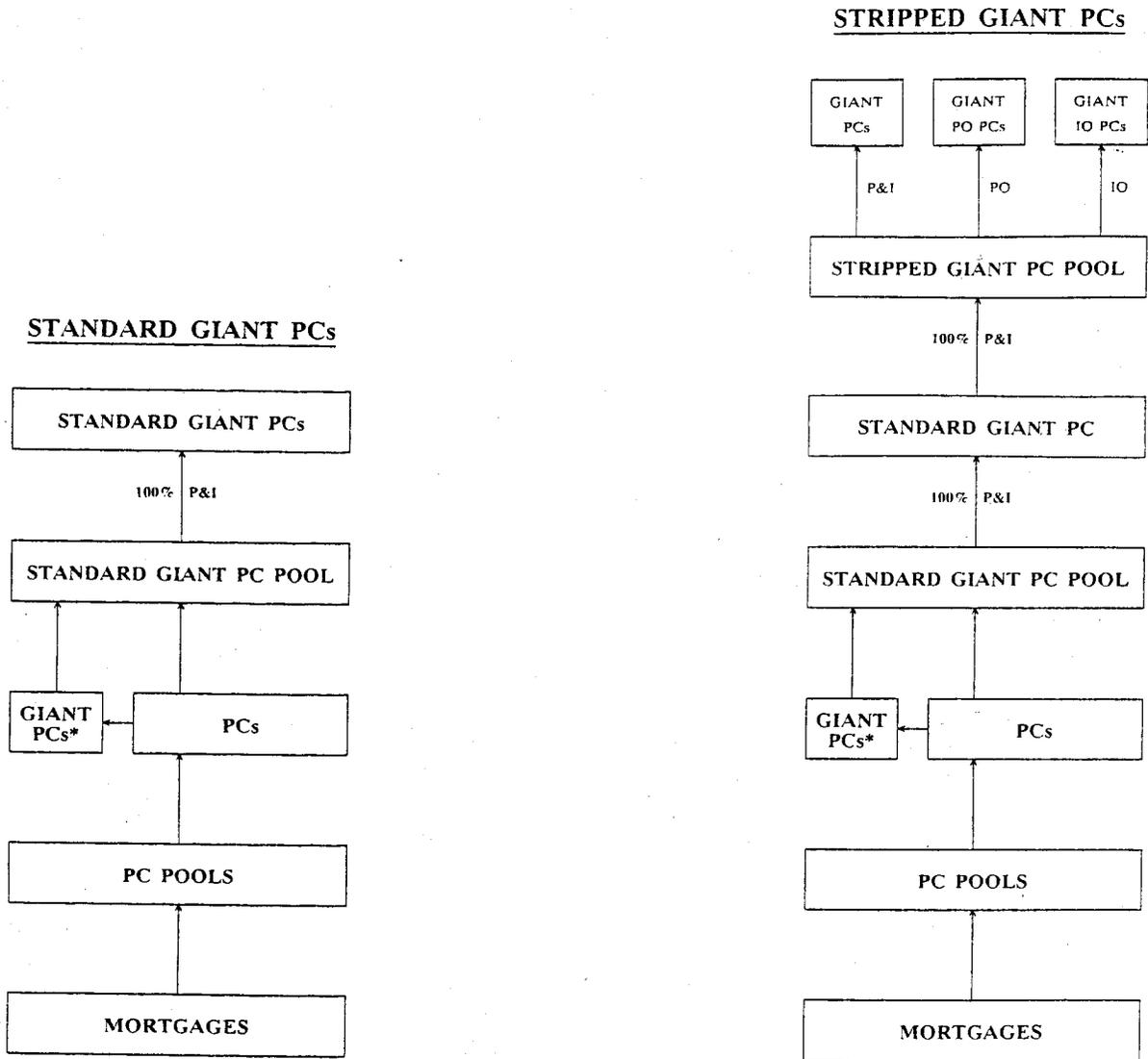
#### General

Freddie Mac Giants represent beneficial ownership interests in discrete pools of Freddie Mac mortgage-related securities. Giant PC Pools include either (i) PCs and/or Giant PCs, or (ii) ARM PCs. Freddie Mac issues Freddie Mac Giants under the terms of the Giant PC Agreement, attached as Exhibit A to this Offering Circular. Freddie Mac sells Freddie Mac Giants to Dealers in exchange for Contributing PCs under the terms of the Giant Dealer Agreement, attached as Exhibit B to this Offering Circular. Each Holder and anyone having a beneficial interest in Freddie Mac Giants unconditionally accepts all the terms and provisions of the Giant PC Agreement and acquires a Freddie Mac Giant subject to all such terms and provisions. Each Dealer engaging in a Giants Transaction unconditionally accepts all the terms and conditions of the Giant Dealer Agreement and acquires a Freddie Mac Giant subject to all such terms and conditions.

As to each Giant PC Pool, Freddie Mac will create and offer either (i) a single Class of Standard Giant PCs or (ii) two or more Classes of Stripped Giant PCs. When Freddie Mac creates Stripped Giant PCs, it forms a Stripped Giant PC Pool that generally consists of one Standard Giant PC as the sole Contributing PC. Holders of all Classes of Stripped Giant PCs created with respect to a particular Stripped Giant PC Pool will be entitled, for a fee, to exchange equal proportions of the original principal amount or original notional principal amount of each Class of Stripped Giant PCs for an equivalent principal amount of Standard Giant PCs representing interests in the same Contributing

PCs, subject to the terms and conditions described in the Offering Circular Supplement for each series of Stripped Giant PCs.

The following chart depicts the structure of Freddie Mac Giants:



\* Standard Giant PC Pools do not include ARM Giant PCs.

## Giant PC Pools

Each Giant PC Pool will be (i) a Gold Giant PC Pool consisting entirely of Gold PCs and/or Giant PCs backed by Gold PCs, (ii) an Original Giant PC Pool consisting entirely of Original PCs and/or Giant PCs backed by Original PCs, or (iii) an ARM Giant PC Pool consisting entirely of ARM PCs. Gold PCs may represent interests in PC Pools formed under the Cash Program or the Guarantor Program or, in the case of Converted Gold PCs, both the Cash Program and the Guarantor Program. Original PCs and ARM PCs represent interests in PC Pools or ARM PC Pools formed under either the Cash Program or the Guarantor Program.

Each Giant PC Pool or Class of Stripped Giant PCs is assigned a Giant PC Pool Number, and each Giant PC Pool represented by Stripped Giant PCs will be assigned a separate series number. The Giant PC Pool Number for each Giant PC Pool or Class of Stripped Giant PCs will be set forth in the related Offering Circular Supplement. The Prefix for Gold Giant PC Pools and Original Giant PC Pools consisting of Standard Giant PCs will be the same as one of the Prefixes assigned by Freddie Mac to (i) PCs formed under the Cash Program, if the Giant PC Pool contains only PCs formed under the Cash Program and/or Giant PCs representing interests in such PCs, or (ii) PCs formed under the Guarantor Program, if the Giant PC Pool contains only PCs formed under the Guarantor Program and/or Giant PCs representing interests in such PCs. In each case, the Prefix will indicate the type and maximum original term to maturity of the Mortgages underlying the Contributing PCs and may also indicate the program under which the Contributing PCs were formed. Freddie Mac Giants will be identified as such in the publication(s) in which Giant PC Pool Factors are published. The minimum original unpaid principal balance of a Giant PC Pool will be \$1,000,000.

Different ARM Giant PC Pools may contain various types of ARM PCs, but each ARM Giant PC Pool will contain only a single type of ARM PC. The interest rate of each ARM PC adjusts periodically based upon a stated, publicly available index. An Offering Circular Supplement for each ARM Giant will indicate the initial Giant PC Coupon, the amount of the maximum permissible periodic adjustment of the related ARM PCs, the maximum interest rate to which such ARM PCs may adjust, the ARM PCs eligible for inclusion in the ARM Giant PC Pool, and the ARM PC Offering Circular relating to such ARM PCs. The particular characteristics of each of these different types of ARM PCs are described in more detail in the ARM PC Offering Circular.

The Contributing PCs included in Gold Giant PC Pools and Original Giant PC Pools represent interests in fixed-rate mortgages. The Contributing PCs included in ARM Giant PC Pools represent interests in adjustable rate mortgages. In each case, such Mortgages are residential mortgages, including whole mortgage loans and/or participation interests therein, purchased by Freddie Mac and placed in PC Pools under Freddie Mac's Cash Program or Guarantor Program. The Mortgages are secured by one-to-four family dwellings, provided that up to five percent of the original unpaid principal balance of the Mortgages in certain Original PC Pools formed under Freddie Mac's Cash Program prior to April 29, 1991 may be secured by properties containing five or more dwelling units. The Mortgages in any Gold PC Pool or Original PC Pool are either all Conventional Mortgages or all FHA/VA Mortgages fully insured by the Federal Housing Administration and/or guaranteed in part by the Department of Veterans Affairs. The Mortgages in any ARM PC Pool are all Conventional Mortgages.

Up to five percent of the original unpaid principal amount of a Giant PC Pool may consist of PCs and/or Giant PCs representing interests in Mortgages which have been identified as including Cooperative Share Mortgages, Extended Buydown Mortgages and/or Relocation Mortgages.

## Prefix Table

The following table summarizes, by Prefix and type of Freddie Mac Giant, certain characteristics of the Freddie Mac Giants.

| <u>Prefix (1)(2)</u> | <u>Type of Freddie Mac Giants</u>                      | <u>Maximum Term (Years)</u> |
|----------------------|--|-----------------------------|
|                      | <b>Gold Giants:</b>                                    |                             |
| G0                   | Standard Giant PCs                                     | 30                          |
| G1                   | Standard Giant PCs                                     | 15                          |
| G2                   | Standard Giant PCs<br>(FHA/VA Mortgages)               | 30                          |
| M1                   | Standard Giant PCs<br>(5-year Balloon/Reset Mortgages) | 5                           |
| N9                   | Standard Giant PCs<br>(7-year Balloon/Reset Mortgages) | 7                           |
| S0                   | Giant PO PCs or Giant PCs<br>(Stripped Giant PCs only) | 30                          |
| S1                   | Giant IO PCs   | 30                          |
| S2                   | Giant PO PCs or Giant PCs<br>(Stripped Giant PCs only) | 15                          |
| S3                   | Giant IO PCs   | 15                          |
|                      | <b>Original Giants:</b>                                |                             |
| 14                   | Standard Giant PCs<br>(FHA/VA Mortgages)               | 30                          |
| 17                   | Standard Giant PCs                                     | 30                          |
| 20, 21               | Standard Giant PCs                                     | 15                          |
| 30                   | Standard Giant PCs                                     | 30                          |
| 50                   | Standard Giant PCs                                     | 15                          |
| 53, 54, 55           | Standard Giant PCs                                     | 30                          |
| 80                   | Giant PO PCs or Giant PCs<br>(Stripped Giant PCs only) | 30                          |
| 82                   | Giant PO PCs or Giant PCs<br>(Stripped Giant PCs only) | 15                          |
| 89                   | Standard Giant PCs<br>(5-year Balloon/Reset Mortgages) | 5                           |
| 90                   | Giant IO PCs   | 30                          |
| 92                   | Giant IO PCs   | 15                          |
| 95                   | Standard Giant PCs<br>(7-year Balloon/Reset Mortgages) | 7                           |
|                      | <b>ARM Giants:</b>                                     |                             |
| 84                   | Standard Giant PCs                                     | 30                          |

(1) Gold Giant PC Pools and ARM Giant PC Pools may include Contributing PCs formed under either the Cash Program or the Guarantor Program or both.

(2) Original Giant PC Pools include Contributing PCs formed either under the Cash Program or the Guarantor Program.

## Giant PC Pool Factors

Each month Freddie Mac calculates the Giant PC Pool Factor for each outstanding Giant PC Pool. The Giant PC Pool Factor is a truncated seven digit decimal which, when multiplied by the original principal amount of a Freddie Mac Giant entitled to principal payments, will equal the remaining principal amount of that Freddie Mac Giant. The Giant PC Pool Factor reflects the

payment of principal or reduction in notional principal to be made on the Payment Date in the same month in the case of Gold Giants, or in the following month in the case of Original Giants and ARM Giants. Freddie Mac will publish or otherwise make available the Giant PC Pool Factor for each outstanding Giant PC Pool for each month on the first business day of that month in the case of Gold Giants and Original Giants, and on the seventh business day of that month in the case of ARM Giants.

Freddie Mac calculates the Giant PC Pool Factor for a particular month for each Giant PC Pool based upon the pool factors published in the same month for the Contributing PCs. For Giant PCs included in a Giant PC Pool, the applicable Giant PC Pool Factors are calculated in the same manner as for Giant PCs generally. For PCs and ARM PCs included in the related Giant PC Pool, the applicable pool factors are calculated as described in the PC Offering Circular or ARM PC Offering Circular. Freddie Mac's pool factor calculations vary for Gold PCs and Original PCs, as described in the applicable offering materials. Additional considerations relating to the calculation of pool factors for Converted Gold PCs are described in more detail under "Factors to be Considered" in the Exchange Circular.

#### **Payment Dates**

Freddie Mac will pass through payments of (i) interest and principal to Holders of Giant PCs and ARM Giant PCs, (ii) principal to Holders of Giant PO PCs and (iii) interest to Holders of Giant IO PCs on each Payment Date, commencing on the date specified in the related Offering Circular Supplement. Payment Dates occur on the 15th day of each month, or if such day is not a Business Day on the next Business Day.

#### **Payments of Interest**

All payments of interest received on a Payment Date on the Contributing PCs (net of any Giant PC Pool servicing fee retained by Freddie Mac, if so provided in the related Offering Circular Supplement, and any rounding in the case of ARM Giants, as discussed below) will be passed through on the same Payment Date, as interest, to the Holders of the Freddie Mac Giants entitled to receive interest. Unless otherwise specified in the applicable Offering Circular Supplement, interest will accrue on the principal amount of such Freddie Mac Giants as represented by the applicable Giant PC Pool Factor published on or about (i) the first day of the month immediately preceding the month in which the related Payment Date occurs in the case of Gold Giants, or (ii) the first day in the case of Original Giants, or the seventh day in the case of ARM Giants, of the second month preceding the month in which the related Payment Date occurs. In each case, interest is paid at the applicable Giant PC Coupon in effect during the month in which the applicable Giant PC Pool Factor is published. The interest accrual period for Gold Giants is the calendar month immediately preceding the related Payment Date, and the interest accrual period for Original Giants and ARM Giants is the second preceding month. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Unless otherwise provided in the related Offering Circular Supplement, the Giant PC Coupon for ARM Giants will be adjusted as of the first day of each month and will equal the weighted average of the ARM PC Coupons of the underlying ARM PCs as of such date, rounded down to the nearest .001%. Giant PC Coupons for ARM Giants generally adjust monthly, while the underlying ARM PC Coupons may adjust semi-annually, annually, or at other intervals depending on the type(s) of ARM PCs included in the related ARM Giant PC Pool. As a result, disproportionate principal payments (including prepayments) on the Mortgages underlying ARM PCs bearing relatively low and high ARM PC Coupons will affect the level of the related Giant PC Coupon, even though the underlying ARM PC Coupons remain unaffected.

