The Mortgage Corporation

Federal Home Loan Mortgage Corporation

Mortgage Participation Certificates

Federal Home Loan Mortgage Corporation

OFFERING CIRCULAR

FOR

MORTGAGE PARTICIPATION CERTIFICATES

(Guaranteed)

Sales of Mortgage Participation Certificates are conducted by the Federal Home Loan Mortgage Corporation through its Regional Offices on a continuous basis. Terms of current offerings may be obtained by contacting the Mortgage Corporation's Regional Office for your area (listed on the back cover).

This Offering Circular contains important information concerning the Mortgage Corporation and the terms of the Mortgage Participation Certificates and should be read carefully by prospective purchasers.

OFFERING CIRCULAR DATED DECEMBER 31, 1975

No salesman or other person has been authorized to give any information or to make any representation not contained in this Offering Circular in connection with the offer or sale of the Mortgage Participation Certificates described herein; and, if given or made, such information or representation must not be relied upon as having been authorized by the Federal Home Loan Mortgage Corporation (the "Mortgage Corporation" or "FHLMC"). The delivery of this Offering Circular at any time does not imply that the information given herein is correct at any time subsequent to the date hereof.

TABLE OF CONTENTS

SUMMARY OF TERMS OF MORTGAGE PARTICIPATION CERTIFICATES

The following is a summary of certain pertinent information concerning the Federal Home Loan Mortgage Corporation's offerings of Mortgage Participation Certificates (sometimes referred to as "PCs") and is qualified in its entirety by the detailed information found elsewhere herein.

PCs OFFERED

The PCs	The PCs represent undivided interests in specified residential conventional mortgages in groups aggregating approximately $100 million underwritten and owned by the Mortgage Corporation. Fees are paid to purchasers under certain programs as described below.
Maximum Maturity	30 years.
Estimated Weighted Average Life	12 years (based upon assumed principal payments and prepayments).
Interest	Passed through monthly at the Certificate Rate.
Principal	Passed through monthly, as collected.
Prepayment Fees	Passed through when and if received as additional income over and above interest at the Certificate Rate.
Guarantees	The Mortgage Corporation unconditionally guarantees the timely payment of interest at the Certificate Rate and collection of principal as described below.
Payment Cycle	Payments are due from the Mortgage Corporation on or before the first day of the second month following the month in which the principal and interest payments are made by mortgagors.
Remittances	One itemized check per month containing principal, interest and prepayment fees is normally mailed five calendar days prior to the due date.
Denominations and Registration	$100,000, $200,000, $500,000 and $1,000,000; fully registered only.
Federal Tax Status	PCs owned by institutions that qualify as "domestic building and loan associations" constitute "loans secured by an interest in real property" within the meaning of Section 7701(a)(19)(C)(v) of the Internal Revenue Code; PCs also constitute "qualifying real property loans" within the meaning of Section 593(e) of the Code with respect to certain thrift institutions.
Secondary Market	The Mortgage Corporation currently offers to repurchase PCs subject to market and other conditions.

The Mortgage Corporation guarantees to each registered holder of a PC the timely payment of interest accruing at the applicable Certificate Rate on the unpaid principal balance outstanding on the Mortgages (hereinafter defined) to the extent of such holder's percentage of participation therein. The Mortgage Corporation also guarantees to each registered holder of a PC collection of all principal on the Mortgages, without any offset or deduction, to the extent of such holder's percentage of participation therein. The PCs are not guaranteed by the United States or by any of the Federal Home Loan Banks and do not constitute a debt or obligation of the United States or any Federal Home Loan Bank.

PC SALES PROGRAMS

The Mortgage Corporation continuously offers PCs. Currently, PCs are sold pursuant to mandatory and optional delivery sales programs and purchasers may choose any of the following:

Type of Delivery Contract	Number of Days From Date of Purchase to Settlement Date	Fee Paid by Mortgage Corporation
Mandatory	7-29	None
Mandatory	30-59	.250%
Mandatory	60-89	.500%
Mandatory	90-119	.625%
Mandatory	120-150	.750%
Optional (delivery optional with the Mortgage Corporation)	120-150	1.000%

All fees paid to purchasers are based upon the unpaid principal balance of the PC at the time of contract or commitment to purchase multiplied by the applicable fee expressed as a percentage. Fees are paid to qualified purchasers (see pages 6-7) within five business days of receipt by the Mortgage Corporation of an executed confirmation or commitment to purchase.

PRICE INFORMATION AND ORDERING

Daily price and yield information can be obtained from the Mortgage Corporation's Regional Offices (listed on the back cover) and is listed on AMMINET (the Automated Mortgage Market Information Network); information is also published every Tuesday in The Wall Street Journal. Orders for PCs should be placed with the Regional Office for your area. See pages 7-8.

FEDERAL HOME LOAN MORTGAGE CORPORATION

The Mortgage Corporation is a corporate instrumentality of the United States created pursuant to an Act of Congress on July 24, 1970 (Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§ 1451-1459, hereinafter referred to as the "FHLMC Act"). The Mortgage Corporation was established primarily for the purpose of increasing the availability of mortgage credit for the financing of urgently needed housing. It seeks to provide an enhanced degree of liquidity for residential mortgage investments primarily by assisting in the development of secondary markets for conventional morgages.

While the Mortgage Corporation believes that the maintenance of a reasonable level of profit is necessary to the accomplishment of its statutory objectives, its activities and operations are not necessarily conducted with a view toward making or maximizing profits. Consequently, in furtherance of its statutory purposes and objectives, the Mortgage Corporation may at times choose to enter into transactions which are not or may not be profitable. For a more complete description of the Mortgage Corporation and its activities, see "The Mortgage Corporation—History and Business."

The principal office of the Mortgage Corporation is located at 311 First Street, N.W., Washington, D.C. 20001 (telephone 202-624-7000).

PURPOSE OF THE OFFERING

The proceeds to be received by the Mortgage Corporation from the sale of the Mortgage Participation Certificates described herein will provide funds for the Mortgage Corporation to engage in additional activities consistent with its statutory purposes, including the purchase of additional mortgages and interests in mortgages. Some portion of such proceeds may be used to repay part of the Mortgage Corporation's borrowings.

The Mortgage Corporation anticipates that additional financing through sales of mortgages and other types of instruments and borrowings will be required from time to time. The amount, nature and cost of such sales or financing arrangements is dependent upon a number of factors, including the volume of mortgages purchased by the Mortgage Corporation, general market conditions and the availability of funds.

DESCRIPTION OF MORTGAGE PARTICIPATION CERTIFICATES

The Mortgage Participation Certificates offered hereby represent undivided interests in specified conventional mortgages ("whole loans") and/or participation interests therein ("participations") underwritten and owned by and identified on the books and records of the Mortgage Corporation. A conventional mortgage is a mortgage which does not have the benefit of any guaranty or insurance by or other obligation of the United States or any state, or any agency or instrumentality thereof.

The Mortgage Corporation periodically forms groups of whole loans and/or participations in connection with its continuing PC Sales Programs. These groups are formed as the volume of the Mortgage Corporation's sales of PCs may require; the Mortgage Corporation in its sole discretion determines which PC will be delivered pursuant to a purchase contract in the event that PCs applicable to more than one group are available for purchase. Each group of whole loans and/or participations is identified on the books and records of the Mortgage Corporation; the aggregate of the undivided interests in any such group represented by the PCs pertaining to that group is referred to herein as the "Mortgages."

The PCs are governed by the terms of the FHLMC Mortgage Participation Certificate Agreement, Series 500 (Revised December, 1975), which is included in this Offering Circular as an exhibit and to which reference is made for a complete description of the purchaser's rights and the Mortgage Corporation's obligations with respect to the PCs.

PCs are issued in fully registered form only, in original unpaid principal balances of $100,000, $200,000, $500,000 and $1,000,000.

PCs are designed to qualify for federal income tax treatment accorded certain investments in obligations secured by real property as described below under "Tax Status."

PC Sales Programs

The Mortgage Corporation currently offers PCs pursuant to the mandatory and optional delivery sales programs described below:

Mandatory Delivery Contracts. Purchasers may contract for mandatory delivery of PCs under any of five programs:

(1) Purchasers agree with the Mortgage Corporation upon a settlement date not less than seven (7) nor more than twenty-nine (29) days from the date of the contract. No fee is paid by the Mortgage Corporation.

