

Offering Circular

Federal Home Loan Mortgage Corporation

**Freddie
Mac**

Owned by America's
Savings Institutions

Freddie Mac Giants:

Giant Mortgage Participation Certificates (Guaranteed)

Giant Principal Only Mortgage Participation Certificates (Guaranteed)

Giant Interest Only Mortgage Participation Certificates (Guaranteed)

Giant Mortgage Participation Certificates (Guaranteed) ("Giant PCs"), Giant Principal Only Mortgage Participation Certificates (Guaranteed) ("Giant PO PCs") and Giant Interest Only Mortgage Participation Certificates (Guaranteed) ("Giant IO PCs") will represent beneficial ownership interests in pools ("Giant PC Pools") to be formed by the Federal Home Loan Mortgage Corporation ("Freddie Mac") from time to time under the Freddie Mac Giants Program. Each Giant PC Pool will consist of one or more Freddie Mac Mortgage Participation Certificates (Guaranteed) (the "PCs"). The PCs represent undivided interests in specified fixed-rate, first lien, 1-4 family residential mortgages or participations therein (the "Mortgages") purchased by Freddie Mac and placed in discrete pools ("PC Pools") under Freddie Mac's Guarantor Program. The general characteristics of the PCs, including Freddie Mac's guarantees thereof, are described in Freddie Mac's Offering Circular relating thereto as in effect from time to time (the "PC Offering Circular"). Certain information relating to the PCs constituting each Giant PC Pool will be set forth in the related Offering Circular Supplement.

Giant PCs, Giant PO PCs and Giant IO PCs are referred to collectively as "Freddie Mac Giants." The Holders of Giant PCs are entitled to receive payments of all or a portion of both the principal and interest payments received on the PCs in the related Giant PC Pool. The Holders of Giant PO PCs are entitled to receive all or a portion of the principal payments received on the PCs in the related Giant PC Pool and no interest payments. The Holders of Giant IO PCs are entitled to receive all or a part of the interest payments received on the PCs in the related Giant PC Pool and no principal payments. Each Giant PC and Giant PO PC has a stated principal amount representing the amount payable over its life to the Holder thereof from principal payments on the underlying PCs. Each Giant IO PC is assigned a notional principal amount for purposes of determining interest payments to, and certain other rights of, the Holder of such Giant IO PC. Each Giant PC and Giant IO PC entitles the Holder thereof to receive interest at a specified annual rate (the "Giant PC Coupon") on the outstanding principal amount (or, in the case of a Giant IO PC, on the outstanding notional principal amount) thereof. As to each Giant PC Pool, Freddie Mac will create either (i) a single class of Giant PCs or (ii) two or more classes of Giant PCs, Giant PO PCs and/or Giant IO PCs.

Freddie Mac guarantees to each Holder of a Giant PC and each Holder of a Giant IO PC the timely payment of interest at the applicable Giant PC Coupon on such Holder's Giant PC or Giant IO PC. Freddie Mac also guarantees to each Holder of a Giant PC and each Holder of a Giant PO PC the payment of the principal amount of such Holder's Giant PC or Giant PO PC as payments are made on the underlying PCs.

The Mortgages may be prepaid at any time without penalty and the rate of principal payments (including prepayments) may fluctuate significantly from time to time. The yield to investors in Giant PO PCs and Giant IO PCs will be extremely sensitive to the rate of principal payments on the Mortgages. Investors in Giant IO PCs should fully consider the associated risks, including the risk that a rapid rate of principal payments could result in the failure of such investors to recover their investment. Conversely, investors in Giant PO PCs should consider the risk that a slower than anticipated rate of principal payments could result in an actual yield to such investors that is significantly lower than the anticipated yield. See "Description of Freddie Mac Giants — Prepayment Considerations and Risks."

Freddie Mac Giants will be sold in book-entry form only. See "Description of Freddie Mac Giants — Form of Freddie Mac Giants, Holders, Minimum Principal Amounts and Transfers." There currently is no secondary market in Freddie Mac Giants nor is there any assurance that such a market will develop.

This Offering Circular should be read in conjunction with the applicable Offering Circular Supplement, the PC Offering Circular, Freddie Mac's current Information Statement and any supplements thereto, each of which is incorporated herein by reference. See "Availability of Information and Incorporation by Reference."

Freddie Mac Giants are not guaranteed by and do not constitute debts or obligations of the United States or any Federal Home Loan Bank. 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.

This Offering Circular may not be used to consummate sales of Freddie Mac Giants unless accompanied by a preliminary or final Offering Circular Supplement.

Offering Circular Dated May 10, 1988.

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No dealer, salesperson or other person has been authorized by Freddie Mac to give any information or to make any representations on behalf of Freddie Mac other than those contained in this Offering Circular, the PC Offering Circular, Freddie Mac's current Information Statement, any subsequent Information Statement or any supplement to any of the foregoing prepared by Freddie Mac for use in connection with the offer made by this Offering Circular, and, if given or made, such information or representations must not be relied upon as having been authorized by Freddie Mac. Neither the delivery of this Offering Circular nor any sale of Freddie Mac Giants made hereunder shall under any circumstances create an implication that the information provided herein is correct at any time subsequent to the date hereof. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

OFFERING CIRCULAR SUPPLEMENT

The Offering Circular Supplement with respect to the specific Freddie Mac Giants to be offered hereby and by means of such Offering Circular Supplement will, among other things, set forth: (i) the identity of each class of Freddie Mac Giants so offered; (ii) the original principal amount (or original notional principal amount) and the Giant PC Coupon, if any, of each such class; (iii) certain information concerning the related Giant PC Pool; (iv) the applicable Payment Dates; and (v) the applicable Final Payment Dates.

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 corporate instrumentality of the United States.

The Freddie Mac Giants The Giant Mortgage Participation Certificates (Guaranteed), the Giant Principal Only Mortgage Participation Certificates (Guaranteed) and the Giant Interest Only Mortgage Participation Certificates (Guaranteed) will be issued pursuant to a Giant Mortgage Participation Certificate Agreement dated as of May 1, 1988 in the form included in this Offering Circular as Exhibit A and a Terms Supplement in the form included as an annex to the related Offering Circular Supplement (the Giant Mortgage Participation Certificate Agreement, together with the applicable Terms Supplement, the "Giant PC Agreement"). The Freddie Mac Giants will evidence beneficial ownership interests in the related Giant PC Pool formed by Freddie Mac pursuant to the Giant PC Agreement.

Each Giant PC Pool is assigned one or more pool numbers, corresponding to the number of classes of Freddie Mac Giants created and sold in respect of such Giant PC Pool. The first two digits of a Giant PC Pool number (the "prefix") for a Giant PC Pool as to which a single class of Giant PCs is created will be one of the prefixes assigned by Freddie Mac to PCs formed under its Guarantor Program; such prefix will indicate the type and maximum original term to maturity of the Mortgages underlying the PCs in such Giant PC Pool. Giant PC Pools will be identified as such in the publication in which Giant PC Pool Factors are published. The pool number(s) for each Giant PC Pool will be set forth in the related Offering Circular Supplement.

The PCs Various Freddie Mac Mortgage Participation Certificates (Guaranteed) having the characteristics described in the PC Offering Circular under "Description of Mortgage Participation Certificates" and, as to a particular Giant PC Pool, in the related Offering Circular Supplement. The Mortgages underlying the PCs are fixed-rate, first lien, 1-4 family residential mortgages, including whole mortgage loans and/or participation interests therein, purchased by Freddie Mac and placed in PC Pools under Freddie Mac's Guarantor Program. The Mortgages in any PC Pool are all either conventional Mortgages or Mortgages insured by the Federal Housing Administration and/or guaranteed, in part, by the Veterans Administration.