#### **Payments of Principal**

Payments of principal received on a Payment Date on Contributing PCs will be passed through as principal on the same Payment Date to the Holder of a Freddie Mac Giant entitled to receive principal in an amount equal to the Holder's proportionate share of the related Freddie Mac Giant.

For any Payment Date, the amount of principal to be paid on any Class of Freddie Mac Giants entitled thereto can be calculated by multiplying the original principal amount of such Class by (i) in the case of Gold Giants, the difference between the Giant PC Pool Factors for such Class published in the immediately preceding and current months and (ii) in the case of Original Giants and ARM Giants, the difference between the Giant PC Pool Factors for such Class published in the two preceding months.

### **Guarantees**

Freddie Mac guarantees to each Holder of a Freddie Mac Giant entitled to receive interest the timely payment of interest at the applicable Giant PC Coupon on such Holder's Freddie Mac Giant. Freddie Mac also guarantees to each Holder of a Freddie Mac Giant entitled to receive principal the payment of the principal amount of such Holder's Freddie Mac Giant as payments are made on the Contributing PCs. Freddie Mac guarantees to each Holder of a Gold Giant the reduction of the entire principal amount outstanding by the Payment Date occurring in the month of the Final Payment Date for such Gold Giant.

Freddie Mac's guarantees with respect to Contributing PCs which are Giant PCs are the same as for Giant PCs generally. With respect to all Contributing PCs which are PCs and ARM PCs, Freddie Mac guarantees to each holder the timely payment of interest at the applicable PC Coupon or ARM PC Coupon on such holder's pro rata share of the aggregate unpaid principal balance of the related Mortgages, as calculated by Freddie Mac under the pool factor method described in the PC Offering Circular or ARM PC Offering Circular. Freddie Mac also guarantees to each such holder the ultimate collection of all principal of the related Mortgages, without offset or deduction, to the extent of such holder's pro rata share of the unpaid principal balance of the Mortgages. With respect to Gold PCs, in addition to its other guarantees, Freddie Mac also guarantees to each holder thereof the timely payment of monthly principal reduction (as described in the PC Offering Circular) due to be paid on the Mortgages, whether or not received by Freddie Mac. With respect to certain Original PCs, in addition to its other guarantees, Freddie Mac guarantees to each holder thereof the timely payment of scheduled principal (as described in the PC Offering Circular) on each of the related Mortgages, whether or not received by Freddie Mac.

Freddie Mac may pay the amount due on account of its guarantee of ultimate collection of principal at any time after default on an underlying Mortgage, but not later than the payment date occurring in the same month as the final payment date on any Gold PC; or, in the case of Original PCs and ARM PCs, 30 days following (i) foreclosure sale, (ii) payment of the claim by any mortgage insurer or the Federal Housing Administration, or payment of the guaranty claim by the Department of Veterans Affairs, or (iii) the expiration of any right of redemption, whichever occurs later, but in any event no later than one year after an outstanding demand has been made upon the borrower for accelerated payment of principal or for payment of principal due on the maturity of a Mortgage. Freddie Mac's guarantees with respect to Gold PCs, Original PCs and ARM PCs are described in more detail in the applicable offering materials.

**THE OBLIGATIONS OF FREDDIE MAC UNDER ITS GUARANTEE OF THE FREDDIE MAC GIANTS ARE OBLIGATIONS OF FREDDIE MAC ONLY. THE FREDDIE MAC GIANTS, INCLUDING THE INTEREST THEREON, ARE NOT GUARANTEED BY THE UNITED STATES AND DO NOT CONSTITUTE DEBTS OR OBLIGATIONS OF THE UNITED STATES OR ANY AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OTHER THAN FREDDIE MAC. CERTAIN OF THE MORTGAGES MAY BE INSURED BY THE FEDERAL HOUSING ADMINISTRATION OR PARTLY GUARANTEED BY THE DEPARTMENT OF VETERANS AFFAIRS, BOTH OF WHICH ARE FEDERAL AGENCIES.**

## Prepayment and Yield Considerations and Risks; Weighted Average Lives

The rate of principal payments on the Contributing PCs, and of corresponding payments on the related Freddie Mac Giants, is related directly to the rate of payments of principal on the underlying Mortgages, which may be in the form of scheduled amortization or partial or full prepayments and may fluctuate significantly from time to time. The term “prepayments” includes prepayments and liquidations resulting from default, casualty or condemnation and payments made pursuant to Freddie Mac’s guarantee of ultimate collection of principal. The prepayment experience of the Mortgages underlying the Contributing PCs in the Contributing PC Pool will depend on the characteristics of the Mortgages, as well as the prevailing level of interest rates and other factors, and no assurance can be given as to the actual prepayment experience of the Mortgages underlying any Giant PC Pool. In general, when the level of prevailing interest rates declines significantly below the interest rates on fixed-rate mortgages, the rate of prepayment of such mortgages is likely to increase. Similarly, when the level of prevailing interest rates available on fixed-rate mortgages declines to such an extent that borrowers perceive such rates to be favorable in relation to the uncertainty associated with future rates on adjustable rate mortgages, the rate of prepayment of such mortgages (or conversion to fixed-rate mortgages in the case of convertible mortgages) is also likely to increase.

The rate of principal payments on Contributing PCs, and corresponding payments on the related Freddie Mac Giants, is also related to Freddie Mac’s procedure for estimating pool factors with respect to the Contributing PCs. For example, Freddie Mac’s procedure for estimating pool factors for PC Pools represented by Original PCs formed under its Cash Program may result from time to time in monthly principal payments on the related Original PCs which differ significantly from the aggregate principal payments actually received by Freddie Mac on the underlying Mortgages for the applicable month. The amount of such difference may increase during periods of volatile mortgage interest rates. The Giant PC Pool Factor for a Class of Freddie Mac Giants representing an interest in an Original Giant PC Pool containing PCs formed under Freddie Mac’s Cash Program will reflect the pool factors and principal payments with respect to the related Original PCs and may therefore also differ significantly from the aggregate principal payments actually received by Freddie Mac on the underlying Mortgages for the applicable month. Any such difference may affect the yield to investors in such Class of Freddie Mac Giants, especially if such Class is a Class of Giant PO PCs or Giant IO PCs. In each case, the prepayment rate may also be influenced by a number of other factors, as described in the applicable offering materials.

Acceleration of mortgage payments as a result of transfers of the mortgaged property is another factor affecting prepayment rates. Except for FHA/VA Mortgages, fixed-rate Mortgages in the Contributing PC Pools generally provide by their terms that, in the event of the transfer or prospective transfer of the underlying mortgaged property, the full unpaid principal balance of the Mortgage is due and payable at the option of the Mortgage holder. In the case of most fixed-rate Mortgages, Freddie Mac requires servicers of the Mortgages to enforce “due-on-transfer” clauses where permitted by applicable law. Adjustable rate mortgages generally do not contain due-on-transfer clauses. Freddie Mac’s policies regarding due-on-transfer clauses are described in more detail in the applicable offering materials.

The yield to maturity of any Class of Freddie Mac Giants will depend on its price and the rate of prepayments on the underlying Mortgages. Investors in Freddie Mac Giants should carefully consider the associated risks, including, in the case of any Freddie Mac Giants purchased at a discount (especially Giant PO PCs), the risk that a slower than anticipated rate of principal payments could result in an actual yield to investors that is lower than the anticipated yield and, in the case of any Freddie Mac Giants purchased at a premium (especially Giant IO PCs), the risk that a faster than anticipated rate of principal payments could result in an actual yield to investors that is lower than the anticipated yield. Investors in Giant IO PCs should also consider the risk that rapid rates of principal payments could result in the failure of such investors to recover their investments.

No representation is made as to the rate of principal payments on the Mortgages or as to the yield to maturity of any Class of Freddie Mac Giants. An investor seeking to maximize yield is urged to make an investment decision with respect to any Class of Freddie Mac Giants based on the anticipated yield to maturity resulting from its price and the investor's own determination as to anticipated Mortgage prepayment rates under a variety of scenarios.

It is highly unlikely that the Mortgages will prepay at a constant rate until maturity or that all of the Mortgages will prepay at the same rate. The timing of changes in the rate of prepayments on the Mortgages may significantly affect an investor's actual yield to maturity on a Freddie Mac Giant, even if the average rate of principal payments is consistent with an investor's expectation. In general, the earlier a prepayment of principal on the Mortgages, the greater the effect on an investor's yield to maturity. As a result, the effect on an investor's yield to maturity of principal prepayments occurring at a rate higher (or lower) than the rate anticipated by the investor during the period immediately following the creation of a Freddie Mac Giant is not likely to be offset by a subsequent like reduction (or increase) in the rate of principal prepayments. An investor must make an independent decision as to the appropriate prepayment scenarios to be used in deciding whether to purchase a Freddie Mac Giant.

The weighted average life of a security refers to the average amount of time that will elapse from the date of its issuance until each dollar of principal of such security will be repaid to the investor. The weighted average lives of the Freddie Mac Giants will be influenced by, among other factors, the rate at which principal is paid on the Mortgages in the Contributing PC Pools. Principal payments on such Mortgages may be in the form of scheduled amortization or prepayments. The rate of such principal payments will depend upon a variety of factors, and no assurances can be given as to any particular rate or as to the weighted average life of any Class of Freddie Mac Giants.

The Offering Circular Supplement for a specific offering of Freddie Mac Giants that includes a Class of Giant PO PCs or Giant IO PCs may contain a table setting forth the weighted average life of and/or the pre-tax yield to maturity on each such Class of Freddie Mac Giants under various prepayment scenarios.

**Final Payment Dates**

The Final Payment Date for each Class of Freddie Mac Giants reflects the latest final payment date of the Contributing PCs and is indicated in the related Offering Circular Supplement. The final payment dates of the Contributing PCs are determined by various methods depending upon the date of creation of the Contributing PC Pool and the type of Contributing PCs, as described in the applicable offering materials.

The following table summarizes the method of calculation of final payment dates for the various securities contained in Giant PC Pools.

| <u>Type of Contributing PC</u>                        | <u>How Final Payment Date is Calculated</u> |
|---|---|
| Gold Giants .....                                     | Latest final payment date of any PC in pool |
| Original Giants (issued before June 1, 1989).....     | First Payment Date + 180 or 360 months      |
| Original Giants (issued on or after June 1, 1989) ... | Latest final payment date of any PC in pool |
| Gold PCs.....   | Latest maturing mortgage in pool            |
| Converted Gold PCs .....                              | Latest final payment date of any PC in pool |
| Original PCs (Cash Program).....                      | PC issue date + 180 or 360 months           |
| Original PCs (Guarantor Program).....                 | Latest maturing mortgage in pool            |
| ARM PCs (all types) .....                             | Latest maturing mortgage in pool            |

Because the rate of payment of principal of the Freddie Mac Giants will depend on the rate of payment (including prepayments) of principal of the Mortgages underlying the Contributing PCs, the actual final payment with respect to any Class of Freddie Mac Giants could occur significantly earlier than its Final Payment Date. The rate of prepayments on the Mortgages underlying the Contributing PCs will depend on the characteristics of such Mortgages, as well as on the prevailing level of interest rates and other factors, and no assurance can be given as to the actual prepayment experience of the Mortgages underlying the Contributing PCs. Each Holder of a Gold Giant will receive the final payment on such Gold Giant on or before the Payment Date occurring in the same month as the applicable Final Payment Date. Holders of Original Giants and ARM Giants may receive payments after the related Final Payment Date because of the delay in the pass through of scheduled payments on the Mortgages underlying the Contributing PCs. Payment plans, periods of forbearance or other actions that delay receipt of payments on the underlying Mortgages by Freddie Mac may (except in the case of Scheduled Principal PCs, as described in the PC Offering Circular) also result in payments after the Final Payment Date to Holders of Original Giants and ARM Giants as described in the applicable offering materials.

## CERTAIN FEDERAL INCOME TAX CONSEQUENCES

### General

The following is a general discussion of the anticipated material federal income tax consequences of the purchase, ownership and disposition of Freddie Mac Giants. The discussion below does not purport to address all federal income tax consequences that may be applicable to particular categories of investors, some of which may be subject to special rules. The authorities on which this discussion is based are subject to change or differing interpretations, and any such change or interpretation could apply retroactively. The discussion reflects the enactment of the 1986 Act including, where applicable, the intended meaning ascribed to the provisions of the 1986 Act by the Conference Committee Report accompanying the 1986 Act. No assurance can be provided that the interpretations herein will be reflected in applicable Treasury regulations, which have not yet been issued. Investors should consult their own tax advisors in determining the federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of Freddie Mac Giants.

Neither the Freddie Mac Giants nor the income derived therefrom is exempt from federal income, estate or gift taxes under the Code by virtue of the status of Freddie Mac as a corporate instrumentality of the United States. Further, neither the Code nor the Freddie Mac Act contains an exemption from taxation of the Freddie Mac Giants or the income derived therefrom by any state, any possession of the United States or any local taxing authority.

Beneficial owners of Contributing PCs that exchange such Contributing PCs for Freddie Mac Giants may be required to recognize gain or loss with respect to all or a portion of such Contributing PCs. Original Holders of Freddie Mac Giants who exchange Contributing PCs for Freddie Mac Giants should consult their own tax advisors regarding this matter.

The federal income tax consequences relating to the Freddie Mac Giants created in respect of each particular Giant PC Pool may differ, depending on whether such Freddie Mac Giants are (i) a single Class of Standard Giant PCs or (ii) a Class or Classes of Stripped Giant PCs. Each Offering Circular Supplement will indicate whether the related Freddie Mac Giants are Standard Giant PCs or Stripped Giant PCs. Each case is discussed below. For purposes of this tax discussion (other than the discussion of information reporting by Freddie Mac), references to a "purchaser" or a "Holder" mean the beneficial owner of a Freddie Mac Giant.

## Standard Giant PCs

### *General*

The arrangement pursuant to which Standard Giant PCs are created and sold and the related Giant PC Pool is administered will be classified as a grantor trust under subpart E, Part 1 of subchapter J of the Code and not as an association taxable as a corporation. Each Holder of a Standard Giant PC will be treated as the owner of a pro rata undivided interest in the ordinary income and corpus portions of the grantor trust for that particular Giant PC Pool and will be considered the owner of a pro rata undivided interest in each of the Mortgages underlying the Contributing PCs subject to the discussions below under "Recharacterization of Servicing Fees" and "Stripped Giant PCs," respectively. Accordingly, each Holder will be required to report on its federal income tax return its pro rata share of the entire income from the Mortgages underlying the Contributing PCs in the related Giant PC Pool including gross interest income at the interest rates on the Mortgages and incidental fees, if any, in accordance with the Holder's method of accounting. Each Holder generally will be able to deduct, under Section 162 or 212 of the Code, its pro rata share of servicers' fees and Freddie Mac's management and guarantee fees, including incidental fees paid by the borrowers and retained by the servicers or Freddie Mac and all administrative and other expenses of the Giant PC Pool in accordance with its method of accounting. The 1986 Act limits the deduction for a Holder's share of the fees in the case of (i) estates and trusts, and (ii) individuals owning a Standard Giant PC directly or through an investment in a "pass-thru entity" (other than in connection with such individual's trade or business). Pass-thru entities include partnerships, S corporations and grantor trusts, but do not include estates, nongrantor trusts, cooperatives, real estate investment trusts and publicly offered mutual funds. Such deductions, when aggregated with certain of the Holder's other miscellaneous itemized deductions, are allowable only to the extent that such aggregate amount exceeds two percent of the Holder's adjusted gross income.

