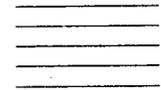


Federal Home Loan Mortgage Corporation

Freddie Mac Giant GNMA-Backed Securities (Guaranteed)


Freddie
Mac



Freddie Mac Giant GNMA-Backed Securities (“Giant Securities”) are derivative pass-through securities that represent beneficial ownership interests in discrete pools of “Contributing Securities,” which may be (i) “fully modified pass-through” mortgage-backed securities (“GNMA Certificates”) guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (“GNMA”) and/or (ii) other Giant Securities. GNMA Certificates represent ownership interests in pools of fixed-rate, first lien, single family residential mortgages (“Mortgages”) that are either insured by the Federal Housing Administration (“FHA”) or partially guaranteed by the Department of Veterans Affairs (“VA”). Giant Securities are offered from time to time pursuant to this Offering Circular, which describes the creation, sale and administration of Giant Securities, and an Offering Circular Supplement relating to each offering (a “Supplement”).

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

Giant Securities entitled to receive interest bear interest at a specified fixed annual rate called the Giant Security Coupon. The Giant Security Coupon is determined by reference to the interest rates of the Contributing Securities, which are, in turn, determined by reference to the interest rates on the underlying Mortgages.

Freddie Mac guarantees to each Holder of a Giant Security entitled to receive interest the timely payment of interest at the applicable Giant Security Coupon. Freddie Mac guarantees to each Holder of a Giant Security entitled to receive principal the payment of principal as described in this Offering Circular and in the applicable Supplement.

This Offering Circular may not be used to consummate sales of Giant Securities unless accompanied by the applicable Supplement. This Offering Circular should be read in conjunction with the applicable Supplement and current Information Statement, and any supplements thereto, each of which is incorporated herein by reference. Capitalized terms used in this Offering Circular that are not otherwise defined are defined in the “Glossary of Terms,” which is attached as Exhibit C.

The obligations of Freddie Mac under its guarantees of the Giant Securities are obligations of Freddie Mac only. The Giant Securities, including the interest thereon, are not guaranteed by the United States and do not constitute debts or obligations of the United States or any agency or instrumentality of the United States other than Freddie Mac. Income from the Giant Securities has no exemption under federal law from federal, state or local taxation. Giant Securities are exempt from the registration requirements of the Securities Act of 1933 and are “exempted securities” within the meaning of the Securities Exchange Act of 1934.

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

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This Offering Circular, together with any applicable Offering Circular Supplement, constitutes an offer to sell only the Giant Securities described in these documents. Freddie Mac has not authorized any broker, dealer or salesperson, or anyone else, to make any statements, written or oral, in connection with any such offer, except for those contained in this Offering Circular, in any applicable Supplement and in the other documents and sources of information prepared by Freddie Mac that are described in this Offering Circular. Copies of the Offering Circular, any Supplement and any other documents prepared by Freddie Mac may be obtained from Freddie Mac. Investors must not rely on any other statements as having been authorized by Freddie Mac. Neither this Offering Circular nor any Supplement constitutes an offer to sell or a solicitation of an offer to buy any Giant Securities by anyone in any jurisdiction where such an offer or solicitation would be unlawful, or where the person making such an offer or solicitation would not be qualified to do so, or to anyone to whom it would be unlawful to make such an offer or solicitation. Freddie Mac makes no representation that the statements in this Offering Circular, any Supplement or any other documents will be correct at any time after the date of such document, even though delivery of the document and the sale of the Giant Securities take place on a later date.

OFFERING CIRCULAR SUMMARY

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

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

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

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

Each Class of Giant Securities is assigned a unique Giant Security Pool Number as indicated in the related Offering Circular Supplement.

The Contributing Securities and the Mortgages

Giant Security Pools contain GNMA Certificates and/or Giant Securities and, unless otherwise provided in the applicable Supplement, a Guaranteed Investment and Fee Contract (a "GIFC").

The Mortgages underlying the GNMA Certificates are fixed-rate, first lien, single family residential mortgages which, unless otherwise specified in the applicable Supplement, will be insured by the FHA or partially guaranteed by the VA.

Giant Security Pool Factors

Each month Freddie Mac calculates a Giant Security Pool Factor for each Giant Security Pool. Freddie Mac uses the Giant Security Pool Factor to make principal and interest payments to Holders. The Giant Security Pool Factor for any month reflects the payment of principal or reduction in notional principal to be made on the Payment Date in the same month.

Payment Dates; Record Dates;	
Method of Payment	Freddie Mac passes through payments of interest and principal on each Payment Date to Holders of record as of the end of the preceding calendar month ("Record Date"). Federal Reserve Banks credit Holders' accounts with payments on the Payment Date each month. The Holder and each other financial intermediary in the chain to the beneficial owner are responsible for remitting payments to their customers.
Interest	On each Payment Date, a Holder entitled to the payment of interest will receive one month's interest at the applicable Giant Security Coupon on the unpaid principal balance (or remaining notional principal balance) of the Holder's Giant Security.
Principal	On each Payment Date, a Holder entitled to the payment of principal will receive the Holder's proportionate share of the Contributing Security Principal Payment Amount. See "Description of Giant Securities—Giant Security Pool Factors" and "— Payments of Principal."
Guarantees	Freddie Mac guarantees to each Holder of a Giant IP Security or Giant IO Security the timely payment of interest at the applicable Giant Security Coupon on such Holder's Giant Security. Freddie Mac also guarantees to each Holder of a Giant IP Security or Giant PO Security the payment of the principal amount of such Holder's Giant Security as described in this Offering Circular and in the applicable Supplement. Freddie Mac guarantees to each Holder of a Giant Security the payment in full of such Giant Security by its Final Payment Date.
Book-Entry Form; Transfers;	
Minimum Amounts; Holders ..	Giant Securities are issued and may be transferred by Holders only on the book-entry system of a Federal Reserve Bank in minimum original principal amounts (or minimum original notional principal amounts) of \$1,000 and additional increments of \$1.
Tax Status of Giant Securities ...	Income from the Giant Securities has no exemption under federal law from federal, state or local taxation.

FEDERAL HOME LOAN MORTGAGE CORPORATION

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

AVAILABILITY OF INFORMATION AND INCORPORATION BY REFERENCE

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

DESCRIPTION OF GIANT SECURITIES

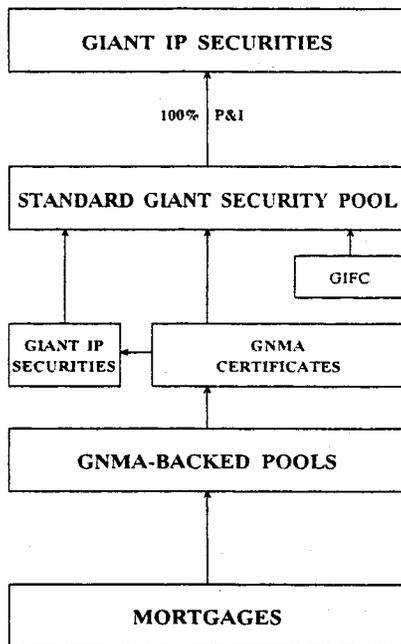
General

Giant Securities represent beneficial ownership interests in discrete pools of Contributing Securities. Freddie Mac issues Giant Securities under the terms of the Giant Security Agreement, attached as Exhibit A to this Offering Circular. Freddie Mac sells Giant Securities to Dealers in exchange for Contributing Securities under the terms of the Giant Security Dealer Agreement, attached as Exhibit B to this Offering Circular. Each Holder and anyone having a beneficial interest in Giant Securities unconditionally accepts all the terms and provisions of the Giant Security Agreement and acquires a Giant Security subject to all such terms and provisions. Each Dealer engaging in a Giant Security Transaction unconditionally accepts all the terms and conditions of the Giant Security Dealer Agreement and acquires a Giant Security subject to all such terms and conditions.