(2) Purchasers agree with the Mortgage Corporation upon a settlement date not less than thirty (30) nor more than fifty-nine (59) days from the date of the contract. The Mortgage Corporation will pay the purchaser a fee of ¼ of 1%.

(3) Purchasers agree with the Mortgage Corporation upon a settlement date not less than sixty (60) nor more than eighty-nine (89) days from the date of the contract. The Mortgage Corporation will pay the purchaser a fee of ½ of 1%.

(4) Purchasers agree with the Mortgage Corporation upon a settlement date not less than ninety (90) nor more than one hundred nineteen (119) days from the date of the contract. The Mortgage Corporation will pay the purchaser a fee of ⅝ of 1%.

(5) Purchasers agree with the Mortgage Corporation upon a settlement date not less than one hundred twenty (120) nor more than one hundred fifty (150) days from the date of the contract. The Mortgage Corporation will pay the purchaser a fee of ¾ of 1%.

Optional Delivery Contracts. Purchasers may commit to purchase PCs at a mutually agreeable settlement date from one hundred twenty (120) to one hundred fifty (150) days from the date of the commitment. The Mortgage Corporation will pay the purchaser a fee of 1%. The Mortgage Corporation, at its option, may complete the sale of PCs under the optional delivery contracts on the settlement date agreed upon with the purchaser. Purchasers will be notified by mail at least five business days before the settlement date whether the purchase will be consummated.

Settlements for purchases of PCs are held on any Tuesday or Thursday mutually agreed upon by the purchaser and the Mortgage Corporation within the range of settlement dates applicable to any particular sales program. The settlement date is fixed at the time the contract to purchase or the commitment contract is made. Settlements are not held on any day of the week other than Tuesday or Thursday. Neither the mandatory delivery contracts nor the optional delivery commitments may be assigned or transferred by purchasers without the prior written consent of the Mortgage Corporation.

Fees. Fees vary (as described above) from program to program depending upon whether delivery is mandatory or optional and the agreed settlement date. The fees payable by the Mortgage Corporation are determined by multiplying the unpaid principal balance of the PC at the time of the contract or commitment to purchase by the applicable fee expressed as a percentage. For example, if the fee for the applicable program is ¾ of 1%, and the unpaid principal balance of the PC at the time of the contract or commitment to purchase is $99,696.38, the fee would be $747.72.

If the purchaser's ability to consummate the purchase is satisfactory to the Mortgage Corporation, any fee due the purchaser under either the mandatory or the optional delivery program will be mailed by the Mortgage Corporation to the purchaser within five business days following receipt of a confirmation duly executed by the purchaser. In all other cases, the amount of the fee will be subtracted at settlement from the amount due the Mortgage Corporation from the purchaser, or in the case of the optional delivery program, if the Mortgage Corporation elects not to complete the sale, the fee will be mailed to the purchaser at the agreed upon settlement date.

If the purchaser's ability to fulfill his obligations pursuant to either the mandatory or optional delivery programs is not known to the Mortgage Corporation, the Mortgage Corporation may require a good faith deposit of 1% of the current unpaid principal balance of the PC contracted or committed to be purchased. A confirmation of the transaction will not be mailed to a purchaser until the deposit is received by the Mortgage Corporation, which deposit must be received within 5 business days. See "Price Information and Ordering" below. The amount of the deposit will be credited against the amount due from the purchaser at settlement or, in the case of an optional delivery program, will be returned to the purchaser if and at the time that the Mortgage Corporation elects not to complete the sale.

Federal Tax Consequences of Fees. A fee received by a purchaser under the mandatory delivery programs or by a prospective purchaser under the optional delivery program is not income for Federal income tax purposes at the time of receipt. In the case of the mandatory delivery programs, and in the case of the optional delivery program if the Mortgage Corporation elects to complete the sale, the fee will be an offset against the selling price in determining cost basis in each mortgage and will be an element in the computation of discount or premium for Federal income tax purposes. If the Mortgage Corporation does not exercise its election to complete the sale under the optional delivery program, the fee will constitute ordinary income upon the termination of the option, which income will not qualify as "interest on obligations secured by mortgages on real property" as that phrase is used in Section 856(c)(3)(B) of the Internal Revenue Code of 1954, as amended, and may not be qualifying income for purposes of the 75 percent of gross income test of Temporary Treasury Regulation §402.1 2(c)(3)(i) applicable in classifying an organization as a "domestic building and loan association."

Special Circumstances. Under certain circumstances, the Mortgage Corporation is willing to entertain modifications of certain of the terms of the above programs to meet the specific needs of purchasers. Purchasers desiring such modifications should discuss their specific requests with the Mortgage Corporation's Regional Office for their area.

The terms upon which PCs are offered for sale are subject to change by the Mortgage Corporation without notice to prospective purchasers and all offers to purchase PCs are subject to acceptance by the Mortgage Corporation. See "Price Information and Ordering" below.

Price Information and Ordering

The price and the yield of the PCs may vary from program to program and also may vary depending upon the Mortgage Corporation's assessment of current and future economic and mortgage market conditions. Price and yield quotations can be obtained daily from the Mortgage Corporation's Regional Offices and are listed on a daily basis on AMMINET (the Automated Mortgage Market Information Network). Current quotations are also published every Tuesday in The Wall Street Journal and can normally be found on the page containing the narrative bond market column.

An order to purchase a PC can be placed by telephoning or writing the Mortgage Corporation's Regional Office for your area. Orders are taken between 10:00 a.m. and 4:00 p.m. Eastern time each business day. At the time the order is placed, the purchaser will be asked the particular program desired, the principal balance of PCs to be purchased, the denominations in which certificates should be issued (PCs are available only in original unpaid principal balances of $100,000, $200,000, $500,000 and $1,000,000), the settlement date proposed and the purchaser's federal tax identification number. Orders to purchase or to commit to purchase PCs are accepted or rejected by the Mortgage Corporation the day on which the offer is received; the purchase or commitment contract is deemed to have been made, if the order is accepted, as of the date of acceptance.

The purchase price of a PC to be paid at settlement may be more or less than the principal balance of the PC purchased because the PC has been purchased at a premium or at a discount. The purchase price of a PC to be paid at settlement may also be less than the principal balance of the PC purchased because of principal payments made with respect to the Mortgages prior to the settlement date. Interest and principal payments made with respect to the Mortgages between the contract or commitment date and the settlement date are for the account of and are retained by the Mortgage Corporation. Notification of the exact amount due from the purchaser at settlement will be mailed at least 5 business days prior to settlement for all programs other than the mandatory delivery 7 to 29 day settlement program. In this

Maturity and Average Weighted Life

The PCs represent undivided interests in the Mortgages which have a maximum maturity of thirty years, subject to extension by virtue of forebearance. The maturity of an investment is the point at which the last payment is due to the PC investor. The average weighted life of an investment is dependent upon the amount of principal returned periodically. Historical data applicable to pools of Federal Housing Administration insured single family mortgages indicates that mortgagors' amortization payments and anticipated prepayments will result in an average weighted life for such mortgages of approximately twelve years. This twelve year average weighted life is used by the Mortgage Corporation in its yield quotations with respect to PCs.

General economic conditions, mortgage market interest rates and other factors will influence prepayments and/or forebearance with respect to the Mortgages. Since the life of the Mortgages can be influenced by such factors, the actual average weighted life of a PC may be greater or less than the twelve year weighted life used by the Mortgage Corporation in its yield quotations. See table set forth below under "PC Principal Payment Experience."

PC Principal Payment Experience

The following table sets forth with respect to seven groups of participations and/or whole loans the cumulative percentage of the original principal balance of the applicable PCs which had been paid to holders at the end of various yearly intervals. The table includes all PCs sold by the Mortgage Corporation in which the participations and/or whole loans had an aggregate original principal balance of at least $10 million and which groups of mortgages had been formed at least one year prior to November 1, 1975. The groups of participation and/or whole loans listed below do not necessarily have the same characteristics with regard to geographic concentration and single family/multi-family mix as the Mortgages which underly the PCs offered hereby. See "The Mortgages" above. Prepayment fees are not included in the table.

Cumulative Percentage of Principal Repaid

Group Interest Rate(a)	7.50%	7.25%	7.50%	7.28%	7.75%	7.75%	10.1%
Date of Formation(b)	12/1/72	12/1/72	12/1/72	2/1/73	5/1/73	12/1/73	11/1/74
				(000 omitted)			
Initial Principal Balance(c)	$112,904	$17,567	$101,207	$175,463	$38,307	$50,905	$112,829
1 year	7.1%	8.0%	5.1%	3.0%	5.0%	6.4%	13.3%
2 years	16.4	17.8	11.0	7.3	9.4	12.8	—
3 years	22.6	25.5	17.7	—	—	—	—

(a) Weighted average interest rate of the underlying mortgages in the group.