### *Tax Status*

Special tax counsel to Freddie Mac, Cadwalader, Wickersham & Taft, has advised Freddie Mac that:

1. Standard Giant PCs owned by a "domestic building and loan association" within the meaning of Code Section 7701(a)(19) will be considered to represent "loans . . . secured by an interest in real property" within the meaning of Code Section 7701(a)(19)(C)(v).
2. Standard Giant PCs owned by a financial institution described in Code Section 593(a) will be considered to represent "qualifying real property loans" within the meaning of Code Section 593(d)(1).
3. Standard Giant PCs owned by a real estate investment trust will be considered to represent "real estate assets" within the meaning of Code Section 856(c)(5)(A), and interest income on such assets will be considered "interest on obligations secured by mortgages on real property" within the meaning of Code Section 856(c)(3)(B).

### *ARM Giant PC Pools Containing Convertible Mortgages*

The Service has issued Revenue Rulings characterizing participation certificates sold by Freddie Mac that do not provide for a mandatory repurchase of a mortgage upon conversion as representing undivided beneficial interests in the underlying mortgages. Freddie Mac has been advised by its tax counsel, Cadwalader, Wickersham & Taft, that there can be no assurance that such Revenue Rulings could be relied upon with respect to participation certificates that contain such mandatory repurchase feature. However, tax counsel has rendered its opinion to Freddie Mac that, while the issue is not free from doubt, based upon available authority, the sale of ARM Giants that provide for a mandatory repurchase of the underlying Mortgages upon conversion should be treated for federal income tax purposes as a sale to Holders of undivided beneficial interests in the Mortgages. The opinion of

counsel represents only its best judgment as to the most likely outcome of litigation in the event the Service were to take a contrary position. Freddie Mac has not sought rulings from the Service with respect to the status for federal income tax purposes of ARM Giants representing interests in convertible mortgages.

#### *Premium and Discount*

A Holder will be treated as purchasing an interest in each of the Mortgages underlying the Contributing PCs in the related Giant PC Pool at a price determined by allocating the purchase price paid for the Standard Giant PC among the Mortgages in proportion to their fair market values at the time of purchase of the Standard Giant PC. To the extent that the portion of the purchase price allocated to a Mortgage is less than or greater than the portion of the principal balance of the Mortgage allocated to the Standard Giant PC, the interest in the Mortgage will be deemed to have been acquired with discount or premium, respectively. The treatment of any discount will depend on whether the discount represents original issue discount or market discount.

A Holder will be required to report as ordinary income its pro rata share of any original issue discount with respect to the Mortgages underlying the Contributing PCs in the related Giant PC Pool pursuant to Sections 1271-1273 and 1275 of the Code. Original issue discount with respect to a Mortgage could arise by virtue of the charging of points by the originator of the Mortgage if the points are not currently deductible under applicable Code provisions. In addition, original issue discount could arise with respect to a Mortgage which was originated as a graduated payment mortgage or as an adjustable rate mortgage with an initial teaser rate. Even if there is original issue discount with respect to a Mortgage, a Holder will be required to accrue such original issue discount into income currently only if it exceeds a *de minimis* amount. The Mortgages also would be subject to the original issue discount rules if, as discussed below, the "stripped bond" provisions of the Code were determined to be applicable. Unless the "stripped bond" rules apply, the original issue discount rules described above would not apply to Mortgages of individuals originated before March 2, 1984 and Mortgages of partnerships originated before July 2, 1982.

The application of the original issue discount rules to Mortgages underlying an ARM Giant is not entirely clear. Based on proposed Treasury regulations under these Code provisions, however, Freddie Mac intends to report original issue discount to Holders by assuming (i) that the Mortgages will bear interest in all periods in which interest is based on the index at the rate which applied (or would have applied if interest were based on the index) in the first period and (ii) no prepayments will occur. When prepayments occur, adjustments will be made in the rate of accrual of original issue discount.

In general, a Holder who is considered to have purchased its interest in any Mortgage at a market discount may be required to allocate the market discount among the principal payments on the Mortgage and include in income the discount allocated to each payment when the payment is received or comes due. The characterization of such income as ordinary income or capital gain will depend on the status of the issuer of the Mortgage and the date of issuance of the Mortgage. With respect to Mortgages originated on or prior to July 18, 1984, a Holder will report the market discount as capital gain in the case of a Mortgage issued by a corporation or a Mortgage issued by a partnership after July 1, 1982, and as ordinary income in the case of a Mortgage issued by an individual (assuming the Standard Giant PC is held as a capital asset and subject to the discussion of Section 1277 and "stripped bonds" below). With respect to Mortgages originated after July 18, 1984, the market discount rules of Sections 1276-1278 of the Code will apply to treat market discount (in excess of a *de minimis* amount) as ordinary income to the extent of the portion of such discount that is considered to have accrued during the period a Holder held the Standard Giant PC. Market discount will be considered to accrue under a straight-line method unless a Holder elects to calculate accrued market discount under a constant interest method. Partial principal payments will be included in income to the extent such payments do not exceed the accrued market discount. Under Section 1277, interest paid or accrued by a Holder on indebtedness incurred or continued to purchase or carry Mortgages acquired at a market discount (whether such Mortgages were issued on or prior to or after July 18, 1984) is allowed as a

deduction only to the extent such interest (reduced by the interest, including original issue discount, on the Mortgages includible in income) exceeds the market discount that accrued but was not taken into account during the taxable year such interest was paid or accrued. Any such deferred interest expense will, in general, be allowed as a deduction when the related market discount income is recognized. As an alternative, a Holder may elect to include market discount in income currently, as it accrues, under either a straight-line method or a constant interest method, on all market discount obligations held by such Holder (other than market discount obligations acquired in prior taxable years), in which event the foregoing rules regarding ordinary income on disposition and interest deferral will not apply. It is anticipated that the application of the market discount rules to obligations such as the Mortgages will be addressed in regulations to be issued by the United States Department of the Treasury. The legislative history of the 1986 Act indicates that, until the issuance of regulations, it is permissible for a Holder to elect to accrue market discount as follows: (i) for Mortgages that have original issue discount, the amount of market discount that accrues during a period is equal to the product obtained by multiplying the total remaining market discount by a fraction, the numerator of which is the original issue discount for the period and the denominator of which is the total remaining original issue discount at the beginning of the period, and (ii) for Mortgages that have no original issue discount, the amount of market discount that is deemed to accrue is the amount of market discount that bears the same ratio to the total amount of remaining market discount that the amount of stated interest paid in the accrual period bears to the total amount of stated interest remaining to be paid on the Mortgage as of the beginning of the accrual period. Investors should consult their own tax advisors regarding the application of the market discount rules as well as the advisability of making any of the above elections.

In the event a Holder is considered to have purchased its interest in any Mortgage at a premium, such premium may be amortizable under a constant interest method at the election of the taxpayer under Section 171 of the Code if the Mortgage is the obligation of a corporation or, if not the obligation of a corporation, is originated after September 27, 1985.

#### *Sale or Exchange of a Standard Giant PC*

A Holder who sells a Standard Giant PC will recognize gain or loss equal to the difference between its adjusted tax basis in the Standard Giant PC and the amount realized in the sale (exclusive of amounts attributable to accrued and unpaid interest, which will be treated as ordinary interest income). In general, such adjusted tax basis will equal the Holder's cost for the Standard Giant PC, increased by the amount of any discount income previously reported with respect to the Standard Giant PC and decreased by the amount of any premium previously deducted with respect to the Standard Giant PC and the amount of any distributions of principal received thereon. Any such gain or loss would be capital gain or loss if the Standard Giant PC is held as a capital asset, except that in the case of a seller that is considered to have acquired an interest in Mortgages with market discount, some portion of such gain may be treated as ordinary income. Under the market discount rules, gain from the sale of a Standard Giant PC will be treated as ordinary income in an amount not exceeding the portion of the market discount with respect to the seller's interest in underlying Mortgages that were originated after July 18, 1984 that is considered to have accrued (in the manner described above) during the period in which the seller held the Standard Giant PC and that has not previously been included in income. In addition, gain attributable to an interest in underlying Mortgages that were originated on or before July 18, 1984 that would otherwise be capital gain will be characterized as ordinary income to the extent that any previously deferred interest expense relating to those Mortgages becomes deductible at the time of such sale, as described above.

#### *Recharacterization of Servicing Fees*

On August 8, 1991, the Service issued guidance taking the position that, when mortgages are sold and the contract entitles the servicer to receive amounts that exceed reasonable compensation for the mortgage servicing to be performed, the mortgages are treated as stripped bonds within the meaning of

Section 1286 of the Code. If this is the case, a Holder would not be treated as having a pro rata undivided interest in the related Mortgages, but rather, under the rules of Section 1286, the Holder would be treated as owning "stripped bonds" to the extent of its share of principal payments and "stripped coupons" to the extent of the Giant PC Coupon plus reasonable servicing fees. The consequences of the characterization are described below in "Stripped Giant PCs."

The Service has also issued guidance providing that a purchaser of a 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 Holder would be required to account for any market discount in accordance with the rules for market discount described herein. The Service guidance indicates that the tax treatment of a stripped bond as a market discount bond is a method of accounting and is requested by filing a statement with the return for the tax year ending on or after August 8, 1991.

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

#### *Information Reporting*

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

#### **Stripped Giant PCs**

##### *General*

Pursuant to Code Section 1286, the separation of ownership of the right to receive some or all of the interest payments on an obligation from ownership of the right to receive some or all of the principal payments results in the creation of "stripped bonds" with respect to principal payments and "stripped coupons" with respect to interest payments. A Holder of a Stripped Giant PC will be considered to own stripped bonds to the extent of its share of principal payments and stripped coupons to the extent of its share of interest payments on the Mortgages underlying the Contributing PCs in the related Giant PC Pool.

Code Section 1286 treats a stripped bond or a stripped coupon, for purposes of applying the original issue discount rules, as a debt instrument issued with original issue discount on the date that such stripped interest is purchased. While it is unclear whether the original issue discount computations described below should be done separately with respect to each principal and/or interest payment on a Stripped Giant PC, or by treating all such payments as if they were made on a single debt instrument, Freddie Mac intends to treat a Stripped Giant PC as a single debt instrument for purposes of information reporting. The treatment is based in part on the Proposed Regulations.

##### *Classification of Giant PC Pool*

The arrangement pursuant to which Stripped Giant PCs are created and sold and the related Giant PC Pool is administered will not be classified as an association taxable as a corporation. Rather, it will be Classified as a grantor trust under subpart E, part 1 of subchapter J of the Code. Holders of Stripped

Giant PCs will be treated for federal income tax purposes as owners of the right to receive payments of principal and/or interest, as the case may be, on the Mortgages underlying the Contributing PCs included in the related Giant PC Pool.

#### *Status of Stripped Giant PCs*

Several Code sections provide beneficial treatment to certain taxpayers that invest in mortgage loans of the type that will make up each Giant PC Pool as to which Stripped Giant PCs are created and sold. Although there is no specific precedent, and the characterization of the Stripped Giant PCs is not entirely free from doubt, the Stripped Giant PCs should be considered to represent “qualifying real property loans” within the meaning of Code Section 593(d), “real estate assets” within the meaning of Code Section 856(c)(5)(A), and “loans . . . secured by an interest in real property” within the meaning of Code Section 7701(a)(19)(C)(v), and original issue discount and interest accruing on Stripped Giant PCs should be considered to represent “interest on obligations secured by mortgages on real property” within the meaning of Code Section 856(c)(3)(B).

#### *Determination of Income on Stripped Giant PCs*

Original issue discount on each Stripped Giant PC must be included in the Holder’s ordinary income for federal income tax purposes as it accrues, which may be prior to receipt of the cash attributable to such income, in accordance with a constant interest method that takes into account the compounding of interest. Although not free from doubt (see “Possible Alternative Characterizations”), the amount of original issue discount required to be included in a Holder’s income in any taxable year likely will be computed as described below. Based in part on the Proposed Regulations, and consistent with the principles of amendments to the original issue discount sections of the Code made by the 1986 Act, the method described below (i) uses the Prepayment Assumption; (ii) assumes, in the case of a Stripped Giant PC which includes rights to variable interest payments, a level of future payments with respect to the underlying Mortgages based on the initial level of the variable rate; and (iii) will reflect periodic adjustments to take into account actual prepayment experience.

Generally, the Holder of a Stripped Giant PC must include in gross income the sum of the “daily portions,” as defined below, of the original issue discount on the Stripped Giant PC for each day on which it owns such Stripped Giant PC including the date of purchase but excluding the date of disposition. The daily portions of original issue discount generally will be determined as follows. First, a calculation will be made of the original issue discount that accrues during each successive month, or shorter period from the date of purchase. This will be done by adding (i) the present value at the end of the month (determined by using as a discount rate the yield to maturity of the Stripped Giant PC to such Holder, as described below) of all payments to be received in future months on the Stripped Giant PC applying the Prepayment Assumption to the then balance of the Mortgages and (if applicable) the assumption as to future variable interest payments and (ii) any payments included in the stated redemption price of the Stripped Giant PC received during such month, and subtracting from that total the “adjusted issue price” of the Stripped Giant PC at the beginning of such month, or, if later, the date of purchase of such Stripped Giant PC. The “adjusted issue price” of a Stripped Giant PC at the beginning of the first month, or shorter period from the date of purchase, is its issue price; the “adjusted issue price” of a Stripped Giant PC at the beginning of a subsequent month is the “adjusted issue price” at the beginning of the immediately preceding month plus the amount of original issue discount allocable to that preceding month and minus the amount of any payment included in the stated redemption price made at the end of or during that preceding month and the amount of any loss recognized at the end of that preceding month. The original issue discount accruing during such month, or shorter period from the date of purchase, will then be divided by the number of days in the period to determine the daily portion of original issue discount for each day in the period. The yield used by a Holder in making these calculations would be the monthly rate (assuming monthly compounding) determined as of the date of purchase that, if used in discounting the remaining

payments on the portion of the Mortgages allocable to the Stripped Giant PC, would cause the present value of those payments to equal such Holder's purchase price.