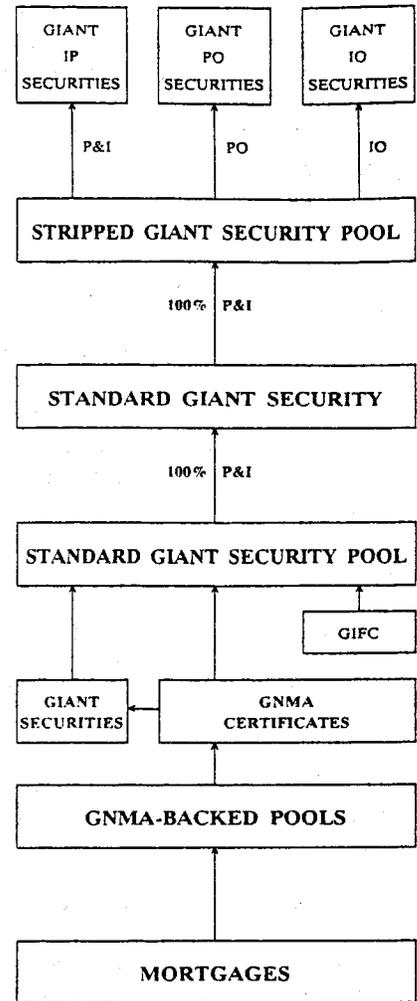
As to each Giant Security Pool, Freddie Mac will create and offer either (i) a single Class of Standard Giant Securities or (ii) two or more Classes of Stripped Giant Securities. When Freddie Mac creates Stripped Giant Securities, it forms a Stripped Giant Security Pool that generally consists of one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

The following charts depict the structure of Giant Securities:

STANDARD GIANT SECURITIES



STRIPPED GIANT SECURITIES



Giant Security Pools

Each Giant Security Pool will consist of (i) GNMA Certificates and/or Giant Securities backed by GNMA Certificates and (ii) unless otherwise provided in the applicable Supplement, the rights of the Giant Security Pool under a GIFC executed by Freddie Mac in its corporate capacity, providing for the temporary reinvestment of payments on any GNMA Certificates in the Giant Security Pool between the date of receipt by the Giant Security Pool and the related Payment Date and fees for the administration of the Giant Security Pool. Such investments will be at Freddie Mac's discretion and for its own risk and benefit. The GNMA Certificates will be held by Texas Commerce Bank, National Association, in its capacity as custodian (the "Custodian").

Each Giant Security Pool or Class of Stripped Giant Securities is assigned a Giant Security Pool Number, and each Giant Security Pool represented by Stripped Giant Securities will be assigned a separate series number. The Giant Security Pool Number for each Giant Security Pool or Class of Stripped Giant Securities will be set forth in the related Supplement. In each case, the Prefix will indicate the type of Giant Security and the maximum original term to maturity of the Mortgages underlying the Contributing Securities. Giant Securities will be identified as such in the publication(s) in which Giant Security Pool Factors are published. The minimum original unpaid principal balance of a Giant Security Pool will be \$1,000,000.

The Contributing Securities included in Giant Security Pools represent ownership interests in Mortgages. The Mortgages underlying the GNMA Certificates are fixed-rate, first lien, single family residential mortgages which, unless otherwise specified in the applicable Supplement, will be insured by the FHA or partially guaranteed by the VA.

GNMA Certificates

The GNMA Certificates are securities guaranteed by GNMA, a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development ("HUD"). Section 306(g) of Title III of the National Housing Act of 1934, as amended (the "Housing Act"), authorizes GNMA to guarantee the timely payment of principal of, and interest on, certificates that are based on and backed by a pool of mortgages insured by the FHA or partially guaranteed by the VA. The GNMA Certificates are known as "fully modified pass-through securities" because investors receive monthly payments of interest, plus scheduled principal, even if the borrowers of the underlying mortgages have not made their monthly payments.

Section 306(g) of the Housing Act provides that "the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection." To meet its obligations under such guaranties, GNMA is authorized, under Section 306(d) of the Housing Act, to borrow unlimited amounts from the United States Treasury. (By contrast, the Freddie Mac guarantees on the Giant Securities are Freddie Mac obligations only and are *not* subject to the "full faith and credit" of the United States.)

Each GNMA Certificate underlying the Giant Securities will be issued and serviced by a mortgage banking company or other financial concern approved by GNMA as a seller-servicer of loans insured by the FHA or partially guaranteed by the VA. GNMA Certificates are issued under the GNMA I program ("GNMA I Certificates") and the GNMA II program ("GNMA II Certificates"). Holders of GNMA I Certificates and GNMA II Certificates have substantially similar rights, although certain differences do exist.

Under the GNMA I program, GNMA I Certificates are issued and marketed by a single GNMA issuer that has assembled a pool of current mortgages (within two years of issuance) to back those GNMA I Certificates. All mortgages underlying a particular GNMA I Certificate must be of the same type (for example, all single family level payment mortgages) and have the same annual interest rate. The per annum pass-through interest rate on each GNMA I Certificate is 50 basis points less than the annual interest rate on the mortgages included in the pool backing the related GNMA I Certificates.

Payments of principal and interest are made to holders of GNMA I Certificates on the 15th day of each month.

Under the GNMA II program, mortgage pools may be formed by aggregating packages of mortgages submitted by more than one GNMA issuer of a particular issue date and pass-through rate. The resulting pool, which backs a single issue of GNMA II Certificates, is marketed and administered by each participating issuer to the extent of the mortgages contributed by it to the pool. Each GNMA II Certificate issued under a multiple issuer pool, however, is backed by a proportionate interest in the entire pool (and not just mortgages contributed to the pool by any one GNMA issuer). GNMA II Certificates may also be backed by custom pools formed by single issuers. Mortgages underlying any particular GNMA II Certificate must be of the same type, but may have annual interest rates that vary from each other by up to 100 basis points. The per annum pass-through interest rate on each GNMA II Certificate will be between 50 and 150 basis points less than the highest annual interest rate on any mortgages included in the pool of mortgages backing such GNMA II Certificate. Payments of principal and interest are made to holders of GNMA II Certificates on the 20th day of each month by Chemical Bank, the paying and transfer agent for such Certificates.

Prefix Table

The following table summarizes certain characteristics of the Giant Securities.

<u>Prefix</u>	<u>Type of Giant Securities</u>	<u>Maximum Term (Years)</u>
G8	Standard Giant Securities	30
G9	Standard Giant Securities	15
S6	Giant IO Securities	30
S7	Giant PO Securities or Giant IP Securities (Stripped Giant Securities only)	30
S8	Giant IO Securities	15
S9	Giant PO Securities or Giant IP Securities (Stripped Giant Securities only)	15

Giant Security Pool Factors

On or about the ninth business day (or such other day as is provided in the related Supplement) of each month, Freddie Mac will publish or otherwise make available the Giant Security Pool Factor for each outstanding Giant Security Pool. The Giant Security Pool Factor for any month is a truncated seven digit decimal which, when multiplied by the original principal amount (or original notional principal amount) of each related Giant Security, will equal the remaining principal amount (or notional principal amount) of that Giant Security, after giving effect to the payment of principal or reduction in notional principal amount to be made on the Payment Date in the same month.

Freddie Mac will calculate the amount of principal to be paid on, and the Giant Security Pool Factor for, each Giant Security in each month based in part on preliminary GNMA Certificate "factors" reported on or about the sixth business day of the same month. For each Giant Security Pool, Freddie Mac will determine the remaining principal balance to which each underlying GNMA Certificate in that Giant Security Pool would be reduced in that month on the basis of those reported factors. Since those factors are based on preliminary information reported to GNMA, there may not be reported factors for some GNMA Certificates. If a factor has not been reported by GNMA, Freddie Mac (or its agent) will calculate the remaining principal balance to which the applicable GNMA Certificate would be reduced on the basis of assumed Mortgage amortization schedules. Freddie Mac (or its agent) will create those schedules using remaining term to maturity and interest rate information that was available at the time of issuance of such GNMA Certificate and adjusting such remaining term to maturity to the current month. Such calculations will reflect payment factor information previously reported to Freddie Mac and estimated subsequent scheduled amortization (but not prepayments) on the related Mortgages. In the event GNMA makes available additional information

that may be useful in determining assumed Mortgage amortization schedules, Freddie Mac (or its agent) may create such schedules using that information. In the case of Contributing Securities that are Giant Securities, Freddie Mac will determine the applicable remaining principal balances using the factors published by Freddie Mac for those Giant Securities.

Freddie Mac will then calculate the aggregate of the remaining principal balances described in the preceding paragraph (the "Aggregate Remaining Balance"). Principal payments on a Giant Security on any Payment Date will be based in part on the difference between (i) the Aggregate Remaining Balance of the underlying Contributing Securities for the preceding month (or their aggregate principal balance at formation of the related Giant Security Pool, in the case of the first Payment Date) and (ii) their Aggregate Remaining Balance for the current month. Such difference is called the "Contributing Security Principal Payment Amount." See "Payments of Principal" below.

Because the Aggregate Remaining Balance is based on GNMA preliminary Certificate factors and on Freddie Mac's (or its agent's) calculations when such factors are not available, there are likely to be variances between the principal payments actually received by Freddie Mac in any month and the Contributing Security Principal Payment Amount for that month. However, the Contributing Security Principal Payment Amount for any month will reconcile any variances that occurred in the preceding month. Freddie Mac's determination of the Giant Security Pool Factors and principal payments by the methodology described above will be final.

