Offering Circular

Freddie Mac

Mortgage Participation Certificates (Guaranteed)

Freddie Mac offers its Mortgage Participation Certificates ("PCs") for sale on a continuous basis by means of this Offering Circular and applicable "Pool Supplements." PCs are mortgage pass-through securities issued and guaranteed by Freddie Mac. Each PC represents an undivided interest in a discrete pool (a "PC Pool") of residential mortgages (or participation interests in such mortgages) secured by one-to-four family dwellings ("Mortgages"). Interest and principal payments on the Mortgages in a PC Pool are passed through by Freddie Mac monthly on the related PCs.

Mortgages include (i) fixed-rate, 15-year, 20-year and 30-year Mortgages that provide for level monthly payments, (ii) fixed-rate, five-year and seven-year Mortgages that provide for balloon payments and reset options, (iii) fixed-rate Mortgages that provide for periodically increased monthly payments, including tiered, graduated and growing equity payments, and (iv) adjustable rate Mortgages ("ARMs") of various types, including rate capped and payment capped ARMs. Most of the Mortgages purchased and pooled by Freddie Mac are "conventional" Mortgages, which are not guaranteed or insured by the United States government. The types of Mortgages contained in particular PC Pools are described in any applicable Pool Supplements.

PCs include "Gold PCs," "Tiered Payment PCs," "Graduated Payment PCs," "Growing Equity PCs" and "ARM PCs." The distinguishing features of different types of PCs include the delay (the "Payment Delay") from the first day of the month of PC issuance to the date of the first payment on the PC (45 days for Gold PCs and 75 days for all other PCs), the terms of Freddie Mac's guarantees, whether the annual interest rate (the "PC Coupon") is fixed or adjustable and, for ARM PCs, the method used to adjust the PC Coupon.

Freddie Mac makes interest and principal payments on the 15th of each month or, if the 15th is not a "Business Day," on the next Business Day (a "Payment Date"). Freddie Mac guarantees to each "Holder" of a PC the timely payment of interest at the applicable PC Coupon and the payment of the principal amount due on the PC, in each case as described more fully in this Offering Circular.

PCs are not suitable investments for all investors. See "Risk Factors" for a discussion of certain risks to consider before investing in PCs. Investors should purchase PCs only after reading this Offering Circular and the documents it incorporates by reference. See "Availability of Information."

The obligations of Freddie Mac under its guarantees are obligations of Freddie Mac only. The PCs, 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 on the PCs has no exemption under federal law from federal, state or local taxation. The PCs 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.

Offering Circular dated February 1, 1998

RISK FACTORS

Each investor should consider the following risk factors in the context of that investor's financial situation. It is important that each investor possess, either alone or together with legal and financial advisers, the expertise necessary to evaluate the information contained and incorporated in this Offering Circular. An investor should not purchase PCs unless that investor is able to bear the associated yield, prepayment, reinvestment, liquidity and market risks. See "Prepayments, Yields and Suitability."

Capitalized terms used in this section and in the Summary are defined elsewhere in this Offering Circular and in the attached Glossary of Terms (Exhibit A).

Yield Risk

The yield on a PC will depend primarily upon its purchase price, its PC Coupon (as adjusted from time to time in the case of ARM PCs), the rate of principal payments (including prepayments) on the related Mortgages and the characteristics of those Mortgages.

Prepayments. Mortgages are subject to full or partial prepayment at any time, in most cases without the payment of a premium. Mortgage prepayment rates are likely to fluctuate significantly from time to time. Rapid rates of prepayments on the Mortgages are likely to coincide with periods of low prevailing interest rates; slow rates of prepayments on the Mortgages are likely to coincide with periods of high prevailing interest rates.

Prepayments are also affected by a number of economic and social factors, including general and regional economic conditions, homeowner mobility, geographic distribution and refinancing opportunities, as well as by particular Mortgage characteristics, such as due-on-transfer clauses. The prepayment behavior of a PC Pool will be affected by the timing and number of defaults and delinquencies associated with the Mortgages in that PC Pool and by the timing and number of Mortgage repurchases from that PC Pool by the servicer or Freddie Mac. Servicing decisions (including alternatives to foreclosure), delinquency policies and repurchase decisions affect prepayments as well.

For PCs purchased at a discount, slower than anticipated rates of principal payments may result in actual yields that are lower than the anticipated yields. For PCs purchased at a premium, faster than anticipated rates of principal payments may result in actual yields to investors that are lower than the anticipated yields. In general, the earlier a payment of principal, the greater the effect on an investor's yield.

ARM PC Coupons. Investors in ARM PCs should consider the risk that lower than anticipated levels of the Index used to set their PC Coupons could result in actual yields that are lower than the anticipated yields. Adjustment caps and ceilings may also reduce the yields of ARM PCs. In the case of Payment Capped ARM PCs, negative amortization or accelerated amortization may reduce yields.

Changes in the level of any Index may not correlate with changes in prevailing interest rates at any specific time. Lower prevailing mortgage interest rates could occur concurrently with higher levels of any Index, and higher prevailing interest rates could occur concurrently with lower levels of any Index. Fluctuations in Index levels may result in actual yields to investors that are lower than anticipated yields. No Index will remain constant at any level and the timing of changes in the level of an Index may affect the actual yields to an investor, even if the average level is consistent with an investor's expectation. In general, the earlier a change in the level of an Index, the greater the effect on an investor's yield.

Since many ARM interest rate adjustments do not occur monthly and all adjustments have "lookback" periods, adjustments may not be based on the most current Index level. Consequently, interest rates on the Mortgages and the related PC Coupons may not reflect current levels of the applicable Index.

Payment Delay. The effective yield on any PC will be lower than the yield that might otherwise be produced because the interest that accrues in any given month on the underlying Mortgages is not paid on the PC until the 15th of the following month in the case of a Gold PC or until the 15th of the second following month in the case of a non-Gold PC.

Reinvestment Risk

During periods of rapid prepayments, which are likely to coincide with periods of low prevailing interest rates, investors in PCs may not be able to reinvest principal payments at yields as high as the related PC Coupons. Conversely, during periods of slow prepayments, which are likely to coincide with periods of high prevailing interest rates, the amount of principal payments available to an investor for reinvestment at such high prevailing rates may be relatively low.

Liquidity and Market Risk

Although certain securities dealers make a market for the purchase and sale of PCs after their initial issuance, there is no assurance that any such secondary market will continue or that a secondary market will develop for all types of PCs. An investor may not be able to sell an investment in PCs readily or at a price that will enable the investor to realize a desired yield on that investment. The market values of PCs are likely to fluctuate, principally in response to changes in interest rates; such fluctuations may be significant and could result in significant losses to investors.

SUMMARY

This Summary contains selected information about the PCs. Investors should refer to the remainder of this Offering Circular and any applicable Pool Supplements for further information.

Issuer and Guarantor .... Freddie Mac, a shareholder-owned, government-sponsored enterprise. The obligations of Freddie Mac under its guarantees are obligations solely of Freddie Mac and are not obligations of the United States or any agency or any other instrumentality of the United States.

The PCs .... Each PC represents an undivided interest in a PC Pool consisting of Mortgages. Interest and principal payments on the Mortgages in a PC Pool are passed through by Freddie Mac monthly on the related PCs. PCs include Gold PCs, Tiered Payment PCs, Graduated Payment PCs, Growing Equity PCs and ARM PCs.

Each Gold PC represents an interest in a PC Pool consisting of fixed-rate, level payment, fully amortizing Mortgages or fixed-rate Balloon/Reset Mortgages. Gold PCs have a Payment Delay of 45 days.

Each non-Gold PC represents an interest in a PC Pool consisting of TPMs, GPMs, GEMs or ARMs. Non-Gold PCs have a Payment Delay of 75 days.

Payments .... Payments of principal and interest are made on each Payment Date, beginning in the month after PC Pool formation for Gold PCs or in the second month after PC Pool formation for non-Gold PCs. Payment Dates occur on the 15th of each month or, if the 15th is not a Business Day, on the next Business Day. Freddie Mac bases PC payments on servicers' reports of payments received on the related Mortgages and, in the case of Gold PCs, on Freddie Mac's calculations of scheduled monthly principal payments.

Principal..................... In any month, the amount of the principal payment on a PC can be determined by reference to the Pool Factor for the related PC Pool. A Pool Factor is a decimal number which, when multiplied by the original principal balance of the related PC, equals the remaining principal balance of the PC after giving effect to the principal payment to be made in the same month for Gold PCs or in the following month for non-Gold PCs. The Pool Factor for any month reflects actual or scheduled monthly principal payments and all prepayments on the related Mortgages reported for the applicable Monthly Reporting Period, as well as certain adjustments based on servicers' reports. Graduated Payment PCs and Payment Capped ARM PCs may also have Negative Amortization Factors, which indicate any amounts of Deferred Interest added to the principal balances of such PCs during periods of negative amortization.

Examples:

- For a Gold PC, the March principal payment is calculated by subtracting the March Pool Factor from the February Pool Factor and multiplying the difference by the original principal balance of the PC.
- For a non-Gold PC other than a Graduated Payment PC or Payment Capped ARM PC, the March principal payment is calculated by subtracting the February Pool Factor from the January Pool Factor and multiplying the difference by the original principal balance of the PC.

- For a Graduated Payment PC or Payment Capped ARM PC, the March principal payment is calculated by subtracting the February Pool Factor from the January Pool Factor, adding the February Negative Amortization Factor and multiplying the result by the original principal balance of the PC.

Interest .... On each Payment Date, the Holder of a PC is entitled to receive one month's interest at the applicable PC Coupon on the remaining principal balance of the PC before giving effect to the principal payment on that Payment Date. Interest is passed through to Holders at a fixed rate for all PCs other than ARM PCs, and at an adjustable rate for ARM PCs. The interest payment on a Graduated Payment PC or Payment Capped ARM PC will be reduced to the extent that any Deferred Interest is added to the principal balances of the related Mortgages during periods of negative amortization. Interest is calculated on the basis of a 360-day year of twelve 30-day months.

Guarantees .... Freddie Mac guarantees to the Holder of a Gold PC the payment, on each Payment Date, of its proportionate share of monthly scheduled principal on the related Mortgages and interest at the applicable PC Coupon, in each case whether or not received by Freddie Mac.

Freddie Mac guarantees to the Holder of a non-Gold PC the payment, on each Payment Date, of its proportionate share of principal payments on the related Mortgages, as collected, and interest at the applicable PC Coupon, whether or not received by Freddie Mac.

Freddie Mac guarantees to each Holder of any PC its proportionate share of the full and final payment of all principal as described in this Offering Circular. In the case of Graduated Payment PCs and Payment Capped ARM PCs, Freddie Mac's guarantee of principal includes, and its guarantee of interest excludes, any Deferred Interest added to the principal balances of the related Mortgages.

Record Date .... The Record Date for the receipt of all principal and interest payments is the close of business on the last day of the month preceding the Payment Date for Gold PCs or the second month preceding the Payment Date for non-Gold PCs.

Method of Payment .... A Federal Reserve Bank will credit payments on each Payment Date to the accounts of Holders on the Federal Reserve Banks' book-entry system. Only Fed Participants may be Holders of PCs. Each Holder, and each financial intermediary in the chain to the Beneficial Owner, will be responsible for remitting payments to their customers.

Mortgages .... The Mortgages contained in Gold PC Pools include:

- Fixed-rate, level payment, fully amortizing conventional Mortgages with original terms of approximately 15, 20 and 30 years.
- Fixed-rate, level payment, fully amortizing FHA/VA Mortgages with original terms of approximately 15 and 30 years.
- Fixed-rate, conventional Balloon/Reset Mortgages, which have original terms of approximately five or seven years, require scheduled monthly payments based on an amortization period of approximately 30 years, and require the borrower to pay a lump sum (balloon)

payment at the end of the original term or to extend and reset the loan according to terms specified in the Mortgage.

The Mortgages contained in non-Gold PC Pools include:

- Fixed-rate, conventional Tiered Payment Mortgages (TPMs), which provide for scheduled monthly payments in their earlier periods that are below a Fully Amortizing Level (but do not result in negative amortization) and for periodic increases in their scheduled monthly payments until a Fully Amortizing Level is reached.
- Fixed-rate, conventional Graduated Payment Mortgages (GPMs), which provide for scheduled monthly payments in their earlier periods that are less than the amount required to pay interest at the Mortgage interest rate (resulting in negative amortization) and for periodic increases in their scheduled monthly payments until a Fully Amortizing Level is reached.
- Fixed-rate, conventional Growing Equity Mortgages (GEMs), which provide for initial scheduled monthly payments based on a 25-year amortization period and for periodic increases in their scheduled monthly payments such that the Mortgage will be fully paid in 15 years or less.
- Rate Capped ARMs, which have interest rates that adjust periodically based on various Indices, subject to applicable Adjustment Caps, Mortgage Lifetime Ceilings and, in some cases, Mortgage Lifetime Floors, but do not have prescribed limits on adjustments to their scheduled monthly payments.
- Payment Capped ARMs, which have interest rates that adjust periodically based on various Indices, subject to applicable Mortgage Lifetime Ceilings and, in some cases, Mortgage Lifetime Floors and Adjustment Caps, and provide for limits in most periods on the amount of any single increase or decrease in the level of their scheduled monthly payments (which limits may result in either negative or accelerated amortization).

Servicing . . . . Although Freddie Mac is responsible for servicing the Mortgages, servicing is done by contract with mortgage lenders who perform most servicing functions on Freddie Mac's behalf.

PC Agreement . . . . Freddie Mac issues and administers PCs according to the PC Agreement, which is attached to this Offering Circular (Exhibit B). Holders and Beneficial Owners of PCs should refer to the PC Agreement for a complete description of their rights and obligations and those of Freddie Mac.

Tax Status . . . . Each PC Pool will be classified as a grantor trust. Each Beneficial Owner will be treated as the owner of a pro rata undivided interest in the ordinary income and the corpus of the grantor trust for that particular PC Pool, and will be considered the owner of a pro rata undivided interest in each of the underlying Mortgages.

AVAILABILITY OF INFORMATION

This Offering Circular incorporates by reference (i) Freddie Mac's most recent Information Statement, which describes its business operations and contains its audited financial statements, and any subsequent Information Statement Supplements and (ii) for any applicable PC Pools, the supplements to this Offering Circular that describe the related Mortgages ("Pool Supplements"). These documents, as well as updated information about outstanding PCs, are available upon request from Freddie Mac by writing, calling or e-mailing Freddie Mac's "Investor Inquiry," 8200 Jones Branch Drive, McLean, Virginia 22102 (phone: 800/336-FMPC; e-mail: Investor_Inquiry@freddiemac.com) and from securities dealers that deal in PCs.

Freddie Mac provides information about PC Pools at or shortly after the time of their formation and afterwards on regularly scheduled information release dates. PC Pool information is available from various sources, including vendors whose names can be obtained by contacting Freddie Mac's Investor Inquiry. PC Pool information is also available on Freddie Mac's Internet website (http://www.freddiemac.com).

FREDDIE MAC

The Federal Home Loan Mortgage Corporation ("Freddie Mac") is a shareholder-owned, government-sponsored enterprise established by Congress in 1970 under the Federal Home Loan Mortgage Corporation Act (the "Freddie Mac Act") to provide a continuous flow of funds for residential mortgages. Freddie Mac performs this function primarily by purchasing mortgages from mortgage lenders. Freddie Mac finances its mortgage purchases by sales of PCs and other guaranteed securities backed by those mortgages and, in the case of mortgages retained by Freddie Mac for its own account, with debt securities, other liabilities and equity capital. Freddie Mac also engages in transactions involving the purchase and resecuritization of its outstanding PCs and other guaranteed mortgage-related securities.

MORTGAGES

General Mortgage Characteristics

The Mortgages are primarily first lien, residential mortgage loans secured by one-to-four-family dwellings. Mortgages, which include both whole loans and participation interests in loans, may have been originated for the purpose of purchasing, refinancing or rehabilitating the mortgaged property. Some Mortgages are secured by properties that are not occupied by the borrower as a primary residence (for example, second homes or investment properties). Freddie Mac acquires Mortgages with various original terms to maturity. The actual period from origination to maturity of a Mortgage may be slightly longer than the stated term because the first payment of principal and interest on a Mortgage frequently is not due until the second month after origination.

Fixed-Rate Mortgages

Fixed-rate Mortgages include level payment, fully amortizing Mortgages, Balloon/Reset Mortgages, TPMs, GEMs and GPMs, each of which is described in this section. Many such Mortgages may also have some of the characteristics described under "Special Mortgage Characteristics" below.

Level Payment Mortgages

Level payment Mortgages include fully amortizing, conventional Mortgages with original terms of up to 15, 20 and 30 years (which comprise the majority of purchases) and fully amortizing Mortgages with original terms of approximately 15 and 30 years that are guaranteed or insured by the Federal Housing Administration, the Department of Veterans Affairs or the Rural Housing Service ("FHA/VA Mortgages").

The scheduled monthly payment on each of these Mortgages is fixed at a level that, in substantially equal installments, will fully amortize the principal balance of the Mortgage over its original term and pay interest as required (a "Fully Amortizing Level"). Level payment, fully amortizing fixed-rate Mortgages are sometimes known as "standard" Mortgages.

The scheduled monthly payment on a standard Mortgage is applied first to interest accrued from the previous monthly due date (typically the first of the month) to the current due date and then to the reduction of principal, with the principal component steadily increasing and the interest component steadily decreasing throughout the term of the Mortgage.

Balloon/Reset Mortgages

A Balloon/Reset Mortgage provides for level scheduled monthly payments of principal and interest during its original term of either five or seven years. The principal payments on Balloon/Reset Mortgages during the original term are at the Fully Amortizing Level based on an amortization period of approximately 30 years. At the end of the five-or seven-year original term, the borrower can choose to pay off the loan in a lump sum (balloon) payment or, subject to certain conditions provided in the terms of the Mortgage, extend and reset the loan at an interest rate based on a formula that is designed to produce a then-current market rate for a 30-year, fixed-rate mortgage.

Tiered Payment Mortgages

A Tiered Payment Mortgage ("TPM") provides for a scheduled monthly payment by the borrower that is fixed for a specified initial period, typically from 12 to 36 months for a 15-year Mortgage and from 12 to 72 months for a 20- or 30-year Mortgage. The borrower's monthly payment during this period consists of interest only, or of interest and principal at a level below the Fully Amortizing Level. Thereafter, the borrower's scheduled monthly payment increases annually by 7.5% of the previous scheduled monthly payment until it reaches a Fully Amortizing Level. The borrower's monthly payment reaches its Fully Amortizing Level no later than 156 months after origination. Some TPMs also provide for a monthly "buydown" payment, which is drawn from a buydown account consisting of funds deposited by the borrower, the lender or a third party at the time of origination to supplement the borrower's payments. The initial monthly payment amount on a TPM may be significantly lower, and the final monthly payment amount may be significantly higher, than the monthly payment amount on an otherwise identical level payment mortgage.