With respect to a particular Holder, it is not clear whether the Prepayment Assumption would be determined at the time of purchase of the Stripped Giant PC by such Holder or at the time the Stripped Giant PCs are created or first sold. The Prepayment Assumption that will be used by Freddie Mac for purposes of information reporting will be the same for each Class of Stripped Giant PCs created with respect to a Giant PC Pool, and will be determined based upon conditions at the time of the initial creation or sale of Stripped Giant PCs relating to such Giant PC Pool.

Under the method for calculating the accrual of original issue discount described above, the rate at which a Holder recognizes original issue discount with respect to a Stripped Giant PC and, in the case of a Giant IO PC, the amount of such original issue discount depend on the actual rate of prepayment of the underlying Mortgages and the relative interest in principal and interest on each Mortgage represented by such Stripped Giant PC. If the method for computing income for any particular month (as set forth in the second preceding paragraph) results in a negative amount, it is likely the Holder will be entitled to deduct such amount as a loss only against future income from the Stripped Giant PC. However, the Holder of a Stripped Giant PC should be entitled to deduct a loss to the extent that its remaining basis would otherwise exceed the maximum amount of future payments which the Holder is entitled to receive (determined by assuming, for this purpose, that no future prepayments will occur on the underlying Mortgages).

#### *Treatment of Servicing Fee for Federal Income Tax Purposes*

The excess of the interest paid on the Mortgages over the Giant PC Coupon payable in the aggregate on the related Stripped Giant PCs or, in accordance with the Service guidance described above in "Recharacterization of Servicing Fees," the portion of such excess that constitutes reasonable compensation for servicing, will be allocated for tax reporting purposes to the related Stripped Giant PCs in proportion to the relative amounts of original issue discount accrued during each accrual period with respect to each Class of related Stripped Giant PCs. A Holder of a Stripped Giant PC will be entitled to deduct each year, in accordance with such Holder's method of accounting, the amounts of such Holder's allocable share of the servicing fee to the same extent as if such Holder paid such share of the servicing fee directly. In general, individual investors will not be allowed to deduct certain itemized deductions, including deductions for servicing compensation under Code Section 212, except to the extent that such deductions, in the aggregate, exceed two percent of adjusted gross income.

#### *Sale of a Stripped Giant PC*

Sale of a Stripped Giant PC prior to its maturity will result in gain or loss equal to the difference, if any, between the amount realized and the Holder's adjusted basis in such Stripped Giant PC. Such gain or loss will be capital gain or loss to a Holder for which a Stripped Giant PC is a "capital asset" within the meaning of Code Section 1221, and will be long-term or short-term depending on whether such Stripped Giant PC has been owned for at least the long-term capital gain holding period (currently one year). A seller's adjusted basis generally will equal the purchase price of the Stripped Giant PC to the seller, increased by the original issue discount included in the seller's gross income with respect to the Stripped Giant PC and reduced by payments included in the stated redemption price of the Stripped Giant PC previously received by the seller and any losses previously recognized by the seller with respect to the Stripped Giant PC.

#### *Possible Alternative Characterizations*

The Service could assert that a method other than the one described above must be used to determine the accrual of original issue discount. For example, the Service might require either that original issue discount for a month be calculated under the method described above except that both the yield and the remaining payments should be determined by assuming no further prepayments of the Mortgages.

Further, the characterizations of the Stripped Giant PCs discussed above are not the only possible interpretations of the applicable Code provisions. For example, the Holder of a Stripped Giant PC may be treated as the owner of (i) one installment obligation consisting of such Stripped Giant PC's pro rata share of the payments attributable to principal on each Mortgage and a second installment obligation consisting of such Stripped Giant PC's pro rata share of the payments attributable to interest on each Mortgage, (ii) as many stripped bonds or stripped coupons as there are scheduled payments of principal and/or interest on each Mortgage, or (iii) a separate installment obligation for each Mortgage, representing the Stripped Giant PC's pro rata share of payments of principal and/or interest to be made with respect thereto. Alternatively, the holder of one or more Classes of Stripped Giant PCs may be treated as the owner of a pro rata fractional undivided interest in each Mortgage to the extent that such Stripped Giant PC, or Classes of Stripped Giant PCs, in the aggregate, represent the same pro rata portion of principal and interest on each such Mortgage and a stripped bond or stripped coupon (as the case may be).

The Service might also assert that certain contingent payment rules contained in the Proposed Regulations should apply to certain Classes of Stripped Giant PCs. Under the contingent payment rules, a Holder of a Stripped Giant PC would be required to report income based upon a yield equal to the applicable federal rate (an average yield on Treasury obligations) determined at the time of purchase rather than by reference to the yield at which the Stripped Giant PC was purchased.

Because of these possible varying characterizations of Stripped Giant PCs and the resultant differing treatment of income recognition, Holders of Stripped Giant PCs are urged to consult their own tax advisors regarding the proper treatment of Stripped Giant PCs for federal income tax purposes.

#### *Purchase of One or More Classes of Stripped Giant PCs*

If a Holder purchases more than one Class of Stripped Giant PCs relating to a single Giant PC Pool, it is currently unclear whether the federal income tax treatment of the Stripped Giant PCs should be determined by treating each Class of Stripped Giant PCs separately. Alternatively, a Holder of more than one Class of Stripped Giant PCs may be treated as the owner of a pro rata fractional undivided interest in each related Mortgage to the extent that the Classes of Stripped Giant PCs represent, in the aggregate, an equal pro rata portion of principal and interest on each such related Mortgage, and an installment obligation consisting of stripped bonds or stripped coupons (as the case may be) with respect to the remainder. A Holder in this circumstance should consult his own tax advisor as to the proper treatment of the Stripped Giant PCs.

#### *Information Reporting*

Freddie Mac will furnish or make available, within a reasonable time after the end of each calendar year, to each Holder of a Stripped Giant PC, such information as Freddie Mac deems necessary or desirable to assist Holders in preparing their federal income tax returns, or to enable Holders to make such information available to beneficial owners or other financial intermediaries for which such Holders hold such Stripped Giant PCs as nominees. The amount reported by Freddie Mac may not be correct for any particular beneficial owner of a Stripped Giant PC.

#### **Backup Withholding and Foreign Withholding**

A beneficial owner of a Freddie Mac Giant who is a U.S. Person may be subject to backup withholding tax at the rate of 20 percent under Section 3406 of the Code on payments made with respect to a Freddie Mac Giant. Backup withholding would apply if such beneficial owner, Holder or other recipient of payment on behalf of a beneficial owner fails to furnish certain information, including such beneficial owner's taxpayer identification number, to the person from whom such beneficial owner receives such payments or, under certain circumstances, if the person from whom such beneficial owner receives payments is notified by the Secretary of the Treasury that such beneficial owner is subject to backup withholding as a result of failure to report interest or dividends to the

Service. Any such amounts withheld would be allowed as a credit against such beneficial owner's U.S. federal income tax. Backup withholding does not apply to payments with respect to a Freddie Mac Giant made to a beneficial owner who is an "exempt recipient," as defined in applicable provisions of the Code and the regulations thereunder (and including any corporation). In some cases, a beneficial owner who is an exempt recipient may be required to furnish certification to the person from whom such beneficial owner receives payments with respect to a Freddie Mac Giant to establish such beneficial owner's status as exempt from backup withholding.

Under temporary U.S. Treasury regulations, payments made to a beneficial owner who is not a U.S. Person, or a Holder holding on behalf of a beneficial owner who is not a U.S. Person, with respect to a Freddie Mac Giant that represents an ownership interest in a pool of Mortgages all of which were originated after July 18, 1984 generally will not be subject to U.S. federal income tax, including withholding tax, if (i) such Freddie Mac Giant is not held by such beneficial owner in connection with a trade or business in the U.S., (ii) such beneficial owner is not with respect to the U.S. a personal holding company or corporation that accumulates earnings in order to avoid U.S. federal income tax and (iii) such beneficial owner provides a statement signed under penalties of perjury that includes its name and address and certifies that it is not a U.S. Person in accordance with applicable requirements. To the extent amounts paid with respect to a Freddie Mac Giant to a beneficial owner who is not a U.S. Person represent interest on obligations originated before July 19, 1984, such amounts will be subject to withholding of U.S. federal income tax at the rate of 30 percent or such lower rate as may be provided by applicable tax treaty. Accrued interest and original issue discount recognized by the beneficial owner on the sale or exchange of a Stripped Giant PC also will be subject to federal income tax at the same rate. Regardless of the date of origination of the Mortgages, backup withholding tax will not apply to payments with respect to a Freddie Mac Giant made to a beneficial owner who is not a U.S. Person if an appropriate statement of non-U.S. beneficial ownership is furnished by such beneficial owner, as described in (iii) in the first sentence of this paragraph.

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

Freddie Mac sells Freddie Mac Giants only in Book-Entry Form. 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 Freddie Mac Giants (i) the Freddie Mac Book-Entry Rules, (ii) applicable procedures, as may from time to time be established by regulations of the United States Department 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 Freddie Mac Giants is assigned a CUSIP Number.

Freddie Mac Giants are issued and must be maintained and transferred only on the book-entry system of a Federal Reserve Bank in minimum original principal amounts of \$1,000 and additional increments of \$1. A Freddie Mac Giant may not be transferred if, as a result of the transfer, the transferor or the transferee would have on deposit in its account Freddie Mac Giants of any Class having an original principal amount of less than \$1,000.

Freddie Mac Giants may be held of record only by Holders. A Federal Reserve Bank's book-entry records will reflect a Holder's aggregate holdings of Freddie Mac Giants by account. A Holder is not necessarily the beneficial owner of a Freddie Mac Giant. Beneficial owners ordinarily hold Freddie Mac Giants through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. For example, an individual purchaser may hold a Freddie Mac Giant through a brokerage firm which, in turn, holds the Freddie Mac Giant through a Holder. A Holder that is not the beneficial owner, and each other financial intermediary in the chain between the Holder and the beneficial owner, will have the responsibility of establishing and maintaining accounts for their respective customers. The rights of the beneficial owner of a Freddie Mac Giant with respect to Freddie Mac and a Federal Reserve Bank may be exercised only through the Holder of the Freddie Mac Giant. Neither Freddie Mac nor any Federal Reserve Bank will have any direct obligation to a

beneficial owner of a Freddie Mac Giant that is not also the Holder of the Freddie Mac Giant. A Federal Reserve Bank will act only upon the instructions of the Holder in recording transfers of a Freddie Mac Giant.

A Federal Reserve Bank credits interest and principal to Holders of Freddie Mac Giants on each Payment Date. A Holder of a Freddie Mac Giant as shown on the books and records of a Federal Reserve Bank as of the Record Date will be entitled to the payment of principal and/or interest to be paid to the Holder on the Freddie Mac Giant for the entire month. Payment of such amount(s) will be made in the following month, in the case of Gold Giants, and in the second following month in the case of Original Giants and ARM Giants. The first credit to a Holder's account will be made on the Payment Date indicated in the Offering Circular Supplement. This payment procedure may result in a delay in the receipt of the initial payment of up to 45 days from the date of purchase of a Gold Giant, and up to 75 days from the date of purchase of an Original Giant or an ARM Giant. Thereafter, payments will be received by the Holder on each succeeding Payment Date.

### ERISA CONSIDERATIONS

A Department of Labor regulation provides that if an employee benefit plan subject to ERISA acquires a "guaranteed governmental mortgage pool certificate," then, for purposes of the fiduciary responsibility and the prohibited transaction provisions of ERISA and the Code, the Plan's assets include the certificate and all of its rights with respect to such certificate under applicable law, but do not, solely by reason of the Plan's holding of such certificate, include any of the mortgages underlying such certificate. Under the 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 pursuant to the certificate are guaranteed by Freddie Mac. The effect of such regulation is to make clear that the sponsor (that is, the entity that organizes and services the related pool, in this case Freddie Mac) and other persons, in providing services with respect to the assets in the related pool, would not be subject to the fiduciary responsibility provisions of Title I of ERISA, nor be subject to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, merely by reason of the Plan's investment in a certificate. Accordingly, under the regulation, Freddie Mac Giants qualify as "guaranteed governmental mortgage pool certificates" and Freddie Mac Giants and not the Contributing PCs or the related Mortgages are considered to be Plan assets.

### LEGALITY OF INVESTMENT

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

Freddie Mac Giants 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, Freddie Mac Giants 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 Freddie Mac Giants 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 Freddie Mac Giants 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 may invest in Freddie Mac Giants without regard to limitations generally applicable to investments. 12 U.S.C. §1464(c)(1)(E).

Freddie Mac Giants are eligible as security for advances by Federal Home Loan Banks to federal savings associations and other members for which Freddie Mac Giants 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 on Freddie Mac Giants. 12 U.S.C. §§1431(h) and 1436(a), respectively.

Federal credit unions may purchase Freddie Mac Giants, subject to restrictions on investing in certain Classes. 12 U.S.C. §1757(7)(E) and 12 C.F.R. §703.5.

In addition to the specific authorizations discussed above, pursuant to Section 106 of SMMEA, any person, trust, corporation, partnership, association, business trust or business entity created pursuant to or existing under the laws of the United States or any state (including the District of Columbia and Puerto Rico) is authorized to purchase, hold and invest in securities issued or guaranteed by Freddie Mac (including Freddie Mac Giants) 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 could enact legislation specifically referring to Section 106 prohibiting or limiting 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.

Investors should consult with their own legal advisors in determining whether and to what extent Freddie Mac Giants constitute legal investments for such investors. The foregoing does not take into consideration the applicability of statutes, rules, 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 which are issued in Book-Entry Form or which are not "interest-bearing" or "income-paying."

#### REGULATORY CONSTRAINTS

Special restrictions or prohibitions may apply to investments by certain investors in Giant PO PCs and Giant IO PCs. Any financial institution which is subject to 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, the National Credit Union Administration ("NCUA") or other federal or state agencies with similar authority should review any applicable rules, guidelines and regulations prior to purchasing Giant PO PCs or Giant IO PCs. The Federal Home Loan Bank System's Office of Regulatory Activities (whose functions have been assumed by the Office of Thrift Supervision) has issued a bulletin, entitled "Mortgage Derivative Products and Mortgage Swaps," that establishes guidelines for investment by federally chartered or Savings Association Insurance Fund-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. Such "high-risk" derivative mortgage-backed securities include Giant PO PCs and Giant IO PCs. Similarly, the NCUA has issued guidelines to assist federal credit unions in making investment decisions for mortgage-related securities, and has adopted final rules, effective December 2, 1991, which prohibit federal credit unions from investing in certain "high-risk" derivative mortgage-backed securities, except under limited circumstances. Such "high-risk" derivative mortgage-backed securities include Giant PO PCs and Giant IO PCs.

On December 2, 1991, the Federal Financial Institutions Examination Council approved amendments to its Supervisory Policy Statement on the Selection of Securities Dealers and Unsuitable Investment Practices which, among other things, impose additional restrictions on investments by depository institutions in certain types of mortgage-related securities, including securities such as Giant PO PCs and Giant IO PCs. Depository institutions should review and consider the applicability of this policy statement and the recent amendments thereto, to the extent adopted by their respective regulators.