Form of Freddie Mac Giants;

Holders The Freddie Mac Giants will be issued and maintained, and may be transferred by Holders (as defined below), only on the book-entry system of the Federal Reserve Bank of New York and/or such other Federal Reserve Banks as may maintain Freddie Mac Giants in book-entry form (the Federal Reserve Bank of New York and/or such other Federal Reserve Banks are herein referred to as the "Federal Reserve Bank"). Freddie Mac Giants may be held of record only by entities eligible to maintain book-entry accounts with the Federal Reserve Bank.

Entities whose names appear on the book-entry records of the Federal Reserve Bank as the entities for whose accounts Freddie Mac Giants have been deposited are referred to herein as "Holders." See "Description of Freddie Mac Giants — Form of Freddie Mac Giants, Holders, Minimum Principal Amounts and Transfers."

Minimum Denominations and

Transfers Freddie Mac Giants will be issued and must be maintained and transferred in minimum original principal amounts (or original notional principal amounts) of \$1,000 and additional increments of \$1. See "Description of Freddie Mac Giants — Form of Freddie Mac Giants, Holders, Minimum Principal Amounts and Transfers."

Payment Dates; Method of Payment

..... Freddie Mac will pass through payments of interest and principal to Holders of Freddie Mac Giants on the 15th day of each month or, if such day is not a Business Day (as defined in the Giant PC Agreement), on the next succeeding Business Day (a "Payment Date"), commencing on the date specified in the related Offering Circular Supplement. Payments are credited on each Payment Date by the Federal Reserve Bank to the accounts of Holders. The Holder and each other financial intermediary in the chain to the beneficial owner will have the responsibility of remitting payments for the accounts of their customers. See "Description of Freddie Mac Giants — Form of Freddie Mac Giants, Holders, Minimum Principal Amounts and Transfers."

Interest Interest on the Giant PCs and/or Giant IO PCs, at the applicable Giant PC Coupon specified in the related Offering Circular Supplement, will be passed through on each Payment Date. See "Description of Freddie Mac Giants — Payments of Interest."

Principal Principal payments on the Giant PCs and/or the Giant PO PCs created in respect of each Giant PC Pool will be made on each Payment Date in an aggregate amount equal to the amount of principal payments received by Freddie Mac on the same Payment Date on the PCs in such Giant PC Pool (the "PC Principal Payment Amount"). All payments of principal on any class of Freddie Mac Giants will be

applied pro rata among all Freddie Mac Giants of such class. See "Description of Freddie Mac Giants — Payments of Principal."

Record Date Each payment on the Freddie Mac Giants on any Payment Date will be made to Holders of record on the last business day of the second preceding month. See "Description of Freddie Mac Giants — Form of Freddie Mac Giants, Holders, Minimum Principal Amounts and Transfers."

Final Payment Dates The Final Payment Date for each class of Freddie Mac Giants is the payment date on or before which the entire principal amount (or notional principal amount) of the Freddie Mac Giants of such class will be reduced to zero. Scheduled payments on the Mortgages underlying the PCs in each Giant PC Pool will be sufficient to make timely payments of interest on the Freddie Mac Giants created and sold in respect of such Giant PC Pool and to retire such Freddie Mac Giants on or before their Final Payment Dates. Because the rate of payment of principal (or reduction of notional principal amount) of the Freddie Mac Giants will depend on the rate of payment (including prepayments) of the principal of the Mortgages underlying the PCs in the related Giant PC Pool, 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 PCs in each Giant PC Pool will depend on their characteristics, 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 PCs in any Giant PC Pool. See "Description of Freddie Mac Giants — Final Payment Dates and Weighted Average Lives of the Freddie Mac Giants" herein and "Description of Mortgage Participation Certificates — Weighted Average Life and Payment Behavior" in the PC Offering Circular.

Guarantees Freddie Mac guarantees to each Holder of a Giant PC and each Holder of a Giant IO PC the timely payment of interest at the applicable Giant PC Coupon on such Holder's Giant PC or Giant IO PC. Freddie Mac also guarantees to each Holder of a Giant PC and each Holder of a Giant PO PC the payment of the principal amount of such Holder's Giant PC or Giant PO PC as payments are made on the underlying PCs. See "Description of Freddie Mac Giants — Guarantees."

With respect to the PCs, Freddie Mac guarantees to each holder thereof the timely payment of interest at the applicable PC interest rate on the 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. Freddie Mac also guarantees to each such holder ultimate collection of all principal of the related Mortgages, without offset or deduction, to the extent of such holder's pro rata share thereof. With respect to certain PCs ("Scheduled Principal PCs"), in addition to its other guarantees, Freddie Mac guarantees to each holder thereof the timely payment of the monthly principal scheduled to be paid under the amortization schedule applicable to each of the related Mortgages ("Scheduled Principal"), whether or not received by Freddie Mac. Freddie Mac's monthly payments of Scheduled Principal are computed based upon the servicers' monthly reports to Freddie Mac of the amount of Scheduled Principal due to be paid on the Mortgages. If Scheduled Principal PCs are included in any Giant PC Pool, the related Offering Circular Supplement will so state. See "Description

of Mortgage Participation Certificates — Guarantees” in the PC Offering Circular.

Giant PC Pool Factors On or about the first business day of each month, Freddie Mac will publish or otherwise make available for that month the Giant PC Pool Factor for each outstanding class of Freddie Mac Giants created in respect of each Giant PC Pool. The Giant PC Pool Factor is a seven-digit decimal fraction calculated by Freddie Mac which, when multiplied by the original principal amount of a Giant PC or a Giant PO PC (or by the original notional principal amount of a Giant IO PC), will equal the remaining principal amount (or remaining notional principal amount) thereof, after giving effect to the payment of principal (or reduction in notional principal amount) to be made on the second following Payment Date. See “Description of Freddie Mac Giants — Giant PC Pool Factors.”

Tax Status of the Freddie Mac

Giants Income from the Freddie Mac Giants has no exemption under federal law from federal, state or local taxation.

Standard Giant PCs (as defined in “Certain Federal Income Tax Consequences — General”) constitute (i) “loans secured by an interest in real property” for purposes of determining whether an institution qualifies as a “domestic building and loan association,” (ii) “qualifying real property loans” with respect to certain thrift institutions, and (iii) “real estate assets” with respect to real estate investment trusts, and interest thereon constitutes “interest on obligations secured by mortgages on real property” with respect to real estate investment trusts. See “Certain Federal Income Tax Consequences.”

Holders of Stripped Giant PCs (as defined in “Certain Federal Income Tax Consequences — General”) will be treated for federal income tax purposes as owners of the right to receive principal or interest, as the case may be, on the Mortgages underlying the PCs in the related Giant PC Pool. The Stripped Giant PCs will be treated under the Internal Revenue Code of 1986 as stripped bonds or stripped coupons. Holders generally will be required to include original issue discount with respect to such stripped bonds or stripped coupons in gross income as it accrues, which may be prior to receipt of cash attributable to such income. There is substantial uncertainty as to computation of income from the Stripped Giant PCs.