(b) Date of formation of the group.

(c) Initial principal balance of the participations and/or whole loans in thousands of dollars.

Given the relatively short duration of the PC Sales Programs, the Mortgage Corporation has formed no view with regard to the factors which account for the variations in payment experience shown above. Furthermore, the Mortgage Corporation believes that its historical data with regard to payment experience are insufficient to enable it to make any representations as to the percentage of the original principal balance of the PCs offered hereby which will have been paid to holders at any particular point in time. The Mortgages applicable to any particular PC may experience a rate of principal payments and prepayments which is greater than or less than the range shown in the table above.

Tax Status

The income derived from the PCs does not have any exemption, as such, under the Internal Revenue Code of 1954, as amended (the "Code"). The PCs are subject to federal estate and gift taxes. The FHLMC Act does not contain any specific exemption with respect to taxes now or hereafter imposed on the principal of or interest on the PCs by any state, or any of the possessions of the United States, or by any local taxing authority. It is suggested that purchasers residing in states or localities which impose intangible property or income taxes consult their own tax advisors as to the status of the PCs and the income thereon.

The Mortgage Corporation furnishes each holder of a PC annual information for federal income tax purposes which itemizes with respect to each PC held the total amount of interest paid by mortgagors, seller/servicers' fees (if any), the Mortgage Corporation's guarantee and management fees (if any), and the total amount of interest and prepayment fees (if any) received by that holder for the calendar year.

Based on published Revenue Rulings of the Internal Revenue Service:

(A) A PC held by a "domestic building and loan association" within the meaning of Section 7701(a)(19) of the Code is considered as representing "loans secured by an interest in real property" within the meaning of Section 7701(a)(19)(C)(v) of the Code. A PC is also considered as representing "qualifying real property loans" within the meaning of Section 593(e) of the Code with respect to certain thrift institutions.

(B) The qualification of an employees' pension or profit-sharing trust under Section 401 of the Code and its exemption under Section 501(a) will not be adversely affected by the purchase of PCs, provided that the purchase meets the investment requisites applicable to such trust.

(C) The special rules of Section 1232 of the Code will be applicable to a PC holder's proportionate share of any mortgages which are obligations of corporations if, and to the extent that, the other conditions for the application of the Section are met.

(D) Interest income on the PCs is "interest on obligations secured by mortgages on real property" as that phrase is used in Section 856(c)(3)(B) of the Code; a real estate investment trust which owns a PC is considered as owning "real estate assets" as that phrase is used in Section 856(c)(5)(A) of the Code.

(E) With respect to each mortgage, the amount by which interest at the Certificate Rate plus the Mortgage Corporation's management and guarantee fee (if any) exceeds interest at the coupon rate of the mortgage will be characterized as "discount".

(F) With respect to each mortgage, the amount by which interest at the Certificate Rate plus the Mortgage Corporation's management and guarantee fee (if any) is exceeded by interest at the coupon rate of the mortgage will be characterized as "premium."

In computing discount or premium with respect to a mortgage as stated above the allocable portion of the fee, if any, received by the purchaser under a mandatory or optional delivery program must be taken into account as an offset against the selling price of the mortgage. With respect to certain other federal income tax aspects of fees received by purchasers in connection with the optional or mandatory delivery programs, see "Description of Mortgage Participation Certificates—PC Sales Programs, Federal Tax Consequences of Fees."

Secondary Market

Securities dealers and others do not make a market in PCs. To permit a measure of liquidity for holders of PCs, the Mortgage Corporation has provided since June, 1975 and, subject to the conditions described below expects to continue to provide, bid quotations for outstanding PCs. Informational bid quotations are available daily on AMMINET or from the Mortgage Corporation's Regional Offices. However, firm quotations are available from the Mortgage Corporation's Regional Office for your area only with respect to inquiries to sell specifically identified PCs. The Mortgage Corporation will not offer to

During 1974, the spread between the interest FHLMC earned on all mortgages and the interest FHLMC paid on its total borrowings narrowed as the result of increased borrowing costs. As a result of this narrowing and as a result of a negative spread between the interest on temporary cash investments and the cost of borrowings which supported such temporary cash investments, earnings before provision for losses, management fees and guarantees declined during the eight months ended August 31, 1975. See "Effective Interest Income Rates and Related Financing Rates," page 18. Reference is also made to the Statement of Changes in Financial Position, page 26, concerning amortization of mortgage loan purchase discount.

THE MORTGAGE CORPORATION—HISTORY AND BUSINESS

The Board of Directors of FHLMC is composed of the three members of the Federal Home Loan Bank Board, whose Chairman is the Chairman of the Board of FHLMC. There is presently one vacancy on the Federal Home Loan Bank Board and the Board of FHLMC, the position of Chairman. (See "Management.") The Members of the Federal Home Loan Bank Board are appointed by the President of the United States, with the advice and consent of the Senate, for four-year terms.

The capital stock of FHLMC consists solely of non-voting common stock held by the twelve Federal Home Loan Banks. 100,000 shares, par value $1,000 each, have been issued for a total purchase price of $100 million, the maximum amount which the Federal Home Loan Banks were required to purchase pursuant to the FHLMC Act. FHLMC may declare dividends on its common stock but has not yet done so. The stock may be retired by FHLMC at its issue price if such retirement will not reduce the reserves and surplus of FHLMC to less than $100 million.

The principal activity of FHLMC currently consists of the purchase of residential conventional mortgages or interests in such mortgages and the resale of mortgages or interests so purchased. These purchase and sale programs are described below under "Purchase Programs" and "Sale Programs."

Purchase Programs

The Mortgage Corporation purchases conventional mortgages or participation interests in such mortgages on a continuous basis. The participations purchased have varied from 50% to 85% of the underlying whole loans. Set forth below is information concerning the volume of such activities, as well as the volume of the FHA/VA purchase programs. Mortgages purchased under the joint United States Treasury—Federal Home Loan Bank System program and the GNMA agency program, described below under "Other Activities," are excluded.

	From July 24, 1970 (Inception) to December 31, 1970	Year Ended December 31, 1971	1972	1973	1974	For Eight Months Ended August 31, 1975
			(000 omitted)			
COMMITMENTS AND CONTRACTS:						
FHA/VA	$511,948	$545,646	$ 832,318	$ 315,609	$ 260,798	$114,848
Participations	5,700	255,772	540,135	897,991	579,109	475,099
Conventional Whole Loans	—	—	230,469	301,510	295,768	146,260
Multipurpose Forward (A)				113,949	411,592	—
TOTAL	$517,648	$801,418	$1,602,922	$1,629,059	$1,547,267	$736,207
PURCHASES:						
FHA/VA	$326,184	$561,158	$ 802,645	$ 336,418	$ 260,668	$108,690
Participations	—	217,200	312,841	730,697	739,106	310,844
Conventional Whole Loans	—	—	149,390	266,807	489,437	119,469
TOTAL	$326,184	$778,358	$1,264,876	$1,333,922	$1,489,211	$539,003

(A) The terms of the Multipurpose Forward commitments permit delivery of conventional whole loans and/or participations.

Set forth below is a description of certain aspects of FHLMC's purchase programs for conventional residential mortgages and interests in such mortgages.

1. *Statutory restrictions.* All whole loans or participations purchased by FHLMC must meet certain standards set forth in the FHLMC Act. FHLMC is confined to the purchase of obligations secured by mortgages, the outstanding principal balance of which at the time of purchase does not exceed 80% of the value of the real property securing the mortgage unless: (1) the seller retains a participation interest in the mortgage of not less than 10% of the mortgage; or (2) the seller agrees for such period and under such circumstances as FHLMC may prescribe, to repurchase or replace the mortgage obligations upon demand by FHLMC in the event that the mortgage is in default; or (3) the portion of the unpaid principal balance of the mortgage obligation which is in excess of 80% is insured by a qualified mortgage insurer as determined by FHLMC.