Graduated Payment Mortgages

The amount of the borrower's scheduled monthly payment on a Graduated Payment Mortgage ("GPM") is fixed for a specified initial period, then adjusts upward periodically throughout a specified period (a "Graduated Payment Period"). Initially, the borrower's monthly payment is less than that required to make interest payments on the Mortgage at its stated rate. The interest shortfall, which will occur each month during this initial period, is deferred and added to the principal amount of the Mortgage ("Deferred Interest"), resulting in negative amortization. During the Graduated Payment Period, the scheduled monthly payment increases to its Fully Amortizing Level and is then level over the remaining term of the Mortgage. At its Fully Amortizing Level, the monthly payment is sufficient to repay all Deferred Interest and to retire the Mortgage at its maturity.

Growing Equity Mortgages

A Growing Equity Mortgage ("GEM") has initial scheduled monthly payments set at the Fully Amortizing Level for an amortization period of 25 years. Following the initial period (from 12 to 60 months), the borrower's monthly payments increase annually by a designated percentage during the remaining term of the Mortgage. As the borrower's monthly payments increase, the amount of each increase in payment is applied to reduce the unpaid principal balance, resulting in a scheduled term not exceeding 15 years.

Adjustable Rate Mortgages

An ARM bears interest at a rate that adjusts periodically by reference to a specified index ("Index"). ARMs have various characteristics, which may include some combination of rate caps, payment caps, lifetime ceilings and lifetime floors. The ARMs purchased by Freddie Mac are conventional Mortgages with original terms to maturity of 30 years, unless otherwise provided in the related Pool Supplement.

Rate Capped ARMs

Rate Capped ARMs usually bear interest at a fixed rate for an initial period, followed by periodic interest rate adjustments. The interest rate adjusts in accordance with an Index value plus a specified number of basis points called the "Mortgage Margin" (together, the "Fully Indexed Rate"). On each adjustment date, a Rate Capped ARM's interest rate adjusts to its Fully Indexed Rate subject to any applicable limitations, which typically include (i) a maximum number of basis points by which the interest rate may adjust up or down in a single periodic adjustment ("Adjustment Cap"), (ii) a maximum interest rate ("Mortgage Lifetime Ceiling") and (iii) if indicated in the related Pool Supplement, a minimum interest rate ("Mortgage Lifetime Floor"). Any excess over, or any deficit under, the Fully Indexed Rate due to the operation of any Adjustment Cap, Mortgage Lifetime Ceiling or Mortgage Lifetime Floor is not accumulated or carried forward and will not be added to, or subtracted from, amounts due to be paid by the borrower in subsequent periods.

Once beyond the initial fixed-rate period, the scheduled monthly payment is adjusted each time the interest rate adjusts and set at the Fully Amortizing Level for the newly-adjusted interest rate beginning the month following the adjustment. There is no prescribed limitation on the level of the adjusted monthly payment on a Rate Capped ARM.

The initial interest rate on any ARM may be fixed at a rate below its Fully Indexed Rate. The length of time it takes a Mortgage to reach its Fully Indexed Rate depends upon the initial discount below the Fully Indexed Rate, its Adjustment Cap and changes in the applicable Index value. All other things being equal, ARMs that are substantially discounted from their Fully Indexed Rates take longer to reach their Fully Indexed Rates than ARMs with smaller or no discounts.

Payment Capped ARMs

Like a Rate Capped ARM, a Payment Capped ARM bears interest at a rate that adjusts periodically by reference to the applicable value of a specified Index. The amount of any interest rate adjustment is limited by a Mortgage Lifetime Ceiling and may be limited by an Adjustment Cap and/or a Mortgage Lifetime Floor. Unlike Rate Capped ARMs, however, the borrower's scheduled monthly payment is adjusted less often than is the interest rate. The amount of any single increase or decrease in the amount of the scheduled monthly payment is limited, in the case of most adjustments, by a "payment cap" equal to 7.5% of the previous scheduled monthly payment. The timing of the adjustments, combined with the limitation on the amount of each adjustment, can give rise to either negative amortization or accelerated amortization.

After any initial fixed-rate period, the interest rate on a Payment Capped ARM adjusts monthly to its Fully Indexed Rate, subject to any applicable adjustment limitations, while the scheduled monthly payment adjusts on a yearly basis. Upon each interest rate adjustment, the scheduled monthly payment is set at its Fully Amortizing Level, subject to the applicable payment cap. The payment cap typically applies to each payment adjustment, other than the adjustment in the fifth year after origination and every fifth year thereafter and, if indicated in the related Pool Supplement, the final payment adjustment. The payment cap will not apply to the extent necessary to comply with any applicable "Deferred Interest Limit." A Deferred Interest Limit, which may be set by the terms of the Mortgage or by state law, does not permit a mortgage balance to increase above a specified level (typically 110% or 125% of the original principal balance of the Mortgage) as a result of Deferred Interest.

Deferred Interest (the amount added to the principal balance of a Mortgage due to negative amortization) occurs on a Payment Capped ARM when the scheduled monthly payment is insufficient to pay the interest accrued for that month. Deferred Interest may result from (i) increases in the Mortgage interest rate (due to an increase in the reference Index) during a period when the scheduled monthly payment remains fixed or (ii) limitations on the amount of increase in the scheduled monthly payment that cause the monthly payment amount to be less than the amount of interest accruing each month. If the initial monthly payment on a Payment Capped ARM reflects an interest rate less than the Fully Indexed Rate, the Payment Capped ARM may experience negative amortization early in its term, beginning with the first interest rate adjustment. Although an Adjustment Cap may limit the amount of negative amortization in some situations, it can also lengthen the time until a Payment Capped ARM reaches its Fully Indexed Rate. During periods of negative amortization, a borrower's principal obligation (including the Deferred Interest added to principal) is neither reduced nor eliminated, and interest accrues on an increased principal balance.

Payment Capped ARMs also may experience accelerated amortization, which occurs in any month in which the scheduled monthly payment exceeds its Fully Amortizing Level. Accelerated amortization generally results from (i) limitations on decreases in the amount of the scheduled monthly payment or (ii) decreases in the interest rate of the Payment Capped ARM during a period when the scheduled monthly payment remains fixed. Accelerated amortization may shorten the term of a Payment Capped ARM and result in the final payment of its outstanding principal amount prior to its stated maturity date.

Convertible ARMs

A Convertible ARM gives the borrower an option to convert the adjustable interest rate into a fixed interest rate (a "Conversion Option") during a specified time period. Both Rate Capped and Payment Capped ARMs may be Convertible ARMs. The specific procedures regarding the exercise of the Conversion Option, including the timing of the exercise and the inception date of the fixed rate, are determined by the originator of the Convertible ARM.

A typical Convertible ARM is convertible at any time during a four-year period that begins after the first year of its term. If the Convertible ARM is originated on a Freddie Mac or Federal National Mortgage Association ("Fannie Mae") loan document, the fixed rate after conversion will be 37.5 basis points over Freddie Mac's, or at least 37.5 basis points over Fannie Mae's, "required net yield" for purchases of fixed-rate Mortgages of the same term as of the date designated in the conversion procedures. The required net yield is based on the interest rate on the Mortgage, less the servicing fee for that Mortgage. Other Convertible ARMs may have different conversion terms.

The Indices

Most of the ARMs pooled by Freddie Mac adjust according to one of three Indices: the One Year (Weekly) Treasury Index, the LIBOR (Six Month) Index or the 11th District Cost of Funds Index (the "11th District COF Index"). Other Indices used by Freddie Mac include: the One Year (Monthly) Treasury Index, the Three Year Treasury Index, the Five Year Treasury Index, the Semiannual Auction Average (Discount) Treasury Index, the Semiannual Auction Average (Investment) Treasury Index, the Semiannual Secondary Market Treasury Index, the National COF Index, the Federal COF Index, the CD Index and the Contract Rate Index. Each of those Indices is defined in the Glossary of Terms. The Index applicable to a given ARM PC Pool is identified in the related Pool Supplement.

The adjustment value of any Index is the most recent value available as of a specified date (for example, 45 days) prior to the effective date of the ARM's adjustment (sometimes referred to as the "lookback period"). For adjustment purposes, an Index value is available as of the date such information is officially released by the responsible entity or made publicly available in a widely available source. In the event an Index becomes unavailable, a new Index, based upon comparable information and methodology, will be designated and used by Freddie Mac.

Current sources for various Indices are shown in the attached Table 1. For illustrative purposes, selected historical values for the One Year (Weekly) Treasury Index, the 11th District COF Index and the LIBOR (Six Month) Index are also provided in Table 1. Current Index values may be obtained from a variety of commercial and news resources. Historical Index values do not necessarily reflect the values used to adjust particular Mortgage interest rates or PC Coupons. Historical values may have little or no similarity to future Index values. Freddie Mac makes no representation as to the continuing availability of any Index or source of Index values.

Special Mortgage Characteristics

Freddie Mac purchases a variety of fixed-rate and adjustable rate Mortgages with characteristics that distinguish them from the Mortgages described in the preceding sections.

Biweekly Mortgages

A Biweekly Mortgage requires the borrower to make payments every 14 days rather than monthly. The borrower's biweekly payment is equal to one-half of the monthly payment that would be required on the basis of a monthly amortization schedule. The borrower makes 26 (or sometimes 27) payments each year, which is the equivalent of 13 (or sometimes 13½) monthly payments. A Biweekly Mortgage will remain outstanding for a shorter term than an otherwise identical monthly paying Mortgage. For example, a 30-year, fixed-rate, level payment Mortgage with an interest rate of 7.5% would be paid in full in approximately 23 years under a biweekly payment arrangement.

Some Biweekly Mortgages are convertible, permitting the borrower and/or the servicer to terminate the biweekly payment arrangement under certain circumstances. If a Biweekly Mortgage is converted, subsequent payments are required to be made monthly, which results in a slower rate of amortization after the conversion.

Cooperative Share Mortgages

A Cooperative Share Mortgage is secured by a first mortgage, lien or other security interest on (i) the stock or membership certificate (or similar arrangement) issued to a tenant-stockholder or resident-member by a cooperative housing corporation (a "Cooperative") and (ii) the proprietary lease, occupancy agreement or right of tenancy granting the tenant-stockholder or resident-member rights to occupy a specific dwelling unit in the building owned by the Cooperative.

Ownership interests and occupancy rights in a Cooperative generally are subject to restrictions on transfer, and also are subject to claims by the Cooperative for unpaid maintenance charges. The Cooperative, as owner of the building, is responsible for its management and typically pays certain costs. If there is a blanket mortgage on the building, the Cooperative is responsible for payments on that mortgage. Generally, tenant-stockholders or resident-members of the Cooperative make monthly payments to the Cooperative for their pro rata share of maintenance charges, including payments on the blanket mortgage, real property taxes, insurance, maintenance costs and other capital and ordinary expenses. The lien of a Cooperative Share Mortgage on the ownership interest and right of tenancy of a tenant-stockholder or resident-member is subject to the lien of the Cooperative for unpaid maintenance and to the lien of the blanket mortgage on the building.

Buydown and Extended Buydown Mortgages

A Buydown Mortgage is originated with special payment arrangements under which funds are placed in a separate account by the borrower, the lender and/or a third party and used to pay a portion of the scheduled monthly payment on the Mortgage for a "buydown period," usually 18 to 36 months. Using a buydown account effectively reduces the interest rate paid by the borrower during the buydown period. Throughout that period, the borrower's monthly payment increases at periodic intervals until it reaches its Fully Amortizing Level. Frequently, the interest rate on a Buydown Mortgage exceeds the rate the same borrower would have paid on a similar Mortgage without a buydown. An Extended Buydown Mortgage is a Buydown Mortgage for which (i) the buydown period is longer than two years or (ii) the effective interest rate during the buydown period is more than 200 basis points below the interest rate of the Mortgage, regardless of the duration of the buydown period.

Relocation and Employer Assisted Mortgages

A Relocation Mortgage is made to a transferred employee to finance a home purchase at a new job location. The Relocation Mortgage usually requires an employer contribution to mortgage funding, which may be significant. Typically, these Mortgages are originated by agreement between the employer and the lender under a relocation program administered by the employer or its agent.

An Employer Assisted Mortgage is a Mortgage made to a new or transferred employee to finance a home purchase at a new job location and involving an employer contribution to Mortgage funding.

Assumable Mortgages

An Assumable Mortgage is one that can be assumed by a creditworthy purchaser of the property securing the Mortgage at the applicable interest rate for the remaining term of the Mortgage, or one that does not contain an enforceable due-on-transfer clause permitting automatic acceleration upon the transfer of the property regardless of the creditworthiness of the transferee. Typically, ARMs and FHA/VA Mortgages are Assumable Mortgages. Most fixed-rate, conventional Mortgages are not Assumable Mortgages. Some ARMs have initial fixed-rate periods during which they cannot be assumed. A Newly-Originated Assumable Mortgage is a fixed-rate Assumable Mortgage that was originated less than one year before the month of formation of the related PC Pool.

Non-Purchase Money First Mortgages and Second Mortgages

A Non-Purchase Money First Mortgage is a first mortgage made for a purpose other than the purchase of the property securing the Mortgage.

A Second Mortgage is a Mortgage that is subordinate only to a first lien on the mortgaged property, which, in the case of Second Mortgages acquired by Freddie Mac, generally must be occupied by the borrower as the borrower's principal residence.

Prepayment Protection Mortgages

Prepayment Protection Mortgages provide for fees ("Prepayment Premiums") that are assessed whenever prepayments within a specified time period exceed a specified percentage of the original principal balance. For Prepayment Premiums that lapse after three years, the assessment is two percent on prepaid amounts exceeding 20 percent of the Mortgage's original principal balance, but not more than six months' advance interest at the then-current interest rate on the Mortgage. For Prepayment Premiums that lapse after five years, the assessment is six months' advance interest at the then-current interest rate on the Mortgage on prepaid amounts exceeding 20 percent of the original principal balance.

Servicers may or may not enforce the payment of a Prepayment Premium if the prepayment results from a sale of the property securing the Mortgage, but otherwise will enforce the payment of each Prepayment Premium according to the terms of the Mortgage and applicable law. All Prepayment Premiums are currently retained by the servicer. See "Mortgage Purchase and Servicing Standards — Mortgage Servicing — Prepayments" and "— Fees."

PC POOLS

General

Each PC represents an undivided interest in the Mortgages contained in its related PC Pool. Freddie Mac forms PC Pools and creates and sells PCs under an agreement between Freddie Mac and the Holders of PCs dated as of February 1, 1998, which is attached to this Offering Circular as Exhibit B (the "PC Agreement"). Holders and anyone with a beneficial interest in PCs should refer to the PC Agreement for a complete description of their rights and obligations and those of Freddie Mac. Holders of PCs and those who beneficially own interests in PCs ("Beneficial Owners") acquire their PCs subject to all the terms of the PC Agreement.

Once Freddie Mac has included a Mortgage in a PC Pool, the Mortgage remains in that PC Pool unless it is paid in full, foreclosed upon, repurchased, replaced by a substitute Mortgage or removed for any reason permitted by the PC Agreement.

Pooling Criteria

In most cases, all or substantially all of the Mortgages within a given PC Pool are of a single type. If a PC Pool contains more than one type of Mortgage, the PC Pool will be designated by the type of Mortgage Freddie Mac determines is most descriptive of that PC Pool. Pooling practices are subject to change, as well as to exceptions, which may be granted in Freddie Mac's discretion. Some of Freddie Mac's current pooling practices are summarized below.

Gold PC Pools

- The interest rate of each Mortgage in a Gold PC Pool is within a range from the PC Coupon (plus a required minimum servicing fee) through 250 basis points above the PC Coupon.

- Conventional Mortgages are pooled separately from FHA/VA Mortgages.

- Fifteen-year Mortgages are pooled separately from 20-year and 30-year Mortgages.

- Twenty-year Mortgages may be pooled separately or with 30-year Mortgages.

- Ten-year Mortgages may be pooled with 15-year Mortgages.

- In general, up to 10% (by aggregate original principal balance) of the Mortgages in a Gold PC Pool may be Cooperative Share Mortgages, Extended Buydown Mortgages, Newly-Originated Assumable Mortgages or Relocation Mortgages, so long as these types of Mortgages, in combination, do not constitute more than 15% of the original principal balance of the PC Pool.

- Balloon/Reset Mortgages are pooled separately according to the original term to the balloon payment date.

- Employer Assisted Mortgages may be pooled with any other type of Mortgage.

ARM PC Pools

- Each ARM PC Pool contains only a single type of ARM.

- The Mortgages in an ARM PC Pool adjust on the basis of the same Index and have the same Adjustment Cap.

- The Mortgages in an ARM PC Pool have the same adjustment frequency and lookback period.

- Convertible ARMs are pooled separately from other ARMs unless the conversion period has ended.

- ARMs with Mortgage Lifetime Floors are pooled separately from ARMs without Mortgage Lifetime Floors.

- The Mortgages in a Margin ARM PC Pool must have the same adjustment dates, Mortgage Lifetime Ceilings, Mortgage Lifetime Floors and conversion periods, if applicable. The Mortgages may have different interest rates and Mortgage Margins; if the Mortgage Margins are not the same, however, they will be within a range not exceeding 200 basis points.

Freddie Mac currently assigns a six-character, unique designation (a "PC Pool Number") to each PC Pool, which is used to identify the PC Pool. The first two (or three, in some instances) characters of a PC Pool Number (the "Prefix") indicate certain summary information about the Mortgages in that PC Pool. In addition, each PC Pool is given a nine-character, unique "CUSIP Number," provided by the CUSIP Service Bureau and used to identify the PC Pool and the related PCs on the books and records of the Federal Reserve Banks.

Attached to this Offering Circular as Table 2 is a list of frequently used Prefixes, which is not intended to be exhaustive. From time to time, Freddie Mac creates new Prefixes and it may supplement or modify the pooling criteria for existing Prefixes. Investment decisions should be based on applicable, PC Pool-specific disclosure. Questions regarding Freddie Mac's Prefixes and specific PC Pools should be directed to Freddie Mac's Investor Inquiry.

PAYMENTS ON PCs

General

Payments on the Mortgages are remitted to Freddie Mac by servicers approved by Freddie Mac. Generally, the rate of interest payable by servicers to Freddie Mac on the Mortgages in any PC Pool will exceed the PC Coupon of the related PCs, with the difference retained by Freddie Mac as a fee for its management of the PC Pool and its payment guarantees. Any interest payable by the borrower on a Mortgage that exceeds the mortgage servicer's required remittance to Freddie Mac is retained by the servicer as compensation for servicing the Mortgage.

Freddie Mac's monthly payments of principal and interest are based in part on reports received from the servicers of the Mortgages. The amounts of these payments on any PC can be determined by reference to its related Pool Factor. The Pool Factor applicable to a given Payment Date reflects actual or scheduled monthly payments and all prepayments on the related Mortgages reported for the applicable one-month reporting period (a "Monthly Reporting Period"), as well as certain adjustments based on servicers' reports. The applicable Monthly Reporting Period generally ends on the 15th of the month preceding the Payment Date for Gold PCs and on the 15th of the second month preceding the Payment Date for non-Gold PCs. Freddie Mac has the right to change the Monthly Reporting Period as provided in the PC Agreement.