Although there is no specific precedent and the characterization of the Stripped Giant PCs is not entirely free from doubt, Stripped Giant PCs should be considered to represent (i) “loans secured by an interest in real property,” (ii) “qualifying real property loans” with respect to certain thrift institutions, and (iii) “real estate assets” with respect to real estate investment trusts; interest and original issue discount thereon should be considered to be “interest on obligations secured by mortgages on real property” with respect to real estate investment trusts. See “Certain Federal Income Tax Consequences.”

Legality of Investment Freddie Mac Giants described herein:

- will be acceptable as security for the deposit of public monies subject to the control of the United States or any of its officers;
- will be eligible as collateral for Treasury tax and loan accounts;
- will be among those securities which national banks may deal in, underwrite and purchase for their own accounts without limitation;
- will be eligible as collateral for advances by Federal Reserve Banks;

- will be legal investments for federal savings and loan associations and federal savings banks;
- will be eligible as collateral for advances from Federal Home Loan Banks;
- will be legal investments for surplus and reserve funds of Federal Home Loan Banks;
- will be legal investments for federal credit unions; and
- will be considered plan assets for private pension funds under the Employee Retirement Income Security Act of 1974 (and neither the PCs nor the Mortgages underlying the PCs will be considered plan assets).

In addition, any person, trust or business entity created pursuant to or existing under the laws of the United States or any state is authorized to purchase, hold and invest in 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.

Special restrictions or prohibitions may apply to investments by certain investors in Giant PO PCs or Giant IO PCs. In particular, financial institutions which are 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 Federal Home Loan Bank Board, the National Credit Union Administration, or other federal or state agencies with similar authority, should review applicable rules, regulations, orders and guidelines prior to purchasing Giant PO PCs or Giant IO PCs. See "Legality of Investment," "ERISA Considerations" and "Regulatory Constraints."

Offering Procedures..... See "Distribution Arrangements."

FEDERAL HOME LOAN MORTGAGE CORPORATION

Freddie Mac is a corporate instrumentality of the United States created pursuant to the Federal Home Loan Mortgage Corporation Act (Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§1451-1459, the "Freddie Mac Act"). The principal activity of Freddie Mac consists of the purchase of first lien, conventional, residential mortgage loans and participation interests in such mortgage loans 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 and sales of guaranteed mortgage securities. Mortgages retained by Freddie Mac are financed with 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 Mortgage Participation Certificates (Guaranteed) which describes the general characteristics of such securities, the related mortgages and other matters and which includes a copy of the Mortgage Participation Certificate Agreement (the "PC Agreement") pursuant to which such securities are created and sold. The current Information Statement, the current 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 prepared and made available by Freddie Mac can be obtained by writing or calling the Investor Relations Department at Freddie Mac at P.O. Box 4112, Reston, Virginia 22090 (outside Washington, D.C. metropolitan area, telephone 800/424-5401, extension 8160; within Washington, D.C. metropolitan area, telephone 703/759-8160).

DESCRIPTION OF FREDDIE MAC GIANTS

General

Freddie Mac Giants will be offered from time to time pursuant to this Offering Circular and an Offering Circular Supplement relating to each specific offering.

Freddie Mac Giants represent beneficial ownership interests in the PCs which constitute the related Giant PC Pool. The creation and sale of Freddie Mac Giants will be effected under the terms of the Giant PC Agreement, which qualifies this summary in its entirety. Holders and anyone having a beneficial interest in Freddie Mac Giants should refer to the Giant PC Agreement for a complete description of their rights and obligations and the rights and obligations of Freddie Mac with respect to such Freddie Mac Giants. Each Holder acquires a Freddie Mac Giant subject to all the terms and conditions of the Giant PC Agreement.

As to each Giant PC Pool, Freddie Mac will create either (i) a single class of Giant PCs or (ii) two or more classes of Giant PCs, Giant PO PCs and/or Giant IO PCs.

Form of Freddie Mac Giants, Holders, Minimum Principal Amounts and Transfers

Freddie Mac will sell Freddie Mac Giants only in book-entry form. Freddie Mac's fiscal agent for Freddie Mac Giants will be the Federal Reserve Bank or such other institution as may be specified in the related Offering Circular Supplement. The Fiscal Agency Agreement between Freddie Mac and the Federal Reserve Bank will make generally applicable to Freddie Mac Giants the Freddie Mac book-entry regulations, 1 C.F.R. Part 462, and such procedures, insofar as applicable, as may from time to time be established by regulations of the United States Department of the Treasury governing United States securities, and such other procedures as may be agreed upon from time to time by Freddie Mac and the 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 created in respect of a Giant PC Pool is assigned a unique nine-character designation used to identify such class on the records of the Federal Reserve Bank (the "CUSIP Number").

Freddie Mac Giants will be issued and must be maintained and transferred only on the book-entry system of the Federal Reserve Bank in minimum original principal amounts (or original notional principal amounts) of \$1,000 and in 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 (or original notional principal amount) of less than \$1,000.

Freddie Mac Giants may be held of record only by entities eligible to maintain book-entry accounts with the Federal Reserve Bank. Entities whose names appear on the book-entry records of the Federal Reserve Bank as entities for whose accounts Freddie Mac Giants have been deposited are referred to herein as "Holders." The 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 will 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 an entity eligible to maintain book-entry accounts with the Federal Reserve Bank. In such case, the beneficial owner of the Freddie Mac Giant would be the individual purchaser and the entity whose name appears on the records of the Federal Reserve Bank as the entity for whose account the Freddie Mac Giant was deposited would be the 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 the Federal Reserve Bank may be exercised only through the Holder of the Freddie Mac Giant. Freddie Mac and the Federal Reserve Bank will have no direct obligation to a beneficial owner of a Freddie Mac Giant that is not also the Holder of the Freddie Mac Giant. The Federal Reserve Bank will act only upon the instructions of the Holder in recording transfers of a Giant PC.

The Federal Reserve Bank credits interest and principal to Holders of Freddie Mac Giants on each Payment Date. Each payment on the Freddie Mac Giants will be made to Holders as shown on the books and records of the Federal Reserve Bank as of the last business day of the second preceding month. For this purpose, the last business day of a month means 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 or (iii) a day on which the Federal Reserve Bank at which the Holder's account is maintained is authorized or obligated by law or executive order to remain closed.

The PCs

The PCs constituting each Giant PC Pool represent undivided interests in specified fixed-rate, first lien, 1-4 family residential mortgages or participations therein purchased by Freddie Mac and placed in PC Pools under Freddie Mac's Guarantor Program. Each Offering Circular Supplement will contain certain information regarding the PCs constituting the applicable Giant PC Pool.

Giant PC Pool Factors

On or about the first business day of each month, Freddie Mac will publish or otherwise make available the Giant PC Pool Factor for each outstanding class of Freddie Mac Giants. The Giant PC Pool Factor is a seven-digit decimal fraction calculated by Freddie Mac which, when multiplied by the original principal amount of a Giant PC or a Giant PO PC (or by the original notional principal amount of a Giant IO PC), will equal the remaining principal amount (or remaining notional principal amount) thereof, after giving effect to the payment of principal (or reduction in notional principal amount) to be made on the second following Payment Date.