FHLMC may purchase a conventional mortgage which was originated more than one year prior to the purchase date only if the seller is currently engaged in mortgage lending or investment activities and, if, as a result thereof, the cumulative aggregate principal balances of all conventional mortgages purchased by FHLMC which were originated more than one year prior to purchase does not exceed 20% of the cumulative aggregate principal balances of all conventional mortgages purchased by FHLMC. As of September 30, 1975, FHLMC had purchased $180 million aggregate principal amount of mortgages more than one year old which represents approximately 4.1% of all conventional mortgages purchased by FHLMC. Additionally, FHLMC is required to establish limitations governing the maximum principal obligation of conventional mortgages purchased by it which shall not exceed the limitations contained in Section 5(c) of the Home Owners' Loan Act of 1933. At present, the limitations established by FHLMC are $42,000 for mortgages with respect to loans in excess of a 90% loan-to-value ratio and $55,000 for mortgages with respect to loans not exceeding a 90% loan-to-value ratio. These limitations may be increased by 25% for mortgages on properties located in Alaska, Guam or Hawaii. Finally, FHLMC is confined to purchasing, so far as practicable, mortgages which it deems to be of such quality, type and class as to meet generally the purchase standards imposed by private institutional mortgage investors.

2. *Eligible sellers.* FHLMC may purchase mortgages from any Federal Home Loan Bank, the Federal Savings and Loan Insurance Corporation, a member of any Federal Home Loan Bank, any other financial institution the deposits or accounts of which are insured by an agency of the United States and from certain financial institutions the deposits or accounts of which are insured under State law (chiefly certain Massachusetts institutions). FHLMC purchases mortgages from any savings and loan association which is a member of a Federal Home Loan Bank and whose prior relationships with FHLMC have been satisfactory. Approximately 82% of all mortgages acquired by FHLMC have been acquired from such associations. In the case of savings banks, commercial banks and other federally or state insured financial institutions, FHLMC on an individual institution basis determines whether mortgages shall be acquired from any particular institution within this group. FHLMC for these purposes evaluates the depth of the mortgage origination and servicing experience of these sellers.

3. *Warranties of sellers.* A seller of whole loans or participations to FHLMC under any of the FHLMC purchase programs is required to give certain warranties to FHLMC for the benefit of FHLMC and purchasers from FHLMC. The warranties cover such matters as validity of the mortgage as a first lien, proper recordation of the mortgage, compliance by the lender with the requirements of all state and federal laws including those relating to settlement procedures, truth-in-lending and usury, absence of default of principal or interest payments on the mortgage, sale to FHLMC free of all liens and encumbrances prior to the first lien of the mortgage, and validity of title, hazard and private mortgage insurance policies. Sellers also warrant that the mortgage complies with all the terms and conditions of the FHLMC purchase program pursuant to which the mortgage is being purchased and with such requirements as are generally imposed by private institutional mortgage investors in the area in which the mortgaged property is located.

4. *Servicing.* Sellers of whole loans or participations to FHLMC agree, subject to FHLMC's general supervision, to perform diligently all services and duties customary to the servicing of mortgages. Such

Effective Interest Income Rates and Financing Rates

	December 31, 1972		December 31, 1973		December 31, 1974		August 31, 1975	
	Principal	Yield	Principal	Yield	Principal	Yield	Principal	Yield
	(000 omitted)		(000 omitted)		(000 omitted)		(000 omitted)	
FHA/VA Mortgages:								
Effective interest income		7.36%		7.42%		7.61%		7.69%
Effective borrowing cost		6.53		6.50		7.15		7.12
Net	$1,485,281	.83	$1,790,547	.92	$1,956,115	.46	$1,915,579	.57
Participations in Conventional Mortgages:								
Effective interest income		7.51		8.14		8.49		8.46
Effective borrowing cost		6.61		7.18		8.63		8.63
		.90		.96		(.14)		(.17)
Adjustment (Note)		—		—		.47		.46
Net	141,900	.90	568,734	.96	1,205,971	.33	860,199	.29
Conventional Mortgages:								
Effective interest income		7.12		7.81		8.43		8.47
Effective borrowing cost		6.61		7.18		8.63		8.63
		.51		.63		(.20)		(.16)
Adjustment (Note)		—		—		.47		.46
Net	144,188	.51	232,467	.63	694,624	.27	799,279	.30
Total Mortgages Owned:								
Effective interest income		7.35		7.62		8.03		8.05
Effective borrowing cost		6.54		6.72		7.88		7.92
		.81		.90		.15		.13
Adjustment (Note)		—		—		.23		.25
Net	$1,771,369	.81	$2,591,748	.90	$3,856,710	.38	$3,575,057	.38
Mortgage Participation Certificates:								
Effective interest income		7.60		7.51		7.53		8.02
Effective certificate rate		7.09		7.20		7.26		7.61
Net	$ 444,173	.51	$ 791,275	.31	$ 779,838	.27	$1,038,673	.41
Guaranteed Mortgage Certificates:								
Effective interest income		—		—		—		8.25
Effective certificate rate		—		—		—		8.20
Net							287,598	.05

Note—The adjustment represents additional yield resulting from the write-down of mortgage loans. To the extent a loss is indicated on the financing of mortgage loans, the loss attributable to such financing is charged against the allowance for possible losses and is reflected on the balance sheet as a reduction of mortgage loans. This reduction of mortgage loans results in additional yield which for accounting purposes is recognized in FHLMC's Statement of Income as additional interest income over the term of the related borrowing. (See notes 1 and 3 of Notes to Financial Statements.)

The effective interest income rate on the mortgage portfolio is average contract interest income adjusted for the effect of discount amortization, less servicing fees. The effective borrowing cost is the average borrowing rate adjusted for discounts and concessions.

The effective interest income rates on mortgages have not been adjusted to semi-annual yield equivalent.

Risks of Refinancing and Reinvestment

The profit or loss generated by FHLMC's mortgage operations is substantially governed by (i) the difference between the effective interest income on its portfolio of mortgages and temporary cash investments and the effective interest expense on borrowings required to carry its portfolio, and (ii) the difference between the effective interest income on whole loans and participations purchased and the effective interest paid with respect to Mortgage Participation Certificates and Guaranteed Mortgage Certificates sold. As a result, FHLMC's earnings are materially dependent upon the relative movements between mortgage yields and other market rates.

FHLMC's mortgage portfolio consists principally of mortgages with original maturities of thirty years on which principal is amortized monthly in increasing increments over the life of the mortgage. Due to prepayments, the average mortgage is discharged prior to its stated maturity. The borrowings required to finance this portfolio are expected to mature more rapidly than the portfolio itself.

If FHLMC experiences higher than anticipated refinancing costs as current borrowings mature, it could have a material adverse impact upon FHLMC's results of operations. The table below sets forth the maturities of FHLMC's borrowings as of August 31, 1975.

Maturity	Amounts (000 omitted)	Maturity	Amounts (000 omitted)
1976	$690,000	1984	$ 300,000
1977	850,000	1985	3,461
1978	351,375	1986	21,000
1979	203,580	1993	400,000
1980	201,708	1995	140,000
1981	400,000	1996	150,000
1982	190,000	1997	150,000
		2006	1,358,194

See note 5 of Notes to Financial Statements.

Furthermore, if FHLMC were to experience greater than anticipated principal payments (including prepayments) on portfolio mortgages, it would be required to reinvest in mortgages or other interest bearing investments which could have yields less favorable than required to pay the interest upon FHLMC's borrowings. Such an event could also have a material adverse effect on FHLMC's financial position or its results of operations

Geographic Distribution of Mortgage Portfolio

The following table sets forth the general geographic location of the properties underlying the mortgage portfolio of FHLMC as of August 31, 1975 (including those mortgages which FHLMC has sold but as to which FHLMC has guaranteed payment of principal and interest).