Payment Dates; Record Dates

Freddie Mac will pass through payments of (i) interest and principal to Holders of Giant IP Securities, (ii) principal to Holders of Giant PO Securities and (iii) interest to Holders of Giant IO Securities on each Payment Date, commencing on the date specified in the related Offering Circular Supplement. Payment Dates occur on the 25th day of each month or, if such day is not a Business Day, on the next Business Day. On each Payment Date, any payment on a Giant Security will be made to the Holder of record as of the Record Date occurring at the end of the preceding calendar month.

Payments of Interest

Unless otherwise specified in the applicable Supplement, interest will accrue on the principal amount (or notional principal amount) of each Giant Security entitled to receive interest as represented by the applicable Giant Security Pool Factor published on or about the ninth day of the month immediately preceding the month in which the related Payment Date occurs at the applicable Giant Security Coupon. The interest accrual period for Giant Securities is the calendar month immediately preceding the related Payment Date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. For this purpose, interest payments on the Contributing Securities will be determined on the basis of their Aggregate Remaining Balance.

Payments of Principal

Payments of principal on Giant Securities will be passed through on each Payment Date in an amount equal to the Contributing Security Principal Payment Amount for that Payment Date. Such payment will be made to the Holder of a Giant Security entitled to receive principal in an amount equal to the Holder's proportionate share of the related Giant Security.

For any Payment Date, the amount of principal to be paid on any Class of Giant Securities entitled thereto can be calculated by multiplying the original principal amount of such Class by the difference between the Giant Security Pool Factors published in the immediately preceding and current months.

Guarantees

Freddie Mac guarantees to each Holder of a Giant Security entitled to receive interest the timely payment of interest at the applicable Giant Security Coupon as described under "Payments of

Interest” in this Offering Circular and in the applicable Supplement. Freddie Mac also guarantees to each Holder of a Giant Security entitled to receive principal the payment of the principal amount of such Holder’s Giant Security as described under “Payments of Principal” in this Offering Circular and in the applicable Supplement. Freddie Mac guarantees to each Holder of a Giant Security the payment in full of such Giant Security by its Final Payment Date.

THE OBLIGATIONS OF FREDDIE MAC UNDER ITS GUARANTEES OF THE GIANT SECURITIES ARE OBLIGATIONS OF FREDDIE MAC ONLY. THE GIANT SECURITIES, INCLUDING THE INTEREST THEREON, ARE NOT GUARANTEED BY THE UNITED STATES AND DO NOT CONSTITUTE DEBTS OR OBLIGATIONS OF THE UNITED STATES OR ANY AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OTHER THAN FREDDIE MAC.

Prepayment and Yield Considerations and Risks; Weighted Average Lives

The rate of principal payments on the Contributing Securities, and of corresponding payments on the related Giant Securities, will depend primarily on the rate of principal payments on the underlying Mortgages. Mortgage principal payments may be in the form of scheduled amortization or partial or full prepayments and may fluctuate significantly from time to time. (“Prepayments” include prepayments by the borrower and liquidations resulting from default, casualty or condemnation.)

The prepayment experience of the Mortgages underlying the Contributing Securities in the Giant Security Pool will depend on the characteristics of the Mortgages, as well as the prevailing level of interest rates and other factors. No assurance can be given as to the actual prepayment experience of the Mortgages underlying any Giant Security Pool. The Mortgages are subject to prepayment at any time without penalty. In general, when prevailing mortgage interest rates decline significantly below the interest rates on the underlying Mortgages, the prepayment rate on the Mortgages is likely to increase, although a number of other factors also may influence the prepayment rate, including general economic conditions, homeowner mobility and government subsidy programs, if any. None of the Mortgages underlying the GNMA Certificates includes a “due on transfer” provision. Consequently, a mortgagee may not demand full payment of the remaining principal balance of a Mortgage upon the sale or other transfer of the mortgaged property to a creditworthy transferee.

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

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

It is highly unlikely that the Mortgages will prepay at a constant rate until maturity or that all of the Mortgages will prepay at the same rate. The timing of changes in the rate of prepayments on the Mortgages may significantly affect an investor’s actual yield to maturity on a Giant Security, even if the average rate of principal payments is consistent with an investor’s expectation. In general, the earlier a prepayment of principal on the Mortgages, the greater the effect on an investor’s yield to maturity. As a result, the effect on an investor’s yield to maturity of principal prepayments occurring at a rate higher (or lower) than the rate anticipated by the investor during the period immediately following the

creation of a Giant Security is not likely to be offset by a subsequent like reduction (or increase). An investor must make an independent decision as to the appropriate prepayment scenarios to be used in deciding whether to purchase a Giant Security.

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 Giant Securities will be influenced by, among other factors, the rate at which principal is paid on the Mortgages. Principal payments on the Mortgages may be in the form of scheduled amortization or prepayments. The rate of such principal payments will depend upon a variety of factors, and no assurances can be given as to any particular rate or as to the weighted average life of any Class of Giant Securities.

The Supplement for a specific offering of Giant Securities may contain a table setting forth the weighted average life of and/or the pre-tax yield to maturity of each Class of such Giant Securities under various prepayment scenarios.

Final Payment Dates

The Final Payment Date for each Class of Giant Securities is the latest Payment Date by which it will be retired and reflects the latest final payment date of the Contributing Securities. The Final Payment Date will be indicated in the related Supplement.

Because the rate of payment of principal of the Giant Securities will depend on the rate of payment (including prepayments) of principal of the Mortgages underlying the Contributing Securities, the actual final payment with respect to any Class of Giant Securities could occur significantly earlier than its Final Payment Date. The rate of prepayments on the Mortgages underlying the Contributing Securities will depend on the characteristics of such Mortgages, as well as on the prevailing level of interest rates and other factors, and no assurance can be given as to the actual prepayment experience of the Mortgages underlying the Contributing Securities.

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 Giant Securities. 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. No assurance can be provided that the interpretations herein will be reflected in applicable Treasury regulations, which have not yet been issued. Potential 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 Giant Securities.

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

Owners of Contributing Securities that exchange such Contributing Securities for Giant Securities may be required to recognize gain or loss with respect to all or a portion of such Contributing Securities. Original Owners of Giant Securities who exchange Contributing Securities for Giant Securities should consult their own tax advisors regarding this matter.

The federal income tax consequences relating to the Giant Securities created in respect of each particular Giant Security Pool may differ, depending on whether such Giant Securities are (i) a single

Class of Standard Giant Securities or (ii) a Class or Classes of Stripped Giant Securities. Each Offering Circular Supplement will indicate whether the related Giant Securities are Standard Giant Securities or Stripped Giant Securities.

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 Giant Security, 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 Owners or other financial intermediaries for which such Holders hold such Giant Securities as nominees.

Standard Giant Securities

General

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

Tax Status

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

1. Standard Giant Securities 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 Securities 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 Securities 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

An Owner will be treated as purchasing an interest in each of the Mortgages underlying the Contributing Securities in the related Giant Security Pool at a price determined by allocating the purchase price paid for the Standard Giant Security among the Mortgages in proportion to their fair market values at the time of purchase of the Standard Giant Security. 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 Security, 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.

An Owner will be required to report as ordinary income its pro rata share of any original issue discount with respect to the Mortgages underlying the Contributing Securities in the related Giant Security 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. Even if there is original issue discount with respect to a Mortgage, an Owner 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, an Owner who is considered to have purchased its interest in any Mortgage at a market discount may be required to allocate the market discount among the principal payments on the Mortgage and include in income the discount allocated to each payment when the payment is received or comes due. The characterization of such income as ordinary income or capital gain will depend on the status of the issuer of the Mortgage and the date of issuance of the Mortgage. With respect to Mortgages originated on or prior to July 18, 1984, an Owner 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 Security 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 an Owner held the Standard Giant Security. Market discount will be considered to accrue under a straight-line method unless an Owner elects to calculate accrued market discount under a constant interest method. Partial principal payments will be included in income to the extent such payments do not exceed the accrued market discount. Under Section 1277, interest paid or accrued by an Owner on indebtedness incurred or continued to purchase or carry Mortgages acquired at a market discount (whether such Mortgages were issued on or prior to or after July 18, 1984) is allowed as a deduction only to the extent such interest (reduced by the interest, including original issue discount, on the Mortgages includible in income) exceeds the market discount that accrued but was not taken into account during the taxable year such interest was paid or accrued. Any such deferred interest expense will, in general, be allowed as a deduction when the related market discount income is recognized. As an alternative, an Owner 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 Owner (other than market discount obligations acquired in prior taxable years), in which event the foregoing rules regarding ordinary income on disposition and interest deferral will not apply. It is anticipated that the application of the market discount rules to obligations such as the Mortgages will be addressed in regulations to be issued by the United States Department of the Treasury. The legislative history of the 1986 Act indicates that, until the issuance of regulations, it is permissible for an Owner to elect to accrue market discount as follows: (i) for Mortgages that have original issue discount, the amount of market discount that accrues during a

period is equal to the product obtained by multiplying the total remaining market discount by a fraction, the numerator of which is the original issue discount for the period and the denominator of which is the total remaining original issue discount at the beginning of the period, and (ii) for Mortgages that have no original issue discount, the amount of market discount that is deemed to accrue is the amount of market discount that bears the same ratio to the total amount of remaining market discount that the amount of stated interest paid in the accrual period bears to the total amount of stated interest remaining to be paid on the Mortgage as of the beginning of the accrual period. Investors should consult their own tax advisors regarding the application of the market discount rules as well as the advisability of making any of the above elections.