PCs backed by ARMs have adjustable PC Coupons and those backed by fixed-rate Mortgages have fixed PC Coupons. For any PC on any Payment Date, interest is calculated on the basis of a 360-day year of twelve 30-day months and before giving effect to the principal payment to be made on that Payment Date.

Pool Factors

A "Pool Factor" is a truncated seven-digit decimal number which, when multiplied by the original principal balance of the related PC, equals the remaining principal balance of the PC after giving effect to the principal payment to be made in the same month for Gold PCs or in the following month for non-Gold PCs. The Pool Factor for a PC Pool in its month of formation is always 1.0000000. Beginning in the month after formation, Pool Factors are available each month for each PC Pool on or about (i) the first business day for Gold PCs, Tiered Payment PCs, Graduated Payment PCs and Growing Equity PCs and (ii) the seventh business day for ARM PCs. Freddie Mac reserves the right, however, to make Pool Factors available at other times and by whatever means it deems appropriate.

The Pool Factor indicates the amount of principal to be paid to Holders on a given Payment Date. For any Payment Date, the principal payment to a Holder is determined by subtracting the Pool Factor applicable to the month of the Payment Date from the Pool Factor applicable to the preceding month, and then multiplying the difference by the original principal balance of the Holder's PC. For example, the March principal payment on a Gold PC is calculated by subtracting the March Pool Factor for the related PC Pool from the February Pool Factor and multiplying the difference by the original principal balance of the PC. For a non-Gold PC (assuming no Deferred Interest), the March principal payment is calculated by multiplying the original principal balance of the Holder's PC by the difference between the January Pool Factor and the February Pool Factor. In the case of Graduated Payment PCs and Payment Capped ARM PCs, any increase in the Pool Factor in a given month reflects a net addition to the principal balance of the PCs as of the Payment Date in the following month.

The March interest payment to a Holder (assuming no Deferred Interest) will be 1/12th of the applicable PC Coupon multiplied by the principal balance of the Holder's PC, determined by multiplying the Holder's original PC principal balance by the February Pool Factor for a Gold PC or by the January Pool Factor for a non-Gold PC.

Negative Amortization Factors

Graduated Payment PC Pools and Payment Capped ARM PC Pools have "Negative Amortization Factors." A Negative Amortization Factor is a truncated seven-digit decimal number that reflects the amount of Deferred Interest added to the principal balance of the related Mortgages in the preceding month. Negative

Amortization Factors are available each month on or about the first business day for Graduated Payment PCs and on or about the seventh business day for Payment Capped ARM PCs.

For any Payment Date, the principal payment to a Holder of a PC with a Negative Amortization Factor is determined by (i) subtracting the preceding month's Pool Factor from the second preceding month's Pool Factor, (ii) adding to the difference the Negative Amortization Factor for the preceding month and (iii) multiplying the resulting sum by the original principal balance of the Holder's PC. For example, the March principal payment on a PC having Deferred Interest is determined by subtracting the February Pool Factor from the January Pool Factor, adding the February Negative Amortization Factor to that difference, and then multiplying the sum by the original principal balance of the Holder's PC.

The March interest payment on such a PC will be (i) 1/12th of the PC Coupon multiplied by (ii) the Holder's original PC principal balance multiplied by (iii) the January Pool Factor minus the February Negative Amortization Factor.

Deferred Interest does not occur after the expiration of the Graduated Payment Period for a GPM. After all GPMs in a PC Pool have passed their Graduated Payment Period, payments are determined by reference to the Pool Factor only, in the same way as for non-Gold PCs that do not accrue Deferred Interest.

Gold PCs

General

Payments of principal and interest on Gold PCs begin in the month following their issuance. The principal payment in any month on a Gold PC Pool reflects (i) scheduled monthly principal on the Mortgages in the PC Pool for that month, (ii) prepayments as reported by servicers for the applicable Monthly Reporting Period and (iii) any adjustments necessary to reconcile the principal balance of the PC Pool with the aggregate balance of the related Mortgages as reported to Freddie Mac. Each Holder receives its proportionate share of the principal for the related PC Pool.

Freddie Mac calculates the scheduled principal payment for a Gold PC Pool based upon the actual principal balance, interest rate and remaining term to maturity of each Mortgage in the related PC Pool. Due to delays inherent in collecting and processing Mortgage payment information, there are differences at times between the principal balance of a PC Pool and the principal balances of its related Mortgages. These differences arise from prepayments, errors or delays in servicers' reports and other sources. Freddie Mac reconciles these differences, if any, on a monthly basis. Because Freddie Mac guarantees the timely payment of scheduled principal on Gold PCs, regardless of any default or delinquency, differences attributable to defaults and delinquencies on the Mortgages are not deducted from the scheduled principal payment.

PCs Backed by Balloon/Reset Mortgages

Freddie Mac calculates scheduled principal payments for Gold PCs backed by Balloon/Reset Mortgages assuming the same amortization period used to amortize the related Mortgages, normally 360 months. This amortization schedule is reflected in the monthly payments made on these Gold PCs, except for the final payment of principal at the end of either five or seven years, which includes the remaining balloon payment. Freddie Mac removes a Balloon/Reset Mortgage from its PC Pool shortly before its scheduled balloon payment date, so that the balloon payment is reflected in the principal payment to Holders in the same month as it is due. The Mortgage is removed regardless of the borrower's decision to pay the Mortgage in full or to extend the Mortgage at a reset interest rate.

PCs Backed by Biweekly Mortgages

Freddie Mac calculates scheduled principal payments for Gold PCs backed by Biweekly Mortgages without regard to the special payment characteristics of the related Mortgages, which periodically result in prepayments. A Holder of a PC backed by Biweekly Mortgages will be paid once each month, regardless of the number of payments made by the borrower in any month. Interest payable on a Payment Date will equal one month of interest at the PC Coupon on the outstanding principal balance of the PC, the same as for a comparable PC backed by fixed-rate Mortgages paying once each month. The principal payment will include scheduled principal on the underlying Mortgages, prepayments made by the borrower during the corresponding Monthly Reporting Period and any applicable monthly adjustment.

Non-Gold PCs

General

Payments of principal and interest on non-Gold PCs begin in the second month after their issuance. The principal payment in any month on any non-Gold PC Pool reflects (i) monthly principal payments and prepayments received on the related Mortgages reported by servicers for the applicable Monthly Reporting Period and (ii) any adjustments necessary to reconcile the principal balance of the PC Pool with the aggregate principal balance of the related Mortgages as reported to Freddie Mac.

Each Holder receives its proportionate share of the principal payments received on the PC Pool. Freddie Mac generally does not calculate principal payments for non-Gold PCs in the absence of reports from servicers. See "Reports from Servicers — Effects on Payments" below.

Rate Capped ARM PCs

Rate Capped ARM PCs include both WAC ARM PCs and Margin ARM PCs.

The PC Coupon of a WAC ARM PC reflects the average interest rate of the Mortgages in the PC Pool, weighted by their remaining principal balances. Specifically, Freddie Mac (i) reduces the interest rate of each Mortgage by the applicable servicing fee, (ii) averages the resulting net interest rates, using the unpaid principal balance of each of the Mortgages as a weight, and (iii) subtracts its management and guarantee fee from the resulting weighted average. The PC Coupon of a WAC ARM PC is recalculated monthly and adjusted to reflect changes in the unpaid principal balances and interest rates of the related Mortgages.

The PC Coupon of a WAC ARM PC is expressed numerically as a truncated three-digit decimal. There is no prescribed limit to the periodic adjustment to the PC Coupon of a WAC ARM PC, although the Mortgages in the PC Pool will be subject to any applicable Adjustment Caps, Mortgage Lifetime Ceilings and Mortgage Lifetime Floors. The interest rates of the Mortgages in a WAC ARM PC Pool may adjust in different months and, accordingly, the PC Coupon of a WAC ARM PC may not fully reflect recent changes in the value of the applicable Index.

The PC Coupon of a Margin ARM PC adjusts on each adjustment date to a rate that equals the applicable Index value plus a specified number of basis points (the "PC Margin"), subject to any applicable Adjustment Cap and maximum PC Coupon ("PC Lifetime Ceiling"). The initial PC Coupon and PC Margin of a Margin ARM PC equal the lowest Mortgage interest rate and Mortgage Margin, respectively, of the underlying Mortgages after subtracting, in each case, the servicing fee and the management and guarantee fee. The PC Coupon is rounded to the nearest 0.125%.

The interest rates of all Mortgages in a Margin ARM PC Pool adjust on the same periodic date. The PC Coupon is adjusted on the first day of the month after that in which the interest rates of the related Mortgages adjust. Margin ARM PCs generally do not have a minimum PC Coupon, although adjustments are limited by a PC Lifetime Ceiling. Unlike WAC ARM PCs, disproportionate principal payments on the Mortgages underlying Margin ARM PCs do not affect the PC Coupon.

Payment Capped ARM PCs

The PC Coupon of a Payment Capped ARM PC adjusts as of the first day of each month. There is no prescribed minimum PC Coupon for any Payment Capped ARM PC. Payment Capped ARM PCs that are Margin ARM PCs may be subject to a PC Lifetime Ceiling.

For any month in which negative amortization occurs on any ARM in a PC Pool, Freddie Mac pays to Holders interest at the PC Coupon, less any amount of Deferred Interest accrued during such month and added to the principal balances of the related Mortgages in the following month. The amount of Deferred Interest is also added to the principal amount of the related PCs. Interest accrues at the PC Coupon on such Deferred Interest from the first day of the month in which it is added to principal.

Principal is not passed through to Holders for any month on any Mortgage on which negative amortization occurs in that month, because no principal is paid by the borrower. Deferred Interest is passed through as principal to Holders as collected by Freddie Mac in subsequent months. Principal could be passed through to Holders during periods of negative amortization on certain of the Mortgages, however, due to principal payments made on other Mortgages and to prepayments.

PCs Backed by Convertible ARMs

If the borrower under a Convertible ARM exercises the Conversion Option, Freddie Mac removes the ARM from its PC Pool and the outstanding principal balance of the ARM is passed through to Holders as a prepayment on the applicable Payment Date. If the borrower does not exercise the Conversion Option, the ARM remains in its PC Pool.

Graduated Payment PCs

During the initial period on a GPM, the borrower's scheduled monthly payment will be less than the amount of interest accruing at the interest rate of the Mortgage. The amount by which the interest accrued on the GPM exceeds the interest paid by the borrower is added to the principal balance of the GPM as Deferred Interest.

While the related Mortgages are in their Graduated Payment Period, Holders of Graduated Payment PCs receive interest payments on each Payment Date consisting of one month's interest at the applicable PC Coupon, less any Deferred Interest added to the principal balance of the GPMs in the PC Pool. A principal payment on a Graduated Payment PC represents the pass-through of principal payments, and any addition to the principal of the PC represents the accrual of Deferred Interest, on the GPMs in the related PC Pool.

Payments on Graduated Payment PCs continue to reflect Deferred Interest on the related GPMs until each GPM in the related PC Pool has ceased its negative amortization. The interest payments to Holders of Graduated Payment PCs are at the full PC Coupon thereafter and are not reduced on account of Deferred Interest.

Reports from Servicers — Effects on Payments

Freddie Mac pays scheduled principal on Gold PCs even in the absence of reports from servicers, using its current methods of calculations and, where necessary, estimations based on assumptions that Freddie Mac deems to be appropriate under the circumstances.

Freddie Mac currently does not calculate or estimate principal payments on non-Gold PCs in the absence of reports from servicers. If a servicer fails to file a timely report of collections for a PC Pool or if a report cannot be processed, the Pool Factor for the related PC Pool will not be adjusted. Any differences between actual payments on the Mortgages and principal payments on the PCs will be reconciled in subsequent periods.

Disruptions may occur in businesses and processes resulting from the projected failure of some computer systems to accommodate changes associated with the year 2000. Interruptions in the delivery to Freddie Mac of accurate and timely sellers' and servicers' reports could occur as a result. Although Freddie Mac cannot predict the magnitude or likelihood of any disruptions at this time, the process by which Freddie Mac receives information from sellers and servicers could be affected.

If Freddie Mac cannot process reports because of problems associated with the year 2000 or similar circumstances affecting the reporting process, Freddie Mac has the right to estimate any information that directly or indirectly affects payments on its PCs (including principal and interest payments, prepayments, ARM interest rate adjustments and conversions) on the basis of whatever information and assumptions Freddie Mac determines to be reasonable under the circumstances. Freddie Mac may continue to make these estimates until such time as it believes it is again receiving reports that are accurate and timely and can be processed in a reliable manner. Until such time, Freddie Mac's estimates will be deemed conclusive for all purposes, including Freddie Mac's guarantees. When sellers' and servicers' reports are again received and are capable of being processed reliably, Freddie Mac will reconcile the actual principal balance of the Mortgages in each affected PC Pool by adjustments to subsequent Pool Factors and, to the extent it deems appropriate, will adjust subsequent ARM PC Coupons and other data as necessary to reflect the actual interest rates on the Mortgages in such PC Pools.

Final Payment Date

Generally, the Final Payment Date of a PC is five, seven, 15, 20 or 30 years, as applicable, from the first day of the month of PC Pool formation (for Gold PCs backed by Mortgages purchased for cash) or the first day of the month of the final due date of the latest maturing Mortgage in the related PC Pool (for other Gold PCs and for all non-Gold PCs). At any given time, the Final Payment Date for a PC may or may not reflect the maturity date of any of the Mortgages in the related PC Pool.

A Holder may receive its final payment of principal and interest on a PC before its Final Payment Date due to prepayments, defaults and repurchases. A Holder of a Gold PC will receive the final payment on its PC not later than the Payment Date in the month of the Final Payment Date. A Holder of a non-Gold PC will receive the final payment on its PC not later than the Payment Date in the month following the month of its Final Payment Date.

BOOK-ENTRY SYSTEM; HOLDERS; RECORD DATE

Book-Entry System

Freddie Mac currently issues PCs evidenced only by means of an entry on the Federal Reserve Banks' book-entry system ("Book-Entry Form"). Pursuant to a fiscal agency agreement between Freddie Mac and the Federal Reserve Bank of New York, acting on behalf of the Federal Reserve Banks (singly or collectively, the "FRB"), the FRB is Freddie Mac's fiscal agent with regard to the registration, transfer and pledge of PCs. Department of Housing and Urban Development regulations, 24 C.F.R. Part 81, Subpart H (the "Book-Entry Rules"), are applicable to Freddie Mac's book-entry securities, as are such other procedures as may be agreed upon from time to time by Freddie Mac and the FRB. The Book-Entry Rules relate primarily to the issuance and recordation of, and transfers of interests (including security interests) in, Freddie Mac securities maintained in Book-Entry Form.

PCs are issued and must be maintained in minimum original principal amounts of $1,000 and additional increments of $1. A PC may not be transferred if, as a result of the transfer, either the transferor or the transferee would have on deposit PCs in its account (by PC Pool) with an original principal amount of less than $1,000. Transfers also are subject to applicable FRB wire transfer requirements.

Holders

PCs may be held of record only by entities that maintain book-entry accounts with a Federal Reserve Bank ("Fed Participants"). Each account reflects a Fed Participant's aggregate holdings of PCs. The accounts of Fed Participants are governed by applicable operating circulars and letters of the FRB.

A Holder is any Fed Participant for whose account a PC has been deposited. The Holder of a PC is not necessarily the Beneficial Owner of the PC. Beneficial Owners routinely hold PCs through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. For example, an investor may hold a PC through a brokerage firm which, in turn, holds the PC through a Fed Participant. In that case, the Beneficial Owner of the PC would be the investor and the Fed Participant would be the Holder. A Holder that is not also the Beneficial Owner of a PC, and each other financial intermediary in the chain between the Holder and the Beneficial Owner, will be responsible for establishing and maintaining accounts for their respective customers. The rights of the Beneficial Owner of a PC with respect to Freddie Mac and the FRB may be exercised only through the Holder of the PC. Neither Freddie Mac nor the FRB will have a direct obligation to a Beneficial Owner of a PC that is not also the Holder of the PC. The FRB will act only upon the instructions of the Fed Participant in recording transfers of a PC.

For purposes of receiving payments and for all other purposes, Freddie Mac and the FRB will treat the Holder of a PC as its absolute owner. The FRB credits payments to Holders on each applicable Payment Date.

Record Date

As to each Payment Date, the Record Date is the close of business on the last day of the preceding month for Gold PCs or the second preceding month for non-Gold PCs. The Holder on the Record Date will receive the entire payment made on the PC on the related Payment Date.

GUARANTEES

Freddie Mac guarantees to the Holder of a Gold PC the payment, on each Payment Date, of its proportionate share of monthly scheduled principal on the related Mortgages (calculated as described in this Offering Circular) and interest at the applicable PC Coupon, in each case whether or not received by Freddie Mac.

Freddie Mac guarantees to the Holder of a non-Gold PC the payment, on each Payment Date, of its proportionate share of principal payments on the related Mortgages, as collected, and interest at the applicable PC Coupon, whether or not received by Freddie Mac.

Freddie Mac also guarantees to each Holder of a PC the payment of its proportionate share of the full and final payment of all principal. For Gold PCs, the full and final principal payment will be made, whether or not received, no later than the Payment Date in the month of its Final Payment Date. For non-Gold PCs, the full and final payment of principal will be made, whether or not received, no later than the Payment Date in the month after its Final Payment Date. In the case of Graduated Payment PCs and Payment Capped ARM PCs, Freddie Mac's guarantee of principal includes, and its guarantee of interest excludes, any Deferred Interest added to the principal balances of the related Mortgages.

MORTGAGE PURCHASE AND SERVICING STANDARDS

All mortgages eligible to be purchased by Freddie Mac must satisfy mortgage purchasing standards established by the Freddie Mac Act, including special requirements for mortgages with loan-to-value ("LTV") ratios greater than 80%, requirements as to maximum mortgage amounts and requirements that Freddie Mac purchase mortgages of such quality, type and class as to meet generally the purchase standards imposed by private institutional mortgage investors. In addition, Freddie Mac has established its own mortgage purchase standards, which include the credit, appraisal and underwriting guidelines contained in Freddie Mac's *Single-Family Seller/Servicer Guide*, as supplemented or amended from time to time (the "Guide"). The Guide also describes Freddie Mac's servicing policies and procedures and contains its mortgage purchase documents.

Freddie Mac's guidelines are designed to determine the value of the real property securing a mortgage and the creditworthiness of the borrower. Freddie Mac's administration of its guidelines may vary based on a number of factors, including Freddie Mac's evaluation of, and experience with, the seller, the LTV ratio and age of the mortgages and the use of the property securing the mortgages (for example, whether the property is the borrower's primary residence, a second home or an investment property). Copies of the Guide and other materials may be obtained for a fee from Freddie Mac.

From time to time, Freddie Mac modifies its non-statutory mortgage purchase standards. Accordingly, those standards may differ in the future from those described below. Frequently, Freddie Mac grants requests from mortgage sellers to waive or modify specific aspects of its mortgage purchase standards in connection with the purchase of specific mortgages. Consequently, Freddie Mac makes no representation that all or any portion of the mortgages in any particular PC Pool will conform to all of the purchase standards set forth in the Guide, other mortgage purchase documents or this Offering Circular. Although Freddie Mac cannot predict what effect, if any, a waiver or modification may have on PCs backed by any of these mortgages, Freddie Mac provides supplemental information concerning waivers and modifications if it believes they are likely to affect the payment behavior of the mortgages materially.