	Unpaid Principal Balance (000 Omitted)						
			Conventional Mortgages				
Geographic Area Designation (see below)	FHA/VA	Percentage of FHA/VA	Partici-pations	Whole Loans	Percentage of Conventional Loans	Total	Percentage of Total
Boston	$ 8,830	.46%	$ 74,973	$ 18,873	2.18%	$ 102,676	1.65%
New York	41,318	2.13	39,247	23,855	1.47	104,420	1.67
Pittsburgh	11,121	.57	89,870	24,019	2.61	125,010	2.00
Atlanta North	59,775	3.08	280,760	236,155	12.01	576,690	9.23
Atlanta South	120,080	6.19	185,161	277,387	10.74	582,628	9.33
Cincinnati	143,058	7.38	91,620	75,691	3.89	310,369	4.97
Indianapolis	62,716	3.23	148,626	78,795	5.28	290,137	4.65
Chicago	72,187	3.72	48,403	71,237	2.79	191,827	3.07
Des Moines	95,936	4.95	56,883	20,870	1.81	173,689	2.78
Little Rock	191,205	9.86	169,696	391,861	13.04	752,762	12.05
Denver	162,590	8.39	331,016	113,145	10.32	606,751	9.72
Los Angeles	794,902	41.00	552,420	443,097	23.12	1,790,419	28.67
Seattle	175,280	9.04	232,984	229,622	10.74	637,886	10.21
Total	$1,938,998	100.00%	$2,301,659	$2,004,607	100.00%	$6,245,264	100.00%

States included under geographic area designations:

BOSTON
- Maine
- Vermont
- New Hampshire
- Massachusetts
- Rhode Island
- Connecticut

NEW YORK
- New York
- New Jersey
- Puerto Rico
- Virgin Islands

PITTSBURGH
- Pennsylvania
- Delaware
- West Virginia

ATLANTA
- Atlanta South:
  - South Carolina
  - Georgia
  - Alabama
  - Florida
- Atlanta North (Lanham):
  - Maryland
  - Virginia
  - North Carolina
  - District of Columbia

CINCINNATI
- Ohio
- Kentucky
- Tennessee

INDIANAPOLIS
- Indiana
- Michigan

CHICAGO
- Illinois
- Wisconsin

DES MOINES
- Iowa
- North Dakota
- South Dakota
- Minnesota
- Missouri

LITTLE ROCK
- Arkansas
- Louisiana
- New Mexico
- Texas
- Mississippi

DENVER
- Kansas
- Nebraska
- Oklahoma
- Colorado

LOS ANGELES
- California
- Nevada
- Arizona

SEATTLE
- Alaska
- Guam
- Hawaii
- Idaho
- Montana
- Oregon
- Utah
- Washington
- Wyoming

Delinquencies, Defaults and Foreclosures

Set forth below is certain information concerning FHLMC's default, delinquency and foreclosure experience with its mortgage portfolio (including those mortgages which FHLMC has sold but as to which FHLMC has guaranteed payment of principal and interest). Given FHLMC's relatively short history of operations, this information is not necessarily indicative of long-term trends. Defaults, delinquencies and foreclosures on mortgages are in some measure related to general economic conditions and do not reach their peak until some time after maximum unemployment rates are reached in an economic cycle. A peak in unemployment rates was reached in the second quarter of 1975. For the quarter ended September 30, 1975, unemployment rates remained relatively high and were declining slowly. As a result, current statistics relating to FHLMC's portfolio have begun to show a slight increase in delinquencies and numbers of foreclosures.

As of August 31, 1975, there were 2,566 conventional mortgages (1.53% of total) one payment delinquent, 540 mortgages (0.32% of total) two payments delinquent, and 278 mortgages (0.17% of total) three payments or more delinquent and not in the process of foreclosure. Foreclosure had been approved and was in process for 163 mortgages (0.10% of total) as of that date. The foregoing statistics include two multi-family projects on which mortgages owned or guaranteed by FHLMC were delinquent one or more payments or in the process of foreclosure. The aggregate unpaid principal balance of these two mortgages owned or guaranteed by FHLMC was $3,763,000. While FHLMC anticipates that it may sustain losses upon foreclosure of one of these loans of approximately $1.6 million, FHLMC believes that its reserves for possible losses on these loans are adequate and that such losses, if any, would not have a material adverse effect on its financial position or results of operations.

As of August 31, 1975, there were 4,294 FHA/VA mortgages (4.55% of total) one payment delinquent, 1,030 mortgages (1.09% of total) two payments delinquent, and 495 mortgages (0.52% of total) three payments or more delinquent and not in the process of foreclosure. Foreclosure had been approved and was in process for 612 mortgages (0.65% of total) as of that date.

Mortgages placed in foreclosure do not necessarily result in a loss to the holder of the mortgage. It has been FHLMC's experience that mortgages placed in foreclosure are frequently reinstated to a current position or paid in full prior to completion of foreclosure proceedings. Further, the completion of foreclosure proceedings and resultant sale of the mortgaged property does not necessarily result in any loss to the mortgage holder, since the amount realized upon ultimate disposition of a property and/or recoveries under applicable mortgage insurance policies may be sufficient to pay all principal, interest and foreclosure expenses.

From commencement of operations through August 31, 1975, 188 single-family and three multi-family conventional mortgage loans, with unpaid principal balances of approximately $4,560,000 and $2,200,000, respectively, have been foreclosed. No losses were incurred with regard to foreclosed single-family loans; a loss of $889,680 was incurred on the three foreclosed multi-family loans. As of August 31, 1975, FHLMC had $14,000,000 reserved for possible losses resulting from foreclosure of mortgages owned and $9,227,000 reserved with regard to its guarantees on mortgage loans sold.

MANAGEMENT

The directors and principal officers of FHLMC are as follows:

Name	Age	Year of Affiliation	Position
Garth Marston	50	1974	Acting Chairman of the Board of Directors
Grady Perry	45	1973	Director
Victor H. Indiek	38	1970	President
Philip N. Harrington	50	1971	Executive Vice President
Philip R. Brinkerhoff	33	1973	Executive Vice President
John C. Horseman	41	1971	Sr. Vice President—Regional Operations
James P. McTernan	36	1971	Sr. Vice President—Marketing
Jerry Barrentine	42	1973	Vice President & Treasurer
Henry L. Judy	36	1975	Vice President & General Counsel
Jack Carter	58	1973	Vice President—Congressional Relations
Richard A. Mackey	33	1971	Vice President—Systems
Kenneth M. Plant	41	1971	Vice President—Research

Mr. Marston is Acting Chairman and Mr. Perry is a Member of the Federal Home Loan Bank Board. There is one vacancy on the Federal Home Loan Bank Board and when filled the new member will become a director of FHLMC. The terms of Messrs. Marston and Perry expire in 1979 and 1977, respectively. Prior to April 1974, Garth Marston was Senior Vice President of Washington Mutual Savings Bank. Prior to June 1973, Grady Perry was Congressional Liaison Officer for the Federal Home Loan Bank Board.

Victor H. Indiek has been affiliated with FHLMC since December 1970 and was appointed President of FHLMC in October 1974. Prior to his affiliation with FHLMC he was a Manager with Arthur Andersen & Company. Philip N. Harrington has been Executive Vice President of FHLMC since June 1973 and a Vice President since April 1971. Prior thereto he was Senior Vice President of the Equitable Savings & Loan Association of Los Angeles, California. Philip R. Brinkerhoff has been Executive Vice President of FHLMC since April 1975 and Vice President and General Counsel since June 1973. Prior thereto he was an attorney with Streich, Lang, Weeks, Cardon & French, Phoenix, Arizona. John C. Horseman has been Senior Vice President—Regional Operations of FHLMC since 1974 and Regional Vice President since January 1971. Prior thereto he was Assistant to the President of Amortibanc Investment Company, Inc. and Assistant Vice President and Treasurer of Farmers and Bankers Life Insurance Company. James P. McTernan has been Senior Vice President—Marketing since March 1974 and Regional Vice President since April 1971. Prior thereto he was Corporate Real Estate Manager for Standard Brands, Inc. and a mortgage and equity investment analyst for the Metropolitan Life Insurance Company.

Jerry Barrentine has been Vice President and Treasurer of FHLMC since October 1973 and Assistant Treasurer since January 1973. Prior thereto he was a Manager with Peat, Marwick, Mitchell & Company. Henry L. Judy has been Vice President—General Counsel of FHLMC since June 1975. Prior to that he was Deputy General Counsel of the Federal Home Loan Bank Board. Jack Carter has been Vice President—Congressional Relations of FHLMC since July 1973, prior to which he was Secretary of the Federal Home Loan Bank Board. Richard A. Mackey has been Vice President—Systems of FHLMC since June 1974. Prior to his affiliation with FHLMC in 1971, he was a Systems Analyst for Tate Technologies, Inc. Kenneth M. Plant has been Vice President—Research of FHLMC since June 1973, prior to which he was Director of Research of FHLMC. Prior to his affiliation with FHLMC, Mr. Plant was a business economist for American Can Company from 1970 to 1971. Prior to that he was a Research Economist for the Conference Board.

As of September 30, 1975, FHLMC had 265 employees.