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

The Proposed Regulations provide that an Owner that uses an accrual method of accounting may elect to include in gross income all interest that accrues on a debt instrument by using the constant yield method. For purposes of this election, interest includes stated interest, original issue discount and market discount, as adjusted by any premium. Owners should consult their own tax advisors regarding the advisability of such an election.

Sale or Exchange of a Standard Giant Security

An Owner that sells a Standard Giant Security will recognize gain or loss equal to the difference between its adjusted tax basis in the Standard Giant Security 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 Security, increased by the amount of any discount income previously reported with respect to the Standard Giant Security and decreased by the amount of any premium previously deducted with respect to the Standard Giant Security 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 Security 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 Security 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 Security and that has not previously been included in income. In addition, gain attributable to an interest in underlying Mortgages that were originated on or before July 18, 1984 that would otherwise be capital gain will be characterized as ordinary income to the extent that any previously deferred interest expense relating to those Mortgages becomes deductible at the time of such sale, as described above.

Recharacterization of Servicing Fees

On August 8, 1991, the Service issued guidance taking the position that, when mortgages are sold and the contract entitles the servicer to receive amounts that exceed reasonable compensation for the mortgage servicing to be performed, the mortgages are treated as stripped bonds within the meaning of Section 1286 of the Code. If this is the case, an Owner would not be treated as having a pro rata undivided interest in the related Mortgages, but rather, under the rules of Section 1286, an Owner would be treated as owning "stripped bonds" to the extent of its share of principal payments and "stripped coupons" to the extent of the Giant Security Coupon plus reasonable servicing fees. The consequences of the characterization are described below in "Stripped Giant Securities."

The Service also has issued guidance providing that a purchaser of a mortgage that is a stripped bond must treat such bond as a market discount bond if the amount of original issue discount with respect to such stripped bond is considered to be zero after application of the de minimis rule of Section 1273(a)(3) of the Code or if the annual stated rate of interest payable on the stripped bond is no more than 100 basis points lower than the annual stated rate of interest payable on the mortgage. These conditions apparently are based on the premise that the interest payments which remain associated with the stripped bond are treated, for purposes of the original issue and market discount provisions of the Code, as stated interest payable with respect to the stripped bond. If such conditions are met, an Owner would be required to account for any market discount in accordance with the rules for market discount described herein. The Service guidance indicates that the tax treatment of a stripped bond as a market discount bond is a method of accounting and is requested by filing a statement with the return for the tax year ending on or after August 8, 1991.

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

Stripped Giant Securities

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. An Owner of a Stripped Giant Security will be considered to own stripped bonds to the extent of its share of principal payments and stripped coupons to the extent of its share of interest payments on the Mortgages underlying the Contributing Securities in the related Giant Security 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 Security, or by treating all such payments as if they were made on a single debt instrument, Freddie Mac intends to treat a Stripped Giant Security as a single debt instrument for purposes of information reporting. The treatment is based in part on the Proposed Regulations.

Classification of Giant Security Pool

The arrangement pursuant to which Stripped Giant Securities are created and sold and the related Giant Security Pools are 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 I of Subchapter J of the Code. Owners of Stripped Giant Securities will be treated for federal income tax purposes as owners of the right to receive payments of principal and/or interest, as the case may be, on the Mortgages underlying the Contributing Securities included in the related Giant Security Pool.

Status of Stripped Giant Securities

Several Code sections provide beneficial treatment to certain taxpayers that invest in mortgage loans of the type that will make up each Giant Security Pool as to which Stripped Giant Securities are created and sold. Although there is no specific precedent, and the characterization of the Stripped Giant Securities is not entirely free from doubt, the Stripped Giant Securities 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 Securities 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 Securities

Original issue discount on each Stripped Giant Security must be included in the Owner'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 an Owner's income in any taxable year likely will be computed as described below. Based in part on the Proposed Regulations, and consistent with the principles of amendments to the original issue discount sections of the Code made by the 1986 Act, the method described below (i) uses the Prepayment Assumption; and (ii) will reflect periodic adjustments to take into account actual prepayment experience.

Generally, the Owner of a Stripped Giant Security must include in gross income the sum of the "daily portions," as defined below, of the original issue discount on the Stripped Giant Security for each day on which it owns such Stripped Giant Security 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 Security to such Owner, as described below) of all payments to be received in future months on the Stripped Giant Security 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 Security received during such month, and subtracting from that total the "adjusted issue price" of the Stripped Giant Security at the beginning of such month, or, if later, the date of purchase of such Stripped Giant Security. The "adjusted issue price" of a Stripped Giant Security at the beginning of the first month, or shorter period from the date of purchase, is its issue price; the "adjusted issue price" of a Stripped Giant Security 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 an Owner 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 Security, would cause the present value of those payments to equal such Owner's purchase price.

With respect to a particular Owner, it is not clear whether the Prepayment Assumption would be determined at the time of purchase of the Stripped Giant Security by such Owner or at the time the Stripped Giant Securities 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 Securities created with respect to a Giant Security Pool, and will be determined based upon conditions at the time of the initial creation or sale of Stripped Giant Securities relating to such Giant Security Pool.

Under the method for calculating the accrual of original issue discount described above, the rate at which an Owner recognizes original issue discount with respect to a Stripped Giant Security and, in the case of a Giant IO Security, 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 Security. 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 Owner will be entitled to deduct such amount as a loss only against future income from the Stripped Giant Security. However, the Owner of a Stripped Giant Security 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 Owner 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 Security Coupon payable in the aggregate on the related Stripped Giant Securities or, in accordance with the Service guidance described above in "Recharacterization of Servicing Fees," the portion of such excess that constitutes reasonable compensation for servicing, will be allocated for tax reporting purposes to the related Stripped Giant Securities in proportion to the relative amounts of original issue discount accrued during each accrual period with respect to each Class of related Stripped Giant Securities. An Owner of a Stripped Giant Security will be entitled to deduct each year, in accordance with such Owner's method of accounting, the amounts of such Owner's allocable share of the servicing fee to the same extent as if such Owner 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 Security

Sale of a Stripped Giant Security prior to its maturity will result in gain or loss equal to the difference, if any, between the amount realized and the Owner's adjusted basis in such Stripped Giant Security. Such gain or loss generally will be capital gain or loss to an Owner for which a Stripped Giant Security 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 Security has been owned for at least the long-term capital gain holding period. A seller's adjusted basis generally will equal the purchase price of the Stripped Giant Security to the seller, increased by the original issue discount included in the seller's gross income with respect to the Stripped Giant Security and reduced by payments included in the stated redemption price of the Stripped Giant Security previously received by the seller and any losses previously recognized by the seller with respect to the Stripped Giant Security.

Possible Alternative Characterizations

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

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

The Service might also assert that certain contingent payment rules contained in the Proposed Regulations should apply to certain Classes of Stripped Giant Securities. Under the contingent payment rules, an Owner of a Stripped Giant Security 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 Security was purchased.

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

Purchase of One or More Classes of Stripped Giant Securities

If an Owner purchases more than one Class of Stripped Giant Securities relating to a single Giant Security Pool, it is currently unclear whether the federal income tax treatment of the Stripped Giant Securities should be determined by treating each Class of Stripped Giant Securities separately. Alternatively, an Owner of more than one Class of Stripped Giant Securities 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 Securities 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. An Owner in this circumstance should consult its own tax advisor as to the proper treatment of the Stripped Giant Securities.

Backup Withholding

An Owner may be subject to backup withholding under Section 3406 of the Code on payments made on the Owner's Giant Security, unless, in general, the Owner complies with certain information reporting procedures or is an exempt recipient. Any such amounts withheld would be allowed as a credit against such Owner's U.S. federal income tax. Backup withholding will not apply to payments with respect to a Giant Security made to an Owner that is not a U.S. Person if an appropriate statement of non-U.S. beneficial ownership is furnished.