Institutions whose investment activities are subject to review by certain regulatory authorities may hereafter become subject to restrictions, which may be retroactively imposed by such regulatory

authorities, on investment by such institutions in Giant PO PCs and Giant IO PCs. In addition, certain state regulators have indicated that regulated institutions subject to their jurisdiction should not hold interest-only mortgage-backed securities, including interest-only mortgage-backed securities previously purchased.

### LIQUID ASSETS

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

### DISTRIBUTION ARRANGEMENTS

Freddie Mac purchases Contributing PCs from one or more Dealers, forms a Giant PC Pool consisting of such Contributing PCs and sells to such Dealers Freddie Mac Giants created in respect of such Giant PC Pool pursuant to the terms and conditions of the Giant Dealer Agreement. Freddie Mac engages in Giants Transactions only with Dealers, which include SS&TG. Freddie Mac may retain all or part of the Freddie Mac Giants representing interests in a Giant PC Pool and may offer or re-offer such Freddie Mac Giants from time to time. The purchase price of Freddie Mac Giants offered or re-offered by Freddie Mac will be stated as a percentage of the principal amount of the Freddie Mac Giants as of the month of settlement as determined by the applicable Giant PC Pool Factors.

Certain Dealers, including SS&TG, may buy, sell and make a market in Freddie Mac Giants. The secondary market for Freddie Mac Giants may be limited. If a Freddie Mac Giant is sold by a Dealer, the Dealer is required to confirm the sale; notify the purchaser of the settlement date, purchase price, concessions and fees; and deliver a copy of the Offering Circular and the applicable Offering Circular Supplement to the purchaser.

**FEDERAL HOME LOAN MORTGAGE CORPORATION**  
**GIANT MORTGAGE PARTICIPATION CERTIFICATE AGREEMENT**  
**(Guaranteed)**

**AGREEMENT** dated as of December 1, 1991 among Freddie Mac and Holders of Freddie Mac Giants. Capitalized terms used in the Giant PC Agreement have the respective meanings specified in the Glossary of Terms attached as Exhibit C to the Offering Circular, which terms are incorporated herein by reference.

Whereas:

(a) Freddie Mac from time to time (i) purchases Mortgages, all of which are identified in the records maintained by Freddie Mac, (ii) creates undivided interests in the Mortgages so acquired and sells and transfers such undivided interests by the sale of PCs and ARM PCs, as the case may be, and (iii) guarantees the payment of interest and principal for the benefit of the holders of such PCs and ARM PCs, all as provided in the PC Agreement or the ARM PC Agreement in effect from time to time; and

(b) Freddie Mac from time to time (i) issues Freddie Mac Giants representing beneficial ownership interests in specified Giant PC Pools and (ii) guarantees the payment of interest on and principal of such Freddie Mac Giants for the benefit of Holders, all in accordance with and subject to the terms of the Giant PC Agreement.

**NOW, THEREFORE**, in consideration of the mutual promises contained in the Giant PC Agreement, Freddie Mac and each Holder agree as follows:

**ARTICLE I**

**Conveyance of Interests in Giant PC Pools**

**Section 1.01. Sale of Freddie Mac Giants.** Sale of a Freddie Mac Giant by Freddie Mac pursuant to the Giant PC Agreement shall be deemed to occur upon the date of settlement and payment for such Freddie Mac Giant and shall constitute a sale, assignment, transfer and conveyance by Freddie Mac to the Holder of a beneficial ownership interest in the related Giant PC Pool to the extent of the interest represented by such Freddie Mac Giant. Freddie Mac shall be bound by all of the terms and conditions of the Giant PC Agreement at such time as a Freddie Mac Giant is sold by Freddie Mac to a Holder. Upon settlement of and payment for a Freddie Mac Giant, a Holder shall, by virtue thereof, acknowledge, accept and agree to be bound by all of the terms and conditions of the Giant PC Agreement. Payment for a Freddie Mac Giant sold in exchange for Contributing PCs shall be deemed to occur on the settlement date as of which such Freddie Mac Giant is issued to the initial Holder thereof.

**Section 1.02. Identity of the Contributing PCs.** A Giant PC Pool shall consist entirely of Contributing PCs which are retained, or reacquired and held, by Freddie Mac. The Contributing PCs shall be identified in the related Offering Circular Supplement.

**Section 1.03. Registration of Contributing PCs.** All Contributing PCs shall be maintained in Book-Entry Form and Freddie Mac shall be the record holder thereof.

**Section 1.04. Freddie Mac Giants Held or Acquired by Freddie Mac.** Freddie Mac Giants of any particular Class held or acquired by Freddie Mac from time to time shall have an equal and

proportionate benefit to Freddie Mac Giants of the same Class held by other Holders, without preference, priority or distinction.

**Section 1.05. Representations.**

(a) Freddie Mac is a corporation duly organized and existing under and by virtue of the laws of the United States and has full corporate power and authority to enter into, and to perform its obligations under, the Giant PC Agreement.

(b) Holder maintains an account with a Federal Reserve Bank and has full power and authority to enter into the Giant PC Agreement.

**ARTICLE II**

**Administration of the Giant PC Pools**

**Section 2.01. Freddie Mac to Act as Principal Administrator.** Freddie Mac shall hold and administer, or supervise the administration of, each Giant PC Pool for the benefit of Holders and shall have full power and authority to do or cause to be done any and all things in connection therewith that it deems necessary or desirable. Freddie Mac shall act as the representative of Holders in the control, management and administration of the Contributing PCs in each Giant PC Pool.

**Section 2.02. Administrative Responsibilities.** Freddie Mac shall hold and administer, or supervise the administration of, the Giant PC Pools in a manner consistent with and to the extent required by standards of prudence and in substantially the same manner as it holds and administers other pools of the same or similar type held for its own account. In performing its responsibilities hereunder, Freddie Mac may employ agents or independent contractors. Except as provided in Articles V and VI of the Giant PC Agreement, Freddie Mac shall not be subject to the control of Holders in any manner whatsoever in the discharge of its responsibilities pursuant to the Giant PC Agreement. Except with regard to its guarantee obligation pursuant to Section 3.05, Freddie Mac shall have no liability to any Holder other than for any direct damage resulting from Freddie Mac's failure to exercise that degree of ordinary care 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 2.03. Fees.** Freddie Mac shall not pass through to Holders any fees, including assumption fees or prepayment fees or premiums, collected by Freddie Mac or servicers with respect to the Mortgages represented by the Contributing PCs.

**ARTICLE III**

**Payments and Freddie Mac Guarantee**

**Section 3.01. Payments of Principal and Interest.**

(a) *Source of Payments.* Payments on Freddie Mac Giants on any Payment Date shall be made from the PC Payments made on such Payment Date on the Contributing PCs, and from any payment made by Freddie Mac pursuant to its guarantees in accordance with Section 3.05. All payments on the Freddie Mac Giants of a particular Class shall be applied pro rata among all Freddie Mac Giants of such Class.

(b) *Timing of Payments.* On each Payment Date, Freddie Mac shall make such payments on the Freddie Mac Giants created in respect of any Giant PC Pool (i) to each Holder of a Gold Giant, as of the Record Date occurring in the month immediately preceding the Payment Date, and (ii) to each Holder of a Freddie Mac Giant other than a Gold Giant, as of the Record Date occurring in the second month preceding the Payment Date.

(c) *Payment of Interest.* Any payments of interest made on a Freddie Mac Giant entitled to interest payments on a Payment Date shall be at the applicable Giant PC Coupon. Interest will be

computed on the basis of a 360-day year consisting of twelve 30-day months. With respect to any Gold Giant, interest shall accrue during the calendar month immediately preceding such Payment Date. With respect to Freddie Mac Giants other than Gold Giants, interest shall accrue during the calendar month second preceding such Payment Date.

(d) *Payment of Principal.* Any payments of principal made on a Freddie Mac Giant entitled to principal payments on a Payment Date shall be in an aggregate amount equal to the aggregate amount of the PC Payments made in respect of principal on such Payment Date.

**Section 3.02. Payment Procedures.** Freddie Mac shall cause payments of principal and interest due to Holders of Freddie Mac Giants to be made by directing the Federal Reserve Banks to credit the Holders' accounts at the Federal Reserve Banks on the applicable Payment Dates. Any payment made on a Freddie Mac Giant on any Payment Date shall be made to the Holder of such Freddie Mac Giant on the applicable Record Date.

**Section 3.03. Giant PC Pool Factors.** Freddie Mac shall publish or cause to be published a Giant PC Pool Factor for each Giant PC Pool on or about (i) the first business day of each month, in the case of Freddie Mac Giants other than ARM Giant PCs or (ii) the seventh business day of each month, in the case of ARM Giant PCs. For each Class of Freddie Mac Giants, the Giant PC Pool Factor, when multiplied by the original principal amount of a Class of Freddie Mac Giants, will equal the remaining principal amount of the Class after giving effect to the payment of principal to be made in respect of the immediately preceding Record Date.

**Section 3.04. Fees Retained by Freddie Mac.** As a fee for its administration of any Giant PC Pool, Freddie Mac shall be entitled to retain from interest payments received on the Contributing PCs an amount, if any, to be determined at the time of the creation of the Freddie Mac Giant. Freddie Mac shall pay all expenses incurred by it in connection with its administration of a Giant PC Pool and the performance of its duties hereunder.

**Section 3.05. Freddie Mac Guarantees.** Freddie Mac hereby guarantees (i) to each Holder of a Freddie Mac Giant entitled to interest payments, the timely payment of interest at the applicable Giant PC Coupon on such Holder's Freddie Mac Giant, and (ii) to each Holder of a Freddie Mac Giant entitled to principal payments, the payment of the principal amount of such Holder's Freddie Mac Giant as payments are made on the Contributing PCs and (iii) to each Holder of a Gold Giant, the reduction of the entire principal amount outstanding by the Payment Date occurring in the month of the Final Payment Date for such Gold Giant.

**Section 3.06. Freddie Mac Subrogation.** Freddie Mac shall be subrogated to all the rights, interests, remedies, powers and privileges of the Holders in respect of any guarantee payments made by Freddie Mac, to the extent of such payments.

**Section 3.07. Termination Upon Final Payment.** The obligations and responsibilities of Freddie Mac under the Giant PC Agreement to a Holder in respect of any Freddie Mac Giant shall terminate upon the payment to the Holder of all amounts of principal and/or interest due the Holder in respect of such Freddie Mac Giant.

## ARTICLE IV

### The Freddie Mac Giants

**Section 4.01. Form.** Freddie Mac Giants may be issued in Book-Entry Form only. Freddie Mac Giants shall at all times remain on deposit with a Federal Reserve Bank in accordance with the provisions of the Book-Entry Rules.

**Section 4.02. Minimum Denominations.** Freddie Mac Giants shall be sold in minimum original principal amounts of \$1,000 and additional increments of \$1.

**Section 4.03. Transfer of Freddie Mac Giants.** Freddie Mac Giants may be transferred only in minimum original principal amounts of \$1,000 and additional increments of \$1. Freddie Mac Giants may not be transferred if, as a result of the transfer, the transferor would hold such Freddie Mac Giants of the same Class in an original principal amount of less than \$1,000. The transfer, exchange or pledge of Freddie Mac Giants shall be governed by (i) the Book-Entry Rules, (ii) 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 and (iii) such other procedures as shall be agreed upon from time to time by Freddie Mac and a Federal Reserve Bank. A Federal Reserve Bank will act only upon the instructions of the Holder in recording transfers of a Freddie Mac Giant. A charge may be made for any (i) transfer or exchange of any Freddie Mac Giant, and (ii) any tax or other governmental charge imposed in connection with a transfer or exchange of a Freddie Mac Giant.

**Section 4.04. Recombination of Stripped Giant PCs.** A Holder of a proportionate interest of all Classes issued in respect of the same Stripped Giant PC Pool may, at such Holder's option, exchange with Freddie Mac proportionate principal and notional principal amounts of such Stripped Giant PCs for an equivalent principal amount of Standard Giant PCs representing a beneficial ownership interest in the related Standard Giant PC Pool. The principal amount of the Standard Giant PC received by the Holder in such exchange shall equal the remaining outstanding principal amount of the Stripped Giant PCs so exchanged, and interest shall be payable thereon at the Giant PC Coupon for such Standard Giant PC.

## ARTICLE V

### Remedies

**Section 5.01. Events of Default.** "Event of Default" wherever used herein means any one of the following events:

(a) Default in the payment of Holders of any Class of Freddie Mac Giants of interest or principal as and when the same shall become due and payable as herein provided, and continuance of such default for a period of 30 days; or

(b) Failure on the part of Freddie Mac to observe or perform any of its other covenants set forth in the Giant PC Agreement, continued for a period of 60 days after the date on which written notice of such failure, requiring Freddie Mac to remedy the same, shall have been given to Freddie Mac by the Holders of Freddie Mac Giants representing not less than 60 percent of the then outstanding principal amount of any affected Class of Freddie Mac Giants; or

(c) A court having jurisdiction in the premises shall enter a decree or order for relief in respect of Freddie Mac in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appoint a receiver, liquidator, assignee, custodian, sequestrator (or other similar official) of Freddie Mac or for all or substantially all of its property, or order the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

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

**Section 5.02. Remedies.** If an Event of Default occurs and is continuing, then and in each and every such case, the Holders of Freddie Mac Giants representing not less than a majority of the then outstanding principal amount of any affected Class of Freddie Mac Giants may by written notice to Freddie Mac remove Freddie Mac and nominate a successor to Freddie Mac under the Giant PC

Agreement with respect to the related Giant 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 Holder of a Freddie Mac Giant of any affected Class who has been a bona fide Holder for at least six months may, on behalf of such Holder and all others similarly situated, petition any such court for appointment of a successor to Freddie Mac. Such court may after any notice it may deem proper and prescribe, appoint a successor to Freddie Mac. Upon the appointment of any successor pursuant to this Section 5.02, Freddie Mac shall submit to its successor a complete written report and accounting as to the applicable Giant PC Pool and shall take all other steps necessary or desirable to transfer its interest in and administration of the Giant PC Agreement with respect to such Giant PC Pool to the successor. Subject to the Freddie Mac Act, such successor may take such actions with respect to such Giant PC Pool as may be reasonable and appropriate in the circumstances. Prior to any such designation of a successor, the Holders of Freddie Mac Giants representing a majority of the then outstanding principal amount of any affected Class of Freddie Mac Giants may waive any past default or Event of Default. Appointment of a successor shall not relieve Freddie Mac of its guarantee obligation as set forth in the Giant PC Agreement.