From time to time, Freddie Mac may use specific mortgage information available to it for the purposes of determining the prices it will pay for mortgages, how to pool the mortgages it purchases and which mortgages it will retain in its portfolio. The relevant information will depend on the specific purpose for which such information is used and may vary over time. Mortgage information used by Freddie Mac may include, without limitation, LTV ratios, original and average loan size and age, geographic distribution (including distribution by state, census tract and zip code), weighted average interest rate, origination information (for example, retail, correspondent or third party), borrower median income and credit scoring. Except as statutorily mandated, Freddie Mac retains the right to determine its mortgage purchase policies in its discretion and for its own benefit, including deciding whether the mortgages it acquires will be securitized or held in portfolio.

The following summary of Freddie Mac's mortgage purchase standards is not intended to be complete and is subject to change. Consequently, this summary is qualified in its entirety by the Guide, any applicable mortgage purchase documents and any applicable Pool Supplement disclosure.

Loan-to-Value Ratio

Under the Freddie Mac Act, Freddie Mac may not purchase a conventional mortgage if, at the time of purchase, the outstanding principal balance (if a first mortgage) or the total outstanding mortgage indebtedness (if a second mortgage) exceeds 80% of the value of the real property securing the mortgage unless one of the following conditions is met: (i) the seller retains a participation interest in the mortgage of not less than 10%, (ii) the seller agrees to repurchase or replace the mortgage if the borrower defaults or (iii) the portion of the principal balance of the mortgage in the case of a first mortgage, or the total outstanding indebtedness in the case of a second mortgage, that exceeds 80% of the property's value is covered by mortgage insurance satisfactory to Freddie Mac.

The Guide requires that fixed-rate mortgages have LTV ratios not exceeding 95% and that ARMs have LTV ratios not exceeding 90% to be eligible for purchase by Freddie Mac. Depending on a variety of factors, however, such as the use of mortgage proceeds, type of property securing the mortgage, existence of special financing arrangements, the market in which the mortgaged property is located and the program under which mortgage is purchased, Freddie Mac may reduce or increase the LTV ratio permitted by the Guide. For example, lower LTV ratios may be required for mortgages that refinance existing mortgages with cash paid to the borrower, are secured by second homes, investment properties or properties that are also subject to subordinate liens or are in markets where property values are declining. On the other hand, higher LTV ratios may be permitted for mortgages that are in markets where property values are increasing, have additional forms of security (such as pledged accounts or collateral) or are to be purchased under programs designed to assist borrowers with low or moderate incomes or in central cities or other underserved areas.

Mortgage Amount

The Freddie Mac Act imposes limits, which are subject to annual adjustment, on the maximum original principal amount of any one-to-four family mortgage that Freddie Mac may purchase. These limits are commonly referred to as "conforming loan limits." For 1998, the maximum original principal amount of a first-lien conventional mortgage is $227,150 for a one-family dwelling, $290,650 for a two-family dwelling, $351,300 for a three-family dwelling and $436,600 for a four-family dwelling. Conforming loan limits for second-lien mortgages are 50% of those for first-lien mortgages. The applicable loan limits are 50% higher for mortgages secured by properties located in Alaska, Guam, Hawaii and the U.S. Virgin Islands.

Eligible Sellers, Servicers and Warranties

Freddie Mac approves all sellers and servicers of its mortgages, based on a consideration of factors such as the institution's financial condition, operational capability and mortgage origination and/or servicing experience. Most sellers and servicers are mortgagees approved by the Department of Housing and Urban Development or are financial institutions insured by the Federal Deposit Insurance Corporation. The seller of a mortgage to Freddie Mac need not be the originator of that mortgage. Sellers are required to warrant to

Freddie Mac, among other things: the proper execution and recordation of each mortgage; the validity of each mortgage as a first or second lien, as applicable; the fact that payments on each mortgage are current at the time of delivery to Freddie Mac; and compliance by the originator with the requirements of applicable state and federal laws.

Mortgage Servicing

The Guide specifies the servicers' responsibilities, which include the collection and remittance of principal and interest; timely computation and adjustment (as appropriate) of mortgage interest rates and borrowers' scheduled monthly payments; administration of escrow accounts; collection of insurance or guaranty claims; property inspections; and, if necessary, foreclosure. A servicer generally retains a minimum servicing fee on both whole loans and participation interests. Freddie Mac receives remittances of payments from servicers under various arrangements. Pending payments to Holders, Freddie Mac may invest funds received from servicers at its own risk and for its own benefit. Freddie Mac monitors servicers' performances through periodic and special reports and inspections. Any of Freddie Mac's servicing policies and procedures are subject to change or waiver at any time. Below is a brief description of certain aspects of Freddie Mac's existing servicing policies and procedures concerning prepayments, delinquencies and foreclosures, assumption and due-on-transfer policies and fees.

Prepayments

A borrower may make a full or partial prepayment on a mortgage at any time, generally without a fee. At the request of a borrower, a partial prepayment may reduce the number or size of subsequent scheduled monthly payments of principal and interest, provided generally that the mortgage is current and any such reduction will not result in a change in the interest rate of the mortgage or an extension of the term. A full prepayment to a Holder may occur because of a payoff by the borrower, a transfer of the real property securing a mortgage or a refinancing of the mortgage, a conversion of a Convertible ARM, a removal of a maturing Balloon/Reset Mortgage from its PC Pool or a repurchase of a mortgage from its PC Pool. In addition, Freddie Mac may permit or initiate a mortgage repurchase, which is passed through to Holders as a prepayment, under circumstances involving a material breach of a warranty, representation or agreement by the seller or servicer or from a defect in documentation; a right of recourse to the seller or servicer; certain payment plans and bankruptcy court actions; actions taken to maintain proper servicing of a mortgage or to minimize loss; and certain other circumstances, including the exercise of a conversion option. In certain situations, Freddie Mac may require a seller or servicer to repurchase all or substantially all of the mortgages in a PC Pool. In determining whether a mortgage should be repurchased, Freddie Mac considers a variety of factors, including whether the repurchase will reduce Freddie Mac's administrative costs or Freddie Mac's possible exposure under its guarantees, its statutory obligations or other applicable laws.

Defaults, Delinquencies and Foreclosures

Freddie Mac may resolve an existing or impending delinquency or default on a mortgage through a variety of measures. In determining which measures to pursue with respect to a given mortgage and when to initiate such measures, Freddie Mac seeks to minimize the costs that may be incurred in servicing that mortgage, as well as Freddie Mac's possible exposure under its guarantees and other risks.

Among other measures, Freddie Mac may approve an assumption of a mortgage by a new borrower; allow a prepayment plan or period of forbearance during which regular mortgage payments may be reduced or suspended; approve a modification of certain terms of a mortgage if circumstances indicate that a modification would be a prudent resolution; or pursue a refinancing of a mortgage, a preforeclosure sale of the mortgaged property, a deed in lieu of foreclosure or a charge off of the unpaid principal balance of the mortgage.

In considering its options, Freddie Mac will determine, in its sole discretion, whether or not to remove a mortgage from a PC Pool. Removal of a mortgage from a PC Pool will have the same effect on Holders as a prepayment.

Generally, any mortgage that has been delinquent for 120 consecutive days will be repurchased from the related PC Pool. Delinquent mortgages may be repurchased earlier, however, depending on the circumstances, including Freddie Mac's assessment of the likelihood of default, based upon criteria determined by Freddie Mac.

Assumption and Due-on-Transfer Policies

Most of the fixed-rate conventional mortgages that Freddie Mac purchases contain "due-on-transfer" clauses permitting automatic acceleration of the mortgage balance upon a transfer of the mortgaged property or an interest therein, regardless of the creditworthiness of the transferee, and are therefore not assumable. Except in the case of certain types of transfers noted below, Freddie Mac generally requires its servicers to enforce such due-on-transfer clauses and to demand full payment of the remaining principal balance of a mortgage to the extent permitted under the security instrument and state and federal law. Enforcement of the due-on-transfer clause results in a full prepayment of a mortgage. Federal law prohibits enforcement in a number of cases, including transfers between spouses (including transfers incident to divorce), from a parent to a child, and to relatives upon the death of the borrower.

Freddie Mac typically permits assumptions in cases involving transfers of mortgaged properties from a child to a parent, between siblings, between a grandparent and a grandchild and between original co-borrowers; provided that, in each case, at least 12 months have elapsed from the date of origination of a mortgage to the date of its transfer and that the transferee will occupy the property as the transferee's primary residence.

Fees

Fees paid by borrowers, such as late payment fees, Prepayment Premiums, fees payable upon exercise of an ARM conversion option and credit underwriting charges on assumptions, are generally retained by servicers or by Freddie Mac and are not passed through to Holders.

PREPAYMENTS, YIELDS AND SUITABILITY

Prepayments

The rate of principal payments on a PC depends primarily on the rate of principal payments (including prepayments) on the underlying Mortgages. Each borrower has the option, at any time during the term of a Mortgage, to make full or partial prepayments, in most cases without the payment of a Prepayment Premium. Investors must make their own decisions as to the appropriate assumptions, including prepayment assumptions, to be used in deciding whether to invest in PCs.

Principal payment rates among different PCs may vary according to the types of Mortgages underlying such PCs. For example, GEMs provide for scheduled annual increases in the scheduled monthly payments, thus shortening their terms significantly (to not more than 15 years). Payment Capped ARMs have weighted average lives that are generally lengthened if negative amortization occurs and shortened if accelerated amortization occurs. Biweekly Mortgages have weighted average lives that are shorter than those of otherwise similar monthly payment mortgages.

Prepayments are affected by a variety of factors, which may exist in multiple combinations, such as the age, principal amount, geographic distribution and payment terms of mortgages; characteristics of the borrowers (such as credit status and income level) and their equity positions in their houses (whether the LTV ratio is high or low); the use of special financing arrangements (including buydown plans or other provisions that cause the effective interest rate to the borrower to increase during the term of the mortgage); changes in local industry and population migration and relocation as they affect housing turnover; activity of lenders in soliciting refinancing (including refinancing without the payment of points or other significant transaction costs by the borrower); and in the case of ARMs, fluctuations in the reference Index values, the extent to which the initial mortgage interest rates are discounted from their Fully Indexed Rates and the extent to which borrowers exercise Conversion Options on Convertible ARMs. Freddie Mac makes no representation concerning the particular effect that any of these factors may have on prepayment behavior.

Freddie Mac believes that, in a fluctuating interest rate environment, the predominant factor affecting the payment rate on a large, geographically diverse, concurrently originated group of mortgages underwritten on a consistent basis is the difference between the interest rates of the mortgages in that group (giving consideration to the cost of any secondary financing) and prevailing mortgage interest rates generally available during the terms to maturity of those mortgages. In general, prepayment rates are inversely correlated with changes in prevailing mortgage interest rates. Accordingly, in an environment of rising mortgage interest rates, mortgage prepayment rates tend to decline. Conversely, in an environment of falling mortgage interest rates, prepayment rates tend to increase.

Different types of mortgages may respond differently to the same factor and certain factors may affect the mortgage payment behavior on only some types of mortgages. For example, Cooperative Share Mortgages are more concentrated in urban areas than other types of mortgages and are generally subordinate to the Cooperative's blanket mortgage; Extended Buydown Mortgages provide for larger or more prolonged increases in the effective interest rates to borrowers than mortgages involving less extensive buydown plans; Second Mortgages may be more sensitive than first mortgages to the general cost of credit to borrowers; Relocation Mortgages could be more sensitive than other types of mortgages to population migration, while Assumable Mortgages could be correspondingly less sensitive to such changes; and in the case of Prepayment Protection Mortgages, the assessment of Prepayment Premiums on prepayments by borrowers could deter prepayments. Freddie Mac cannot predict borrowers' payment behavior and, consequently, makes no representation regarding the prepayment rates for any of the types of mortgages it may purchase, including their prepayment rates as compared to other kinds of mortgages.

The prepayment behavior of a PC Pool will be affected by the number of defaults, delinquencies and repurchases associated with the mortgages in that PC Pool. Periods of declining property values, increasing use of secondary financing, and other factors that erode borrowers' equity may increase the frequency of defaults. The rates of default for ARMs generally tend to exceed the rates for fixed-rate mortgages. In addition, servicing decisions regarding mortgages, including negotiation of alternatives to foreclosure, may have an impact upon the prepayment behavior of particular PC Pools. In approving alternatives to foreclosure and in determining whether or when mortgages should, or must, be repurchased from a PC Pool, Freddie Mac considers a variety of factors, including whether such steps will reduce Freddie Mac's administrative costs or its possible exposure under its guarantees.

The rate of principal payments on any given PC Pool may fluctuate significantly from month to month (as a direct result of fluctuations in the principal payment rates of its underlying mortgages). Any given PC Pool may experience payment behavior that is similar to or different from that experienced by other PC Pools consisting of similar mortgages. In addition, any PC Pool, particularly if it contains a relatively small number of mortgages, or contains mortgages from only one mortgage seller, or has been formed specifically to emphasize one or more of the factors discussed above, could experience payment behavior that is significantly different from other PC Pools.

Yields

The yield of a PC will depend primarily upon its purchase price, its PC Coupon (as adjusted from time to time in the case of ARM PCs), the rate of principal payments (including prepayments) on the related Mortgages and the characteristics of those Mortgages. Freddie Mac makes no representation regarding prepayment rates, expected adjustments to the PC Coupon of any ARM PC, the rate of principal payment of any PC or the yield of any PC.

Prepayments — Effect on Yields

The yields to PC investors will be directly related to the rate of Mortgage principal payments. In the case of PCs purchased at a discount, slower than anticipated rates of principal payments on the related Mortgages will result in actual yields to investors that are lower than the anticipated yields. In the case of PCs purchased at a premium, faster than anticipated rates of principal payments will result in actual yields to investors that are lower than the anticipated yields. Rapid rates of prepayments on the Mortgages are likely to coincide with periods of low prevailing interest rates; during such periods, the yields at which an investor may be able to reinvest principal payments on a PC may be lower than its PC Coupon. Conversely, slow rates of prepayments on the Mortgages are likely to coincide with periods of high prevailing interest rates; during such periods, the amount of principal payments on the PCs available to an investor for reinvestment at such high rates may be relatively low.

A significant number of Mortgages provide by their terms for prepayments under certain circumstances (due-on-transfer provisions, for example). Other Mortgages have terms that discourage prepayments by assessing Prepayment Premiums for prepayments under certain circumstances. The PC Coupons and yields of WAC ARM PCs are affected by disproportionate principal payments on Mortgages within the related PC Pool having different interest rates. Refinancing terms vary significantly and the rate of refinancing could be affected by increasing borrower sophistication and by the promotion of refinancing terms by, and competition among, lenders.

ARM PC Coupon Adjustments and Indices — Effect on Yields

Investors in ARM PCs should consider the risk that lower than anticipated levels of the applicable Index could result in actual yields that are lower than the anticipated yields. Investors in WAC ARM PCs should understand that their PC Coupons will adjust monthly and that there are no prescribed limits on the amount of the adjustments (although interest rates on Mortgages in WAC ARM PC Pools may be affected by Adjustment Caps, Mortgage Lifetime Ceilings and Mortgage Lifetime Floors). Investors in Margin ARM PCs should understand that their PC Coupons are subject to Adjustment Caps and PC Lifetime Ceilings and that their PC Coupons, as well as the interest rates on the underlying Mortgages, are adjusted at semiannual, annual or other intervals. Since many adjustments do not occur monthly, and are not based on the most current Index level, the resulting interest rates on the Mortgages and the related PC Coupons do not necessarily reflect current levels of the applicable Index. In addition, there is a significant delay from the date an applicable Index level becomes available to the date it is reflected in payments made to investors.

Changes in the levels of any Index may not correlate with changes in prevailing mortgage interest rates either at the adjustment lookback date or at the time of payment to Holders. It is possible that lower prevailing mortgage interest rates (which would be expected to result in faster prepayments) could occur concurrently with a higher level of any Index. Conversely, higher prevailing mortgage interest rates (which would be expected to result in slower prepayments) could occur concurrently with a lower level of any Index. In addition, lower prevailing interest rates, which otherwise might favor prepayments, could be outweighed by other factors, such as refinancing costs.

Fluctuations in Index levels make yields on ARM PCs difficult to predict and can result in actual yields to investors that are lower than anticipated yields. No Index will remain constant at any level. The timing of changes in the level of the applicable Index may affect the actual yield to an investor, even if the average level is consistent with the investor's expectation. In general, the earlier a change in the level of the applicable Index, the greater the effect on an investor's yield. As a result, the effect on an investor's yield of an Index level that is higher (or lower) than the rate anticipated by the investor during earlier periods is not likely to be offset by a later equivalent reduction (or increase). The levels of Indices that generally reflect current market rates, such as the Treasury Indices and the LIBOR (Six Month) Index, may be more volatile than the levels of Indices that reflect averages of rates in effect over longer periods of time, such as the 11th District COF Index.

Payment Delay — Effect on Yields

The effective yield on any PC will be lower than the yield that might otherwise be produced because the interest that accrues in any given month on the underlying Mortgages is not paid to investors, in the case of Gold PCs, until the 15th of the following month and, in the case of non-Gold PCs, until the 15th of the second following month. Consequently, the market values of PCs will be lower than their values would be without the delay.

Suitability

PCs are not suitable investments for all investors. PCs are not appropriate investments for any investor that requires a single lump sum payment on a predetermined date or an otherwise certain payment stream. In addition, although certain securities dealers make a market for the purchase and sale of PCs after their initial issuance, there is no assurance that any such secondary market will continue or that a secondary market will develop for all types of PCs. An investor may not be able to sell an investment in PCs readily or at a price that will enable the investor to realize a desired yield on that investment. The market values of PCs are likely to fluctuate, principally in response to changes in interest rates; such fluctuations may be significant and may result in significant losses to investors. Investors are encouraged to consult their own advisers regarding the financial, legal, tax and other aspects of an investment in PCs. No investor should purchase PCs unless the investor understands and is able to bear the associated prepayment, yield, reinvestment, liquidity and market risks.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The following summary is intended to provide general tax information relating to PCs. The summary is based upon laws, regulations and decisions now in effect, all of which are subject to change or different interpretations. Potential investors, Holders and Beneficial Owners of PCs should consult their own tax advisers regarding the federal tax treatment of the PCs as well as the consequences of state, local and foreign tax laws and the applicability of the generalized summary that follows.

Neither the PCs nor the income derived from the PCs is exempt from federal income, estate or gift taxes under the Internal Revenue Code of 1986, as amended (the "Code"), by virtue of the status of Freddie Mac as a government-sponsored enterprise. Further, neither the Code nor the Freddie Mac Act contains an exemption from taxation of the PCs or the income derived from the PCs by any state, any possession of the United States or any local taxing authority.

A Beneficial Owner who delivers Mortgages under the MultiLender Swap Program (as defined in the Glossary of Terms) in exchange for PCs should be aware that it may be required to recognize gain or loss with respect to all or a portion of such PCs.