Foreign Withholding

Payments made to an Owner that is not a U.S. Person (or to its agent) on a Giant Security that represents an ownership interest in a pool of Mortgages all of which were originated after July 18, 1984 generally will not be subject to U.S. federal income tax, or foreign withholding tax imposed by the U.S., if (i) such Giant Security is not held by such Owner in connection with a trade or business in the U.S., (ii) such Owner is not with respect to the U.S. a personal holding company or corporation that accumulates earnings in order to avoid U.S. federal income tax and (iii) such Owner provides a statement signed under penalties of perjury that includes the Owner's name and address and certifies that the Owner is not a U.S. Person in accordance with applicable requirements. To the extent amounts paid on a Giant Security to an Owner that is not a U.S. Person represent interest on obligations originated before July 19, 1984, such amounts may be subject to the foreign withholding 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 Owner on the sale or exchange of a Stripped Giant Security also may be subject to the foreign withholding tax at the same rate.

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

Freddie Mac sells Giant Securities only in Book-Entry Form. The fiscal agency agreement between Freddie Mac and the Federal Reserve Bank of New York acting on behalf of the Federal Reserve Banks makes generally applicable to Giant Securities (i) the Freddie Mac Book-Entry Rules, (ii) applicable procedures, as may from time to time be established by regulations of the United States Department of the Treasury governing United States securities, and (iii) such other procedures as may

be agreed upon from time to time by Freddie Mac and a Federal Reserve Bank. These regulations and procedures relate primarily to the registration, transfer and pledge of Freddie Mac's book-entry securities. Each Class of Giant Securities is assigned a CUSIP Number.

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

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

A Federal Reserve Bank credits interest and principal to Holders of Giant Securities on each Payment Date. A Holder of a Giant Security as shown on the books and records of a Federal Reserve Bank as of the Record Date will be entitled to the payment of principal and/or interest to be paid to the Holder on the Giant Security for the entire month. Payment of such amount(s) will be made in the following month. The first credit to a Holder's account will be made on the Payment Date indicated in the Supplement. This payment procedure may result in a delay in the receipt of the initial payment of up to 55 days from the date of purchase of a Giant Security. Thereafter, payments will be received by the Holder on each succeeding Payment Date.

ERISA CONSIDERATIONS

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

LEGALITY OF INVESTMENT

Set forth below is a summary of certain federal statutes and regulations relating to the purchase or pledge of Giant Securities by certain financial institutions. The information in this section is qualified in its entirety by the considerations described under "Regulatory Constraints" below:

National banks may deal in, underwrite and purchase Giant Securities for their own accounts without regard to limitations generally applicable to investment securities. 12 U.S.C. §24, seventh paragraph.

Federal savings associations and federal savings banks may invest in Giant Securities without regard to percentage of assets limitations generally applicable to investments. 12 U.S.C. §1464(c)(1)(E).

Federal credit unions may purchase Giant Securities, subject to restrictions on investing in certain Classes. 12 U.S.C. §1757(7)(E) and 12 C.F.R. §703.5(g)-(k).

Giant Securities are lawful investments, and may be accepted as security, for all fiduciary, trust and public funds, the investment or deposits of which are under the authority and control of the United States or any officers thereof. 12 U.S.C. §1452(g). Giant Securities are acceptable as collateral for Treasury tax and loan accounts pursuant to 31 C.F.R. §203.15(d)(1).

Federal Reserve Banks may accept Giant Securities 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).

Giant Securities are eligible as security for advances by Federal Home Loan Banks to federal savings associations, federal savings banks and other members for which Giant Securities are legal investments. 12 U.S.C. §1430(a)(2) and 12 C.F.R. §935.7(b)(2).

In addition to the specific authorizations discussed above, pursuant to Section 106 of SMMEA, any person, trust, corporation, partnership, association, business trust or business entity created pursuant to or existing under the laws of the United States or any state (including the District of Columbia and Puerto Rico) is authorized to purchase, hold and invest in securities issued or guaranteed by Freddie Mac (including Giant Securities) to the same extent that the investor is authorized to purchase, hold or invest in obligations issued or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof. Prior to October 4, 1991, states were authorized by SMMEA to enact legislation which specifically refers to Section 106 and either prohibits or limits an investor's authority to invest in securities issued or guaranteed by Freddie Mac. To the best of Freddie Mac's knowledge, 18 states currently have legislation limiting to varying degrees the ability of certain entities (in most cases, insurance companies) to invest in securities issued or guaranteed by Freddie Mac.

REGULATORY CONSTRAINTS

The regulatory or lending authorities that administer the statutes or regulations discussed in the preceding section generally reserve discretion whether securities, such as Giant Securities, that are otherwise acceptable for investment or as security for borrowings may be purchased or pledged by the institutions subject to their jurisdiction. In particular, the ability of an institution to purchase or pledge certain Classes of Giant Securities, such as Giant IO Securities and Giant PO Securities, in the various circumstances described in the preceding section may be limited in the exercise of such discretion. Such authorities, in their discretion, may also impose limitations on the collateral value of Giant Securities that are otherwise acceptable as security.

Any institution under the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, the Department of the Treasury or any other federal or state agency with similar authority should review any applicable regulations, policy statements or guidelines and regulations prior to purchasing or pledging Giant Securities.

Depository institutions should review and consider the applicability of the "Supervisory Policy Statement on Securities Activities" dated January 28, 1992 (the "Policy Statement") of the Federal Financial Institutions Examination Council (the "FFIEC"). The Policy Statement, which has been adopted by all of the FFIEC members, prohibits depository institutions from investing in certain "high-risk mortgage securities" (including securities such as certain Classes of Giant Securities), except under limited circumstances, and sets forth certain investment practices deemed to be unsuitable for regulated institutions. In addition, certain state regulators have indicated that regulated institutions subject to their jurisdiction should not hold certain types of mortgage-backed securities, including those previously purchased.

Institutions whose investment activities are subject to review by regulatory authorities may become subject to restrictions, which may be retroactively imposed by such regulatory authorities, on investment by such institutions in Giant PO Securities and Giant IO Securities. 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 Giant Securities constitute legal investments for such investors and whether and to what extent Giant Securities can be used as collateral for various types of borrowings. This and the preceding section do not take into consideration the applicability of statutes, 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 that are issued in book-entry form or that are not "interest-bearing" or "income-paying."

DISTRIBUTION ARRANGEMENTS

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

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

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FEDERAL HOME LOAN MORTGAGE CORPORATION
GIANT GNMA-BACKED SECURITY AGREEMENT
(Guaranteed)

AGREEMENT dated as of September 1, 1992 among Freddie Mac and Holders of Giant Securities. Capitalized terms used in the Giant Security Agreement have the respective meanings specified in the Glossary of Terms attached as Exhibit C to the Offering Circular, which terms are incorporated herein by reference.

Whereas:

(a) Freddie Mac from time to time purchases GNMA Certificates that represent ownership interests in each mortgage in the mortgage pool backing such GNMA Certificates;

(b) Freddie Mac from time to time (i) issues Giant Securities representing beneficial ownership interests in specified Giant Security Pools consisting of GNMA Certificates or other Giant Securities backed by GNMA Certificates; and

(c) Freddie Mac guarantees the payment of interest on and principal of such Giant Securities for the benefit of Holders, all in accordance with and subject to the terms of the Giant Security Agreement.

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

ARTICLE I

Conveyance of Interests in Giant Security Pools

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

Section 1.02. Identity of the Contributing Securities. A Giant Security Pool shall consist of (i) Contributing Securities which are retained, or acquired and held, by Freddie Mac (or the Custodian) and (ii) unless otherwise provided in the applicable Supplement, the rights of the Giant Security Pool under a GIFC. The Contributing Securities shall be identified in the related Offering Circular Supplement.

Section 1.03. Registration of Contributing Securities. All Contributing Securities that are Giant Securities shall be maintained in Book-Entry Form and Freddie Mac shall be the record holder thereof. All Contributing Securities that are GNMA Certificates shall be held in Book-Entry Form by the Custodian for the account of Freddie Mac.

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

proportionate benefit to Giant Securities of the same Class held by other Holders, without preference, priority or distinction.

Section 1.05. Post Settlement Corrections. With respect to each Giant Security Pool, Freddie Mac may make such post-settlement corrections with respect to the Contributing Securities as may be necessary to adjust for differences, if any, between the Original Principal Amount and the actual aggregate unpaid principal balances of the related Contributing Securities as of the Settlement Date. To the extent of such differences, such corrections may be made in such manner as Freddie Mac determines to be appropriate; provided, however, that such corrections shall not adversely affect any Holder's entitlement to receive in the aggregate its share of the Original Principal Amount or its entitlement to receive interest at the applicable Giant Security Coupon.