**Section 5.03. Limitation on Suits by Holders.** Except as provided in Section 5.02, no Holder shall have any right to institute any action or proceeding at law or in equity or in bankruptcy or otherwise, upon, under or with respect to the Giant PC Agreement, the Freddie Mac Giants or the Contributing PCs, or for the appointment of a receiver or trustee, or for any other remedy whatsoever, unless such Holder previously shall have given to Freddie Mac written notice of an Event of Default and of the continuance thereof, as provided in the Giant PC Agreement, and unless also the Holders of Freddie Mac Giants representing a majority of the then outstanding principal amount of any affected Class of Freddie Mac Giants shall have made written request upon Freddie Mac to institute such action or proceeding in its own name and shall have offered to Freddie Mac such reasonable indemnity as it may request against the costs, expenses and liabilities to be incurred therein or thereby, and Freddie Mac for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action or proceeding, and no direction inconsistent with such written request shall have been given to Freddie Mac during such 60-day period by the Holders of Freddie Mac Giants representing a majority of the then outstanding principal amount of any affected Class of Freddie Mac Giants. It is understood and intended, and expressly covenanted by each Holder of a Freddie Mac Giant in any affected Giant PC Pool with every other Holder in such Giant PC Pool and with Freddie Mac, that no one or more Holders shall have any right in any manner whatsoever by virtue of or by availing themselves of any provisions of the Giant PC Agreement to affect, disturb or prejudice the rights of any other Holder, or to obtain or seek to obtain preference or priority over any other Holder except as expressly provided herein or to enforce any right under the Giant PC Agreement, except in the manner herein provided and for the ratable and common benefit of all Holders of Freddie Mac Giants in any affected Class. For the protection and enforcement of the provisions of this Section 5.03, each and every Holder and Freddie Mac shall be entitled to such relief as can be given either at law or in equity. Notwithstanding the foregoing or any other provision of the Giant PC Agreement, the right of any Holder to receive payment of principal or interest as herein provided, on or after the due date of such payment, or to institute suit for enforcement of any such payment on or after such date, shall not be impaired or affected without the consent of such Holder.

## ARTICLE VI

### Contributing PCs

#### **Section 6.01. Agreement Defaults.**

(a) In the event that there shall be an Agreement Default governing any Contributing PC, the Holders of the Freddie Mac Giants representing interests in the affected Giant PC Pool shall have the right to take such actions with respect to such Agreement Default as the ARM PC Agreement, the PC

Agreement or the Giant PC Agreement, as the case may be, affords Freddie Mac as the record holder of the Contributing PC. For this purpose, each Holder of a Freddie Mac Giant created in respect of the affected Giant PC Pool shall be deemed to be the holder of a percentage of the Remaining Pool Balance of the affected Contributing PC Pool equal to the product of (i) the percentage obtained by dividing the then outstanding principal amount of such Holder's Freddie Mac Giant by the then aggregate outstanding principal amount of all Freddie Mac Giants issued in respect of the same Giant PC Pool and (ii) the percentage of the Remaining Pool Balance of the affected Contributing PC Pool represented by the affected Contributing PC.

(b) Freddie Mac hereby irrevocably authorizes the Holders to exercise all such rights in respect of any Agreement Default to the extent set forth in this Section 6.01.

**Section 6.02. Amendments of ARM PC Agreement, PC Agreement and/or Giant PC Agreement.** In the event that Freddie Mac desires to amend the ARM PC Agreement, the PC Agreement or the Giant PC Agreement with respect to any Contributing PC, Freddie Mac may give any consent for such amendment required from the record holder of such Contributing PC; provided, however, that if any such amendment would adversely and materially affect the interest of any Holder of a Freddie Mac Giant, Freddie Mac may consent to such amendment only with the written consent of the Holders of Freddie Mac Giants so affected representing a majority of the then outstanding principal amount of each affected Class of Freddie Mac Giants.

## ARTICLE VII

### Miscellaneous Provisions

**Section 7.01. Tax Matters.** Freddie Mac and/or its designated agent shall furnish or make available, within a reasonable time after the end of each calendar year, to each Holder such information as Freddie Mac deems necessary or desirable to assist Holders in preparing their United States federal income tax returns, or to enable Holders to make such information available to beneficial owners or financial intermediaries for which such Holders hold Freddie Mac Giants as nominees.

**Section 7.02. Limitations on Liability of Freddie Mac and Others.** Neither Freddie Mac nor any of its directors, officers, employees or agents shall be under any liability to Holders for any action taken by them or for their refraining from the taking of any such action in good faith pursuant to the Giant PC Agreement, or for errors in judgment; provided, however, that this provision shall not protect Freddie Mac or any such person against any liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of reckless disregard of obligations and duties under the Giant PC Agreement. Freddie Mac and any director, officer, employee or agent of Freddie Mac may rely in good faith on any document of any kind properly executed and submitted by any person with respect to any matter arising under the Giant PC Agreement. 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 administer the Giant PC Pools in accordance with the Giant PC Agreement and which in its opinion may involve it in any expense or liability; provided, however, that Freddie Mac may in its discretion undertake any such action which it may deem necessary or desirable with respect to the Giant PC Agreement, the Freddie Mac Giants, the Contributing PCs or the rights and duties of the parties hereto and the interests of the Holders under the Giant PC Agreement. In such event, the legal expenses and costs of such action and any liability resulting therefrom shall be expenses of Freddie Mac.

**Section 7.03. Limitation of Rights of Holders.** The death or incapacity of any person having an interest, beneficial or otherwise, in a Freddie Mac Giant shall not operate to terminate the Giant PC Agreement or any Giant PC Pool, nor entitle the legal representatives or heirs of such person or any Holder for such person, to claim an accounting, take any action or bring any proceeding in any court

for a partition or winding up of any Giant PC Pool, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

**Section 7.04. Control by Holders.** Except as otherwise provided in Articles V and VI, no Holder shall have any right to vote or in any manner otherwise control the administration, operation and management of any Giant PC Pool or the Contributing PC Pools, or the obligations of the parties hereto, nor shall anything set forth in the Giant PC Agreement, any Terms Supplement, the Offering Circular or any Offering Circular Supplement be construed so as to constitute the Holders from time to time as partners or members of any association; nor shall a Holder be under any liability to any third person by reason of any action taken by the parties to the Giant PC Agreement pursuant to any provision hereof.

**Section 7.05. Amendment.**

(a) The Giant PC Agreement (including any applicable Terms Supplement) may be amended from time to time by Freddie Mac, without the consent of any Holder or Holders, to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under the Giant PC Agreement, which shall not be inconsistent with the other provisions of the Giant PC Agreement, provided that any such amendment shall not adversely affect in any material respect the interests of any Holder.

(b) Except as provided in Section 7.05(c), with respect to any Giant PC Pool formed pursuant to the terms hereof, any provision of the Giant PC Agreement may be amended by Freddie Mac with the written consent of the Holders of Freddie Mac Giants representing not less than a majority of the then outstanding principal amount of each Class of Freddie Mac Giants affected by such amendment.

(c) Notwithstanding any other provision herein, without the consent of a Holder the Giant PC Agreement may not be amended to impair or affect the right of such Holder to receive payment of principal and/or interest (including any payment under any guarantee in respect thereof) as herein provided, on or after the respective due date of such payment or to institute suit for the enforcement of any such payment on or after such date.

(d) To the extent that any provisions of the Giant PC Agreement differ from the provisions of any Giant Mortgage Participation Certificate Agreement of Freddie Mac dated prior to the date of this Giant PC Agreement, this Giant PC Agreement shall be deemed to amend such provisions of the prior Giant Mortgage Participation Certificate Agreement, but only if Freddie Mac, under the terms of such prior agreement, could have effected such change as an amendment of such prior agreement without the consent of Holders of Freddie Mac Giants thereunder.

**Section 7.06. Persons Deemed Owners.** Freddie Mac and the Federal Reserve Banks, or any agent of Freddie Mac or the Federal Reserve Banks, may deem and treat the Holder as the absolute owner of a Freddie Mac Giant for the purpose of receiving payment of principal or interest and for all other purposes, and neither Freddie Mac or the Federal Reserve Banks, nor any agent of Freddie Mac or the Federal Reserve Banks, shall be affected by any notice to the contrary. All such payments so made to any such Holder or upon such Holder's order shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the duty for monies payable by Freddie Mac upon the Holder's Freddie Mac Giant. A Holder is not necessarily the beneficial owner of a Freddie Mac Giant. The rights of a beneficial owner of a Freddie Mac Giant with respect to Freddie Mac and the Federal Reserve Banks may be exercised only through the Holder. Neither Freddie Mac nor the Federal Reserve Banks will have any direct obligation to a beneficial owner that is not also the Holder of a Freddie Mac Giant.

**Section 7.07. Governing Law.** The Giant PC Agreement and the Holders' and Freddie Mac's rights and obligations with respect to Freddie Mac Giants shall be construed in accordance with and governed by the laws of the United States. Insofar as there may be no applicable precedent, and

insofar as to do so would not frustrate the purposes of the Freddie Mac Act or any provision of the Giant PC Agreement or the transactions governed thereby, the local laws of the State of New York shall be deemed reflective of the laws of the United States.

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

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

**Section 7.10. Headings.** The Article and Section headings are for convenience only and shall not affect the construction of the Giant PC Agreement.

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

Any notice, demand or other communication which by any provision of the Giant PC Agreement is required or permitted to be given or served to or upon Freddie Mac shall be given in writing addressed (until another address is published by Freddie Mac) as follows:

Federal Home Loan Mortgage Corporation  
8200 Jones Branch Drive  
McLean, Virginia 22102  
Attention: General Counsel

Such notice, demand or other communication to or upon Freddie Mac shall be deemed to have been sufficiently given or made only upon actual receipt of the writing by Freddie Mac.

**THE SALE OF A FREDDIE MAC GIANT BY FREDDIE MAC AND RECEIPT AND ACCEPTANCE OF A FREDDIE MAC GIANT BY OR ON BEHALF OF A HOLDER, WITHOUT ANY SIGNATURE OR FURTHER MANIFESTATION OF ASSENT, SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE HOLDER AND ALL OTHERS HAVING A BENEFICIAL INTEREST IN SUCH FREDDIE MAC GIANT OF ALL THE TERMS AND PROVISIONS OF THIS AGREEMENT (INCLUDING ANY RELATED OFFERING CIRCULAR SUPPLEMENT AND/OR TERMS SUPPLEMENT), AND THE AGREEMENT OF FREDDIE MAC, SUCH HOLDER AND SUCH OTHERS THAT THOSE TERMS AND PROVISIONS SHALL BE BINDING, OPERATIVE AND EFFECTIVE AS BETWEEN FREDDIE MAC AND SUCH HOLDER AND SUCH OTHERS.**

**FEDERAL HOME LOAN MORTGAGE CORPORATION**

## FEDERAL HOME LOAN MORTGAGE CORPORATION GIANT MORTGAGE PARTICIPATION CERTIFICATE DEALER AGREEMENT

AGREEMENT dated as of December 26, 1991 among Freddie Mac and each Dealer for Freddie Mac Giants. Capitalized terms used in the Giant Dealer Agreement have the respective meanings specified in the Glossary of Terms attached as Exhibit C to the Offering Circular, which terms are incorporated herein by reference.

Whereas:

(a) Freddie Mac from time to time (i) creates undivided interests in Mortgages acquired by Freddie Mac and sells and transfers such undivided interests by the sale of PCs and ARM PCs and (ii) guarantees the payment of interest and principal for the benefit of the holders of such PCs and ARM PCs, all as provided in the PC Agreement or the ARM PC Agreement, in effect from time to time; and

(b) Freddie Mac from time to time issues Freddie Mac Giants representing beneficial ownership interests in specified Giant PC Pools; and

(c) Dealer desires to engage in Giants Transactions.

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

### ARTICLE I

#### General

**Section 1.01. Operative Effect of Agreement.** The Giant Dealer Agreement shall govern all Giants Transactions between Dealer and Freddie Mac. Upon scheduling a Giants Transaction for Settlement in accordance with Article III, Freddie Mac and Dealer shall, by virtue thereof, acknowledge, accept and agree to be bound by all of the terms and conditions of the Giant Dealer Agreement.

**Section 1.02. Freddie Mac Giants.** Subject to satisfaction by Dealer of the terms and conditions hereof, Dealer may exchange Contributing PCs for Freddie Mac Giants representing interests in a single Giant PC Pool containing the same Contributing PCs.

**Section 1.03. Governing Agreement.** Upon Settlement of a Giants Transaction, the resulting Freddie Mac Giants shall be administered pursuant to the terms of the Giant PC Agreement.

#### **Section 1.04. Representations.**

(a) Freddie Mac represents and warrants that it is a corporation duly organized and existing under and by virtue of the laws of the United States and has full corporate power and authority to enter into, and to perform its obligations under, the Giant Dealer Agreement.

(b) Dealer represents and warrants that it:

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

(ii) is a member of Freddie Mac's PC Dealer group.

## ARTICLE II

### Eligibility; Pooling Parameters; Minimum Pool Amount

**Section 2.01. Eligibility for Exchange.** PCs, Giant PCs and ARM PCs that are maintained in Book-Entry Form and that satisfy the criteria specified in Sections 2.02 or 2.03, as appropriate, shall be eligible for exchange for Freddie Mac Giants representing interests in the same PCs, Giant PCs or ARM PCs. Determination of the eligibility for inclusion in a specific Giant PC Pool will be at Freddie Mac's sole discretion.

#### **Section 2.02. Pooling Parameters for Giant PCs.**

(a) As of the Settlement Date, the PCs and other Giant PCs delivered for inclusion in a Giant PC Pool:

(1) shall be identified in a master list furnished to Dealer by Freddie Mac with respect to the Giants Transaction;

(2) shall all bear interest at the same fixed rate of interest, which is the Giant PC Coupon for a Standard Giant PC, or the aggregate Giant PC Coupon for Stripped Giant PCs;

(3) shall all represent interests in Mortgages with original terms to maturity:

(i) between 181 and 360 months, or

(ii) up to 180 months, or

(iii) up to 84 months or

(iv) up to 60 months;

(4) shall all represent interests in either:

(i) Conventional Mortgages or

(ii) FHA/VA Mortgages.

(5) shall not represent any interest in Mortgages carrying an interest rate which exceeds the Giant PC Coupon by more than 250 basis points;

(6) shall have had current disclosure published by Freddie Mac through its various information vendors;

(7) shall be either:

(i) Gold PCs and/or Gold Giants or

(ii) Original PCs and/or Original Giants; and

(8) shall all represent interests in Mortgages purchased under either the Cash Program or the Guarantor Program, if an Original Giant is to be issued.

(b) The aggregate outstanding principal balance of PCs and Giant PCs identified as representing interests in Relocation Mortgages, Cooperative Share Mortgages or Extended Buydown Mortgages does not exceed 5.0 percent of the Original Principal Amount of the related Giant PC Pool.

(c) For Standard Giant PC Pools, at its discretion Freddie Mac may include in the Giant PC Pool any PCs and Giant PCs that do not satisfy the criteria specified in 2.02(a)(1), 2.02(a)(5) or 2.02(a)(6) if the aggregate outstanding principal balance of such PCs and Giant PCs does not exceed 2.5 percent of the Original Principal Amount of the related Giant PC Pool.