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

General Tax Characteristics

PCs have the following characteristics for federal income tax purposes:

A PC Pool will be classified as a grantor trust and not as an association taxable as a corporation. Each Beneficial Owner will be treated as the owner of a pro rata undivided interest in the ordinary income and the corpus of the grantor trust for that particular PC Pool, and will be considered the owner of a pro rata undivided interest in each of the related Mortgages. Accordingly, subject to the application of the "stripped bond" rules (discussed below), each Beneficial Owner must report its pro rata share of the entire income from the Mortgages, including gross interest income and incidental fees, if any, in accordance with its method of accounting. Each Beneficial Owner will be entitled to deduct, under Section 162 or 212 of the Code, in accordance with its method of accounting, its pro rata share of servicers' fees and Freddie Mac's management and guarantee fees, including incidental fees paid by the borrowers and retained by the servicers or Freddie Mac. The Code limits the deductions for miscellaneous itemized deductions for certain Beneficial Owners.

PCs constitute "loans. . . secured by an interest in real property" within the meaning of Section 7701(a)(19)(C)(v) of the Code for purposes of determining whether an institution qualifies as a "domestic building and loan association."

Interest income on 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; ownership of a PC by a real estate investment trust is ownership of "real estate assets" as that phrase is used in Section 856(c)(4)(A) of the Code.

Buydown Mortgages

It is not clear for federal income tax purposes whether buydown funds advanced by the originator of the Mortgage would be treated as funds of the borrower, with the borrower correspondingly treated as obligated for the full stated interest rate on the Mortgage. Freddie Mac plans to report for federal income tax purposes using the stated interest rate on the Mortgage. If the Internal Revenue Service (the "Service") were to view the borrower's obligation on a net basis, a Beneficial Owner would be treated as owning two separate debt instruments, one an obligation of the borrower and the other a separate obligation of the originator for the "bought down" amounts. In such event, there would be some acceleration of taxable income to the period of the buydown accounts and the obligation of the originator may fail to qualify for the special treatments described under "General Tax Characteristics" above.

Discount and Premium

A Beneficial Owner purchases an interest in each of the Mortgages in the relevant PC Pool and must allocate the purchase price paid for the PC among the Mortgages in proportion to their fair market values. 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 PC, the interest in the Mortgage will be deemed to have been acquired with discount or premium, respectively. The treatment of any discount will depend on whether the discount represents original issue discount or market discount.

If a Beneficial Owner has acquired an interest in a Mortgage at a discount and such discount is original issue discount, such Beneficial Owner will, except as described below, be required to report such discount as ordinary income accruing under a constant interest method pursuant to Sections 1271-1273 and 1275 of the Code. Original issue discount may arise as a result of initial incentive or "teaser" interest rates on ARMs or points charged at origination. A Beneficial Owner will be required to accrue such original issue discount into income currently only if it exceeds a *de minimis* amount. The Mortgages would also be subject to the original issue discount rules if, as discussed below, the "stripped bond" provisions of the Code were determined to be applicable. Freddie Mac intends to treat Deferred Interest on a GPM or Payment Capped ARM as original issue discount, which the Beneficial Owner will be required to include in income in the period in which such Deferred Interest accrues.

The market discount rules of Sections 1276-1278 of the Code will apply, upon disposition of a PC, to treat market discount (in excess of a *de minimis* amount) as ordinary income to the extent of the portion of such discount that is considered to have accrued during the period a Beneficial Owner held the PC. Market discount will be considered to accrue under a straight-line method unless a Beneficial Owner elects to calculate accrued market discount under a constant interest method. Principal payments will be included in income to the extent such payments do not exceed the accrued market discount. Interest paid or accrued by a Beneficial Owner on indebtedness incurred or continued to purchase or carry Mortgages acquired at a market discount will be allowed as a deduction only to the extent such interest (reduced by the interest on the Mortgages includable in income) exceeds the market discount that accrued during the taxable year such interest was paid or accrued. Any such deferred interest expense will, in general, be allowed as a deduction when the related market discount income is recognized. As an alternative, a Beneficial Owner may elect to include market discount in income currently, under either a straightline method or a constant interest method, on all market discount obligations held by such Beneficial Owner (other than market discount obligations acquired in taxable years prior to the year of election), in which event the foregoing ordinary income on disposition and interest deferral rules will not apply. The precise application of the market discount rules of Sections 1276-1278 to the Mortgages is not clear.

In the event a Beneficial 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. Such premium is treated as an offset to interest income includable with respect to the PC.

A Beneficial Owner 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 would include stated interest, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount and market discount, as adjusted by any premium.

A Beneficial Owner should consult its tax adviser concerning the advisability of making any of the above-described elections.

A Beneficial Owner who sells a PC will recognize gain or loss equal to the difference between its adjusted tax basis and the amount realized on 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 Beneficial Owner's cost for the PC, increased by the amount of any discount previously reported and decreased by the amount of any premium previously amortized and the amount of any distributions of principal. Subject to the market discount rules, any such gain or loss would be capital gain or loss if the PC is held as a capital asset.

Except for a Beneficial Owner who received PCs in exchange for Mortgages delivered under the Guarantor Program (as defined in the Glossary of Terms), any difference between interest payable at the interest rate of a Mortgage and the sum of (i) interest payable at the PC Coupon plus (ii) fees applicable to the Mortgage (servicing fees and Freddie Mac's management and guarantee fees) should be accounted for as discount income or premium expense, as described in Revenue Ruling 71-399, 1971-2 C.B. 433. If such sum exceeds the Mortgage interest rate, the difference is characterized as "discount" and considered additional gross income; alternatively, if such sum is less than the Mortgage interest rate, the net difference is characterized as "premium expense." In Revenue Ruling 71-399, the Service ruled that discount income is to be included in ordinary gross income in accordance with the Beneficial Owner's method of accounting, and that premium expense may be deductible in accordance with applicable rules.

The Service may contend that, by reason of the enactment of the stripped bond rules of Section 1286 of the Code (or its predecessor, Section 1232B), Revenue Ruling 71-399 is no longer applicable in characterizing such excess. The Service has issued guidance taking the position that, when mortgages are sold and the contract entitles the seller to receive amounts that exceed reasonable compensation for the mortgage servicing to be performed, the mortgages are treated as stripped bonds within the meaning of Section 1286 of the Code. If this is the case, a Beneficial Owner of a PC would not be treated as having a pro rata undivided interest in the interest payments on the related Mortgages, but rather an ownership interest in such payments to the extent of the PC Coupon plus reasonable servicing fees. Under the rules of Section 1286 of the Code, the Beneficial Owner would be treated as if the payments to be received in respect of the ownership interest in the Mortgages were purchased at an original issue discount equal to the difference between the price at which such Beneficial Owner is considered to have purchased such payments and the aggregate amount of such payments. The Beneficial Owner would include in income such original issue discount in accordance with the normal Code provisions governing original issue discount. This would have the effect of requiring both interest and discount on the Mortgages to be reported as ordinary income as such income accrues under a constant interest method pursuant to Sections 1271-1273 and 1275 of the Code. It is unclear whether the position taken by the Service in the guidance would be upheld if challenged.

The Service also has issued regulations providing that a purchaser of a particular 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 are based on the premise that the interest payments which remain associated with the stripped bond are treated, for purposes of the original issue and market discount provisions of the Code, as stated interest payable with respect to the stripped bond. If such conditions are met, a Beneficial Owner would be required to account for any market discount in accordance with the rules for market discount described above.

The Taxpayer Relief Act of 1997 (the "Act") expands Section 1272(a)(6) of the Code to apply to "any pool of debt instruments the yield on which may be affected by reason of prepayments," effective for tax years beginning after August 5, 1997. In addition, the Act expands the application of Section 1271 of the Code to (i) obligations issued by natural persons after June 8, 1997 and (ii) obligations purchased after June 8, 1997. Investors should consult their tax advisers regarding the effect of such legislation on the taxation of PCs.

Backup Withholding and Foreign Withholding

A Beneficial Owner who is a U.S. Person (as defined in the Glossary of Terms) may be subject to backup withholding tax under Section 3406 of the Code on payments made with respect to a PC unless, in general, the Beneficial Owner complies with certain information reporting procedures or is an exempt recipient. Any such amounts withheld would be allowed as a credit against such Beneficial Owner's United States federal income tax. Under temporary Treasury regulations, payments made to a Beneficial Owner who is not a U.S. Person with respect to a PC that represents an undivided interest in a pool of Mortgages all of which were originated after July 18, 1984 generally will not be subject to United States federal income tax, including withholding tax, if (i) such PC is not held by such Beneficial Owner in connection with a trade or business in the United States, (ii) such Beneficial Owner is not with respect to the United States a personal holding company or corporation that accumulates earnings in order to avoid United States federal income tax and (iii) such Beneficial Owner provides a statement signed under penalties of perjury that includes its name and address and certifies that it is not a U.S. Person in accordance with applicable requirements. To the extent amounts paid with respect to a PC to a Beneficial Owner who is not a U.S. Person represent interest on mortgages originated before July 19, 1984, such amounts will be subject to withholding of United States federal income tax at the rate of 30% or such lower rate as may be provided by applicable tax treaty.

The Department of the Treasury has issued new regulations which make certain modifications to the withholding, backup withholding and information reporting rules. The new regulations generally are effective for payments made after December 31, 1998. Investors should consult their tax advisers regarding such regulations.

LEGAL INVESTMENT CONSIDERATIONS

Investors should consult their own legal advisers in determining whether and to what extent PCs constitute legal investments for such investors and whether and to what extent PCs can be used as collateral for various types of borrowings. In addition, financial institutions should consult their legal advisers or regulators in determining the appropriate treatment of PCs under any applicable risk-based capital or similar rules.

Institutions whose investment activities are subject to legal investment laws and regulations or to review by regulatory authorities may be subject to restrictions on investments in certain types of PCs or in PCs generally. An 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 and guidelines before purchasing or pledging PCs.

APPLICATION OF PROCEEDS

The net proceeds received by Freddie Mac from the sale of PCs will provide funds to Freddie Mac for general corporate purposes, including the purchase and financing of additional mortgages.

DISTRIBUTION ARRANGEMENTS

Freddie Mac purchases Mortgages from eligible sellers under various purchase programs. Among its programs, Freddie Mac purchases Mortgages for cash and periodically forms PC Pools consisting of such Mortgages. Freddie Mac may offer the related PCs through auction; competitive bid offering or allocation to members of a recognized group of dealers that purchase or sell PCs in accordance with agreements with Freddie Mac; direct placement with securities dealers or investors; or through a combination of these methods, among others. The settlement date for PC purchases is established on the trade date by mutual agreement. Confirmation and settlement of PC purchases are made in accordance with the Uniform Practices for the Clearance and Settlement of Mortgage-Backed Securities published by The Bond Market Association ("Uniform Practices"). Interest and principal payments made on the Mortgages between the trade date and the settlement date are for the account of, and are retained by, Freddie Mac. In addition, the purchaser of a PC from Freddie Mac pays Freddie Mac on the settlement date interest at the PC Coupon for the period from the first day of the month through the day prior to settlement. If a purchasing dealer resells a PC, the dealer is required to confirm the sale; notify the purchaser of the settlement date, purchase price, concessions and fees; and otherwise act in accordance with the Uniform Practices and its agreement with Freddie Mac, including delivery of any required offering documents.

Freddie Mac also acquires Mortgages in exchange (swap) transactions with Mortgage sellers. Under its Guarantor Program, Freddie Mac purchases Mortgages from a single seller and, in exchange, delivers PCs representing interests in the same Mortgages. Under its MultiLender Swap Program, Freddie Mac purchases Mortgages from one or more sellers and, in exchange, delivers PCs with a principal balance equal to the aggregate principal balance of the Mortgages so purchased; the PCs delivered to a particular seller may or may not represent interests in any of the Mortgages purchased from that seller. Freddie Mac accepts offers for delivery of Mortgages under these programs for a variety of periods on a daily basis in accordance with terms contained in the Guide. Freddie Mac's issuance of PCs in exchange for Mortgages under these programs is conditioned on the seller's compliance with the applicable terms and conditions of the Guide and other mortgage purchase documents, including the seller's timely delivery of acceptable Mortgages in an amount specified by Freddie Mac and delivery of any required offering documents to purchasers of the PCs.

SECONDARY MARKETS AND MARKET SUPPORT ACTIVITIES

Certain securities dealers, as well as Freddie Mac through its Securities Sales and Trading Group ("SS&TG"), buy, sell and make a market in PCs. There may be a limited secondary market for certain types of PCs and Freddie Mac makes no representation as to the nature of the secondary market trading in any PCs. Prospective PC purchasers, Holders and Beneficial Owners wishing to obtain prices for PCs may contact the securities dealers selling and making a market in such PCs or SS&TG (outside the Washington, D.C. metropolitan area, phone 800/424-5401; within the Washington, D.C. metropolitan area, phone 703/903-3300). A list of PC dealers may be obtained by writing or calling Investor Inquiry at Freddie Mac. Freddie Mac supports the market for PCs in several ways:

- Freddie Mac may, from time to time, purchase or sell PCs for market support reasons, for its portfolio and for various other corporate purposes.
- Freddie Mac regularly acquires PCs, usually from investment banking firms that have purchased such PCs in the market, in order to issue structured securities backed by the PCs.
- Freddie Mac offers investors in certain previously issued fixed-rate PCs, which had a Payment Delay of 75 days, an opportunity to exchange such PCs for Gold PCs.
- Through SS&TG, Freddie Mac regularly buys, sells and makes a market in certain PCs and actively participates in the dollar roll market.
- Freddie Mac participates with external money management firms to buy and sell PCs.
- Freddie Mac promotes to dealers and investors the merits of trading and investing in PCs and provides incentives to improve interdealer PC liquidity.
- Freddie Mac regularly produces new mortgage-related securities products backed by PCs.
- Freddie Mac continuously makes available to the market updated information regarding PC Pools and the related Mortgages.

Freddie Mac's activities relating to its PCs may, among other things, increase the market prices and reduce the yields of PCs and, indirectly, reduce Mortgage interest rates. Freddie Mac may increase, reduce or eliminate such activities at any time.

Table 1
Frequently Used Adjustable Rate Mortgage Indices

Index	Source
One Year (Weekly) Treasury	H.15 Release*
One Year (Monthly) Treasury	H.15 Release*
Three Year Treasury	H.15 Release*
Five Year Treasury	H.15 Release*
Semiannual Auction Average (Discount) Treasury	H.15 Release*
Semiannual Auction Average (Investment) Treasury	Department of the Treasury
Semiannual Secondary Market Treasury	H.15 Release*
11th District COF	Federal Home Loan Bank of San Francisco
National COF	Office of Thrift Supervision
Federal COF	Freddie Mac
CD	H.15 Release*
Contract Rate	Federal Housing Finance Board
LIBOR (Six Month)	*The Wall Street Journal*

* Federal Reserve Board.

Listed below are selected historical values for the One Year (Weekly) Treasury Index, the 11th District COF Index and the LIBOR (Six Month) Index, which are three frequently used ARM Indices. Current values may be obtained from Freddie Mac's Investor Inquiry Department. Historical Index values do not necessarily reflect the values used to adjust particular mortgage interest rates or PC Coupons.

Year-Month	One Year (Weekly) Treasury(1)	11th District COF(2)	LIBOR (Six Month) (3)
1987-January	5.97%	7.396%	6.375%
-June	6.95	7.274	7.625
1988-January	7.15	7.615	7.500
-June	7.59	7.618	8.000
1989-January	9.07	8.125	9.437
-June	8.80	8.923	9.500
1990-January	7.80	8.369	8.312
-June	8.18	8.086	8.500
1991-January	6.78	7.858	7.562
-June	6.13	7.155	6.187
1992-January	4.14	6.002	4.187
-June	4.27	5.258	4.187
1993-January	3.62	4.360	3.625
-June	3.55	4.050	3.500
1994-January	3.61	3.710	3.500
-June	5.31	3.804	5.000
1995-January	7.21	4.747	7.000
-June	5.71	5.179	6.000
1996-January	5.21	5.033	5.531
-June	5.70	4.809	5.656
1997-January	5.55	4.821	5.625
-February	5.62	4.759	5.719
-March	5.60	4.780	5.688
-April	5.99	4.822	6.000
-May	5.93	4.864	6.000
-June	5.86	4.853	6.000
-July	5.63	4.887	5.938
-August	5.48	4.904	5.813
-September	5.59	4.941	5.844
-October	5.45	4.957	5.844
-November	5.35	4.949	5.813
-December	5.50	4.963	5.914

(1) Value reported in the first H.15 Release of that month.
(2) Value reported for that month by the Federal Home Loan Bank of San Francisco.
(3) Value reported in *The Wall Street Journal* on the first business day of that month. Other sources for LIBOR (Six Month) may be used.

Table 2
Selected Prefixes

GOLD PCs

PC Description	Prefix
Conventional	
Standard:	
30-year	B3°, C0-C8, D0-D8
20-year	C9, D9, F8, F9°
15-year	B5°, E0-E9
Non-Standard:	
Balloon/Reset 5-year	L5°, L7, L9, M1, M9
Balloon/Reset 7-year	L6°, L8, M8, N9
Biweekly-Convertible 30-year	N5, P5°
Biweekly-Convertible 15-year	M5, P6°
Biweekly-Non-Convertible 30-year	O2, O5°
Biweekly-Non-Convertible 15-year	O3, O6°
Cooperative Share 30-year	N7
Cooperative Share 15-year	M7
Extended Buydown 30-year	F0
Extended Buydown 15-year	F1
Newly-Originated Assumable 30-year	T3, U3°
Newly-Originated Assumable 15-year	T1, U1°
3-Year Prepayment Protection 30-year	P0
3-Year Prepayment Protection 15-year	P1
5-Year Prepayment Protection 30-year	P2
5-Year Prepayment Protection 15-year	P3
Relocation 30-year	N3#
Relocation 15-year	M3#
Second Mortgage 15- or 30-year	N1
Special Characteristics	L1
FHA/VA	
30-year	B7, B8°, B9°
15-year	F6°, F7
TIERED PAYMENT, GRADUATED PAYMENT AND GROWING EQUITY PCs	
Tiered Payment 15-, 20- or 30-year and Growing Equity 15-year	73
Graduated Payment 15-, 20- or 30-year	7C

ARM PCs

PC Description	Prefix
Rate Capped:	
Margin ARM/Annual/One Year (Weekly) Treasury/2% cap	35
Margin ARM/Annual/One Year (Weekly) Treasury/1% cap	37
Annual/One Year (Weekly) Treasury/2% cap (Convertible)	40*
WAC ARM/Annual/One Year (Weekly) Treasury/2% cap (Convertible)	41
Annual/One Year (Weekly) Treasury/2% cap	60*
WAC ARM/Annual One Year (Weekly) Treasury/2% cap	61
Annual/One Year (Weekly) Treasury/1% cap (Convertible)	63*
Annual/One Year (Weekly) Treasury/1% cap	64*
Margin ARM/Annual/One Year (Weekly) Treasury/2% cap (Convertible)	71
Margin ARM/Annual/One Year (Weekly) Treasury/1% cap (Convertible)	72
Annual or Semiannual/miscellaneous Treasury/various caps	75*†
Five Year Treasury/various caps	76*†
Annual/One Year (Weekly) Treasury (3/1, 5/1, 7/1, 10/1, or 15/1 ARMs)/various caps**	78*†‡
Three Year Treasury/various caps	86*†
Annual or Semiannual/National COF/various caps	74*†
Annual or Semiannual/11th District COF/various caps	77*†
WAC ARM/miscellaneous LIBOR/various caps	870001–874999†
WAC ARM/Semiannual/LIBOR (Six Month)/various caps	875000–879999†
WAC ARM/Semiannual/CD/various caps	970001–971999†
WAC ARM/miscellaneous Indices/various caps	972000–973999†
Payment Capped:	
Federal COF	5A†‡
Treasury or National COF	94*†
11th District COF	39*†
11th District COF	42*†
LIBOR	96†

° Original principal balance of the related PC Pool may be as small as $250,000.
\# May include any combination of Relocation Mortgages and Employer Assisted Mortgages, at the election of the seller.
* Identifies Margin ARM PC if 3rd digit of PC Pool Number is less than 5; identifies WAC ARM PC if 3rd digit of PC Pool Number is 5 or greater.
† PC Pool may consist entirely of Convertible ARMs if specified in the related Supplement.
‡ Related Mortgages may not be assumable during an initial fixed-rate period.
** Related Mortgages have fixed interest rates for three, five, seven, ten or fifteen years, as specified, and adjust annually thereafter.

