

Freddie Mac

Multiclass Certificates



REMIC Certificates

MACR Certificates

The Certificates

Freddie Mac issues and guarantees Multiclass Certificates, including REMIC Certificates and MACR Certificates. The Certificates are securities that represent interests in pools of assets that are held in trust for investors and are backed by residential mortgages.

REMIC Certificates include:

- Multiclass PCs, which receive their payments from Freddie Mac PCs.
- Multiclass Securities, which receive their payments from GNMA Certificates.

MACR Certificates receive their payments from related REMIC Certificates.

Freddie Mac's Guarantee

We guarantee the payment of interest and principal on the Certificates as described in this Offering Circular. **Principal and interest payments on the Certificates are not guaranteed by, and are not debts or obligations of, the United States or any federal agency or instrumentality other than Freddie Mac.** We alone are responsible for making payments on our guarantee.

Freddie Mac Will Provide More Information for Each Offering

This Offering Circular describes the general characteristics of the Certificates. For each offering, we prepare an offering circular supplement. The supplement will describe more specifically the particular Certificates included in that offering.

Tax Status and Securities Law Exemptions

The Certificates are not tax-exempt. Because of applicable securities law exemptions, we have not registered the Certificates with any federal or state securities commission. No securities commission has reviewed this Offering Circular.

The Certificates may not be suitable investments for you. You should not purchase Certificates unless you have carefully considered and are able to bear the associated prepayment, interest rate, yield and market risks of investing in them. The *Risk Factors* section beginning on page 13 highlights some of these risks.

If you intend to purchase Certificates, you should rely only on the information in this Offering Circular, in the disclosure documents that we incorporate by reference in this Offering Circular as stated under *Additional Information* and in the related offering circular supplement (“**Supplement**”) for those Certificates. We have not authorized anyone to provide you with different information.

This Offering Circular, the related Supplement and any incorporated documents may not be correct after their dates.

We are not offering the Certificates in any jurisdiction that prohibits their offer.

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Appendix I — Index of Terms shows the page numbers where definitions of capitalized terms appear. *Appendix II* contains our standard definitions and abbreviations for various types of Certificates.

FREDDIE MAC

General

Freddie Mac was chartered by Congress in 1970 under the Federal Home Loan Mortgage Corporation Act (the “**Freddie Mac Act**”) with a public mission to stabilize the nation’s residential mortgage markets and expand opportunities for homeownership and affordable rental housing.

Our statutory mission is to provide liquidity, stability and affordability to the U.S. housing market. We fulfill our mission by purchasing, securitizing, and providing our credit guarantee for residential mortgages and by investing in mortgages and mortgage-related securities.

Although we are chartered by Congress, we alone are responsible for making payments on our securities. Neither the U.S. government nor any agency or instrumentality of the U.S. government, other than Freddie Mac, guarantees our securities and other obligations.

Our statutory mission, as defined in our charter, is to:

- Provide stability in the secondary market for residential mortgages;
- Respond appropriately to the private capital market;
- Provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages for low- and moderate-income families, involving a reasonable economic return that may be less than the return earned on other activities); and
- Promote access to mortgage credit throughout the U.S. (including central cities, rural areas and other underserved areas).

Conservatorship

We continue to operate under the conservatorship that commenced on September 6, 2008, conducting our business under the direction of the Federal Housing Finance Agency (“**FHFA**”), our conservator (the “**Conservator**”). Upon its appointment, FHFA, as Conservator, immediately succeeded to all rights, titles, powers and privileges of Freddie Mac and of any stockholder, officer or director of Freddie Mac with respect to us and our assets, and succeeded to the title to all books, records and assets of Freddie Mac held by any other legal custodian or third party. During the conservatorship, our Conservator has delegated certain authority to our Board of Directors to oversee, and to management to conduct, business operations so that we can continue to operate in the ordinary course. The directors serve on behalf of, and exercise authority as directed by, our Conservator. There is significant uncertainty as to our future, as our conservatorship has no specified termination date, and it is unknown what changes may occur to our business model during or following our conservatorship, including whether we will continue to exist. We are not aware of any current plans of our Conservator to significantly change our business structure or capital structure in the near-term. Our future structure and role will be determined by the executive branch and Congress and there are likely to be significant changes beyond the near-term. We have no ability to predict the outcome of these deliberations.

To address deficits in our net worth, FHFA, as Conservator, entered into a senior preferred stock purchase agreement (as amended, the “**Purchase Agreement**”) with the U.S. Department of the Treasury (“**Treasury**”), and (in exchange for an initial commitment fee of senior preferred stock and warrants to purchase common stock) Treasury made a commitment to provide funding, under certain

conditions. We are dependent upon the continued support of Treasury and FHFA in order to continue operating our business. Our ability to access funds from Treasury under the Purchase Agreement is critical to keeping us solvent and avoiding appointment of a receiver by FHFA under statutory mandatory receivership provisions. See the Incorporated Documents for additional information regarding our conservatorship and the Purchase Agreement.

Our Initiatives Under the Making Home Affordable Program and Other Programs

We continue to participate in the Making Home Affordable Program (the “**MHA Program**”), which was announced by the Obama administration in early 2009. The MHA Program is designed to help in the housing recovery, promote liquidity and housing affordability, expand foreclosure prevention efforts and set market standards. We are also participating in other initiatives designed to reduce the number of foreclosures and help keep families in their homes.