Payment Dates

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

Payments of Interest

All payments of interest received on a Payment Date on the PCs in each Giant PC Pool (net of any Giant PC Pool servicing fee retained by Freddie Mac, if so provided in the related Offering Circular Supplement) will be passed through on the same Payment Date, as interest, to the Holders of the related Giant PCs and/or Giant IO PCs. Unless otherwise specified in the applicable Offering Circular Supplement, interest will accrue during the second month preceding the related Payment Date. Such interest will accrue on the principal amount of the Giant PCs (or on the notional principal amount of the Giant IO PCs) as represented by the Giant PC Pool Factor therefor published on or about the first day of the second month preceding such Payment Date, at the applicable Giant PC Coupon specified in the related Offering Circular Supplement. Interest will be calculated on the basis of a 360-day year of twelve 30-day months.

Payments of Principal

All payments of principal received on a Payment Date on the PCs in each Giant PC Pool will be passed through on the same Payment Date, as principal, to the Holders of the related Giant PCs and/or Giant PO PCs. All payments of principal on any class of Giant PCs or Giant PO PCs will be applied pro rata among all Giant PCs or Giant PO PCs of such class.

For any Payment Date, the amount of principal to be paid on any class of Giant PCs or Giant PO PCs entitled thereto can be calculated by multiplying the original principal amount of such class by the difference between the Giant PC Pool Factors for such class published on or about the first day of each of the first and second preceding months.

Guarantees

Freddie Mac guarantees to each Holder of a Giant PC and each Holder of a Giant IO PC the timely payment of interest at the applicable Giant PC Coupon on such Holder's Giant PC or Giant IO PC. Freddie Mac also guarantees to each Holder of a Giant PC and each Holder of a Giant PO PC the payment of the principal amount of such Holder's Giant PC or Giant PO PC as payments are made on the underlying PCs.

With respect to the PCs, Freddie Mac guarantees to each holder thereof the timely payment of interest at the applicable PC interest rate 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. Freddie Mac also guarantees to each holder 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 Scheduled Principal PCs, in addition to its other guarantees, Freddie Mac guarantees to each holder thereof the timely payment of Scheduled Principal on each of the related Mortgages, whether or not received by Freddie Mac. Freddie Mac's monthly payments of Scheduled Principal are computed based upon the servicers' monthly reports to Freddie Mac of the amount of Scheduled Principal due to be paid on the Mortgages. If Scheduled Principal PCs are included in any Giant PC Pool, the related Offering Circular Supplement will so indicate.

Freddie Mac may pay the amount due on account of its guarantee of ultimate collection of principal on PCs at any time after default on an underlying Mortgage, but not later than 30 days following (i) foreclosure sale, (ii) payment of the claim by any mortgage insurer or the FHA, or payment of the guarantee claim by the VA, or (iii) the expiration of any right of redemption, whichever occurs later, but in any event no later than one year after demand has been made upon the mortgagor for accelerated payment of principal or for payment

of principal due on the maturity of a Mortgage. See “Description of Mortgage Participation Certificates — Guarantees” in the PC Offering Circular.

FREDDIE MAC GIANTS ARE NOT GUARANTEED BY AND DO NOT CONSTITUTE DEBTS OR OBLIGATIONS OF THE UNITED STATES OR ANY FEDERAL HOME LOAN BANK.

Prepayment Considerations and Risks

The rate of principal payments on the PCs constituting a Giant PC Pool, and therefore of 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 prepayments (for this purpose, the term “prepayments” includes prepayments and liquidations resulting from default, casualty, condemnation and payments made pursuant to any guarantee of payment by Freddie Mac) and may fluctuate significantly from time to time. The prepayment experience of the Mortgages underlying the PCs in any Giant PC Pool will depend on their characteristics, 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 PCs in any Giant PC Pool. In general, when the level of prevailing interest rates declines significantly below the interest rates on mortgage loans, the rate of prepayment is likely to increase. See “Description of Mortgage Participation Certificates — Weighted Average Life and Payment Behavior” in the PC Offering Circular.

Acceleration of mortgage payments as a result of transfers of the mortgaged property is another factor affecting prepayment rates. Except for Mortgages insured by the Federal Housing Administration or guaranteed by the Veterans Administration, the Mortgages underlying the PCs generally provide by their terms that, in the event of the transfer or prospective transfer of title to the underlying mortgaged property, the full unpaid principal balance of the Mortgage is due and payable at the option of the Mortgage holder. As set forth under “Mortgage Purchase Standards — Assumption and Due on Transfer Policies” in the PC Offering Circular, Freddie Mac requires servicers of the Mortgages to enforce “due-on-transfer” clauses where permitted by applicable law.

The yields to maturity of Giant PO PCs and Giant IO PCs will be extremely sensitive to the rate of principal payments (including prepayments) on the Mortgages underlying the PCs in the related Giant PC Pool and may fluctuate significantly from time to time. No representation is made as to the rate of principal payments on the Mortgages or as to the yield to maturity of any Freddie Mac Giant. An investor seeking to maximize yield is urged to make an investment decision with respect to Giant PO PCs and Giant IO PCs based on the anticipated yield to maturity thereof resulting from their respective prices and such investor’s own determination as to anticipated Mortgage prepayment rates under a variety of scenarios. Investors should carefully consider the associated risks, including the risk that a slower rate of principal payments on the PCs than anticipated could result in an actual yield to investors in Giant PO PCs that is significantly less than the anticipated yield and the risk that a rapid rate of principal payments on the PCs could result in the failure of investors in Giant IO PCs to recover their investment.

The timing of changes in the rate of prepayments on the Mortgages may significantly affect an investor’s actual yield to maturity on a Giant PO PC or Giant IO PC, 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 of principal payments occurring at a rate higher (or lower) than the rate anticipated by the investor during the period immediately following the issuance of a Giant PO PC or Giant IO PC may not be offset by a subsequent like reduction (or increase) in the rate of principal payments.

Final Payment Dates and Weighted Average Lives of the Freddie Mac Giants

The Final Payment Date for each class of Freddie Mac Giants is the Payment Date on or before which the entire principal amount (or notional principal amount) of the Freddie Mac Giants of such class will be reduced to zero. Unless otherwise specified in the related Offering Circular Supplement, the Final Payment

Date is determined by adding 180 months or 360 months, as applicable, to the first Payment Date with respect to the Giant PC Pool.

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 underlying the PCs in the related Giant PC Pool. Principal payments on such Mortgages may be in the form of scheduled amortization or prepayments.

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 each class of Freddie Mac Giants and the percentage of the original principal amount (or notional principal amount) of each such class that would be outstanding on specified Payment Dates, on the assumption that prepayments on the Mortgages underlying the PCs in the related Giant PC Pool are made at such rates and on such other assumptions as may be specified in such Offering Circular Supplement.

THE GIANT PC AGREEMENT

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

Transfer of PCs to Giant PC Pool

Specified PCs will be identified to each Giant PC Pool. The PCs will be deposited in Freddie Mac's name on the books of the Federal Reserve Bank and held for the Holders of the related Freddie Mac Giants by Freddie Mac pursuant to the Giant PC Agreement.

Certain Matters Regarding Freddie Mac

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

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

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

Voting Under any PC Agreement

To the extent set forth in the PC Agreement attached as Exhibit A to the PC Offering Circular, the record holders of PCs owning a majority of the remaining unpaid principal balance of any affected PC Pool may take certain actions, including termination of certain obligations and duties of Freddie Mac with respect thereto, if an Event of Default under and within the meaning of the PC Agreement has occurred and is continuing. The Giant PC Agreement provides that Holders of Freddie Mac Giants may, upon occurrence of an Event of Default with respect to a PC in the related Giant PC Pool, take any such action rather than Freddie Mac. For this purpose, the Holders of Freddie Mac Giants will be deemed the holders of the affected PCs in proportion to the outstanding principal amounts (which is zero in the case of a Giant IO PC) of their Freddie Mac Giants.