FEDERAL SECURITIES LAWS

The PCs offered hereby may be offered and sold without registration under the Securities Act of 1933, and constitute "exempt securities" within the meaning of the Securities Exchange Act of 1934.

EXPERTS

The Financial Statements included in this Offering Circular to the extent and for the periods indicated in their report, have been examined by Arthur Andersen & Co., independent public accountants, and have been included herein in reliance upon the authority of said firm as experts in giving such report.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Federal Home Loan Mortgage Corporation:

We have examined the balance sheet of Federal Home Loan Mortgage Corporation (a Federally chartered corporation exempt from income taxes) as of December 31, 1974, and the related statements of income (included on page 13 of this Offering Circular), retained earnings and changes in financial position for the period from July 24, 1970 (inception) to December 31, 1970 and the four years ended December 31, 1974. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Federal Home Loan Mortgage Corporation as of December 31, 1974 and the results of its operations and the changes in its financial position for the period from July 24, 1970 to December 31, 1970 and the four years ended December 31, 1974, all in conformity with generally accepted accounting principles consistently applied during the periods.

Arthur Andersen & Co.

Washington, D. C.
February 28, 1975

FEDERAL HOME LOAN MORTGAGE CORPORATION

BALANCE SHEET

ASSETS

	December 31,1974	August 31, 1975 (Unaudited)
	(000 omitted)	
Mortgage Loans, at unpaid principal balances (Notes 1, 2 and 5)		
Insured by Federal Housing Administration (FHA) or Guaranteed by Veterans Administration (VA)	$1,956,115	$1,915,579
Participations in Conventional Mortgage Loans	1,382,173	1,143,260
Conventional Mortgage Loans	1,214,042	1,860,154
	$4,552,330	$4,918,993
Less—Unamortized Discount	83,641	85,496
—Allowance for possible losses (Note 3)	10,000	14,000
Total mortgage loans	$4,458,689	$4,819,497
Cash	3,614	1,186
Temporary Cash Investments, at cost plus accrued interest which approximates market	375,408	778,758
Accrued Interest and Other Receivables	48,815	30,557
Claims Against FHA and VA, net of allowance for losses of $200,000 in 1974 and 1975	4,300	3,085
Real Estate Owned, at the lower of cost or estimated realizable value	1,063	1,408
Unamortized Debt Expense and Other Assets	9,178	8,812
	$4,901,067	$5,643,303

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31,1974	August 31, 1975
Bonds and Advances Payable, including $490,000,000 at August 31, 1975 and $147,600,000 at December 31, 1974 due within one year (Note 5)	$4,683,574	$5,409,318
Other Liabilities:		
Accrued Interest	66,843	70,160
Accounts Payable and other accrued expenses	15,138	17,561
Commitment fees	2,494	1,287
	$4,768,049	$5,498,326
Reserve for Management Fee and Guarantees (Note 6)	6,711	9,868
Guaranteed Mortgage Certificates (Note 6)	—	287,598
Less—Underlying Mortgage Loans Sold, at unpaid principal balances (Note 6)	—	287,598
	-0-	-0-
Commitments (Note 4)		
Stockholders' Equity:		
Common stock, nonvoting, $1,000 par value; no maximum authorization; 100,000 shares issued and outstanding	100,000	100,000
Retained earnings	26,307	35,109
Total Stockholders' Equity	$ 126,307	$ 135,109
	$4,901,067	$5,643,303

The accompanying notes are an integral part of this balance sheet.

FEDERAL HOME LOAN MORTGAGE CORPORATION

STATEMENT OF RETAINED EARNINGS

	From July 24, 1970 (Inception) to December 31, 1970	Year Ended December 31, 1971	1972	1973	1974	Eight Months Ended August 31, 1975
			(000 omitted)			(Unaudited)
Retained earnings, beginning of period	$—	$ 13	$5,733	$ 9,595	$21,315	$26,307
Net income	13	5,720	3,862	11,720	4,992	8,802
Retained earnings, end of period	$13	$5,733	$9,595	$21,315	$26,307	$35,109

The accompanying notes are an integral part of this statement.

FEDERAL HOME LOAN MORTGAGE CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

	From July 24, 1970 (Inception) to December 31, 1970	Year Ended December 31, 1971	1972	1973	1974	Eight Months Ended August 31, 1974	1975
			(000 omitted)			(Unaudited)	
Funds Provided:							
Net income	$ 13	$ 5,720	$ 3,862	$ 11,720	$ 4,992	$ 10,879	$ 8,802
Charges (credits) to income not requiring outlay of funds:							
Amortization of mortgage loan purchase discount	(107)	(1,407)	(3,467)	(5,550)	(6,545)	(4,195)	(5,060)
Amortization of debt expense	—	430	1,004	1,483	1,261	791	1,078
Provision for losses, management fee and guarantees, net (Notes 3 and 6)	—	2,800	3,739	14,765	32,577	15,796	8,325
Funds provided from operations	(94)	7,543	5,138	22,418	32,285	23,271	13,145
Mortgage loan principal repayments	889	21,474	62,943	110,469	156,659	106,787	178,623
Proceeds from advances and issuance of bonds, net of debt expense	314,052	598,287	896,881	1,205,850	2,391,400	918,125	889,137
Increase (decrease) in short term discount notes	—	—	—	—	147,600	243,000	(147,600)
Mortgage loans sold—							
Mortgage Participation Certificates, net	—	65,024	409,820	407,268	42,771	16,389	309,023
Guaranteed Mortgage Certificates	—	—	—	—	—	—	300,000
FHA/VA	—	48,368	—	—	—	—	66,939
Increase (decrease) in accounts payable and other accrued expenses	—	—	—	348	13,609	469	2,423
Proceeds from sale of common stock	100,000	—	—	—	—	—	—
Increase (decrease) in accrued interest payable	2,854	6,971	11,951	24,271	20,809	(8,794)	3,317
Total funds provided	$417,701	$747,667	$1,386,733	$1,770,624	$2,805,133	$1,299,247	$1,615,007
Funds Applied:							
Mortgage loans purchased	$315,881	$757,174	$1,262,286	$1,314,160	$2,165,766	$ 961,880	$1,208,616
Advances and bonds retired	—	—	175,000	151,120	554,935	523,805	16,156
Increase (decrease) in accrued interest and other receivables	3,001	5,135	5,334	7,786	28,474	(2,303)	(18,258)
Increase (decrease) in cash and temporary investments	101,263	(13,012)	(57,737)	297,706	50,802	(186,425)	400,922
Other items, net	(2,444)	(1,630)	1,850	(148)	5,156	2,290	7,571
Total funds applied	$417,701	$747,667	$1,386,733	$1,770,624	$2,805,133	$1,299,247	$1,615,007

The accompanying notes are an integral part of this statement.

FEDERAL HOME LOAN MORTGAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Information, insofar as it relates to the eight months ended August 31, 1975 has not been examined by independent public accountants)

(1) Summary of Significant Accounting Policies

Recognition of Gain (Loss) on Mortgage Loans

The Corporation provides for estimated losses on mortgage loan purchases, including outstanding commitments, which may be incurred upon the funding of such purchases through a security sale, or upon sale of the loans, and provides allowances for uninsured losses and contingencies. To the extent a loss is indicated on the financing of mortgage loans, the loss attributable to such financing is charged against the allowance for possible losses and is reflected in the balance sheet as a reduction of mortgage loans; this reduction in the mortgage loans results in additional yield which is recognized over the term of the related borrowing.

Sales of FHLMC Mortgage Participation Certificates and Guaranteed Mortgage Certificates representing undivided interests in mortgage loans provide for the Corporation to manage and guarantee the underlying mortgages. If the Corporation's net yield after estimated management fees and guarantees is less than the certificate rate payable to the investor, the Corporation recognizes the estimated loss at the time of sale. Gains, representing the excess of yield (net of guarantee reserves) to the Corporation over that payable to the investor, are recognized as earned over the lives of the related mortgages.

Mortgage Loan Discount

Discount on mortgages purchased is recorded as income over the term of the related mortgage loans using the level yield method.

Amortization of Debt Expense

Debt expense is amortized over the period during which the related debt instrument is outstanding.

Commitment Fees

Commitment fee income is deferred and (1) credited to discount on mortgages as the mortgages are purchased or (2) credited to other income where forfeited by nondelivery. Commitment fee expense is charged to operations when paid.