EXHIBIT A

GLOSSARY OF TERMS

This Glossary defines capitalized terms used in the Offering Circular and the PC Agreement. The page number following each definition refers to the location of the definition of the term or, in some cases, the first use of the term.

Act: The Taxpayer Relief Act of 1997. (page 26)

Adjustment Cap: The maximum number of basis points by which the interest rates of the ARMs in a PC Pool, or the PC Coupons of any related Margin ARM PCs, may be increased or decreased in any single periodic adjustment. (page 8)

ARM: A Mortgage with an interest rate that adjusts periodically based on the applicable value of an Index. (cover page)

ARM PC: A PC representing an undivided interest in a PC Pool containing ARMs. (cover page)

Assumable Mortgage: A Mortgage that does not contain an enforceable "due-on-transfer" clause permitting automatic acceleration of the full remaining principal balance of the Mortgage upon the transfer of the mortgaged property and that may be assumed by a creditworthy transferee of the property. (page 11)

Beneficial Owner: An entity or individual that beneficially owns a PC. (page 11)

Balloon/Reset Mortgage: A Mortgage with an original term of either five or seven years, which grants the borrower an option either to repay the Mortgage with a balloon payment at the end of its original term or to extend its original term at a reset interest rate, and also provides for level payments of principal and interest during the original term based upon an amortization schedule calculated to pay the entire original principal balance over a period of approximately 360 months. (page 7)

Biweekly Mortgage: A Mortgage requiring the borrower to make payments every 14 days in an amount equal to one-half of the monthly payment for a comparable fixed-rate, monthly payment Mortgage, resulting in 26 (or sometimes 27) biweekly payments during each 12-month period. (page 10)

Book-Entry Form: The form of a security which (i) is issued by means of an entry on the books and records of the FRB and (ii) is evidenced only by such entry and not by a certificate. (page 17)

Book-Entry Rules: The Department of Housing and Urban Development regulations (24 C.F.R. Part 81, Subpart H), applicable to Freddie Mac's book-entry securities. (page 17)

Business Day: A day other than (i) a Saturday or Sunday, (ii) a day on which the FRB (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 FRB at which such Holder's account is maintained is authorized or obligated by law or executive order to remain closed or (iv) a day on which the principal offices of Freddie Mac are closed. (cover page)

Buydown Mortgage: A Mortgage that is originated with a special payment arrangement pursuant to which funds are placed in a separate account used to pay a portion of the scheduled monthly payment on the Mortgage, and to reduce the effective rate of interest on the Mortgage below the Mortgage interest rate, for a specified period, usually 18 to 36 months (the "buydown period"). (page 10)

CD Index: The weekly average of dealer offering rates on nationally traded 6-month certificates of deposit as provided in the H.15 Release. (page 9)

Code: The Internal Revenue Code of 1986, as amended. (page 24)

Contract Rate Index: The "National Average Contract Interest Rate for the Purchase of Previously Occupied Homes by Combined Lenders" as released by the Federal Housing Finance Board. (page 9)

conventional Mortgage: A Mortgage that is not guaranteed or insured by the United States or any agency or instrumentality of the United States. (cover page)

Conversion Option: A borrower's option to convert the adjustable interest rate on an ARM to a fixed rate of interest during a period specified in the terms of the Mortgage. (page 9)

Convertible ARM: An ARM that can be converted into a fully amortizing, fixed rate, level payment Mortgage at the option of the borrower, subject to the terms specified in the Mortgage. (page 9)

Cooperative: A cooperative housing corporation within the meaning of Section 216(b) of the Code. (page 10)

Cooperative Share Mortgage: A Mortgage secured by a first mortgage, lien or other security interest on the stock or membership certificate (or similar arrangement) issued to a tenant-stockholder or resident-member by a Cooperative and the proprietary lease, occupancy agreement or right of tenancy granting the tenant-stockholder or resident-member rights to occupy a specific dwelling unit in the building owned by the Cooperative. (page 10)

CUSIP Number: A unique nine-character designation used to identify a PC Pool and the related PCs on the books and records of the FRB. (page 12)

Deferred Interest: The amount by which the interest due on a Mortgage exceeds the borrower's monthly payment and which amount is added to the unpaid principal balance of the Mortgage. (page 7)

Deferred Interest Limit: A limit on the amount of Deferred Interest that may be added to the principal balance of a Mortgage, as imposed by state law or by the terms of the Mortgage. (page 8)

11th District COF Index: The monthly weighted average interest rate being paid by the member savings institutions of the Eleventh Federal Home Loan Bank District on all of their sources of funds as computed from statistics tabulated and released by the Federal Home Loan Bank of San Francisco. (page 9)

Employer Assisted Mortgage: A Mortgage made to a new or transferred employee to finance a home purchase at a new job location and involving an employer contribution. (page 10)

Extended Buydown Mortgage: A Buydown Mortgage for which the buydown period is more than two years or the effective interest rate during the buydown period, regardless of the duration of such period, is more than two percentage points below the interest rate of the Mortgage. (page 10)

Fannie Mae: The Federal National Mortgage Association. (page 9)

Fed Participant: An entity that maintains a book-entry account at the FRB. (page 17)

Federal COF Index: The average of the interest rates for marketable U.S. Treasury bills and notes, as calculated and released by Freddie Mac. (page 9)

FHA/VA Mortgage: A Mortgage fully insured by the Federal Housing Administration or by the Rural Housing Service or guaranteed in part by the Department of Veterans Affairs. (page 6)

Final Payment Date: Generally, for Gold PCs backed by Mortgages purchased for cash, the day five, seven, 15, 20 or 30 years, as applicable, from the first day of the month of PC Pool formation. For other Gold PCs and for all non-Gold PCs, the first day of the month in which the last scheduled payment is due on the latest maturing Mortgage in the PC Pool. (page 17)

Five Year Treasury Index: The weekly average yield of U.S. Treasury securities adjusted to a constant maturity of five years as provided in the H.15 Release. (page 9)

FRB: The Federal Reserve Banks, singly or collectively. (page 17)

Freddie Mac: The Federal Home Loan Mortgage Corporation, a shareholder-owned, government-sponsored enterprise created pursuant to the Freddie Mac Act for the purpose of establishing and supporting a secondary market in residential mortgages. (page 6)

Freddie Mac Act: The Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§1451-1459. (page 6)

Fully Amortizing Level: The level of monthly payments that, in substantially equal installments, will amortize the principal balance of a Mortgage over its remaining term and pay interest at its fixed (or, in the case of an ARM, its current) rate of interest. (page 6)

Fully Indexed Rate: As to any ARM, the sum of the value of the applicable Index and the Mortgage Margin, determined without regard to applicable limitations on periodic adjustments. (page 8)

Gold PC: A PC with a Payment Delay of 45 days. (cover page)

Graduated Payment Mortgage (GPM): A fixed-rate Mortgage that provides for an initial period during which the scheduled monthly payments are insufficient to pay all of the accrued interest, resulting in negative amortization which is added to the principal balance as Deferred Interest. During a GPM's Graduated Payment Period, scheduled monthly payments are periodically increased until they reach a Fully Amortizing Level. (page 5)

Graduated Payment PC: A PC representing an undivided interest in a PC Pool containing GPMs. (cover page)

Graduated Payment Period: A period after origination of a GPM during which the scheduled monthly payment increases in graduated increments to a Fully Amortizing Level. Deferred Interest accrues during the initial portion of the Graduated Payment Period. (page 7)

Growing Equity Mortgage (GEM): A fixed-rate Mortgage that provides for initial scheduled monthly payments based on a 25-year amortization period and for periodic increases in scheduled monthly payments such that the Mortgage will be fully paid in 15 years or less. (page 5)

Growing Equity PC: A PC representing an undivided interest in a PC Pool containing GEMs. (cover page)

Guarantor Program: A program pursuant to which Freddie Mac purchases Mortgages from a single seller in exchange for PCs representing undivided interests in a PC Pool consisting of the same Mortgages. (page 28)

Guide: The *Single-Family Seller/Servicer Guide*, a Freddie Mac publication, as supplemented and amended from time to time, in which Freddie Mac sets forth its Mortgage purchase standards, including its credit, appraisal and underwriting guidelines, and Mortgage servicing policies and procedures. (page 18)

H.15 Release: Federal Reserve Statistical Release H.15 (519). (Table 1)

Holder: The entity whose name appears on the books and records of the FRB for whose account a PC has been deposited. (page 17)

Index: An index used to adjust the interest rates of the ARMs included in a PC Pool. (page 7)

Information Statement: An annual statement prepared by Freddie Mac that describes Freddie Mac and its business and operations, and contains Freddie Mac's audited financial statements. (page 6)

Information Statement Supplement: Any periodic supplement to the Information Statement containing unaudited financial data and/or other information concerning the business and operations of Freddie Mac. (page 6)

Investor Inquiry: A service provided by Freddie Mac to answer questions regarding Freddie Mac securities, which can be reached by writing, calling or e-mailing Investor Inquiry, 8200 Jones Branch Drive, McLean, Virginia 22102 (phone: 800/336-FMPC; e-mail: Investor_Inquiry@freddiemac.com). (page 6)

LTV: Loan-to-value, expressed as a ratio of the total principal balance on a Mortgage to the value of the property securing the Mortgage. (page 18)

LIBOR (Six Month) Index: The daily average of the London interbank offered rates for 6-month U.S. dollar-denominated deposits. (page 9)

Margin ARM PC: An ARM PC whose PC Coupon adjusts on each adjustment date to a rate that equals the applicable Index value plus the PC Margin, subject to any applicable Adjustment Cap and PC Lifetime Ceiling. (page 15)

Monthly Reporting Period: The period during which servicers report Mortgage payments to Freddie Mac, generally from the 16th of a month through the 15th of the next month. (page 13)

Mortgage: A residential mortgage loan secured by a lien on a one-to-four family dwelling, or a participation in such a mortgage loan, purchased by Freddie Mac and identified in the records maintained by Freddie Mac as included in a PC Pool. (cover page)

Mortgage Lifetime Ceiling: The maximum interest rate established for an ARM. (page 8)

Mortgage Lifetime Floor: The minimum interest rate, if any, established for an ARM. (page 8)

Mortgage Margin: As to any ARM, the specified number of basis points that is added to the value of the applicable Index to determine the interest rate of that ARM. (page 8)

MultiLender Swap Program: A program pursuant to which Freddie Mac purchases Mortgages from one or more sellers in exchange for PCs representing undivided interests in a PC Pool consisting of Mortgages that may or may not be those delivered by the seller(s). (page 28)

National COF Index: The "Monthly Median Annualized Cost of Funds for Savings Association Insurance Fund ("SAIF")-Insured Institutions" as released by the Office of Thrift Supervision. (page 9)

Negative Amortization Factor: For PC Pools containing Mortgages with negative amortization, a truncated seven-digit decimal number that reflects the amount of Deferred Interest added to the principal balances of the related Mortgages in the preceding month. (page 13)

Newly-Originated Assumable Mortgage: A fixed-rate Assumable Mortgage that was originated less than one year before the month of formation of its related PC Pool. (page 11)

non-Gold PC: Any PC described in this Offering Circular other than Gold PCs. Non-Gold PCs include all ARM PCs, Tiered Payment PCs, Graduated Payment PCs and Growing Equity PCs. (page 3)

Non-Purchase Money First Mortgage: A first Mortgage made for a purpose other than the purchase of the property that secures the Mortgage. (page 11)

Offering Circular: Freddie Mac's current Mortgage Participation Certificates (Guaranteed) Offering Circular by which PCs are offered for sale. (cover page)

One Year (Monthly) Treasury Index: The monthly average yield of U.S. Treasury securities adjusted to a constant maturity of one year as provided in the H.15 Release. (page 9)

One Year (Weekly) Treasury Index: The weekly average yield of U.S. Treasury securities adjusted to a constant maturity of one year as provided in the H.15 Release. (page 9)

Payment Capped ARM: An ARM with prescribed limits on periodic adjustments to its scheduled monthly payment. (page 5)

Payment Capped ARM PC: A PC representing an undivided interest in a PC Pool containing Payment Capped ARMs. (page 15)

Payment Date: The 15th of each month or, if the 15th is not a Business Day, the next Business Day. (cover page)

Payment Delay: The number of days between the first day of the month of PC Pool formation and the date Holders receive the first payment on the related PCs. (cover page)

PC: A mortgage participation certificate issued pursuant to the PC Agreement, representing an undivided interest in a PC Pool. (cover page)

PC Agreement: Freddie Mac's Mortgage Participation Certificate Agreement dated as of February 1, 1998, including any supplement or amendment to the PC Agreement, or any subsequent agreement in effect for PCs. (page 11)

PC Coupon: The per annum rate at which interest accrues on a PC, computed on the basis of a 360-day year, with each month being assumed to have 30 days. (cover page)

PC Lifetime Ceiling: The maximum PC Coupon permitted for a Margin ARM PC. (page 15)

PC Margin: The specified number of basis points that is added to the value of the applicable Index to calculate the PC Coupon for a Margin ARM PC. (page 15)

PC Pool: A discrete pool of Mortgages identified in Freddie Mac's records by a PC Pool Number and CUSIP Number. (cover page)

PC Pool Number: A unique six-character designation assigned to each PC Pool by Freddie Mac and used to identify the PC Pool and the related PCs. (page 12)

Pool Factor: A truncated seven-digit decimal number calculated by Freddie Mac for each month for each PC Pool that, when multiplied by the original principal balance of the related PCs, equals the remaining principal balance of such PCs after giving effect to the principal payment to be made in the same month, for Gold PCs, or in the following month, for non-Gold PCs. (page 13)

Pool Supplement: A document that Freddie Mac furnishes to initial purchasers of certain of its PCs that contains information regarding such PCs and the underlying Mortgages. (page 6)

Prefix: The first two (or, in some cases, three) characters of a PC Pool Number. (page 12)

Prepayment Premium: A fee assessed whenever prepayments on a Prepayment Protection Mortgage within a specified time period exceed a specified percentage of its original principal balance. (page 11)

Prepayment Protection Mortgage: A Mortgage that provides for a Prepayment Premium to be paid by the borrower if prepayments on the Mortgage exceed a specified percentage of its original principal balance within a specified time period. (page 11)

Rate Capped ARM: An ARM whose interest rate adjustments are subject to an Adjustment Cap, a Mortgage Lifetime Ceiling and, in some cases, a Mortgage Lifetime Floor but which has no prescribed limit on adjustments to its scheduled monthly payment amount. (page 5)

Rate Capped ARM PC: A PC representing an undivided interest in a PC Pool containing Rate Capped ARMs. (page 15)

Record Date: As to each Payment Date, the close of business on the last day of (i) the preceding month in the case of Gold PCs or (ii) the second preceding month in the case of non-Gold PCs. (page 4)

Relocation Mortgage: A Mortgage made to a transferred employee to finance a home purchase at a new job location under an employee relocation program administered by the employer or its agent and usually involving an employer contribution. (page 10)

Second Mortgage: A Mortgage secured by a lien subordinate only to the first lien on the mortgaged property. (page 11)

Semiannual Auction Average (Discount) Treasury Index: The average discount rate of 6-month U.S. Treasury bills in the weekly Treasury auctions as provided in the H.15 Release. (page 9)

Semiannual Auction Average (Investment) Treasury Index: The bond equivalent yield of the Semi-annual Auction Average (Discount) Treasury Index as released by the Department of the Treasury. (page 9)

Semiannual Secondary Market Treasury Index: The weekly average discount prevailing in weekly secondary market trading of 6-month U.S. Treasury bills as provided in the H.15 Release, as calculated from composites of quotations reported by five leading U.S. government securities dealers to the Federal Reserve Bank of New York. (page 9)

Service: The Internal Revenue Service. (page 25)

SS&TG: Freddie Mac's Securities Sales and Trading Group. (page 28)

Three Year Treasury Index: The weekly average yield of U.S. Treasury securities adjusted to a constant maturity of three years as provided in the H.15 Release. (page 9)

Tiered Payment Mortgage(TPM): A fixed-rate Mortgage that provides for periodic increases in the amount of the borrower's scheduled monthly payments until it reaches its Fully Amortizing Level (and does not provide for negative amortization). (page 5)

Tiered Payment PC: A PC representing an undivided interest in a PC Pool containing TPMs. (cover page)

Treasury Indices: The One Year (Weekly) Treasury Index, the One Year(Monthly) Treasury Index, the Three Year Treasury Index, the Five Year Treasury Index, the Semiannual Auction Average (Discount) Treasury Index, the Semiannual Auction Average (Investment) Treasury Index and the Semi-annual Secondary Market Treasury Index. (page 23)

Uniform Practices: The Uniform Practices for the Clearance and Settlement of Mortgage-Backed Securities as published from time to time by The Bond Market Association. (page 27)

U.S. Person: For certain tax purposes, a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any state (other than a partnership that is not treated as a U.S. Person under any applicable Treasury regulations), an estate whose income is subject to United States federal income tax regardless of its source, or a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S.

Persons have the authority to control all substantial decisions of the trust; provided, however, that to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996 and treated as U.S. Persons prior to such date, that elect to continue to be treated as U.S. Persons, also are U.S. Persons. (page 27)

WAC ARM PC: An ARM PC whose PC Coupon is based on the weighted average interest rates of the Mortgages in the related PC Pool. (page 15)

EXHIBIT B

Freddie Mac

MORTGAGE PARTICIPATION CERTIFICATE AGREEMENT

(Guaranteed)

AGREEMENT dated as of February 1, 1998 (the "PC Agreement"), among Freddie Mac and Holders of PCs offered pursuant to Freddie Mac's Offering Circular for Mortgage Participation Certificates (Guaranteed) dated February 1, 1998 (the "Offering Circular"). Capitalized terms used and not otherwise defined in this PC Agreement have the respective meanings set forth in the Glossary of Terms attached as Exhibit A to the Offering Circular.