As set forth in the PC Agreement, the holders of PCs owning a majority of the remaining unpaid principal balance of any affected PC Pool may consent to certain amendments to the PC Agreement. The Giant PC Agreement provides that Freddie Mac may consent to such an amendment as to any PC held in a Giant PC Pool so long as such amendment would not adversely affect in any material respect the interest of the Holders of Freddie Mac Giants. If the amendment would have such effect, Freddie Mac may consent thereto only with the written consent of Holders of each class of Freddie Mac Giants so affected representing a majority of the outstanding principal amount (or notional principal amount) thereof.

Events of Default

Events of Default under the Giant PC Agreement will consist of (i) any failure by Freddie Mac to pay to Holders of Freddie Mac Giants of any class any required payment that continues unremedied for 30 days; (ii) any failure by Freddie Mac duly to observe or perform in any material respect any other of its covenants or agreements in the Giant PC Agreement, which failure continues unremedied for 60 days after the giving of notice of such failure to Freddie Mac by the Holders of Freddie Mac Giants of any class representing not less than 60% of the aggregate outstanding principal amount (or notional principal amount) of the Freddie Mac Giants of such class; and (iii) certain events of bankruptcy, insolvency or similar proceedings involving Freddie Mac.

Rights Upon Event of Default

As long as an Event of Default under the Giant PC Agreement remains unremedied, the Holders of Freddie Mac Giants of any class representing principal amounts (or notional principal amounts) aggregating a majority of the aggregate of the principal amounts (or notional principal amounts) of all Freddie Mac Giants of such class may, in writing, remove Freddie Mac and nominate a successor to Freddie Mac, which nominee will be deemed appointed as successor to Freddie Mac (except as to its guarantee obligation) unless within 10 days after such nomination Freddie Mac objects thereto, in which case Freddie Mac may petition any court of competent jurisdiction for the appointment of a successor or any Holder who has been a bona fide Holder for at least six months may, on behalf of such Holder and all others similarly situated, petition any such court for appointment of a successor to Freddie Mac. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor to Freddie Mac.

Amendment

The Giant PC Agreement may be amended by Freddie Mac, without the consent of any Holder or Holders, to cure any ambiguity, to correct or supplement any provision thereof which may be inconsistent with any other provisions thereof, or to make any other provisions with respect to matters or questions arising under the Giant PC Agreement that are not inconsistent with the other provisions of the Giant PC Agreement, provided that any such amendment shall not adversely affect in any material respect the interest of any Holder.

The Giant PC Agreement also may be amended by Freddie Mac in any other respect with the consent of the Holders of Freddie Mac Giants of each affected class representing a majority of the principal amount (or notional principal amount) of all Freddie Mac Giants of such class. However, 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 interest (including any payment under any guarantee in respect thereof) due such Holder, on or after the due date of such payment, or to institute suit for the enforcement of any such payment on or after such date.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

General

The following 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 Tax Reform Act of 1986 (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 particularly with respect to federal income tax changes effected by the 1986 Act.

Neither the Freddie Mac Giants nor the income derived therefrom is exempt from federal income, estate or gift taxes under the Internal Revenue Code of 1986, as amended (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.

Although the matter is not free from doubt, beneficial owners of PCs who contribute PCs upon formation of a Giant PC Pool in exchange for Freddie Mac Giants may be required to recognize gain or loss with respect to all or a portion of such PCs. Any such recognition of gain or loss may depend in part on whether and to what extent the PCs exchanged differ materially from the Freddie Mac Giants received. Original holders of Freddie Mac Giants who contribute PCs to a Giant PC Pool 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 Giant PCs representing an undivided interest in all of the principal and interest payments on the underlying PCs ("Standard Giant PCs") or (ii) a class or classes of Giant PCs, Giant PO PCs and/or Giant IO PCs ("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 PCs included in the Giant PC Pool 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 PCs in the 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-through entity" (other than in connection with such individual's trade or business). Pass-through entities include partnerships, S corporations, grantor trusts, and mutual funds, but do not include estates, nongrantor trusts, cooperatives and real estate investment trusts. 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).

Premium and Discount

A Holder will be treated as purchasing an interest in each of the Mortgages underlying the 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 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 an adjustable rate or graduated payment mortgage. 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.

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 character 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. 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 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. The manner in which market discount accrues on 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: (1) 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 (2) 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, if the Mortgage is issued by a corporation or if the Mortgage is issued by other than a corporation after September 27, 1985, be amortizable under a constant interest method at the election of the taxpayer under Section 171 of the Code.

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. The 1986 Act eliminated the preferential rates applicable to capital gains, generally after December 31, 1986, subject to certain transitional rules.

Recharacterization of Servicing Fees

The Internal Revenue Service may contend that, by reason of the enactment of the stripped bond rules of Section 1286 of the Code (or its predecessor, Section 1232B), a portion of the difference between interest at the underlying interest rate on the Holder's undivided interest in each Mortgage underlying the PCs in the Giant PC Pool and the sum of the interest at the Giant PC Coupon on the Standard Giant PC, Freddie Mac's management and guarantee fees, and servicers' fees with respect to such undivided interest is a retained

ownership interest of Freddie Mac and/or servicers in a portion of the interest payments on the Mortgages. If this were the case, a Holder would not be treated as having a pro rata undivided interest in the 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 its share of interest payments on the Mortgages underlying the PCs. The consequences of this characterization are described below in "Stripped Giant PCs."

Information Reporting

Under the book-entry system, each Holder will be furnished annual information for federal income tax purposes that will itemize with respect to each Standard Giant PC held the total amount of interest due from mortgagors at the interest rates in the underlying Mortgages, servicers' fees, Freddie Mac's management and guarantee fees, the total amount of interest paid on the Standard Giant PC at the Giant PC Coupon, and prepayment charges, if any, for the calendar year.

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. This discussion will apply only to Freddie Mac Giants that are Stripped Giant PCs. 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 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. This treatment is based in part on certain rules for aggregating debt instruments contained in proposed Treasury Regulations published on April 8, 1986 (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 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 uses an assumed rate of prepayment of the Mortgages (the "Prepayment Assumption"), and 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 (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 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 issued 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 (the "Servicing Fee") will be allocated for tax reporting purposes to the related Stripped Giant PCs in proportion to the respective public offering prices for 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. The 1986 Act eliminates the preferential rate applicable to long-term capital gains, generally for taxable years beginning after December 31, 1986, subject to certain transitional rules. Subsequent purchasers will be subject to the rules described above.

Possible Alternative Characterizations

The Internal Revenue 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 Internal Revenue 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 Internal Revenue 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. For federal income tax purposes Freddie Mac intends to report to all Holders of more than one class of Stripped Giant PCs as if the classes were held separately. 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 (as defined below) 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 Internal Revenue 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. 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 United States 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 United States, (ii) such beneficial owner is not with respect to the United States a personal holding company or corporation that accumulates earnings in order to avoid United States 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.

As used herein, "U.S. person" means 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.