ARTICLE II

Administration of the Giant Security Pools

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

Section 2.02. Administrative Responsibilities. Freddie Mac shall hold and administer, or supervise the administration of, the Giant Security Pools in a manner consistent with and to the extent required by standards of prudence and in substantially the same manner as it holds and administers other pools of the same or similar type held for its own account. In performing its responsibilities hereunder, Freddie Mac may employ agents or independent contractors. Except as provided in Articles V and VI, Freddie Mac shall not be subject to the control of Holders in any manner whatsoever in the discharge of its responsibilities pursuant to the Giant Security Agreement. Except with regard to its guarantee obligation pursuant to Section 3.05, Freddie Mac shall have no liability to any Holder other than for any direct damage resulting from Freddie Mac's failure to exercise that degree of ordinary care which it exercises in the conduct and management of its own affairs. Freddie Mac shall have no liability of whatever nature for consequential damages.

Section 2.03. Fees. Freddie Mac shall not pass through to Holders any fees, including assumption fees or prepayment fees or premiums, collected by Freddie Mac or servicers with respect to the Mortgages represented by the Contributing Securities or fees described in Section 3.04.

ARTICLE III

Payments and Freddie Mac Guarantee

Section 3.01. Payments of Principal and Interest.

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

(b) *Timing of Payments.* On each Payment Date, Freddie Mac shall make the payments then due on the Giant Securities created in respect of any Giant Security Pool to each Holder as of the related Record Date.

(c) *Payment of Interest.* Any payments of interest made on a Giant Security entitled to interest payments on a Payment Date shall be at the applicable Giant Security Coupon. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest shall accrue

during the calendar month immediately preceding such Payment Date. For this purpose, interest payments on the Contributing Securities will be determined on the basis of their Aggregate Remaining Balance.

(d) *Payment of Principal.* Any payments of principal made on the Giant Securities entitled to principal payments on a Payment Date shall be in an amount equal to the Contributing Security Principal Payment Amount for the related Giant Security Pool for that Payment Date.

Section 3.02. Payment Procedures. Freddie Mac shall cause payments of principal and interest due to Holders to be made by directing the Federal Reserve Banks to credit the Holders' accounts at the Federal Reserve Banks on the applicable Payment Dates.

Section 3.03. Giant Security Pool Factors. Freddie Mac shall publish or cause to be published a Giant Security Pool Factor for each outstanding Giant Security Pool for each month on or about the ninth business day of that month.

Section 3.04. Fees Retained by Freddie Mac. As a fee for its administration of any Giant Security Pool, Freddie Mac shall be entitled to retain from payments made on the Contributing Securities in such Giant Security Pool and from any income derived from the investment and reinvestment of such payments, the amount, if any, determined at the time of the creation of the Giant Security Pool and provided for in the related GIFC. Freddie Mac shall pay all expenses incurred by it in connection with its administration of a Giant Security Pool and the performance of its duties hereunder.

Section 3.05. Freddie Mac Guarantees. Freddie Mac hereby guarantees (i) to each Holder of a Giant Security entitled to interest payments, the timely payment of interest at the applicable Giant Security Coupon on such Holder's Giant Security, (ii) to each Holder of a Giant Security entitled to principal payments, the payment of the principal amount of such Holder's Giant Security, as described in Section 3.01(d) and in the related Terms Supplement, and (iii) to each Holder of a Giant Security, the payment in full of such Giant Security by the Final Payment Date for such Giant Security.

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

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

ARTICLE IV

The Giant Securities

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

Section 4.02. Minimum Denominations. Giant Securities shall be sold in minimum original principal amounts (or minimum original notional principal amounts) of \$1,000 and additional increments of \$1.

Section 4.03. Transfer of Giant Securities. Giant Securities may be transferred only in minimum original principal amounts (or minimum original notional principal amounts) of \$1,000 and additional increments of \$1. Giant Securities may not be transferred if, as a result of the transfer, the transferor would hold Giant Securities of the same Class in an original principal amount (or original notional principal amount) of less than \$1,000. The transfer, exchange or pledge of Giant Securities shall be

governed by (i) the Book-Entry Rules, (ii) such procedures, insofar as applicable, as may from time to time be established by regulations of the United States Department of the Treasury governing obligations of the United States and (iii) such other procedures as shall be agreed upon from time to time by Freddie Mac and a Federal Reserve Bank. A Federal Reserve Bank will act only upon the instructions of the Holder in recording transfers of a Giant Security. A charge may be made for any (i) transfer or exchange of any Giant Security, and (ii) any tax or other governmental charge imposed in connection with a transfer or exchange of a Giant Security.

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

ARTICLE V

Remedies

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

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

(b) Failure on the part of Freddie Mac to observe or perform any of its other covenants set forth in the Giant Security 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 Giant Securities representing not less than 60 percent of the then outstanding principal amount (or notional principal amount) of any affected Class of Giant Securities; or

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

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

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

Section 5.03. Limitation on Suits by Holders. Except as provided in Section 5.02, no Holder shall have any right to institute any action or proceeding at law or in equity or in bankruptcy or otherwise, upon, under or with respect to the Giant Security Agreement, the Giant Securities or the Contributing Securities, or for the appointment of a receiver or trustee, or for any other remedy whatsoever, unless such Holder previously shall have given to Freddie Mac written notice of an Event of Default and of the continuance thereof, as provided in the Giant Security Agreement, and unless also the Holders of Giant Securities representing a majority of the then outstanding principal amount (or notional principal amount) of any affected Class of Giant Securities 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 Giant Securities representing a majority of the then outstanding principal amount (or notional principal amount) of any affected Class of Giant Securities. It is understood and intended, and expressly covenanted by each Holder of a Giant Security in any affected Giant Security Pool with every other Holder in such Giant Security Pool and with Freddie Mac, that no one or more Holders shall have any right in any manner whatsoever by virtue of or by availing themselves of any provisions of the Giant Security Agreement to affect, disturb or prejudice the rights of any other Holder, or to obtain or seek to obtain preference or priority over any other Holder except as expressly provided herein or to enforce any right under the Giant Security Agreement, except in the manner herein provided and for the ratable and common benefit of all Holders of Giant Securities in any affected Class. For the protection and enforcement of the provisions of this Section 5.03, each and every Holder and Freddie Mac shall be entitled to such relief as can be given either at law or in equity. Notwithstanding the foregoing or any other provision of the Giant Security Agreement, the right of any Holder to receive payment of principal or interest as herein provided, on or after the due date of such payment, or to institute suit for enforcement of any such payment on or after such date, shall not be impaired or affected without the consent of such Holder.

ARTICLE VI

Contributing Securities

Section 6.01. Agreement Defaults.

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

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

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

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

ARTICLE VII

Miscellaneous Provisions

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

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

Section 7.03. Limitation of Rights of Holders. The death or incapacity of any person having an interest, beneficial or otherwise, in a Giant Security shall not operate to terminate the Giant Security Agreement or any Giant Security 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 Security Pool, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

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

Section 7.05. Amendment.

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

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

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

Section 7.06. Persons Deemed Owners. Freddie Mac and the Federal Reserve Banks, or any agent of Freddie Mac or the Federal Reserve Banks, may deem and treat the Holder as the absolute owner of a Giant Security 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 Giant Security. A Holder is not necessarily the beneficial owner of a Giant Security. The rights of a beneficial owner of a Giant Security with respect to Freddie Mac and the Federal Reserve Banks may be exercised only through the Holder. Neither Freddie Mac nor the Federal Reserve Banks will have any direct obligation to a beneficial owner that is not also the Holder of a Giant Security.

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

Section 7.08. Payments Due on Non-Business Days. If the date fixed for any payment on any Giant Security shall be a day which is not a Business Day, then such payment need not be made on such date, but may be made on the next succeeding day which is a Business Day, with the same force

and effect as though made on the date fixed for such payment, and no interest shall accrue for the period after such date.

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

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

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

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

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

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

THE SALE OF A GIANT SECURITY BY FREDDIE MAC AND RECEIPT AND ACCEPTANCE OF A GIANT SECURITY 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 GIANT SECURITY OF ALL THE TERMS AND PROVISIONS OF THE GIANT SECURITY AGREEMENT (INCLUDING ANY RELATED SUPPLEMENT AND/OR TERMS SUPPLEMENT), AND THE AGREEMENT OF FREDDIE MAC, SUCH HOLDER AND SUCH OTHERS THAT THOSE TERMS AND PROVISIONS SHALL BE BINDING, OPERATIVE AND EFFECTIVE AS BETWEEN FREDDIE MAC AND SUCH HOLDER AND SUCH OTHERS.

FEDERAL HOME LOAN MORTGAGE CORPORATION

FEDERAL HOME LOAN MORTGAGE CORPORATION

GIANT SECURITY DEALER AGREEMENT

AGREEMENT dated as of September 1, 1992 among Freddie Mac and each Dealer for Freddie Mac Giant Securities. Capitalized terms used in the Giant Security Dealer Agreement have the respective meanings specified in the Glossary of Terms attached as Exhibit C to the Offering Circular, which terms are incorporated herein by reference.