(d) For Stripped Giant PC Pools that are not ARM Giants, at its discretion Freddie Mac may waive the requirements specified in Section 2.02(a) and (b) above and may require the proposed Contributing PCs to satisfy additional pooling parameters for Stripped Giant PCs specified in the Structured Finance Guidelines.

**Section 2.03. Pooling Parameters for ARM Giants.**

(a) As of the Settlement Date the ARM PCs delivered for inclusion in the Giant PC Pool for any ARM Giant that is a Standard Giant PC shall:

(1) All bear interest at rates of interest which adjust with the same frequency, based on the same index subject to the same periodic rate cap and which use the same reference period for establishing the applicable index value;

(2) Until Freddie Mac notifies Dealer to the contrary, all be exclusively:

(i) Margin ARM PCs or

(ii) WAC ARM PCs;

Following such notification, the ARM PCs may consist of any combination of Margin ARM PCs and/or WAC ARM PCs that satisfy the other applicable requirements specified in this section; and

(3) All be ARM PCs which represent interests in Mortgages bearing adjustable rates of interest which:

(i) may convert to a fixed rate of interest, or

(ii) do not convert to a fixed rate of interest.

(b) For Stripped Giant PC Pools that are ARM Giants, at its discretion Freddie Mac may waive the requirements specified in Section 2.03(a) above and may require the proposed Contributing PCs to satisfy additional pooling parameters for ARM Giants that are Stripped Giant PCs specified in the Structured Finance Guidelines.

**Section 2.04. Minimum Pool Amount.** The minimum Original Principal Amount of any Giant PC Pool shall be \$1,000,000.

**ARTICLE III**

**Formation and Settlement Procedures**

**Section 3.01. Dealer Proposals.**

(a) Freddie Mac shall consider from time to time proposals from Dealer for Giants Transactions.

(b) A proposal for Freddie Mac Giants may be submitted on any Business Day. Proposals for the formation of Standard Giant PCs must be submitted to Freddie Mac telephonically through a specified Freddie Mac recorded line by 3:00 p.m. (New York City Time) on any Business Day.

(c) Each proposal will include the name, address and telephone number of the Dealer's contact person for the Giants Transaction and identify any pertinent information relating to the proposed structure of the Giants Transaction, including but not limited to the following:

(1) the expected Settlement Date;

(2) the proposed Original Principal Amount of the Giant PC Pool to be created;

(3) the proposed Giant PC Coupon or aggregate Giant PC Coupon, as appropriate; and

(4) the prefixes of the proposed Contributing PCs;

(d) Each proposal for a Stripped Giant PC shall also include the information specified in the Structured Finance Guidelines.

**Section 3.02. Acceptance of Proposals by Freddie Mac.** Freddie Mac will accept a proposal made pursuant to Section 3.01 by contacting Dealer telephonically through a Freddie Mac recorded line on the Business Day following the Trade Date to confirm the information provided by Dealer on the Trade Date.

### **Section 3.03. Settlement Dates and Settlement.**

(a) The Settlement Date will be at least four Business Days after Freddie Mac's telephonic acceptance of Dealer's proposal and will occur in the same month that Dealer delivers the Contributing PCs to Freddie Mac.

(b) Freddie Mac will schedule Settlement of Standard Giant PCs that are Giant PCs at its discretion on any Business Day other than the first four Business Days and the last Business Day of each month.

(c) Freddie Mac will schedule Settlement of Standard Giant PCs that are ARM Giant PCs at its discretion on any Business Day other than the first ten Business Days and the last Business Day of each month.

(d) With the consent of Freddie Mac, Settlement of a Standard Giant PC may be scheduled to occur over two or more consecutive Business Days. In such event, the date on which the last Settlement is completed will be the Settlement Date for such Freddie Mac Giant.

(e) Freddie Mac may, at its discretion, impose additional settlement procedures for Stripped Giant PCs including but not limited to those specified in the Structured Finance Guidelines.

(f) Freddie Mac reserves the right to postpone and reschedule the Settlement Date in its sole discretion for good cause, without incurring liability to Dealer or any third party. For purposes of this subsection 3.03(f), "good cause" will include, but not be limited to, Dealer's failure to perform or comply with the requirements of the Giant Dealer Agreement or as otherwise specified by Freddie Mac hereunder, in the manner or at the time provided hereunder. Freddie Mac will, however, use its best efforts to settle on the specified Settlement Date.

(g) Proposed Contributing PCs that do not satisfy the applicable requirements specified in Article II, which are delivered by Dealer to Freddie Mac in connection with any Giants Transaction will not be included in the related Giant PC Pool, and Freddie Mac will not issue to Dealer a Freddie Mac Giant with respect to such proposed Contributing PCs.

### **Section 3.04. Identification of Contributing PCs.**

(a) In the case of ARM Giants, Dealer will submit to Freddie Mac, Attn: Derivative Administration, by facsimile delivery to a specified Freddie Mac fax number, a final list in consecutive pool number order of the proposed Contributing PCs no later than 3:00 p.m. (New York City Time) four Business Days prior to Settlement.

(b) Dealer will identify to Freddie Mac, Attn: Derivative Administration, by facsimile delivery the Final Payment Date of the Giant PC Pool to be formed on the Settlement Date and the pool number(s) of the proposed Contributing PC(s) with the same final payment date. Dealer will provide notification of such Final Payment Date and pool number(s) no later than 12:00 noon (New York City Time) three Business Days prior to the Settlement Date.

(c) In the case of Giant PCs, Dealer will submit to Freddie Mac, Attn: Derivative Administration, by "ATT Mail" a final list in consecutive pool number order of the proposed Contributing PCs, no later than 3:00 p.m. (New York City Time) two Business Days prior to the Settlement Date.

(d) Upon receipt of the final list of proposed Contributing PCs, Freddie Mac will send to Dealer a Settlement Confirmation. Once Dealer has submitted such final list, Dealer may not substitute other PCs, Giant PCs or ARM PCs except that Freddie Mac, in its sole discretion, may permit substitution if substitution would not affect the Final Payment Date of the Giant PC Pool, and

(1) for ARM Giant and Stripped Giant PCs, substitution occurs prior to the Settlement Date, and

(2) the substitution replaces proposed Contributing PCs identified on the list furnished by Dealer pursuant to this Section 3.04 but which are not eligible for exchange under Article II above.

(e) In the case of Stripped Giant PC Pools, proposed Contributing PCs may be substituted only as described in the Structured Finance Guidelines, or as otherwise permitted by Freddie Mac.

**Section 3.05. Delivery of Contributing PCs.**

(a) Dealer will wire the proposed Contributing PCs by free delivery (in consecutive order by pool number if possible) to the applicable Freddie Mac account specified below by 11:00 a.m. (New York City Time) no later than (i) the Settlement Date in the case of Standard Giant PCs other than ARM Giant PCs, (ii) two Business days prior to the Settlement Date in the case of ARM Giant PCs and Stripped Giant PCs or (iii) such other time as may be acceptable to Freddie Mac.

- Contributing PCs that are ARM PCs, Original PCs or Original Giants shall be wired to the following account:

FHLMC WASH/INV  
ABA #0210-3320-5

- Contributing PCs that are Gold PCs or Gold Giants shall be wired to the following account:

FHLMC WASH/GIANT GOLD  
ABA #0210-3320-5

(b) Freddie Mac reserves the right to require Dealer to deliver proposed Contributing PCs to Freddie Mac one or more Business Days prior to the Settlement Date.

(c) If the Settlement Date has been specified pursuant to subsection 3.03(d), Dealer and Freddie Mac will agree on the appropriate timing and method of delivery of the proposed Contributing PCs by Dealer to Freddie Mac and related Freddie Mac Giants by Freddie Mac to Dealer.

(d) The Original Principal Amount of the Freddie Mac Giants issued to Dealer will satisfy the requirements specified in Section 2.04 and will be equal to the aggregate outstanding principal balance of the Contributing PCs based upon the pool factors of the Contributing PCs for the month of Settlement; for this purpose, cents will be truncated to the dollar.

**Section 3.06. Partial Settlements; Canceled Settlements.**

(a) If Dealer does not deliver all proposed Contributing PCs in accordance with Section 3.05, on the Settlement Date Freddie Mac shall issue a Freddie Mac Giant representing beneficial ownership interests in those proposed Contributing PCs that have been delivered to Freddie Mac, subject to satisfaction of the minimum Original Principal Amount specified in Section 2.04.

(b) Failure by Dealer to deliver sufficient Contributing PCs to satisfy the minimum Original Principal Amount specified in Section 2.04 shall be deemed a cancellation of the Giants Transaction.

**Section 3.07. Offering Circular Supplements.** Freddie Mac shall prepare (i) a preliminary Offering Circular Supplement and a final Offering Circular Supplement for each Standard Giant PC Pool and (ii) an Offering Circular Supplement and a supplemental statement for each Stripped Giant PC Pool, each providing selected information about the Giant PC Pool, the Contributing PCs and/or the Mortgages included in the Contributing PC Pools. Freddie Mac shall deliver to Dealer from time to time copies of the then current offering materials prepared by Freddie Mac in connection with the issuance and sale of Freddie Mac Giants.

**Section 3.08. Delivery of Offering Materials.** Dealer will deliver to each person to whom an offer for sale or sale of a Freddie Mac Giant acquired hereunder is made a copy of the offering materials described in Section 3.07.

**Section 3.09. Transaction Fee.**

(a) With respect to each Standard Giant PC to be sold pursuant to the Giant Dealer Agreement, Dealer will pay Freddie Mac a Transaction Fee negotiated between Freddie Mac and Dealer and specified in the related Settlement Confirmation, which amount equals a fraction multiplied by 1% of the greater of (i) the aggregate unpaid principal balance of PCs, Giant PCs or ARM PCs, which Dealer

has committed to exchange, as reflected in the Settlement Confirmation, or (ii) the aggregate unpaid principal balance based on the pool factors published by Freddie Mac for the Contributing PCs for the month of Settlement.

(b) With respect to each Stripped Giant PC to be sold pursuant to the Giant Dealer Agreement, Dealer will pay Freddie Mac a Transaction Fee as specified in the Settlement Confirmation, or as otherwise specified between Freddie Mac and Dealer.

(c) On the Settlement Date, Freddie Mac will debit an account at the Federal Reserve Bank specified by Dealer in an amount equal to the Transaction Fee payable to Freddie Mac in connection with a Giants Transaction as a condition to the delivery of the Freddie Mac Giants.

## ARTICLE IV

### Miscellaneous

#### Section 4.01. Limitations on Liability; Indemnification.

(a) Neither Freddie Mac nor any of its directors, officers, employees or agents shall be liable to Dealer for any action taken by them or for their refraining from the taking of any such action in good faith pursuant to the Giant Dealer Agreement, or for errors in judgment; provided, however, that this provision shall not protect Freddie Mac or any such person against any liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of reckless disregard of obligations and duties under the Giant Dealer Agreement. Freddie Mac and any director, officer, employee or agent of Freddie Mac may rely in good faith on any document of any kind properly executed and submitted by any person with respect to any matter arising under the Giant Dealer Agreement.

(b) Dealer shall indemnify and hold Freddie Mac and any of its officers, directors, agents and employees harmless against any loss, claim, liability or expense (including attorney's fees) of whatever nature which may arise from or be related to the performance of its obligations under this Agreement except for losses, claims, liabilities or expenses incurred by reason of willful misfeasance, bad faith or gross negligence in the performance of their duties or by reason of reckless disregard of obligations and duties under the Giant Dealer Agreement. For purposes of the Giant Dealer Agreement, losses, claims, liabilities or expenses will include but not be limited to losses resulting from failed trades due to postponement of a Settlement Date as provided in subsection 3.03(f) above.

**Section 4.02. Entire Agreement.** The Giant Dealer Agreement, which will be deemed to include the list of proposed Contributing PCs submitted by Dealer to Freddie Mac pursuant to Article III and the Structured Finance Guidelines, as applicable, any recorded or written information or reports provided by Dealer or Freddie Mac in connection with a Giants Transaction and any Settlement Confirmations delivered by Freddie Mac to Dealer, represents the entire agreement of the parties hereto with respect to the Giants Transaction and supersedes any prior agreements or understandings, whether oral or written, with respect to the subject matter hereof.

#### Section 4.03. Amendments.

(a) The Giant Dealer Agreement may be amended or modified by Freddie Mac at any time by notifying Dealer of such amendment or modification in writing; *provided, however*, that no such amendment or modification shall materially and adversely affect any Dealer as to any Giants Transaction for which such Dealer has submitted a proposal in accordance with the terms of Section 3.01 prior to the effective time of such amendment or modification.

(b) Any amendment or modification made pursuant to this Section 4.03 shall be effective as of the date that Freddie Mac mails it, delivers it or transmits it by facsimile delivery to Dealer upon the expiration of three Business Days.

(c) Dealer's submission of a proposal for a Giants Transaction, whether or not accepted by Freddie Mac, after a period of three Business Days has elapsed from the date that Freddie Mac mailed,

delivered or transmitted by facsimile delivery to the Dealer any amendment or modification to this Agreement shall constitute Dealer's acceptance of such amendment or modification.

**Section 4.04. Termination.**

(a) Dealer or Freddie Mac may terminate the Giant Dealer Agreement upon prior written notice to the other.

(b) Expulsion of Dealer from membership in Freddie Mac's PC Dealer group will automatically terminate the Giant Dealer Agreement as between Freddie Mac and Dealer.

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

**Section 4.05. Survival of Obligations.** Except as provided in Section 4.04, the obligations of the parties under the Giant Dealer Agreement will survive the termination of any Giants Transaction.

**Section 4.06. Governing Law.** The Giant Dealer Agreement and the rights and obligations of the parties hereto will be construed in accordance with and governed by the laws of the United States. Insofar as there may be no applicable precedent, and insofar as to do so would not frustrate the purposes of the Freddie Mac Act, or any provision of the Giant Dealer Agreement or the transactions governed thereby, the local laws of the State of New York will be deemed reflective of the laws of the United States.

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

**Section 4.08. Headings.** The article and section headings are for convenience only and shall not affect the construction of the Giant Dealer Agreement.

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

**THE SUBMISSION OF A DEALER PROPOSAL DESCRIBED IN SECTION 3.01 ABOVE FOR THE EXCHANGE OF CONTRIBUTING PCs FOR FREDDIE MAC GIANTS SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE DEALER, THE HOLDER AND ALL OTHERS HAVING A BENEFICIAL INTEREST IN THE CONTRIBUTING PCs AND SUCH FREDDIE MAC GIANTS OF ALL THE TERMS AND PROVISIONS OF THE GIANT DEALER AGREEMENT, AND THE ACCEPTANCE OF SUCH PROPOSAL BY FREDDIE MAC AS DESCRIBED BY SECTION 3.02 ABOVE SHALL CONSTITUTE THE AGREEMENT OF FREDDIE MAC, SUCH DEALER, SUCH HOLDER AND SUCH OTHERS THAT THE TERMS AND PROVISIONS OF THE GIANT DEALER AGREEMENT SHALL BE BINDING, OPERATIVE AND EFFECTIVE AS BETWEEN FREDDIE MAC, SUCH DEALER, SUCH HOLDER AND SUCH OTHERS.**

**FEDERAL HOME LOAN MORTGAGE CORPORATION**



## GLOSSARY OF TERMS

The following definitions apply to capitalized terms used in the Offering Circular, the Giant PC Agreement and the Giant Dealer Agreement. These definitions will also apply to any supplements, amendments and confirmations furnished by Freddie Mac in connection with a Giants Transaction unless otherwise modified in such supplement, amendment or confirmation.