ERISA CONSIDERATIONS

The Department of Labor issued a final regulation on November 13, 1986, which provides that if an employee benefit plan ("plan") subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), acquires a "guaranteed governmental mortgage pool certificate," then, for purposes of the fiduciary responsibility provisions of ERISA 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" is specifically defined to include a certificate "backed by, or evidencing an interest in, specified mortgages or participation interests therein" and with respect to which interest and principal payable pursuant to the certificate are guaranteed by Freddie Mac. The effect of such regulations is to make clear that the sponsor (that is, the entity that organizes and services the pool, in this case Freddie Mac) and other persons, in providing services with respect to the assets in the pool, would not be subject to the fiduciary responsibility provisions of Title I of ERISA, 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. At the time this Labor Department regulation was originally issued, certificates similar to Freddie Mac Giants were not in existence. However, Freddie Mac has been advised by its counsel, Cadwalader, Wickersham & Taft, that the Freddie Mac Giants should qualify as "guaranteed governmental mortgage pool certificates," and thus investment in the Freddie Mac Giants by plans should not result in transactions prohibited either by ERISA or related provisions of the Code.

LEGALITY OF INVESTMENT

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(f). 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 and loan associations and federal savings banks 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 and loan associations, federal savings banks and other members for which Freddie Mac Giants are legal investments. 12 U.S.C. § 1430(a) and 12 C.F.R. § 525.7(b)(2).

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

Federal credit unions may purchase Freddie Mac Giants without regard to limitations generally applicable to investments. 12 U.S.C. § 1757(7)(E). National Credit Union Administration Letter to Credit Unions No. 96 includes guidelines to assist federal credit unions in making investment decisions for mortgage-related securities.

In addition to the specific authorizations discussed above, pursuant to Section 106 of the Secondary Mortgage Market Enhancement Act of 1984, 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 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, a state may enact legislation which specifically refers to Section 106 and either prohibits or limits an investor's authority to invest in Freddie Mac Giants. To Freddie Mac's knowledge, no state has enacted any such legislation. The enactment by any state of legislation which prohibits or limits authority to invest in Freddie Mac Giants will not affect the validity of any contractual commitment to purchase, hold or invest in Freddie Mac Giants made prior to the date of enactment, and such legislation cannot require the sale or other disposition of any Freddie Mac Giants acquired prior to the date of enactment.

REGULATORY CONSTRAINTS

The preceding section 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.

Special restrictions or prohibitions may also 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 Federal Home Loan Bank Board ("FHLBB"), the National Credit Union Administration 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. Depository institutions should review and consider the applicability of the Federal Financial Institutions Examination Council's Supervisory Policy Statement on the Selection of Securities Dealers and Unsuitable Investment Practices which, among other things, sets forth guidelines for investing in certain types of mortgage-related securities, including securities such as Giant PO PCs and Giant IO PCs.

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. The FHLBB, for example, has indicated that it is studying the appropriateness of investment by FSLIC-insured savings institutions in various types of derivative mortgage-backed securities, including securities such as 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. Investors should consult with their own legal advisors in determining whether and to what extent Freddie Mac Giants constitute legal investments for such investors.

FHLBB REGULATORY MATTERS

The staff of the FHLBB has taken the following positions concerning PCs guaranteed by Freddie Mac that are held by institutions whose deposits or accounts are insured by the FSLIC or that are held by federal savings and loan associations or federal savings banks, and Freddie Mac believes that similar positions would be taken concerning Freddie Mac Giants held by such entities.

- Freddie Mac Giants are to be reported in the asset classification “Mortgage-backed pass-through securities insured or guaranteed by an agency or instrumentality of the U.S.” (FHLBB Staff Memorandum R-29a).
- No loss need be reported for regulatory accounting purposes on sales of mortgages or interests in mortgages in exchange for Freddie Mac Giants backed by the same or substantially identical mortgages (FHLBB Staff Memoranda R-49 and R-49-1).
- Freddie Mac Giants constitute “home mortgage loans” for the purpose of computing a Federal Home Loan Bank member’s stock requirement under Section 6(c)(4) of the Federal Home Loan Bank Act (FHLBB General Counsel Opinion dated October 30, 1972).
- Freddie Mac Giants are eligible collateral for use by savings and loan associations engaging in retail repurchase agreements (FHLBB Staff Memorandum R-51-1).

FEDERAL SECURITIES LAWS

The 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.

DISTRIBUTION ARRANGEMENTS

Freddie Mac acquires PCs from one or more sellers, forms a Giant PC Pool consisting of such PCs and issues to such sellers Freddie Mac Giants created in respect of such Giant PC Pool.

Commitments to sell PCs and purchase Freddie Mac Giants are accepted during periods posted by Freddie Mac. Commitments are accepted only from selected securities dealers (which may include Freddie Mac’s Securities Sales and Trading Group). Settlement will occur only if the PCs are delivered at the time and in the manner required for such settlement and only if sufficient acceptable PCs are delivered to Freddie Mac to form a Giant PC Pool in an original principal amount of at least \$1 million. 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 (or notional principal amount) of the Freddie Mac Giants as of the month of settlement as determined by the applicable Giant PC Pool Factors.

The settlement date for purchases of Freddie Mac Giants will be announced at the time the commitment period opens or will be established on the trade date by mutual agreement. Confirmation and settlement of purchases of Freddie Mac Giants will be made in accordance with the Uniform Practices for the Clearance and Settlement of Mortgage-Backed Securities of the Public Securities Association (“Uniform Practices”), except that more than three PC Pools will be accepted per \$1 million trade and that no delivery tolerance is permitted as of 48 hours prior to settlement.

If a Freddie Mac Giant is sold by a securities dealer, the dealer is required to confirm the sale; notify the purchaser of the settlement date, purchase price, concessions and fees; deliver a copy of the Giant PC Offering Circular and any applicable Offering Circular Supplement; and otherwise act in accordance with the Uniform Practices.

Federal Home Loan Mortgage Corporation
GIANT MORTGAGE PARTICIPATION CERTIFICATE AGREEMENT
(Guaranteed)

AGREEMENT dated as of May 1, 1988 among the Federal Home Loan Mortgage Corporation ("Freddie Mac") and Holders (as herein defined) of Giant Mortgage Participation Certificates (Guaranteed) ("Giant PCs"), Giant Principal Only Mortgage Participation Certificates (Guaranteed) ("Giant PO PCs") and Giant Interest Only Mortgage Participation Certificates (Guaranteed) ("Giant IO PCs" and, together with Giant PCs and Giant PO PCs, "Freddie Mac Giants").

Whereas:

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

(b) Pursuant to Section 305 of the Act, Freddie Mac from time to time (i) purchases Mortgages (as herein defined), all of which are identified in the records maintained by Freddie Mac and (ii) creates undivided interests in the Mortgages so acquired, sells and transfers such undivided interests by the sale of Mortgage Participation Certificates (Guaranteed) ("PCs"), and guarantees the payment of interest and principal for the benefit of the holders of such PCs, all as provided in Freddie Mac's Mortgage Participation Certificate Agreement as in effect from time to time (the "PC Agreement"); and

(c) Freddie Mac may from time to time retain, or reacquire and hold, certain PCs, form one or more discrete pools of such PCs ("Giant PC Pools"), create and sell Freddie Mac Giants representing beneficial ownership interests in such Giant PC Pools and guarantee the payment of interest on and principal of such Freddie Mac Giants for the benefit of Holders, all as and to the extent herein more fully provided.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, it is hereby agreed that the following terms and conditions of this Agreement (including, as to each Giant PC Pool, the related Terms Supplement) shall govern the creation by Freddie Mac of such beneficial ownership interests in Giant PC Pools, the transfer, sale and assignment of such interests as are represented by Freddie Mac Giants, and the rights and obligations of Freddie Mac and Holders with respect to Freddie Mac Giants.