WHEREAS:

(a) Freddie Mac is a corporation duly organized and existing under and by virtue of the Freddie Mac Act and has full corporate power and authority to enter into this PC Agreement and to undertake the obligations undertaken by it herein; and

(b) Pursuant to Section 305 of the Freddie Mac Act, Freddie Mac purchases certain residential Mortgages, all of which are identified in the records maintained by Freddie Mac; and

(c) Pursuant to Section 305 of the Freddie Mac Act, Freddie Mac creates PC Pools consisting of Mortgages so acquired, creates, sells and transfers undivided interests in those Mortgages in the form of PCs and guarantees the payment of interest and principal on such PCs for the benefit of Holders; and

(d) From time to time Freddie Mac reacquires certain Freddie Mac Mortgage Participation Certificates and Freddie Mac Giant Mortgage Participation Certificates that have a Payment Delay of 75 days (collectively referred to as "Original PCs"), forms discrete pools consisting of interests in the Mortgages represented by such Original PCs, creates and issues in exchange Gold PCs representing undivided interests in such pools ("Converted Gold PCs") and guarantees the payment of interest and principal on such Converted Gold PCs for the benefit of their Holders.

NOW, THEREFORE, in consideration of the premises and mutual covenants in this PC Agreement, it is hereby agreed that the following terms and conditions of this PC Agreement will govern the creation, transfer, sale and assignment of PCs and the rights and obligations of Freddie Mac and Holders with respect to the PCs.

ARTICLE I

Conveyance of Undivided Interests in Mortgages

Section 1.01. Sale of PCs. The sale of a PC by Freddie Mac under this PC Agreement will be deemed to occur upon the date of settlement and payment for such PC and will constitute a sale, assignment, transfer and conveyance by Freddie Mac to the Holder of a pro rata undivided interest in the Mortgages contained in the related PC Pool. Freddie Mac will be bound by all of the terms and conditions of this PC Agreement upon the sale of a PC by Freddie Mac to a Holder. Upon settlement of and payment for a PC, a Holder, by virtue of such actions, acknowledges, accepts and agrees to be bound by all of the terms and conditions of this PC Agreement.

Section 1.02. Identity of the Mortgages; Substitution and Repurchase.

(a) Freddie Mac may form PC Pools consisting of Mortgages acquired (i) for cash, (ii) in exchange for PCs representing interests in such PC Pools and/or (iii) for such other consideration as Freddie Mac deems appropriate.

(b) Freddie Mac has the authority to determine the amount and identity of the Mortgages that constitute a PC Pool until the day prior to the date of the first Payment Date. A PC Pool formed under the Guarantor Program will consist only of those Mortgages acquired by Freddie Mac from a single seller in exchange for PCs representing undivided interests in the same Mortgages.

(c) Once the identity of the Mortgages constituting a PC Pool has been determined, Freddie Mac will establish the original unpaid principal balance of the PC Pool on its books and records in accordance with this PC Agreement and its current mortgage purchase and pooling procedures.

(d) Except as provided in this Section or in Section 1.03, once Mortgages have been identified to a particular PC Pool, their identification to such PC Pool may not be changed, except that (i) Freddie Mac may repurchase, or it may require or permit a seller or servicer of a Mortgage to repurchase, any Mortgage if a repurchase is necessary or advisable to maintain proper servicing of the Mortgage or to minimize loss or if there is an impending or actual default or delinquency on the Mortgage; (ii) Freddie Mac may repurchase a Mortgage if a bankruptcy court approves a plan that materially affects the terms of the Mortgage, authorizes a transfer of the underlying property or provides for substitution of collateral; (iii) if there is a material breach of warranty by a seller or servicer of any Mortgage, or a material defect in documentation as to any Mortgage, or a failure by a seller or servicer to comply with any requirements or terms set forth in the Guide and other Mortgage purchase documents as to any Mortgage, Freddie Mac may require or permit the seller or servicer to repurchase such Mortgage or (within six months of the settlement of the related PCs) to substitute for such Mortgage a Mortgage of comparable type, unpaid principal balance, remaining term and yield; (iv) if a borrower on a Balloon/Reset Mortgage elects to extend and reset the Mortgage or the Mortgage reaches its scheduled balloon payment due date, Freddie Mac will repurchase the Mortgage; (v) if the borrower on a Convertible Mortgage exercises the Conversion Option, Freddie Mac will repurchase the Mortgage; or (vi) if the purchase of any Mortgage by Freddie Mac is determined by a court of competent jurisdiction, or a United States government agency duly authorized to oversee or regulate Freddie Mac's mortgage purchase business, to have been unauthorized, Freddie Mac may cure the defect in purchase by such means as Freddie Mac determines to be necessary and appropriate or, if Freddie Mac determines that a cure is not practicable without unreasonable effort or expense, or if such court or government agency so requires, Freddie Mac will either repurchase such Mortgage or (within two years of the settlement of the related PCs) substitute for such Mortgage a Mortgage of comparable type, unpaid principal balance, remaining term and yield. Any repurchase of a Mortgage by a seller or servicer from a PC Pool will be at its then unpaid principal balance, less any principal advanced on such Mortgage by the seller or servicer to Freddie Mac. Any repurchase of a Mortgage by Freddie Mac will be at its then unpaid principal balance, less any outstanding advances of principal attributable to such Mortgage that were paid to Holders by Freddie Mac. In determining whether a Mortgage will be repurchased from a PC Pool as described in this Section, Freddie Mac may consider such factors as it deems appropriate, including whether a repurchase might reduce Freddie Mac's administrative costs or possible exposure under its guarantees.

Section 1.03. Post-Settlement Purchase Adjustments.

(a) Freddie Mac will make any post-settlement purchase adjustments to the balance of a PC Pool necessary to reflect the actual aggregate unpaid principal balance of the related Mortgages as of the date of their purchase by Freddie Mac or their delivery to Freddie Mac in exchange for PCs, as the case may be.

(b) With respect to any PC Pool consisting of Converted Gold PCs (a "Converted Gold PC Pool"), Freddie Mac will make any post-conversion adjustments necessary to reconcile any difference between the aggregate unpaid principal balance of the related Mortgages and the remaining balance of the Converted Gold PC Pool.

(c) Post-settlement and post-conversion adjustments to PC Pool principal balances or other data may be made in any manner determined by Freddie Mac to be appropriate under the circumstances, including, in the case of a Converted Gold PC Pool, the retention of monthly principal payments on the related Mortgages received by Freddie Mac from the related servicers. Any such adjustment will not adversely affect a Holder's rights to monthly payments of interest at the PC Coupon and its pro rata share of principal or its rights under Freddie Mac's guarantees. Any adjustment that reduces the principal balance of a PC Pool will be passed through on a pro rata basis to Holders.

Section 1.04. Custody of Mortgage Documents. Mortgage documents, including Mortgage notes and participation certificates that evidence Freddie Mac's ownership interest in the Mortgages, may be held by Freddie Mac, by a custodian acting as Freddie Mac's agent (which may be either a third party or a trust department of the seller or servicer) or by the originator or seller of the Mortgage. Freddie Mac may adopt and modify its policies and procedures for the custody of Mortgage documents at any time, provided such modifications are prudent and do not materially and adversely affect the interests of Holders.

Section 1.05. Interests Held or Acquired by Freddie Mac. PCs held or acquired by Freddie Mac from time to time and PCs held by other Holders will have equal and proportionate benefits, without preference, priority or distinction. In the event that Freddie Mac retains an undivided interest in a Mortgage, the remaining interest in which is part of a PC Pool, Freddie Mac's interest in such Mortgage will rank equally with that of Holders of the related PCs, without preference, priority or distinction. No Holder will have any priority over any other Holder.

ARTICLE II

Administration and Servicing of the Mortgages

Section 2.01. Freddie Mac to Act as Principal Servicer. Freddie Mac will service (or supervise servicing of) the Mortgages, including management of any property acquired through foreclosure or otherwise, for the benefit of Holders in accordance with the provisions of the Guide. Freddie Mac will have full power and authority to do or cause to be done any and all things in connection with such servicing that it deems necessary or desirable. Freddie Mac will act as the representative of Holders in the control, management and servicing of the Mortgages in the related PC Pools.

Section 2.02. Servicing Responsibilities. Freddie Mac will service (or supervise servicing of) the Mortgages in a manner consistent with prudent servicing standards and applicable regulations and in substantially the same manner as it services (or supervises servicing of) unsold mortgages of the same type in its own portfolio. In performing its servicing responsibilities hereunder, Freddie Mac may employ servicing agents or independent contractors. Freddie Mac may discharge its responsibility to supervise servicing of the Mortgages by monitoring servicers' performance on a reporting and exception basis. Except as provided in Article V of this PC Agreement, Freddie Mac will not be subject to the control of Holders in any manner whatsoever in the discharge of its responsibilities pursuant to this Article II. Except with regard to its guarantee obligations pursuant to Section 3.09, Freddie Mac will 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 that it exercises in the conduct and management of its own affairs. Freddie Mac will have no liability of whatever nature for consequential damages.

Section 2.03. Realization Upon Defaulted Mortgages. Freddie Mac (or its agent) will foreclose upon (or otherwise comparably convert the ownership of) any real property securing a Mortgage which comes into and continues in default and as to which no satisfactory arrangements can be made for collection of delinquent payments. The practices and procedures used in connection with a foreclosure or conversion will be those determined by Freddie Mac to be necessary or advisable and consistent with general mortgage servicing standards.

Section 2.04. Automatic Acceleration and Assumptions.

(a) If the terms of a Mortgage, taken as a whole, give the mortgagee the right to demand full payment of the unpaid principal balance of the Mortgage upon sale or transfer of the property securing the Mortgage regardless of the creditworthiness of the transferee (a right of "automatic acceleration"), Freddie Mac will, to the extent consistent with its then-current policies, require the servicer to enforce such right to the extent permitted by law and to require the full payment of the principal balance of a Mortgage upon the sale or the transfer of the property. Freddie Mac's current policies permit a transfer without automatic acceleration for a sale or transfer from a child to a parent, between siblings, between a grandparent and a grandchild, or between original co-borrowers under the Mortgage, provided that in each case at least 12 months have elapsed from the date of Mortgage origination to the date of transfer and that the transferee occupies the property as the transferee's primary residence. In any jurisdiction where the enforcement of an automatic acceleration provision is prohibited, or where the security instrument of a Mortgage contains a due-on-transfer clause which by its terms does not permit automatic acceleration, Freddie Mac will allow a transfer of the property if the transferee is found by Freddie Mac or the servicer to meet Freddie Mac's credit requirements. Where the security instrument contains no due-on-transfer clause and does not provide for a review of the creditworthiness of the transferee, Freddie Mac will allow a transfer of the property without a credit review of the transferee.

(b) Freddie Mac will permit the assumption by a new mortgagor of an FHA/VA Mortgage upon the sale or transfer of the underlying property, as required by applicable regulations. Any such assumption will be in accordance with applicable regulations, policies, procedures and credit requirements and will not result in loss or impairment of any insurance or guaranty.

Section 2.05. Fees. Unless otherwise provided in the related offering documents, Freddie Mac will not pass through to Holders any Prepayment Premiums, assumption fees or other fees charged on the Mortgages.

Section 2.06. Mortgage Insurance and Guarantees.

(a) If a conventional Mortgage is insured by a mortgage insurer, the insurer will have no obligation to recognize or deal with any person other than Freddie Mac or its agent with regard to the rights, benefits and obligations of the mortgagee under the contract of insurance relating to that Mortgage. If a mortgage insurer exercises an option under a contract of insurance to purchase a Mortgage, the proceeds of such purchase will be considered to be repurchase proceeds for purposes of Article III.

(b) Each FHA/VA Mortgage will have in full force and effect a certificate or other satisfactory evidence of insurance or guaranty, as the case may be, as may be issued by the applicable government agency from time to time. None of these agencies has any obligation to recognize or deal with any person other than Freddie Mac or its agent with regard to the rights, benefits and obligations of the mortgagee under the contract of insurance or guaranty relating to each FHA/VA Mortgage.

ARTICLE III

Payments to Holders and Guarantees

Section 3.01. Monthly Reporting Period. For purposes of this Agreement, any payment or any event with respect to any Mortgage that is reported to Freddie Mac by a servicer as having been made or having occurred within a Monthly Reporting Period will be deemed to have been received by Freddie Mac or to have in fact occurred within the Monthly Reporting Period used by Freddie Mac for such purposes. Payments reported to Freddie Mac by servicers include all payments of principal and interest paid by a borrower, insurance proceeds, liquidation proceeds and repurchase proceeds. Events reported by servicers include foreclosure sales, payments of insurance claims and guaranty claims and the expirations of redemption and other periods.

Section 3.02. Holder's Undivided Interest. The Holder of a PC on the Record Date will be the owner of a pro rata undivided interest in the aggregate amount of principal to be paid to Holders of PCs representing interests in the related PC Pool and will be entitled to interest at the PC Coupon on such pro rata undivided interest, in each case on the related Payment Date. A Holder's pro rata undivided interest will change accordingly if any Mortgage is added to or removed from the PC Pool in accordance with this PC Agreement. A Holder's pro rata undivided interest in a PC Pool is calculated by dividing the original unpaid principal balance of the Holder's PC by the original unpaid principal balance of the related PC Pool.

Section 3.03. Pass-Through of Principal. Freddie Mac will pass through to each Holder of a PC its pro rata share of principal payments made on the related Mortgages (including, if applicable, each Holder's pro rata share of the aggregate amount of any Deferred Interest that has been added to the principal balance of the related Mortgages), any net income, profits or proceeds of the Mortgages and net proceeds realized from any property of any kind received in substitution for or upon realization on the Mortgages. Freddie Mac will pass through all such payments of principal, whether from insurance, guaranty payment, condemnation, foreclosure or otherwise, except that Freddie Mac's pass-through obligations will be subject to Freddie Mac's rights of subrogation with respect to payments made under Freddie Mac's guarantees. Freddie Mac may retain from any prepayment or delinquent principal payment on any Mortgage any amount not previously received by Freddie Mac but paid to Holders under its guarantee of principal payments on that Mortgage. For Mortgages purchased by Freddie Mac in exchange for PCs under its MultiLender Swap Program, Freddie Mac will retain principal payments made on such Mortgages in the amount of any difference between the aggregate unpaid principal balance of the Mortgages as of delivery by the seller and the aggregate unpaid principal balance as of the settlement date and Freddie Mac will purchase additional Mortgages with such principal payments; such additional Mortgages may or may not be included in the PC Pool represented by the PCs received by the seller. Insurance proceeds, liquidation proceeds (including those resulting from the acquisition of any property securing a Mortgage) and repurchase proceeds will be passed through to Holders in the same manner as a prepayment.

Section 3.04. Pass-Through of Interest. Freddie Mac will pass through to each Holder its pro rata share of the interest paid by borrowers with respect to each Mortgage at a rate equal to the PC Coupon (excluding, if applicable, each Holder's pro rata share of any Deferred Interest that has been added to the principal balance of the related Mortgages). Freddie Mac may retain from any payment of delinquent interest on any Mortgage any amount not previously received by Freddie Mac but paid to Holders under its guarantee of interest. A partial month's interest retained by Freddie Mac or remitted to each Holder with respect to prepayments will constitute an adjustment to Freddie Mac's management and guarantee fee.

Section 3.05. Payments.

(a) Payments of principal and interest on PCs will begin in the month after issuance for Gold PCs and in the second month after issuance for non-Gold PCs.

(b) All payments to Holders will be made by the FRB at the direction of Freddie Mac by crediting the Holders' accounts at the FRB. Freddie Mac's payment obligations will be met upon transmittal of its payment order to the FRB. A Holder will receive the payment of principal, if applicable, and interest on each Payment Date on each PC held by such Holder as of the related Record Date.

(c) If Freddie Mac is unable to process reports from sellers or servicers accurately and in a timely manner because of computer problems related to the year 2000 or similar circumstances affecting the reporting or payment process, Freddie Mac will have the right to estimate any information that directly or indirectly affects payments on PCs (including principal and interest payments, prepayments, ARM interest rate adjustments and conversions) on the basis of whatever information and assumptions Freddie Mac determines to be reasonable under the circumstances. Freddie Mac may continue to make these estimates until such time as it believes it is again receiving reports that are accurate and timely and can be processed in a reliable manner. Until such time, Freddie Mac's estimates will be deemed conclusive for all purposes, including Freddie Mac's guarantees. When sellers' and servicers' reports are again received and are capable of being processed reliably, Freddie Mac will reconcile the actual principal balance of the Mortgages in each affected PC Pool by adjustments to subsequent Pool Factors (and, if applicable, Negative Amortization Factors) and, to the extent it deems appropriate, will adjust subsequent ARM PC Coupons and other PC Pool information as necessary to reflect the actual interest rates on the Mortgages in such PC Pools.

(d) Freddie Mac reserves the right to change the period during which a servicer may hold funds prior to payment to Freddie Mac, as well as the period for which servicers report payments to Freddie Mac, including adjustments to the Monthly Reporting Period. Either change could alter the time at which prepayments are passed through to Holders. Any such change, however, will not impair Holders' rights to payments as otherwise provided in this Section 3.05.

(e) Pending payment to Holders of funds received by Freddie Mac from servicers, Freddie Mac will be entitled to invest and reinvest such funds for Freddie Mac's sole risk and benefit. Freddie Mac's guarantees will continue to be effective or will be reinstated in the event that any payment of principal or interest paid under this PC Agreement to a Holder is, for any reason, returned by the Holder pursuant to an order, decree or judgment of any court of competent jurisdiction that the Holder was not entitled to retain such payment pursuant to this PC Agreement.

Section 3.06. Pool Factors.

(a) Freddie Mac will make payments in the amounts reflected in its monthly Pool Factors and Negative Amortization Factors, if applicable, until such time as Freddie Mac determines that a more accurate or more practicable method for calculating payments is available and Freddie Mac implements that method. Freddie Mac may make modifications to its Pool Factor methodology from time to time.

(i) The Pool Factor will indicate the amount of principal to be paid to Holders on a given Payment Date. For a Gold PC, the principal payment for a given month is calculated by subtracting that month's

Pool Factor for the related PC Pool from the preceding month's Pool Factor and multiplying the difference by the original principal balance of the PC. For a non-Gold PC (assuming no Deferred Interest), the principal payment for a given month is calculated by multiplying the original principal balance of the Holder's PC by the difference between the second preceding month's Pool Factor and the preceding month's Pool Factor. In the case of Graduated Payment PCs and Payment Capped ARM PCs, any increase in the Pool Factor in a given month reflects Deferred Interest added to the principal balance of the PCs.

(ii) For any given month, the interest payment to a Holder (assuming no Deferred Interest) will be 1/12th of the applicable PC Coupon multiplied by the principal balance of the Holder's PC, determined by multiplying the original principal balance of the Holder's PC by the preceding month's Pool Factor for a Gold PC or by the second preceding month's Pool Factor for a non-Gold PC.