*Agreement Default:* An "Event of Default" as defined in the ARM PC Agreement, the PC Agreement or the Giant PC Agreement, as the case may be.

*ARM Giant:* A Freddie Mac Giant representing an interest in an ARM Giant PC Pool.

*ARM Giant PC:* An ARM Giant that is entitled to all or a portion of both the principal and interest payments received on the ARM PCs in the related Giant PC Pool.

*ARM Giant PC Pool:* A Giant PC Pool consisting entirely of ARM PCs.

*ARM PC:* A Rate Capped Adjustable Rate Mortgage Participation Certificate (Guaranteed) issued by Freddie Mac pursuant to the ARM PC Agreement and representing an undivided interest in an ARM PC Pool consisting entirely of Mortgages bearing interest at adjustable rates. The term ARM PC shall also include the terms Margin ARM PC and WAC ARM PC, unless the context requires otherwise.

*ARM PC Agreement:* Freddie Mac's Rate Capped Adjustable Rate Mortgage Participation Certificate (Guaranteed) Agreement in effect from time to time.

*ARM PC Coupon:* The annual rate at which interest is paid on an ARM PC.

*ARM PC Offering Circular:* Freddie Mac's current Rate Capped Adjustable Rate Mortgage Participation Certificates Offering Circular, and any supplements thereto.

*ARM PC Pool:* A PC Pool consisting entirely of adjustable rate Mortgages.

*Balloon/Reset Mortgage:* A Mortgage with an original term to maturity not exceeding 84 months, which grants the mortgagor an option to refinance or extend the original mortgage term and which provides for level payments of principal and interest during the original term based upon an amortization schedule calculated to pay the original principal balance of the Mortgage in full over a period of up to 360 months.

*Book-Entry Form:* The form of a security which (i) is issued by means of an entry on the books and records of a Federal Reserve Bank and (ii) is evidenced only by such entry and is not evidenced by a certificated security. In the case of a Freddie Mac Giant such entry includes, but is not limited to, the name of the Holder, the original principal amount or the original notional principal amount (as the case may be) of the Freddie Mac Giants, the identifying CUSIP Number and the applicable Final Payment Date.

*Book-Entry Rules:* The provisions from time to time in effect, presently contained in Title 1, Part 462, of the Code of Federal Regulations, setting forth the terms and conditions under which Freddie Mac may issue securities in Book-Entry Form and authorizing a Federal Reserve Bank to act as Freddie Mac's agent in connection with securities issued by means of entries on the books and records of the Federal Reserve Bank.

*Business Day:* A day other than (i) a Saturday or Sunday, (ii) a day on which the Federal Reserve Bank of New York (or other agent acting as Freddie Mac's fiscal agent) is authorized or obligated by law or executive order to remain closed, (iii) as to any Holder, a day on which the Federal Reserve

Bank at which such Holder's account is maintained is authorized or obligated by law or executive order to remain closed, (iv) a day on which the offices of the federal government located in the District of Columbia generally are closed for business, or (v) a day on which the offices of Freddie Mac are closed.

*Cash Program:* A program pursuant to which Freddie Mac purchases Mortgages for cash, forms PC Pools and sells PCs representing undivided interests in Mortgages, as described in the PC Offering Circular or ARM PC Offering Circular.

*Class:* All of the Freddie Mac Giants having like terms created in respect of a single Giant PC Pool. For each Giant PC Pool, there may be one or more Classes; together, all Classes of Freddie Mac Giants issued in respect of a Giant PC Pool represent all the beneficial interests in the Giant PC Pool.

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

*Contributing PC:* In the case of any Gold Giant, any Gold PC or Gold Giant identified in the books and records of Freddie Mac as contained in the related Giant PC Pool. In the case of any Original Giant, any Original PC or Original Giant identified in the books and records of Freddie Mac, as contained in the related Giant PC Pool. In the case of any ARM Giant, any ARM PC identified in the books and records of Freddie Mac as contained in the related Giant PC Pool.

*Contributing PC Pool:* Any PC Pool represented by a Contributing PC.

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

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

*Cooperative Share Mortgage:* A Mortgage secured by a first mortgage, lien or other security interest on (i) the stock or membership certificate issued to a tenant-stockholder or resident-member by a "cooperative housing corporation" as defined in Section 216(b) of the Code, and (ii) the proprietary lease, occupancy agreement or right of tenancy granting the tenant-stockholder or resident-member exclusive rights to occupy a specific dwelling unit in the project owned by the cooperative housing corporation.

*CUSIP Number:* A unique nine-character designation assigned by the CUSIP Service Bureau to each Class of Freddie Mac Giants.

*Dealer:* Any entity which is a member of Freddie Mac's PC Dealer group at the time a Giants Transaction with such Dealer is scheduled in accordance with the Giant Dealer Agreement.

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

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

*Extended Buydown Mortgage:* A Mortgage originated with special payment arrangements under which funds are placed in a separate account used to pay a portion of the monthly payment on the Mortgage for a specified period reducing the effective interest rate paid by the borrower during the period; provided that the period is more than two years or the effective interest rate during the period is more than two percentage points below the interest rate on the Mortgage.

*Federal Reserve Bank:* Any Federal Reserve Bank that maintains Freddie Mac Giants in Book-Entry Form.

*FHA/VA Mortgage:* A Mortgage fully insured by the Federal Housing Administration or guaranteed in part by the Department of Veterans Affairs.

*Final Payment Date:* With respect to each Class of Freddie Mac Giants, the first day of the month of the latest final payment date of the Contributing PCs, as specified in the related Offering Circular Supplement.

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

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

*Freddie Mac Giant:* Any Standard Giant PC or Stripped Giant PC created pursuant to the Giant PC Agreement. The term Freddie Mac Giant shall also include the terms ARM Giant, Gold Giant and Original Giant unless the context requires otherwise.

*Giant Dealer Agreement:* The Giant Mortgage Participation Certificate Dealer Agreement reproduced as Exhibit B to the Offering Circular, as it may be amended or supplemented from time to time (including any related Settlement Confirmation).

*Giant IO PC:* A Stripped Giant PC that is entitled to payments of all or a portion of the interest payments received on the Contributing PCs and no principal. In the case of Giant IO PCs, references to principal amounts shall be regarded as references to notional principal amounts.

*Giant PC:* A Freddie Mac Giant, other than an ARM Giant, that is entitled to payments of all or a portion of both the principal and interest payments received on the Contributing PCs.

*Giant PC Agreement:* The Giant Mortgage Participation Certificate Agreement reproduced as Exhibit A to the Offering Circular, as it may be amended or supplemented from time to time (including any related Terms Supplement).

*Giant PC Coupon:* The annual rate at which interest is paid on a Freddie Mac Giant entitled to the payment of interest. The Giant PC Coupon of an ARM Giant adjusts as of the first day of each month based on the weighted average of the interest rates of the ARM PCs included in the related Giant PC Pool as of such date, unless otherwise specified in the applicable Offering Circular Supplement. Interest at the applicable Giant PC Coupon shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

*Giant PC Pool:* A discrete pool of Contributing PCs. The term Giant PC Pool shall also include the term ARM Giant PC Pool unless the context requires otherwise.

*Giant PC Pool Factor:* A truncated, seven-digit decimal calculated and published by Freddie Mac which represents the remaining principal amount or notional principal amount, as the case may be, of a Freddie Mac Giant. Freddie Mac publishes a Giant PC Pool Factor for each Giant PC Pool.

*Giant PC Pool Number:* A number assigned to each Giant PC Pool or Class of Stripped Giant PCs by Freddie Mac and used to identify such Giant PC Pool or Class of Stripped Giant PCs on the books and records of Freddie Mac.

*Giant PO PC:* A Stripped Giant PC that is entitled to payment of all or a portion of the principal payments received on the Contributing PCs and no interest.

*Giants Program:* A program pursuant to which Freddie Mac purchases existing PCs, ARM PCs and Giant PCs from Dealers, forms Giant PC Pools and sells Freddie Mac Giants, as described in the Offering Circular.

*Giants Transaction:* Any exchange of Contributing PCs held by Dealer as principal or agent for an equivalent amount of Freddie Mac Giants in accordance with and subject to the terms and conditions of the Giant Dealer Agreement.

*Gold Giant:* A Freddie Mac Giant representing an interest in a Gold Giant PC Pool.

*Gold Giant PC Pool:* A Giant PC Pool consisting entirely of Gold PCs and/or Giant PCs backed by Gold PCs.

*Gold PC:* A PC as to which there are approximately 45 days between the first day of the month in which the PC is issued and the date a holder of record receives the initial payment in respect of the PC.

*Guarantor Program:* A program pursuant to which Freddie Mac purchases all of the Mortgages in a given PC Pool from a single seller in exchange for PCs representing undivided interests in the same Mortgages, as described in the PC Offering Circular or ARM PC Offering Circular.

*Holder:* The entity which maintains an account with a Federal Reserve Bank in which a Freddie Mac Giant has been deposited in accordance with the Book-Entry Rules.

*Margin ARM PC:* Any ARM PC with an interest rate which adjusts periodically based on an index plus a specified number of basis points determined at the time of issuance of such ARM PC.

*Mortgage:* A residential mortgage or participation therein acquired by Freddie Mac.

*1986 Act:* The Tax Reform Act of 1986.

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

*Offering Circular Supplement:* A document which modifies, amends or supplements the Offering Circular in any respect whatsoever.

*Original Giant:* A Freddie Mac Giant representing interests in an Original Giant PC Pool.

*Original Giant PC Pool:* A Giant PC Pool consisting entirely of Original PCs and/or Giant PCs backed by Original PCs.

*Original PC:* A PC as to which there are approximately 75 days between the first day of the month in which the PC is issued and the date a holder of record receives the initial payment in respect of the PC.

*Original Principal Amount:* As to each Giant PC Pool, the aggregate of the original principal amounts of all Classes issued in respect of the Giant PC Pool.

*Payment Date:* As to any Giant PC Pool, the 15th day (or if such 15th day is not a Business Day, the next succeeding Business Day) of each month commencing in the month specified in the related Offering Circular Supplement.

*PC:* A Mortgage Participation Certificate (Guaranteed) issued by Freddie Mac pursuant to a PC Agreement and representing an undivided interest in a PC Pool. The term PC shall also include the terms Gold PC, Original PC and ARM PC unless the context requires otherwise.

*PC Agreement:* Freddie Mac's Mortgage Participation Certificate Agreement as in effect from time to time.

*PC Offering Circular:* Freddie Mac's current Mortgage Participation Certificates Offering Circular, and any supplements thereto.

*PC Payment:* Any principal, interest or guarantee payment received by Freddie Mac in respect of any Contributing PC.

*PC Pool:* A discrete pool of Mortgages identified in the records maintained by Freddie Mac and represented by one or more PCs or ARM PCs. The term PC Pool shall also include the term ARM PC Pool unless the context requires otherwise.

*Plan:* An employee benefit plan subject to ERISA.

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

*Prepayment Assumption:* An assumed rate of prepayment of the Mortgages.

*Proposed Regulations:* Proposed Treasury Regulations published on April 6, 1986.

*Record Date:* The close of business on the last calendar day of each month other than (i) a Saturday or Sunday or (ii) any day on which the Federal Reserve Bank of New York, or any other Federal Reserve Bank at which a Holder's account is maintained, is authorized by law or executive order to remain closed.

*Relocation Mortgage:* A Mortgage made to a transferred employee to finance a home purchase at a new job location pursuant to an employee relocation program involving a significant employer contribution to mortgage funding.

*Remaining Pool Balance:* In the case of a Contributing PC that is a PC or ARM PC, the aggregate amount of principal not yet paid with respect to the Mortgages constituting the related PC Pool, after giving effect to any payments of principal made by Freddie Mac pursuant to its guarantees, as calculated using the related pool factor (as such term is used in the ARM PC Agreement or the PC Agreement). In the case of a Contributing PC that is a Giant PC, the aggregate amount of principal with respect to the Contributing PCs after giving effect to any payments of principal made by Freddie Mac pursuant to its guarantees, as calculated using the related Giant PC Pool Factor.

*Service:* The Internal Revenue Service.

*Settlement:* With respect to any Giants Transaction, the issuance by Freddie Mac of a Freddie Mac Giant in accordance with the terms and conditions of the Giant Dealer Agreement.

*Settlement Confirmation:* Any confirmation furnished by Freddie Mac to Dealer pursuant to the Giant Dealer Agreement.

*Settlement Date:* With respect to any Giants Transaction, the date on which Freddie Mac expects to issue a Freddie Mac Giant in exchange for the Contributing PCs delivered by Dealer.

*SMMEA:* The Secondary Mortgage Market Enhancement Act of 1984.

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

*Standard Giant PC:* Any Freddie Mac Giant representing an undivided beneficial ownership interest in a Giant PC Pool in respect of which a single Class has been created which is entitled to receive both the principal and interest payments received on the Contributing PCs.

*Standard Giant PC Pool:* A Giant PC Pool represented by Standard Giant PCs.

*Stripped Giant PC:* Any Freddie Mac Giant representing a beneficial ownership interest in a Giant PC Pool in respect of which two or more Classes of Freddie Mac Giants have been created, which are entitled to payments of (i) interest only, (ii) principal only or (iii) a portion of the principal and interest payments.

*Stripped Giant PC Pool:* A Giant PC Pool represented by Stripped Giant PCs.

*Structured Finance Guidelines:* Freddie Mac's Structured Finance Programs Guidelines, as in effect from time to time.

*Terms Supplement:* A document which modifies amends or supplements the other provisions of the Giant PC Agreement in any respect whatsoever.

*Trade Date:* The date on which a Dealer submits a proposal to Freddie Mac for a Giants Transaction in accordance with Section 3.01 of the Giant Dealer Agreement.

*Transaction Fee:* A fee described in Section 3.09 of the Giant Dealer Agreement.

*Uniform Practices:* The Uniform Practices for the Clearance and Settlement of Mortgage-Backed Securities of the Public Securities Association.

*U.S. Person:* For certain tax purposes, a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof, or an estate or trust that is subject to U.S. federal income taxation regardless of the source of its income.

*WAC ARM PC:* Any ARM PC with an interest rate which adjusts periodically based on a weighted average of the interest rates of the related Mortgages, using the unpaid principal balance of each Mortgage as a weight.