Whereas:

(a) Freddie Mac from time to time purchases GNMA Certificates that represent ownership interests in each Mortgage in the mortgage pool backing such GNMA Certificates;

(b) Freddie Mac from time to time issues Giant Securities representing beneficial ownership interests in specified Giant Security Pools consisting of GNMA Certificates and/or other Giant Securities backed by GNMA Certificates; and

(c) Dealer desires to engage in Giant Security Transactions.

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

ARTICLE I

General

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

Section 1.02. Freddie Mac Giant Securities. Subject to satisfaction by Dealer of the terms and conditions hereof, Dealer may exchange Contributing Securities for Giant Securities representing interests in a single Giant Security Pool containing the same Contributing Securities in accordance with any procedures set forth in the GNMA-Backed Securities Structured Finance Guidelines.

Section 1.03. Governing Agreement. Upon Settlement of a Giant Security Transaction, the resulting Giant Security shall be administered pursuant to the terms of the Giant Security Agreement.

Section 1.04. Representations.

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

(b) Dealer represents and warrants that it:

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

(ii) is a member of Freddie Mac's Giant Security Dealer Group.

ARTICLE II

Eligibility; Pooling Parameters; Minimum Pool Amount

Section 2.01. Eligibility for Exchange. GNMA Certificates that are maintained in Book-Entry Form and that satisfy the criteria specified in Section 2.02 shall be eligible for exchange for Giant

Securities representing interests in the same GNMA Certificates. Determination of the eligibility for inclusion in a specific Giant Security Pool will be at Freddie Mac's sole discretion.

Section 2.02. Pooling Parameters for Giant Securities.

(a) As of the Settlement Date, the GNMA Certificates and other Contributing Securities delivered for inclusion in a Giant Security Pool:

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

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

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

(i) between 181 and 360 months, or

(ii) up to 180 months;

(4) shall all represent interests in FHA/VA Mortgages;

(5) shall not represent any interest in Mortgages carrying an interest rate which exceeds the GNMA Certificate pass-through rate by more than (i) 50 basis points per annum in the case of GNMA I Certificates or (ii) 150 basis points in the case of GNMA II Certificates; and

(6) shall be either:

(i) GNMA I or GNMA II Certificates, provided the aggregate amount of GNMA II Certificates shall not exceed a percentage of the Giant Security Transaction, by original principal amount, as specified in Freddie Mac's acceptance of Dealer's proposal under Section 3.02, or

(ii) Giant Securities.

(b) Freddie Mac may, in its sole discretion, waive the requirements specified in Section 2.02(a). For Standard Giant Security Pools, at its discretion Freddie Mac may include in the Giant Security Pool any Contributing Securities that do not satisfy the criteria specified in 2.02(a)(1) or 2.02(a)(5); provided, however, that the aggregate outstanding principal balance of such Contributing Securities does not exceed 2.5 percent of the Original Principal Amount of the related Giant Security Pool.

(c) For Stripped Giant Security Pools, Freddie Mac may require the proposed Contributing Securities to satisfy additional pooling parameters for Stripped Giant Securities specified in the GNMA-Backed Securities Structured Finance Guidelines.

Section 2.03. Minimum Pool Amount. The minimum Original Principal Amount of any Giant Security Pool shall be \$1,000,000.

ARTICLE III

Formation and Settlement Procedures

Section 3.01. Dealer Proposals.

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

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

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

- (1) the expected Settlement Date;
 - (2) the proposed Original Principal Amount of the Giant Security Pool to be created;
 - (3) the proposed Giant Security Coupon or aggregate Giant Security Coupon, as appropriate;
- and
- (4) the pool type and suffixes of the proposed Contributing Securities;

(d) Each proposal for a Stripped Giant Security shall also include the information specified in the GNMA-Backed Securities Structured Finance Guidelines.

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

Section 3.03. Settlement Dates and Settlement.

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

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

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

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

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

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

Section 3.04. Identification of Contributing Securities.

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

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

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

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

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

(d) In the case of Stripped Giant Security Pools, proposed Contributing Securities may be substituted only as described in the GNMA-Backed Securities Structured Finance Guidelines, or as otherwise permitted by Freddie Mac.

Section 3.05. Delivery of Contributing Securities.

(a) Dealer will transfer the proposed Contributing Securities (i) that are GNMA Certificates to an account at Participants Trust Company designated by Freddie Mac and (ii) the Contributing Securities that are Giant Securities by free delivery (in consecutive order by pool number if possible) to the applicable Freddie Mac account by 11:00 a.m. (New York City Time) no later than (x) the Settlement Date in the case of Standard Giant Securities, (y) two Business days prior to the Settlement Date in the case of Stripped Giant Securities or (z) such other time as may be acceptable to Freddie Mac.

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

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

(d) The Original Principal Amount of the Giant Securities issued to Dealer will satisfy the requirements specified in Section 2.03 and will be equal to the aggregate outstanding principal balance of the Contributing Securities based on the factors of the Contributing Securities; for this purpose, cents will be truncated to the dollar.

(e) A "discrepancy" occurs, for purposes of this Section 3.05(e) if, after Settlement (but not later than 60 days after Settlement) of a Giant Security Transaction, Freddie Mac is notified (as described below) that the actual aggregate unpaid principal balance, as of the Settlement Date, of the Contributing Securities that comprise the related Giant Security Pool, as such actual aggregate is reflected by the books and records of Participants Trust Company ("PTC") at the time of such notification, is different from the aggregate outstanding principal balance of such Contributing Securities within the meaning of Section 3.05(d) hereof (the "Closing Balance"). In the event of such a discrepancy, a correcting transfer of cash or securities shall be made with respect to such Giant Security Pool to conform the aggregate unpaid principal balance of the Contributing Securities therein to the Closing Balance, as adjusted by payments of principal and interest made subsequent to Settlement to Holders of the Giant Securities issued in such Giant Security Transaction. The correcting transfer shall be made by means of a transfer by the Dealer to the Giant Security Pool, or by a transfer from the Giant Security Pool to the Dealer, as appropriate. Such correcting transfer shall be made with cash or, if both parties agree, with GNMA Certificates or Giant Securities.

(f) Notification of a discrepancy shall be deemed sufficient if Freddie Mac is informed of such discrepancy by PTC or by one of its participants. Freddie Mac shall promptly inform the Dealer thereof and shall provide the Dealer with such confirmation of the discrepancy, including the time and amount and other details as the Dealer shall reasonably request. PTC's records with respect to any GNMA Certificates that comprise or underly Contributing Securities shall be conclusive.

(g) Any correcting transfer made pursuant to Section 3.05(e) shall be made in accordance with Freddie Mac's instructions (which instructions shall be reasonable), and shall occur on or before the

Payment Date next following confirmation of the discrepancy, or such other time as reasonably may be directed by Freddie Mac.

(h) Notwithstanding Section 3.05(e), Freddie Mac shall not be required to take any action with respect to any discrepancy that would be inconsistent with its obligations under Article II of the Giant Security Agreement.

Section 3.06. Partial Settlements; Canceled Settlements.

(a) If Dealer does not deliver all proposed Contributing Securities in accordance with Section 3.05, Freddie Mac shall issue on the Settlement Date a Giant Security representing beneficial ownership interests in those proposed Contributing Securities that have been delivered to Freddie Mac, subject to satisfaction of the minimum Original Principal Amount specified in Section 2.03.

(b) Failure by Dealer to deliver sufficient Contributing Securities to satisfy the minimum Original Principal Amount specified in Section 2.03 shall be deemed a cancellation of the Giant Security Transaction.

Section 3.07. Supplements. Freddie Mac shall prepare a Supplement for each Standard Giant Security Pool and a Supplement and a supplemental statement for each Stripped Giant Security Pool, each providing selected information about the Giant Security Pool, the Contributing Securities and/or the Mortgages underlying the Contributing Securities. Freddie Mac shall deliver to Dealer from time to time copies of the then current offering materials prepared by Freddie Mac in connection with the issuance and sale of Giant Securities.

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

Section 3.09. Transaction Fee.

(a) With respect to each Standard Giant Security to be sold pursuant to the Giant Security Dealer Agreement, Dealer will pay Freddie Mac a Transaction Fee negotiated between Freddie Mac and Dealer and specified in the related Settlement Confirmation, which amount equals a fraction multiplied by 1% of the aggregate unpaid principal balance of the GNMA Certificates or Giant Securities which Dealer has committed to exchange, as reflected in the Settlement Confirmation.

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

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

ARTICLE IV

Miscellaneous

Section 4.01. Limitations on Liability; Indemnification.