(2) Mortgage Loans

As of December 31, 1974 and August 31, 1975, the effective net yield of mortgage loans after deducting servicing fees was as follows:

	December 31, 1974	August 31, 1975
FHA and VA Mortgages	7.61%	7.69%
Participation in Conventional Mortgages	8.96%	8.92%
Conventional Mortgages	8.90%	8.93%

(Information, insofar as it relates to the eight months ended August 31, 1975 has not been examined by independent public accountants)

(3) Allowance for Possible Losses on Mortgage Loans

An analysis of the changes in the Allowance for Possible Losses on Mortgage Loans for the year ended December 31, 1974 and eight months ended August 31, 1975 follows:

	December 31, 1974	August 31, 1975
	(000 omitted)	
Balance, beginning of period	$ 9,000	$10,000
Provision charged to expense	31,400	7,135
Reductions attributable to:		
Loss on sales of Mortgage Participation Certificates	—	(2,010)
Loss on mortgages financed by bonds	(30,400)	—
Loss on mortgages sold	—	(1,125)
Balance, end of period	$10,000	$14,000

(4) Contracts and Commitments

The Corporation had outstanding contracts and commitments to purchase mortgage loans as summarized below. The average effective net yield is computed after deducting servicing fees. FHA and VA mortgage purchase contracts are at the coupon rate adjusted for the benefit of purchase discount. The multi-purpose and the special forward commitments are shown at the lowest yield for the various mortgage purchase programs covered by the commitment.

		December 31, 1974		August 31, 1975	
Type of Loan	Delivery Period In Months	Average Effective Net Yield	Amount	Average Effective Net Yield	Amount
			(Millions)		(Millions)
FHA/VA Home (1-4 family)	2	9.42%	$ 1	9.06%	$ 7
Participation in Conventional Mortgages:					
Home and Multi-family combination	1	9.63%	20	8.98%	142
Conventional Mortgages:					
Home	2	9.53%	18	8.96%	45
Multi-family	2	8.61%	6	9.00%	1
Multi-Purpose Forward	between 6 & 12	8.48%	25	—	—
Special Forward	between 6 & 12	8.38%	2,315	8.38%	315
			$2,385		$510

Delivery of mortgages under the multi-purpose forward commitment, and the special forward commitment program is at the option of the seller; delivery is mandatory under all other commitment programs.

(Information, insofar as it relates to the eight months ended August 31, 1975 has not been examined by independent public accountants)

(5) Bonds and Advances

A summary of bonds and advances payable is as follows:

		December 31, 1974		August 31, 1975	
	Maturity	Interest Rates	Amount	Interest Rates	Amount
			(000 omitted)		(000 omitted)
Bond payable to bank	1986	—	—	7.75%	$ 21,000
Advances from Federal Home Loan Bank in the form of a pass-through of short-term discount notes	1975	9.70%	$ 147,600	—	—
Advances from Federal Home Loan Bank in the form of a pass-through of consolidated Federal Home Loan Bank Obligations	1976	9.36%	$ 290,000	9.36%	$ 290,000
	1977	8.40	500,000	8.40	500,000
	1978	9.43	300,000	9.43	300,000
	1979	9.50	100,000	9.50	100,000
	1981	8.69	400,000	8.69	400,000
	1982	—	—	8.65	190,000
	1984	8.78	300,000	8.78	300,000
	1993	7.41	400,000	7.41	400,000
			$2,290,000		$2,480,000
Advances from Federal Home Loan Bank in the form of a pass-through of borrowings from the U.S. Treasury	2006	7.875%	$ 664,928	7.875%	$1,269,038
	2006	8.375	30,072	8.375	89,156
			$ 695,000		$1,358,194
Mortgage-Backed Bonds	1976	7.15%	$ 400,000	7.15%	$ 400,000
	1977	6.24	350,000	6.24	350,000
	1978	5.18	51,375	5.18	51,375
	1979	6.06	103,580	6.06	103,580
	1980	5.25	202,558	5.25	201,708
	1985	5.33	3,461	5.33	3,461
	1995	8.69	140,000	8.69	140,000
	1996	7.84	150,000	7.84	150,000
	1997	7.25	150,000	7.25	150,000
			$1,550,974		$1,550,124
TOTAL BONDS AND ADVANCES			$4,683,574		$5,409,318

The 1997, 1995, and 1996 Mortgage-Backed Bonds and the 1993 advance from the Federal Home Loan Bank are redeemable at the Corporation's option commencing 1982, 1983, 1984, and 1985, respectively, at their face value. On the 1995 and 1996 Bonds, a sinking fund provides for annual retirements of $7 and $7.5 million principal amount of bonds, respectively, commencing in 1976 and 1977. In addition, the Corporation has a noncumulative option to increase the sinking fund amounts each year by an amount not exceeding the annual retirement amounts.

All Mortgage-Backed Bonds are guaranteed as to principal and interest by the Government National Mortgage Association (GNMA). Under the provision of a Trust Indenture with GNMA dated October

26, 1970, and supplements thereto, the Corporation conveyed mortgages to the Trust as security for the Mortgage-Backed Bonds. As of December 31, 1974 and August 31, 1975, Trust assets of approximately $2.0 billion, constituting primarily principal balances of such mortgages are restricted for the payment of principal and interest on the Mortgage-Backed Bonds and are included in the accompanying balance sheet.

Mortgage loans with an aggregate unpaid principal balance of approximately $1.347 billion as of August 31, 1975, are pledged as collateral for advances from the Federal Home Loan Bank in the form of pass-through of borrowings from the U.S. Treasury. The terms of the loan agreement with the U.S. Treasury provide for periodic additional borrowings equal to the aggregate unpaid principal balance of mortgage loans purchased under the special forward commitment program. The Agreement further provides for semi-annual instalments in amounts equal to the principal collections on the related mortgage loans purchased.

The $21 million bond payable to a bank is collateralized by a like amount of FHA/VA mortgages and calls for specific annual principal repayments ranging from $850,000 to $1,400,000 over the life of the bond with the balance of unpaid principal due at maturity.

(6) Mortgage Loan Sales

The Corporation sells Mortgage Participation Certificates and Guaranteed Mortgage Certificates representing undivided interests in mortgage loans. FHLMC guarantees the timely payment of interest and the collection of principal on the mortgage loans and has provided $1,177,000 in 1974 and $1,190,000 in 1975 for such guarantees. These amounts have been reflected in the provision for losses, management fee and guarantees in the statement of income shown elsewhere in this Offering Circular.

Holders of Mortgage Participation Certificates receive interest monthly at the Certificate Rate together with their pro rata share of principal payments received by FHLMC. The issued certificates have been accounted for as sales, and the mortgage loans and the certificates issued are not included in the accompanying balance sheet. Unpaid balances of the outstanding certificates were approximately $780 million and $1.039 billion at December 31, 1974 and August 31, 1975, respectively.

Holders of Guaranteed Mortgage Certificates are paid interest semiannually at the certificate rate and, annually, their pro rata share of principal collected or specified minimum annual principal reductions, whichever is greater. In 1990, the holder may, at his option, require FHLMC to purchase such certificates at the then unpaid principal balance.

(7) Pension Plan

In November, 1974, the Board of Directors approved the Federal Home Loan Mortgage Corporation Employees Pension Plan ("Plan"). The Plan is non-contributory and covers all eligible employees and in management's opinion conforms to the requirements of the Pension Reform Act of 1974. It is the policy of the Corporation to fully fund all pension costs.

Federal Home Loan Mortgage Corp.

FHLMC MORTGAGE PARTICIPATION CERTIFICATE AGREEMENT
(Guaranteed)

Series 500

AGREEMENT among the Federal Home Loan Mortgage Corporation ("FHLMC") and purchasers ("Holders") of undivided interests in certain mortgages (and/or interests therein) owned by and identified on the books and records of FHLMC, which undivided interests in mortgages are represented by Mortgage Participation Certificates ("PCs").

WHEREAS:

(a) Pursuant to Section 305 of the Emergency Home Finance Act of 1970 (the "Act"), FHLMC owns certain mortgages (as defined in Section 302 of the Act), including whole loan mortgages ("whole loans") and undivided participation interests in mortgages ("participations"), identified on the books and records of FHLMC (hereinafter collectively called the "Mortgages"); and

(b) Pursuant to Section 305 of the Act, FHLMC wishes to create and sell undivided interests in the whole loans and participations acquired as set forth above, and to guarantee timely payment of interest and ultimate collection of principal, for the benefit of Holders; and

(c) FHLMC intends to transfer said undivided interests to Holders by issuance of FHLMC PCs.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereby agree as follows:

1. The terms and conditions of this Agreement shall govern the creation of undivided interests in whole loans and participations owned by FHLMC, and the transfer, sale and assignment of such interests in the Mortgages as represented by PCs. FHLMC shall be bound to Holders at such time as it delivers PCs to such Holders.