(iii) In the case of a Graduated Payment PC or a Payment Capped ARM PC during periods when Deferred Interest is accruing, principal payments to each Holder on each applicable Payment Date will be made in an amount determined by (A) subtracting the preceding month's Pool Factor from the second preceding month's Pool Factor, (B) adding to the difference the Negative Amortization Factor for the preceding month and (C) multiplying the resulting sum by the original PC principal balance. For a given month, an interest payment on such a PC will be (i) 1/12th of the PC Coupon multiplied by (ii) the original principal balance of the Holder's PC multiplied by (iii) the second preceding month's Pool Factor minus the preceding month's Negative Amortization Factor.

(b) Each Pool Factor will reflect any prepayments reported for the applicable Monthly Reporting Period, as well as adjustments, if any, necessary to more accurately reflect the actual balances of the related Mortgages. To the extent a Pool Factor does not reflect the actual unpaid principal balance of the related Mortgages (due to errors from whatever source or other reasons), any difference will be accounted for as soon as practicable by adjusting subsequent Pool Factors.

Section 3.07. Amounts Retained by Servicers. As provided by contractual arrangement with Freddie Mac, the servicer of each Mortgage will be entitled to retain as a servicing fee, any interest payable by the borrower on a Mortgage that exceeds the servicer's required remittance to Freddie Mac. Each servicer is required to pay all expenses incurred by it in connection with its servicing activities and is not entitled to reimbursement for those expenses, except as provided in Section 3.08. If a servicer advances principal and/or interest to Freddie Mac on a Mortgage prior to the receipt of such funds from the borrower, the servicer may retain (i) from prepayments or collections of delinquent principal on such Mortgage, any payments of principal so advanced, or (ii) from collections of delinquent interest on such Mortgage, any payments of interest so advanced. To the extent permitted by their servicing agreements, the servicers are entitled to retain all incidental fees related to Mortgages serviced by them.

Section 3.08. Amounts Retained by Freddie Mac. Freddie Mac will retain from monthly interest payments on each Mortgage a management and guarantee fee, which equals any interest received by Freddie Mac from the servicer over the amount of interest payable to Holders; *provided, however,* that any such amount retained by Freddie Mac will be adjusted automatically to the extent a Pool Factor does not reflect the aggregate unpaid principal balance of the Mortgages. Any such adjustment will equal the difference between (i) interest at the applicable PC Coupon computed on the aggregate unpaid principal balance of the Mortgages for the month based on monthly principal payments actually received by Freddie Mac and (ii) interest at the applicable PC Coupon computed on the remaining PC Pool balance derived from the Pool Factor. Freddie Mac will pay all expenses incurred by it in connection with the administration of a PC Pool and the related Mortgages, except that any amounts expended by Freddie Mac (or on Freddie Mac's behalf by servicers) for the protection, preservation or maintenance of the Mortgages, or property received in liquidation of or realization upon the Mortgages, will be deemed expenses to be borne pro rata by Freddie Mac and the Holders in accordance with their interests in each Mortgage. A servicer will be entitled to reimbursement from Freddie Mac for any amount expended by the servicer, on Freddie Mac's behalf and with Freddie Mac's approval, for the protection, preservation or maintenance of the Mortgages, or of the real property that secures the Mortgages, or of property received in liquidation of or realization upon the Mortgages. Expenses borne pro rata by Holders as described above may be paid by Freddie Mac from payments otherwise due to Holders, and therefore may affect the timing of receipt of payments by Holders, but in no event will Freddie Mac's guarantees (as set forth in Section 3.09) be affected by fees deducted by Freddie Mac or servicers or by amounts expended by Freddie Mac or servicers for the protection, preservation or maintenance of the property securing the Mortgages.

Section 3.09. Freddie Mac Guarantees.

(a) Freddie Mac hereby guarantees:

(i) to each Holder of a Gold PC, the payment, on each Payment Date, of its proportionate share of monthly scheduled principal on the related Mortgages (calculated in accordance with this PC Agreement) and interest at the applicable PC Coupon, in each case whether or not received by Freddie Mac;

(ii) to each Holder of a non-Gold PC, the payment, on each Payment Date, of its proportionate share of principal payments on the related Mortgages, as collected, and interest at the applicable PC Coupon, whether or not received by Freddie Mac; and

(iii) to each Holder of any PC, the payment of its proportionate share of the full and final payment of all principal. For a Gold PC, the full and final principal payment will be made, whether or not received, no later than the Payment Date in the month of its Final Payment Date. For a non-Gold PC, the full and final payment of principal will be made, whether or not received, no later than the Payment Date in the month after its Final Payment Date.

In the case of Graduated Payment PCs and Payment Capped ARM PCs, Freddie Mac's guarantee of principal includes, and its guarantee of interest excludes, any Deferred Interest added to the principal balances of the related Mortgages.

(b) Freddie Mac's guarantee of scheduled monthly principal payments on any Gold PC will be computed in accordance with procedures adopted by Freddie Mac from time to time and will be subject to any applicable adjustments. Any payment made by Freddie Mac to Holders on account of Freddie Mac's guarantee of scheduled principal payments will be considered to be a payment of principal for purposes of calculating the Pool Factor for the related PC Pool and the Holder's pro rata share of the remaining unpaid principal balance of the Mortgages.

Section 3.10. Freddie Mac Subrogation. Freddie Mac will be subrogated to all the rights, interests, remedies, powers and privileges of each Holder in respect of any Mortgage on which guarantee payments of principal and/or interest have been made by Freddie Mac to the extent of such payments.

Section 3.11. Termination Upon Final Payment. Except as provided in Section 3.05(e) and Section 6.01, the obligations and responsibilities of Freddie Mac under this PC Agreement to a Holder in respect of any PC will terminate upon the full payment to the Holder of all principal and interest due the Holder in respect of such PC or by reason of Freddie Mac's guarantees.

Section 3.12. Effect of Final Payment Date. The final payment on a PC may occur prior to the month of its Final Payment Date by virtue of prepayments of principal, including prepayments made in connection with the repurchase of any Mortgage. The final payment on any PC will not occur later than the Payment Date in the month of its Final Payment Date for a Gold PC, or the Payment Date in the month following its Final Payment Date for a non-Gold PC.

ARTICLE IV

The PCs

Section 4.01. Book-Entry Form; Minimum Principal Amounts. PCs will be sold in Book-Entry Form only in minimum original principal amounts of $1,000 and additional increments of $1 and will at all times remain on deposit with the FRB in accordance with the provisions of the Book-Entry Rules. The FRB will maintain a book-entry record-keeping system for all transactions in PCs with respect to Holders.

Section 4.02. Transfer of PCs. PCs may be transferred only in minimum original principal amounts of $1,000 and additional increments of $1. A PC may not be transferred if, as a result of the transfer, the original principal balance of such PC on deposit in the account of either the transferor or the new Holder would be less than $1,000. The transfer, exchange or pledge of PCs will be governed by the fiscal agency agreement between

Freddie Mac and the FRB, the Book-Entry Rules and such other procedures as may be agreed upon from time to time by Freddie Mac and the FRB. The FRB will act only upon the instructions of the Holder in recording transfers of a PC. A charge may be made for any transfer of a PC, and will be made for any tax or other governmental charge imposed in connection with a transfer of a PC.

Section 4.03. Record Date. The Record Date for each Payment Date will be the close of business on the last day of the preceding month for Gold PCs and the second preceding month for non-Gold PCs. The Holder of a PC on the books and records of the FRB on the Record Date will be entitled to payment of principal and interest on the related Payment Date.

ARTICLE V

Remedies

Section 5.01. Events of Default. Any one of the following events will be an "Event of Default":

(a) Default in the payment of interest to Holders at the applicable PC Coupon when it is due and payable as provided in this PC Agreement, and the continuance of such default for a period of 30 days;

(b) Default in the payment of principal to Holders when it is due and payable as provided in this PC Agreement, and the continuance of such default for a period of 30 days;

(c) Failure on the part of Freddie Mac to perform any other of the covenants of this PC Agreement, and the continuance of that failure for a period of 60 days after the date of Freddie Mac's receipt of written notification of such failure and a demand for remedy by the Holders of PCs representing not less than 65 percent, by outstanding principal balance, of the PCs issued in respect of the affected PC Pool;

(d) The entry by any court having jurisdiction over Freddie Mac of 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 for the appointment of a receiver, liquidator, assignee, custodian or sequestrator (or other similar official) of Freddie Mac or for all or substantially all of its property, or for the winding up or liquidation of its affairs, if such decree or order remains unstayed and in effect for a period of 60 consecutive days; or

(e) Freddie Mac's commencing a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consenting to the entry of an order for relief in an involuntary case under any such law, or consenting 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 making any general assignment for the benefit of creditors, or failing generally to pay its debts as they become due.

The appointment of a conservator (or other similar official) by a regulator having jurisdiction over Freddie Mac, whether or not Freddie Mac consents to such appointment, will not constitute an Event of Default.

Section 5.02. Remedies. If an Event of Default occurs and is continuing, the Holders of PCs representing a majority, by outstanding principal balance, of the PCs issued in respect of any affected PC Pool may, by written notice to Freddie Mac, remove Freddie Mac and nominate a successor to Freddie Mac under this PC Agreement with respect to such PC Pool. The nominee will be deemed appointed as successor to Freddie Mac unless Freddie Mac objects within 10 days after such nomination, in which case (i) Freddie Mac may petition a court of competent jurisdiction for the appointment of a successor or (ii) any bona fide Holder that has been a 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. If a successor to Freddie Mac is appointed, Freddie Mac will submit to its successor a complete written report and accounting of the Mortgages in the affected PC Pool and will take all other steps necessary or desirable to transfer its interest in and administration of such PC Pool to the successor. Subject to the Freddie Mac Act, a successor may take any action with respect to the Mortgages as may be reasonable and appropriate in the circumstances. Prior to the designation of a successor, the Holders of PCs representing a majority, by outstanding principal balance, of the PCs issued in respect of any affected PC Pool may waive any past or current Event of Default. The appointment of a successor will not relieve Freddie Mac of its guarantee obligations as set forth in this PC Agreement.

Section 5.03. Limitation on Suits by Holders. Except as provided in Section 5.02, no Holder will have any right to institute any action or proceeding at law or in equity or in bankruptcy or otherwise or seek any other remedy whatsoever with respect to this PC Agreement, the PCs or the Mortgages, unless (i) such Holder has previously given Freddie Mac written notice of an Event of Default and the continuance thereof; (ii) the Holders of PCs representing a majority, by outstanding principal balance, of the PCs issued in respect of any affected PC Pool have made a written request to Freddie Mac to institute an action or proceeding in its own name and have offered Freddie Mac reasonable indemnity against the costs, expenses and liabilities to be incurred; (iii) Freddie Mac has failed to institute any such action or proceeding for 60 days after its receipt of such notice, request and offer of indemnity; and (iv) no direction inconsistent with such written request has been given to Freddie Mac during such 60-day period by the Holders of PCs representing a majority, by outstanding principal balance, of the PCs issued in respect of the affected PC Pool. It is understood and intended, and expressly accepted and covenanted by each Holder of a PC representing an interest in any affected PC Pool with every other Holder of a PC representing an interest in such PC Pool and with Freddie Mac, that no Holder will have any right under this PC Agreement to prejudice the rights of any other Holder, to seek or obtain preference or priority over any other Holder or to enforce any right under this PC Agreement except for the ratable and common benefit of all Holders of PCs in any affected PC Pool. For the protection and enforcement of the provisions of this Section 5.03, each and every Holder and Freddie Mac will be entitled to such relief as can be given either at law or in equity. Notwithstanding the foregoing, no Holder's right to receive payment (or to institute suit to enforce payment) of principal and interest as herein provided on or after the due date of such payment will be impaired or affected without the consent of the Holder.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Annual Statements. Within a reasonable time after the end of each calendar year, Freddie Mac will furnish to each Holder on any Record Date during such year information Freddie Mac deems necessary or desirable to enable Holders and Beneficial Owners of PCs to prepare their United States federal income tax returns, if applicable.

Section 6.02. Limitations on Liability of Freddie Mac and Others. Neither Freddie Mac nor any of its directors, officers, employees or agents ("related persons") will be under any liability to Holders for any action taken, or not taken, by them or by a servicer in good faith under this PC Agreement or for errors in judgment. This provision will not protect Freddie Mac or any related 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 this PC Agreement. Freddie Mac and such related persons will have no liability of whatever nature for consequential damages. Freddie Mac and any related person 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 this PC Agreement. Freddie Mac will not be under any obligation to appear in, prosecute or defend any legal action which is not incidental to its duties to service the Mortgages in accordance with this PC Agreement and which in its opinion may involve any expense or liability for Freddie Mac. Freddie Mac may, in its discretion, participate in any such action which it may deem necessary or desirable with respect to any Mortgage, this PC Agreement, the PCs or the rights and duties of the parties hereto and the interests of the Holders hereunder. In such event, the legal expenses and costs of such action and any resulting liability will be expenses for the protection, preservation, and maintenance of the Mortgages borne pro rata by Freddie Mac and Holders as provided in Section 3.08.

Section 6.03. Limitation on Rights of Holders. The death or incapacity of any person having an interest, beneficial or otherwise, in a PC will not terminate this PC Agreement or any PC Pool, nor entitle the legal representatives or heirs of such person, or any Holder for such person, to claim an accounting, take any action or bring any proceeding in any court for a partition or winding up of any PC Pool, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

Section 6.04. Control by Holders. Except as otherwise provided in Article V, no Holder will have any right to vote or to otherwise control in any manner the operation and management of the Mortgages or any PC Pool, or the obligations of the parties hereto. This PC Agreement is not to be construed as making the Holders from time to time partners or members of an association. Holders will not be liable to any third person by reason of any action taken by the parties to this PC Agreement pursuant to any provision hereof.

Section 6.05. Amendment.

(a) This PC Agreement may be amended from time to time by Freddie Mac, without the consent of Holders, to cure any ambiguity, to correct or supplement any provision which may be inconsistent with any other provision, or to provide for any matters or questions arising under this PC Agreement which are not inconsistent with the other provisions of this PC Agreement, provided that any such amendment will not have a material adverse effect on any Holder.

(b) This PC Agreement may be amended as to any PC Pool by Freddie Mac with the consent of Holders representing not less than a majority, by outstanding principal amount, of the PCs issued in respect of the affected PC Pool, except as provided in Section 6.05(c).

(c) This PC Agreement may not be amended to impair or affect the right of any Holder to receive payment of principal and interest on or after the due date of such payment or to institute suit for the enforcement of any such payment on or after such date unless the Holder consents to the amendment.

(d) To the extent that any provisions of this PC Agreement differ from the provisions of any Mortgage Participation Certificate Agreement of Freddie Mac dated prior to the date of this PC Agreement that are applicable to the types of PCs governed by this PC Agreement, this PC Agreement shall be deemed to amend such provisions of the prior Mortgage Participation Certificate Agreement, but only if Freddie Mac, under the terms of such prior Agreement, could have effected such change as an amendment of such prior Agreement without the consent of holders of PCs thereunder. Notwithstanding any provisions of this PC Agreement, however, in the case of any outstanding Original PC that has not been exchanged for a Converted Gold PC, the provisions of the applicable Mortgage Participation Certificate Agreement (as subsequently supplemented or amended) governing such Original PC will not be amended by this PC Agreement; *provided, however,* that each Converted Gold PC issued in exchange for an Original PC will be governed by the provisions of this PC Agreement as in effect from time to time after the date hereof.

(e) Notwithstanding any other provision of this Section 6.05, Freddie Mac, in its discretion and in its own interest, may amend this PC Agreement to reflect any modification in its methodology of calculating payments to Holders, including any modifications described in Sections 3.05 and 3.06.

Section 6.06. Persons Deemed Owners. Freddie Mac and the FRB (or any agent of either) may deem and treat the Holder as the absolute owner of a PC and the undivided interests in the Mortgages represented by such PC for the purpose of receiving payments and for all other purposes, and neither Freddie Mac nor the FRB (nor any agent of either) will be affected by any notice to the contrary. All payments made to a Holder, or upon such Holder's order, will be valid, and, to the extent of the payment, will satisfy and discharge Freddie Mac's payment obligations upon the Holder's PC. Neither Freddie Mac nor the FRB will have any obligation to any Beneficial Owner unless it is also the Holder of such PC.

SECTION 6.07. GOVERNING LAW. THIS PC AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF HOLDERS AND OF FREDDIE MAC WITH RESPECT TO PCs WILL BE 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 THIS PC 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 6.08. Grantor Trust Status. No provision in this Agreement is to be construed to authorize Freddie Mac or any other person to act in any manner which would cause a PC Pool not to be classified as a fixed investment trust for federal income tax purposes pursuant to Treasury regulation section 301.7701-4(c).

Section 6.09. Payments Due on Non-Business Days. If the date fixed for payment on any PC is a day that is not a Business Day, then the payment will be made on the next succeeding Business Day, with the same force and effect as though made on the date fixed for such payment, and no interest will accrue for the period after such date.

Section 6.10. Successors. This PC Agreement will be binding upon and shall inure to the benefit of any successor to Freddie Mac, including any successor by operation of law.

Section 6.11. Headings. The headings in this PC Agreement are for convenience only and do not affect the construction of any provision of this PC Agreement.

Section 6.12. Notice and Demand. Any notice, demand or other communication required or permitted under this PC Agreement to be given to or served upon any Holder may be given or served (i) in writing by deposit in the United States mail, postage prepaid, and addressed to the Holder as the Holder's name and address appear on the books and records of the FRB or (ii) by transmission to such Holder through the communication system of the FRB. Any notice, demand or other communication to or upon a Holder will be deemed to have been sufficiently given or made, for all purposes, upon mailing or transmission.

Any notice, demand or other communication which is required or permitted to be given to or served upon Freddie Mac by any provision of this PC Agreement may be given in writing addressed (until another address is published by Freddie Mac) as follows: Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102, Attention: Senior Vice President-General Counsel and Secretary. Any such notice, demand or other communication to or upon Freddie Mac will be deemed to have been sufficiently given or made only upon actual receipt of the writing by Freddie Mac.

THE SALE OF A PC BY FREDDIE MAC AND RECEIPT AND ACCEPTANCE OF A PC 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 PC OF ALL THE TERMS AND PROVISIONS OF THIS PC AGREEMENT, AND THE AGREEMENT OF FREDDIE MAC, SUCH HOLDER AND SUCH OTHERS THAT THOSE TERMS AND PROVISIONS SHALL BE BINDING, OPERATIVE AND EFFECTIVE AS AMONG FREDDIE MAC AND SUCH HOLDER AND SUCH OTHERS.

FEDERAL HOME LOAN MORTGAGE CORPORATION

This Offering Circular, together with any applicable Pool Supplements, constitutes an offer to sell only the PCs 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 Pool Supplements and in the other documents and sources of information prepared by Freddie Mac and that are described in this Offering Circular. Investors must not rely on any other statements as having been authorized by Freddie Mac. Neither this Offering Circular nor any Pool Supplement constitutes an offer to sell or a solicitation of an offer to buy any PCs 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 Pool Supplement or any other document will be correct at any time after the date of such document, even though delivery of the document and the sale of the PCs take place on a later date.

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Freddie Mac

Mortgage Participation Certificates
(Guaranteed)

Freddie Mac

February 1, 1998