ARTICLE I

Definitions

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

Agreement: This Giant Mortgage Participation Certificate Agreement (including, with respect to each Giant PC Pool, the related Terms Supplement), as it may be amended or supplemented from time to time.

Book-Entry Form: A security which (i) is issued by means of an entry on the books and records of a Federal Reserve Bank, which entry in the case of a Freddie Mac Giant 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 created in respect of a particular Giant PC Pool held by such Holder, the CUSIP Number and the Final Payment Date applicable thereto and (ii) is evidenced only by such entry and is not evidenced by a certificated security.

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 the 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.

Class or Class of Freddie Mac Giants: All of the Giant PCs, all of the Giant PO PCs or all of the Giant IO PCs, in each case having like terms, created in respect of a Giant PC Pool. As to each Giant PC Pool, the designations, Original Principal Amounts (if any), Original Notional Principal Amounts (if any), Giant PC Coupons (if any) and other specific characteristics of each Class of Freddie Mac Giants shall be set forth in the related Terms Supplement.

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

Federal Reserve Bank: The Federal Reserve Bank of New York and/or such other Federal Reserve Banks as may maintain Freddie Mac Giants in Book-Entry Form.

Final Payment Date: As to each Class of Freddie Mac Giants, the Payment Date, determined by Freddie Mac and set forth in the applicable Terms Supplement, on or before which the Original Principal Amount or the Original Notional Principal Amount of such Class will be reduced to zero.

Freddie Mac Giant: A Giant PC, a Giant PO PC or a Giant IO PC.

Giant IO PC: A Freddie Mac Giant that does not have a principal amount (other than a notional principal amount), that is entitled to payments of all or a portion of the interest payments received on the PCs in the related Giant PC Pool and that is not entitled to payments of principal. In the case of Giant IO PCs, unless the context otherwise requires, references in Article VI, Article VII and Section 8.05 to (i) principal amounts shall be regarded as references to notional principal amounts and (ii) specified percentages of outstanding principal amounts shall be deemed to refer to such percentages of notional principal amounts.

Giant PC: A Giant Mortgage Participation Certificate (Guaranteed) created pursuant to this Agreement that is entitled to payments of all or a portion of both the principal and interest payments received on the PCs in the related Giant PC Pool.

Giant PC Coupon: The annual rate at which interest is paid on a Giant PC or a Giant IO PC, as set forth in the applicable Terms Supplement. Interest at the applicable Giant PC Coupon shall be computed on the basis of a 360-day year, each month being assumed to have 30 days.

Giant PC Pool: A discrete pool of PCs identified in the records maintained by Freddie Mac.

Giant PC Pool Factor: A seven-digit decimal fraction calculated and published on or about the first Business Day of each month by Freddie Mac (i) as to each class of Giant PCs and Giant PO PCs, which, when multiplied by the original principal amount of a Giant PC or Giant PO PC, will equal the remaining principal amount of such Giant PC or Giant PO PC after giving effect to the payment of principal to be made on the Payment Date occurring in the next following month; and (ii) as to each class of Giant IO PCs, which, when multiplied by the original notional principal amount of a Giant IO PC, will equal the remaining notional principal amount of such Giant IO PC after giving effect to any reduction thereof to be made on the Payment Date occurring in the next following month.

Giant PC Pool Number: A number assigned to each Giant PC Pool by Freddie Mac and used to identify such Giant PC Pool on the books and records of Freddie Mac. A Giant PC Pool may have one or more Giant

PC Pool Numbers assigned to it, corresponding to the number of Classes of Freddie Mac Giants created in respect thereof.

Giant PO PC: A Freddie Mac Giant that has a stated principal amount, that is entitled to payments of all or a portion of the principal payments received on the PCs in the related Giant PC Pool and that is not entitled to payments of interest.

Holder: The entity which maintains an account with a Federal Reserve Bank and whose name appears on the books and records of such Federal Reserve Bank as the entity for whose account such Freddie Mac Giant has been deposited.

Mortgage: A fixed-rate, first lien, 1-4 family residential mortgage or participation therein acquired by Freddie Mac.

Original Notional Principal Amount: As to each Class of Giant IO PCs, the aggregate of the original notional principal amounts thereof, as set forth in the related Terms Supplement.

Original Principal Amount: As to each Class of Giant PCs or Giant PO PCs, the aggregate of the original principal amounts thereof, as set forth in the related Terms Supplement.

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 Terms Supplement.

PC: A Mortgage Participation Certificate (Guaranteed) created and sold pursuant to a PC Agreement, representing an undivided interest in a pool of Mortgages.

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

PC Agreement Default: With respect to any PC Agreement, an "Event of Default" as defined therein.

PC Payment: Any principal, interest, guarantee or other payment made on a PC in a Giant PC Pool.

PC Pool: A discrete pool of Mortgages identified in the records maintained by Freddie Mac and in respect of which one or more PCs have been created.

PC Principal Payment Amount: As to each Giant PC Pool and Payment Date, unless otherwise specified in the related Terms Supplement, the amount of the PC Payments made on such Payment Date in respect of principal.

Remaining PC Pool Balance: With respect to any PC included in a Giant PC Pool, as defined in the related PC Agreement.

Terms Supplement: An instrument which, as to each Giant PC Pool, supplements the other provisions of this Agreement and identifies and establishes the particular Giant PC Pool and the particular Freddie Mac Giants issued in respect thereof. A Terms Supplement may, as to any particular Giant PC Pool, modify, amend or supplement the other provisions of this Agreement in any respect whatsoever.

ARTICLE II

Conveyance of Interests in Giant PC Pools

Section 2.01. Sale of Freddie Mac Giants. Sale of a Freddie Mac Giant by Freddie Mac pursuant to this 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 this 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 this Agreement. Payment for a Freddie Mac Giant sold in exchange for 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 2.02. Identity of the PCs. A Giant PC Pool will consist entirely of PCs retained, or reacquired and held, by Freddie Mac. The specific PCs constituting each Giant PC Pool shall be identified in the related Terms Supplement or an attachment thereto.

Section 2.03. Registration of PCs. All PCs included in a Giant PC Pool shall be maintained in Book-Entry Form and Freddie Mac shall be the record holder thereof.

Section 2.04. 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.

ARTICLE III

Administration of the Giant PC Pools

Section 3.01. 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 PCs in each Giant PC Pool.

Section 3.02. 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 PCs 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 VI and VII of this Agreement, Freddie Mac shall not be subject to the control of Holders in any manner whatsoever in the discharge of its responsibilities pursuant to this Agreement. Except with regard to its guarantee obligation pursuant to Section 4.05, 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.

ARTICLE IV

Payments and Freddie Mac Guarantee

Section 4.01. Payments of Principal and Interest. Payments on Freddie Mac Giants on any Payment Date shall be made from the PC Payments made on such Payment Date on the PCs in the related Giant PC Pool, and from any payment made by Freddie Mac pursuant to Section 4.05 hereof. On each Payment Date, Freddie Mac shall make such payments on the Freddie Mac Giants created in respect of any Giant PC Pool as shall be provided in the related Terms Supplement. Any payments of interest made on a Payment Date shall be at the applicable Giant PC Coupons set forth in the related Terms Supplement and shall accrue during the calendar month second preceding such Payment Date. All payments on the Freddie Mac Giants of a particular Class shall be applied pro rata among all Freddie Mac Giants of such Class. Unless otherwise provided in the applicable Terms Supplement, principal payments on the Giant PCs and/or Giant PO PCs created in respect of a Giant PC Pool shall be made on each Payment Date in an aggregate amount equal to the PC Principal Payment Amount for such Payment Date.