2. For purposes of determining the Holder's percentage interest in the underlying Mortgages evidenced by a PC, the original unpaid principal balance of the PC shall be divided by the aggregate unpaid principal balance of the specific underlying Mortgages as of the date shown on the face of the PC.

3. To the extent that the Mortgages may be insured by a mortgage insurer, such insurer shall have no obligation to recognize or deal with any person with respect to the Mortgages, other than FHLMC, with regard to the rights, benefits and obligations of the mortgagee under the respective contracts of insurance relating to each of the Mortgages insured by such insurer; and FHLMC shall maintain or supervise custody of the mortgage documents.

Obligations of FHLMC

4. FHLMC shall pass through to each Holder such Holder's pro rata share of principal payments made in respect to the Mortgages, and its pro rata share of any net income, net profits or any proceeds of the Mortgages, and its pro rata share in any property of whatever character received or acquired in substitution or realization thereof; provided, however, FHLMC's obligations herein shall be subject to FHLMC's rights pursuant to paragraph 12 below in respect to payments made pursuant to FHLMC's guaranty.

5. With respect to such portion of the Mortgages as shall be comprised of whole loans purchased by FHLMC, FHLMC shall remit to each Holder his pro rata share of the interest income received by FHLMC, less fees, if any, chargeable by FHLMC as management and guaranty fees (interest at the coupon rate of each whole loan less fees deducted by the servicer and/or FHLMC equals interest at Certificate Rate).

6. With respect to such portion of the Mortgages as shall be comprised of participations, FHLMC shall remit to each Holder his pro rata share of the interest income received by FHLMC with respect to each participation ("Certificate Yield"), less fees, if any, chargeable by FHLMC as management and guaranty fees (Certificate Yield less fees deducted equals interest at Certificate Rate).

7. FHLMC shall remit to each Holder his pro rata share of principal received by FHLMC and interest to the extent of the Certificate Rate, on or before the first day of the second month following the month in which such payments are to be made by the mortgagors on the Mortgages. FHLMC shall remit any other sums, such as prepayments, prepayment fees, net income or profits or liquidation proceeds, no later than the first day of the second month following the month in which such funds are received by FHLMC.

8. The final payment date specified in the PC may be accelerated by virtue of prepayments of principal or extended by virtue of forebearance affecting any of the whole loans or participations comprising the Mortgages.

9. FHLMC shall service, or supervise servicing of, the Mortgages in a manner consistent with and to the extent required by prudent servicing standards, including management of any property acquired through foreclosure or otherwise. FHLMC shall act as the representative of Holders in the control, management and servicing of the Mortgages or property acquired in realization or liquidation of the Mortgages. In discharging its responsibility pursuant to this paragraph 9, FHLMC shall not be subject to the control of the Holders in any manner whatsoever. Except with regard to its guaranty obligations pursuant to paragraph 11 below, FHLMC shall have no liability to any Holder other than for any direct damage resulting from FHLMC's failure to exercise that degree of ordinary care which it exercises in the conduct and management of its own affairs. FHLMC shall have no liability of whatever nature for consequential damages.

10. Any amounts expended by or on behalf of FHLMC for the protection, preservation or maintenance of the Mortgages, or property received in liquidation or realization thereof, shall be deemed expenses to be borne pro rata by FHLMC and the Holders as their interests may appear in each of the Mortgages; however, in no event shall the Holder's guarantee of principal or interest at Certificate Rate as set forth in paragraph 11 below be affected.

11. FHLMC hereby guarantees to each Registered Holder of a PC:

(a) Timely payment of interest by each mortgagor at the applicable Certificate Rate on the unpaid principal balance outstanding on each mortgage (to the extent of each Holder's percentage of participation therein); in the case of whole loans, coupon rate of each mortgage less any fees payable by Holder to FHLMC or to servicers as provided herein equals Certificate Rate; in the case of participations, Certificate Yield less any fees payable by Holder to FHLMC as provided herein equals Certificate Rate. In no event shall fees deducted by FHLMC or by servicers reduce the Certificate Rate stated on the PC.

(b) Collection of principal, without offset or deduction of any fees due FHLMC or servicers hereunder. For purposes of this guaranty, principal balance outstanding shall include the Holder's pro rata share of the unpaid principal, plus the Holder's pro rata share of amounts expended by the servicer of the Mortgages or by FHLMC under paragraph 10 above. FHLMC shall remit the amount due on account of its guaranty of collection of principal at any time after default on an underlying mortgage, but not later than: (i) thirty (30) days following foreclosure sale, (ii) thirty (30) days following payment of the claim by any mortgage insurer, if applicable, or (iii) thirty (30) days following the expiration of any redemption period, whichever occurs later, but in no event later than one (1) year after demand upon the mortgagor for accelerated payment of principal.

12. FHLMC shall be subrogated to all the rights, interests, remedies, powers, and privileges of each Holder in respect of any Mortgages on which guarantee payments have been made by FHLMC of principal and/or interest.

Transfer; Registration; and Lost PCs

13. Any sale, transfer, pledge or other disposition of a PC by a Holder shall be evidenced only by completion of the Notice of Transfer on the reverse side of the PC or by completion of such other document as may be provided for this purpose by FHLMC.

14. Holders shall comply with all requirements and limitations promulgated by FHLMC, if any, on the sale, transfer and registration of PCs. Holders shall, in the event of transfer, assign only their entire interest in any PC or only such portion of their interest in a PC as will correspond to any multiple of the minimum denomination in which PCs are issued, unless FHLMC otherwise consents in writing.

15. FHLMC or its designated agent shall maintain a register in which shall be registered the Holders of PCs. Transfers of PCs shall be on such forms as FHLMC may require and shall be registered effective as of the opening of business of the first day of the month, provided that written notice of transfer is received by FHLMC or its designated agent prior to the last five calendar days of the same month after which the transfer books will be closed for that monthly period. Any notice of transfer received by FHLMC during the five calendar day period during which the transfer books are closed shall be registered effective as of the opening of business of the first day of the following month. Notice to FHLMC shall be sent or delivered to the address stated below or such other address as is subsequently designated by FHLMC for transfer of PCs:

Registrar of PCs
Federal Home Loan Mortgage Corporation
311 First Street, N.W.
Washington, D. C. 20001

16. If any mutilated PC is surrendered to FHLMC or its designated agent, or evidence satisfactory to FHLMC of destruction, loss or theft of any PC is received by FHLMC or its designated agent, together with such security or indemnity as FHLMC may require to save FHLMC harmless, FHLMC or its designated agent shall execute and deliver, in exchange for or in lieu of such mutilated, destroyed, lost or stolen PC, a new PC of like tenor.

Miscellaneous

17. FHLMC or its designated agent may deem and treat the person in whose name a PC shall be registered as the absolute owner of such PC for the purpose of receiving payment of or on account of principal or interest and for all other purposes; and FHLMC and its designated agent shall not be affected by any notice to the contrary. All such payments so made to any such person, or upon his 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 FHLMC upon any such PC.

18. Issuance by FHLMC to any Holder of a PC evidencing undivided interests in the Mortgages shall be deemed to occur as of the date of settlement and payment for the PC and shall be deemed to constitute a sale, conveyance, assignment and transfer to such Holder of undivided interests in the Mortgages.

19. FHLMC requires compliance by Holders with the provisions of Executive Order 11063 (Equal Opportunity in Housing), and the Civil Rights Acts of 1964 and 1968, as amended from time to time, together with applicable regulations and orders issued thereunder.

20. PCs owned by FHLMC from time to time shall have an equal and proportionate benefit to PCs owned by Holders, without preference, priority or distinction. In the event that FHLMC retains any interest in the Mortgages, FHLMC and Holders shall share pro rata, without preference, priority or distinction. No Holder shall have any priority over any other Holder.

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

THIS DOCUMENT IS INCORPORATED BY REFERENCE IN FHLMC MORTGAGE PARTICIPATION CERTIFICATES AND SHALL REQUIRE NO SIGNATURE FOR ITS OPERATION OR EFFECT AMONG FHLMC OR ANY HOLDER.