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

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

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

Section 4.03. Amendments.

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

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

(c) Dealer's submission of a proposal for a Giant Securities Transaction, whether or not accepted by Freddie Mac, after a period of three Business Days has elapsed from the date that Freddie Mac mailed, delivered or transmitted by facsimile delivery to the Dealer any amendment or modification to this Agreement shall constitute Dealer's acceptance of such amendment or modification.

Section 4.04. Termination.

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

(b) Expulsion of Dealer from membership in any other Freddie Mac Dealer group will automatically terminate the Giant Security Dealer Agreement as between Freddie Mac and Dealer.

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

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

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

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

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

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

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

FEDERAL HOME LOAN MORTGAGE CORPORATION

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GLOSSARY OF TERMS

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

Aggregate Remaining Balance: For any Payment Date, the aggregate of the remaining principal balances to which the Contributing Securities would be reduced in the month in which that Payment Date occurs, based, in the case of GNMA Certificates, on the related preliminary "factor" information reported on or about the sixth Business Day of that month or, to the extent such a factor has not been reported for a GNMA Certificate, assumed Mortgage amortization schedules. Freddie Mac or the Custodian will create these schedules using remaining term to maturity and interest rate information that was available at the time of issuance of such GNMA Certificate and adjusting such remaining term to maturity to the current month. Such calculations will reflect payment factor information previously reported to Freddie Mac and estimated subsequent scheduled amortization (but not prepayments on the related Mortgages). In the case of Contributing Securities that are Giant Securities, Freddie Mac (or the Custodian) will determine the applicable remaining principal balances using the related "factor" information published by Freddie Mac for those Giant Securities.

Agreement Default: An "Event of Default" as defined in the Giant Security Agreement.

Book-Entry Form: The form of a security which (i) is issued by means of an entry on the books and records of (x) the Participants Trust Company in the case of a GNMA Certificate and (y) a Federal Reserve Bank in the case of a Giant Security; and (ii) is evidenced only by such entry. In the case of a Giant Security, such entry includes, but is not limited to, the name of the Holder, the original principal amount or the original notional principal amount (as the case may be) of the Giant Securities, the identifying CUSIP Number and the applicable Final Payment Date.

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

Business Day: A day other than (i) a Saturday or Sunday, (ii) a day on which the Federal Reserve Bank of New York (or other agent acting as Freddie Mac's fiscal agent) is authorized or obligated by law or executive order to remain closed, (iii) as to any Holder, a day on which the Federal Reserve Bank at which such Holder's account is maintained is authorized or obligated by law or executive order to remain closed, (iv) a day on which the offices of the federal government located in the District of Columbia generally are closed for business, or (v) a day on which the offices of Freddie Mac are closed.

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

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

Collection Account: An account to which payments of principal and interest on the Contributing Securities and other amounts received by Freddie Mac in respect of a Giant Security Pool will be credited and from which payments of principal and interest to Holders of the related Giant Securities will be debited.

Contributing Security: In the case of any Giant Security Pool, each Giant Security or GNMA Certificate identified in the books and records of Freddie Mac (or the Custodian) as contained in such Giant Security Pool as of the Settlement Date, except as such identity subsequently may be corrected pursuant to Section 1.05 of the Giant Security Agreement.

Contributing Security Principal Payment Amount: For any Giant Security Pool for any Payment Date, the difference between (i) the Aggregate Remaining Balance for the preceding month (or in the case of the first Payment Date, the Original Principal Amount) and (ii) the Aggregate Remaining Balance for the current month.

CUSIP Number: A unique nine-character designation assigned by the CUSIP Service Bureau to each Class of Giant Securities.

Custodian: Texas Commerce Bank National Association, or any successor custodian appointed by Freddie Mac.

Dealer: Any entity which is a member of the Giant Security Dealer Group at the time a Giant Security Transaction with such Dealer is scheduled in accordance with the Giant Security Dealer Agreement.

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

Federal Reserve Bank: Any Federal Reserve Bank that maintains Giant Securities in Book-Entry Form.

FHA: The Federal Housing Administration.

FHA Mortgage: A Mortgage fully insured by the FHA.

FHA/VA Mortgage: A Mortgage fully insured by the Federal Housing Administration or partially guaranteed by the VA.

15-Year Mortgage: A Mortgage with an original term of up to approximately 180 months.

Final Payment Date: With respect to each Class of Giant Securities, the 25th day of the month of the latest final payment date of the Contributing Securities, as specified in the related Supplement.

FRED: Freddie Mac's Resecuritization Electronic Data Base.

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

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

GIFC: A guaranteed investment and fee contract, executed by Freddie Mac in its corporate capacity providing for the temporary reinvestment of payments on the Contributing Securities in the Giant Security Pool between the date of receipt by the Giant Security Pool and the related Payment Date at a rate of return guaranteed by Freddie Mac and for the investment proceeds to be retained by Freddie Mac, to the extent provided in the GIFC, as a fee for its administration of the Giant Security Pool.

GNMA: The Government National Mortgage Association, a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development ("HUD").

GNMA-Backed Pools: Discrete pools of Mortgages that back GNMA Certificates.

GNMA-Backed Securities Structured Finance Guidelines: Procedures published or otherwise provided to Dealers by Freddie Mac from time to time relating to Giant Securities.

GNMA Certificate: A “fully modified pass-through security” guaranteed as to timely payment of principal and interest by GNMA.

GNMA I Certificate: A GNMA Certificate issued under GNMA’s GNMA I program.

GNMA II Certificate: A GNMA Certificate issued under GNMA’s GNMA II program.

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

Giant IP Security: A Giant Security entitled to all or a portion of both the principal and interest on the Contributing Securities.

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

Giant Security: Any Standard Giant Security or Stripped Giant Security created pursuant to the Giant Security Agreement.

Giant Security Agreement: The Freddie Mac Giant GNMA-Backed Security Agreement reproduced as Exhibit A to the Offering Circular, as it may be amended or supplemented from time to time (including any related Terms Supplement).

Giant Security Coupon: The annual rate at which interest is paid on a Giant Security entitled to the payment of interest. Interest at the applicable Giant Security Coupon shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

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

Giant Security Dealer Group: A selling group organized for the purpose of purchasing or selling Giant Securities and comprised of investment bankers, securities dealers, brokers, banks and/or others who are acknowledged as members of the selling group by Freddie Mac either in writing or by an appropriate acknowledgement transmitted to them in accordance with the Giant Security Dealer Agreement.

Giant Security Pool: A discrete pool consisting of (i) of Contributing Securities, (ii) cash and (iii) unless otherwise provided in the applicable Supplement, the rights of the Giant Security Pool under a GIFC.

Giant Security Pool Factor: A truncated, seven-digit decimal published or otherwise made available each month by Freddie Mac for each Giant Security Pool, which, when multiplied by the original principal amount (or original notional principal amount) of each related Giant Security will equal the remaining principal amount or notional principal amount, as the case may be, of such Giant Security after giving effect to the payment of principal (or reduction in notional principal amount) on the Payment Date in the same month.

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

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

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

Mortgage: A fixed rate, first-lien, single family residential mortgage backing a GNMA Certificate, which mortgage is, unless otherwise provided in the applicable Terms Supplement, a FHA/VA Mortgage.

1986 Act: The Tax Reform Act of 1986.

Offering Circular: The Freddie Mac Giant GNMA-Backed Securities (Guaranteed) Offering Circular to which this Glossary of Terms is attached.

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

Owner: The person that beneficially owns a Giant Security for federal income tax purposes.

Payment Date: As to any Giant Security Pool, the 25th day (or if such 25th day is not a Business Day, the next succeeding Business Day) of each month commencing in the month specified in the related Offering Circular Supplement.

Plan: An employee benefit plan subject to ERISA.

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

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

Proposed Regulations: Proposed United States Department of Treasury Regulations regarding Sections 1271 through 1275 of the Code.

Record Date: As to each Payment Date, the end of the preceding calendar month.

Remaining Pool Balance: With respect to a Contributing Security that is a Giant Security, the aggregate amount of principal not yet paid with respect to the related Giant Security Pool, as calculated using the related Giant Security Pool Factor.

Service: The Internal Revenue Service.

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

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

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

SMMEA: The Secondary Mortgage Market Enhancement Act of 1984.

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

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

Standard Giant Security Pool: A Giant Security Pool represented by Standard Giant Securities.

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

Stripped Giant Security Pool: A Giant Security Pool represented by Stripped Giant Securities.

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

Terms Supplement: A document which modifies, amends or supplements the Giant Security Agreement in any respect whatsoever.

30-Year Mortgage: A Mortgage with an original term of more than 180 months and up to approximately 360 months.

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

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

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

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

VA: The Department of Veterans Affairs.