Section 4.02. 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 record of such Freddie Mac Giant at the close of business on the last Business Day of the month second preceding the month in which such Payment Date occurs. For purposes of the immediately preceding sentence, "Business Day" shall have the definition set forth in Article I, but without regard to clauses (iv) and (v) of such definition.

Section 4.03. Giant PC Pool Factors. Freddie Mac shall publish or cause to be published a Giant PC Pool Factor for each outstanding Class of Freddie Mac Giants on or about the first Business Day of each month.

Section 4.04. Fees Retained by Freddie Mac. As a fee for its administration of any Giant PC Pool, Freddie Mac shall be entitled to retain from PC Payments made on the PCs in such Giant PC Pool in respect of interest, the amount, if any, provided for in the related Terms Supplement. 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 4.05. Freddie Mac Guarantee. Freddie Mac hereby guarantees to each Holder of a Giant PC and each Holder of a Giant IO PC the timely payment of interest at the applicable Giant PC Coupon on such Holder's Giant PC or Giant IO PC. Freddie Mac also guarantees to each Holder of a Giant PC and each Holder of a Giant PO PC the payment of the principal amount of such Holder's Giant PC or Giant PO PC as payments are made on the PCs in the related Giant PC Pool.

Section 4.06. 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 4.07. Termination Upon Final Payment. The obligations and responsibilities of Freddie Mac under this 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 and all other amounts, if any, due the Holder hereunder.

ARTICLE V

The Freddie Mac Giants

Section 5.01. 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 5.02. Minimum Denominations. Freddie Mac Giants shall be sold in minimum original principal amounts (or original notional principal amounts) of \$1,000 and additional increments of \$1.

Section 5.03. Transfer of Freddie Mac Giants. Freddie Mac Giants may be transferred only in minimum original principal amounts (or original notional 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 or the new Holder would hold such Freddie Mac Giants having an original principal amount (or original notional principal amount) of less than \$1,000 in respect of each Class. The Federal Reserve Bank shall maintain a book-entry recordkeeping system for all transactions in Freddie Mac Giants. The transfer, exchange or pledge of Freddie Mac Giants shall be governed by the Book-Entry Rules and such procedures, insofar as applicable, as may from time to time be established by regulations of the Treasury Department governing obligations of the United States, and such other procedures as shall be agreed upon from time to time by Freddie Mac and the 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 transfer or exchange of any Freddie Mac Giant. A charge will be made for any tax or other governmental charge imposed in connection with a transfer or exchange of a Freddie Mac Giant.

ARTICLE VI

Remedies

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

(a) Default in the payment to Holders of any Class of Freddie Mac Giants of interest 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) Default in the payment to Holders of any Class of Freddie Mac Giants of 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

(c) Failure on the part of Freddie Mac to observe or perform any other of its covenants set forth in this 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

(d) A court having jurisdiction in the premises shall enter a decree or order for relief in respect of Freddie Mac in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or 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

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

Section 6.02. Remedies. If an Event of Default occurs and is continuing, then and in each and every such case, the Holders of Freddie Mac Giants representing 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 this 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 thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor to Freddie Mac. Upon the appointment of any successor pursuant to this Section 6.02, Freddie Mac shall submit to its successor a complete written report and accounting as to the applicable Giant PC Pool and shall take all other steps necessary or desirable to transfer its interest in and administration of this Agreement with respect to such Giant PC Pool to the successor. Subject to the 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 this Agreement.

Section 6.03. Limitation on Suits by Holders. Except as provided in Section 6.02, 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 this Agreement, the Freddie Mac Giants or the 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 hereinbefore provided, 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 provision of this 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 this 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 6.03, 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 this 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 VII

PCs In Giant PC Pools

Section 7.01. Defaults Under PC Agreement. In the event that there shall be a PC Agreement Default under the PC Agreement governing any PC included in a Giant PC Pool, the Holders of the Freddie Mac Giants issued in respect of such Giant PC Pool shall have the right to take such actions with respect to such PC Agreement Default as the PC Agreement affords Freddie Mac as the record holder of the PC. For this purpose, each Holder of a Freddie Mac Giant issued in respect of such Giant PC Pool shall be deemed to be the holder of a percentage of the Remaining PC Pool Balance of the affected 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 (which shall be zero in the case of a Giant IO PC) 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 PC Pool Balance of the affected PC Pool represented by the PC or PCs in the related Giant PC Pool. Freddie Mac hereby irrevocably authorizes the Holders to exercise all such rights in respect of a PC Agreement Default to the extent set forth in this Section.

Section 7.02. Amendments of PC Agreement. In the event that Freddie Mac desires to amend any PC Agreement governing any PC in any Giant PC Pool, Freddie Mac may give any such consent thereto as may need to be given by the record holder of such PC; provided, however, that if any such amendment would adversely affect in any material respect 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 VIII

Miscellaneous Provisions

Section 8.01. 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 8.02. 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 this Agreement, or for errors in judgment; provided, however, that this provision shall not protect Freddie Mac or any such person against any liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of reckless disregard of obligations and duties hereunder. Freddie Mac and any director, officer, employee or agent of Freddie Mac may rely in good faith on any document of any kind properly executed and submitted by any person with respect to any matter arising hereunder. Freddie Mac shall not be under any obligation to appear in, prosecute or defend any legal action which is not incidental to its duties to administer the Giant PC Pools in accordance with this Agreement and which in its opinion may involve it in any expense or liability; provided, however, that Freddie Mac may in its discretion undertake any such action which it may deem necessary or desirable with respect to this Agreement, the Freddie Mac Giants, the PCs in any Giant PC Pool or the rights and duties of the parties hereto and the interests of the Holders hereunder. In such event, the legal expenses and costs of such action and any liability resulting therefrom shall be expenses of Freddie Mac.

Section 8.03. 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 this 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 8.04. Control by Holders. Except as otherwise provided in Articles VI and VII, 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 PCs included therein, or the obligations of the parties hereto, nor shall anything herein set forth, or contained in the terms of the Freddie Mac Giants, 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 this Agreement pursuant to any provision hereof.

Section 8.05. Amendment.

(a) This 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 this Agreement, which shall not be inconsistent with the other provisions of this 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 8.05(c), with respect to any Giant PC Pool formed pursuant to the terms hereof, any provision of this 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 this Agreement may not be amended to impair or affect the right of such Holder to receive payment of principal and 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.

Section 8.06. 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. Freddie Mac and the Federal Reserve Banks will have no direct obligation to a beneficial owner that is not also the Holder of a Freddie Mac Giant.

Section 8.07. Governing Law. This 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 Act or any provision of this Agreement or the transactions governed thereby, the local laws of the State of New York shall be deemed reflective of the laws of the United States.

Section 8.08. 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 8.09. Successors. This Agreement shall be binding upon and shall inure to the benefit of any successor to Freddie Mac, including any successor by operation of law.

Section 8.10. Headings. The Article and Section headings are for convenience only and shall not affect the construction of this Agreement.

Section 8.11. Notice and Demand. Any notice, demand or other communication which by any provision of this Agreement is required or permitted to be given or served to or upon any 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 this 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, Lake Fairfax Business Center, 1759 Business Center Drive, Building 5, Reston, Virginia 22090, Attention: Senior Vice President-General Counsel and Secretary. 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 THE RELATED 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