Under the MHA Program, Freddie Mac is carrying out initiatives to enable eligible homeowners to refinance qualifying Mortgages and to encourage modifications of such Mortgages for eligible homeowners who are in default and those who are at risk of imminent default, including the following:

- *Home Affordable Refinance initiative.* We call our initiative in this area the “**Relief Refinance Program.**” Under this program, we have set forth the terms and conditions under which we will purchase refinancings of mortgages we own or guarantee. Borrowers under “**Relief Refinance Mortgages**”SM must have an acceptable payment history on the original mortgage. Certain eligible borrowers applying for Relief Refinance Mortgages may be subject to streamlined underwriting procedures and, for certain eligible mortgages, the value of eligible properties may be determined using an automated valuation model. A Relief Refinance Mortgage may be sold to us without mortgage insurance if the original mortgage did not bear mortgage insurance. Applications for Relief Refinance Mortgages must be received on or before December 31, 2015, and the mortgage sold to us no more than 12 months after the note date and on or before September 30, 2016.
- *Home Affordable Modification initiative.* We call our initiative in this area the “**Home Affordable Modification Program**” or “**HAMP.**” Under this program, our servicers offer eligible borrowers, who are delinquent or who are current but at risk of imminent default on their mortgages secured by their primary residences, modifications that provide more affordable mortgage terms. HAMP seeks to provide a uniform, consistent regime that servicers can use in modifying mortgages to prevent foreclosures. Under HAMP, servicers that service mortgages are provided incentives to reduce at-risk borrowers’ monthly mortgage payments to a target payment of 31% of gross monthly income, which may be achieved through a variety of methods, including interest rate reductions, term extensions and principal forbearance. Borrowers are subject to a trial period under which they are required to remit a number of monthly payments that are an estimate of the anticipated modified payment amount. After the borrower successfully meets the requirements of the trial period and provides all required documentation, the mortgage is modified. We bear the full cost of these modifications and do not receive a reimbursement from Treasury. Servicers are paid incentive fees when they originally modify a loan, and, for modifications effective prior to April 1, 2014, over time, if the modified loan remains current. Borrowers whose mortgages are modified through this program will also accrue monthly incentive payments that will be applied to reduce their principal as they successfully make timely payments over a period of five years. Freddie Mac,

rather than Treasury, will bear the costs of these servicer and borrower incentive fees. Mortgage holders are also entitled to certain subsidies for reducing the monthly payments from 38% to 31% of the borrower's income; however, we will not receive such subsidies on mortgages. HAMP applies to mortgages originated on or before January 1, 2009 and Freddie Mac's participation in the program is currently scheduled to expire on December 31, 2015.

In late 2011 we implemented a new non-HAMP standard loan modification initiative, replacing our previous non-HAMP modification initiative. Modifications under the non-HAMP standard modification initiative include capitalization of interest and certain non-interest arrearages, setting of interest rates (increasing or decreasing rates), extending the Mortgage term to 480 months and a borrower trial period of at least three months for the modifications before they are finalized and may include forbearance, but not reduction, of principal balances. The non-HAMP standard modification initiative currently provides for a standard modified interest rate which changes periodically. This initiative also provides for a servicer incentive fee schedule for non-HAMP modifications, comparable to the current HAMP servicer incentive fee structure. The incentive fees are intended to provide greater incentives to our servicers to modify loans earlier in the delinquency. Unlike HAMP modifications, our non-HAMP standard modification does not provide for borrower incentive payments after the initial servicer incentive payment.

See the Incorporated Documents for additional information regarding Freddie Mac's initiatives to enable eligible homeowners to refinance qualifying Mortgages and to modify such Mortgages under the MHA Program and other programs.

ADDITIONAL INFORMATION

Our common stock is registered with the Securities and Exchange Commission (the “**SEC**”) under the Securities Exchange Act of 1934 (“**Exchange Act**”). As a result, we file annual, quarterly and current reports, proxy statements and other information with the SEC.

As described below, we incorporate certain documents by reference in this Offering Circular, which means that we are disclosing information to you by referring you to those documents rather than by providing you with separate copies. We incorporate by reference in this Offering Circular:

- Our most recent Annual Report on Form 10-K, filed with the SEC.
- All other reports we have filed with the SEC pursuant to Section 13(a) of the Exchange Act since the end of the year covered by that Form 10-K, excluding any information “furnished” to the SEC on Form 8-K.
- All documents that we file with the SEC pursuant to Section 13(a), 13(c) or 14 of the Exchange Act after the date of this Offering Circular and prior to the termination of the offering of the related Certificates, excluding any information we “furnish” to the SEC on Form 8-K.
- The current offering circular for our Mortgage Participation Certificates and any related supplements (together, the “**PC Offering Circular**”).
- The current offering circular for our Giant, Stripped Giant and Callable Pass-Through Certificates and any related supplements (together, the “**Giant Offering Circular**”).

These documents are collectively referred to as the “**Incorporated Documents**” and are considered part of this Offering Circular. You should read this Offering Circular and the related Supplement in conjunction with the Incorporated Documents. Information that we incorporate by reference will automatically update information in this Offering Circular. Therefore, you should rely only on the most current information provided or incorporated by reference in this Offering Circular and the related Supplement. In addition, we provide updated information regarding each specific Series and the Assets backing such Series on our internet website at www.freddiemac/mbs/html/sd_remic_lookup.html.

You may read and copy any document we file with the SEC at the SEC’s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains an internet website at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding companies that file electronically with the SEC.

You can obtain, without charge, copies of this Offering Circular, the Incorporated Documents, the Trust Agreement and the related Supplement under which Certificates are issued from:

Freddie Mac — Investor Inquiry
1551 Park Run Drive, Mailstop D50
McLean, Virginia 22102-3110
Telephone: 1-800-336-3672
(571-382-4000 within the Washington, D.C. area)
E-mail: Investor_Inquiry@freddiemac.com

We also make these documents available on our internet website at this address:

Internet Website*: www.freddiemac.com

This Offering Circular relates to Certificates issued on and after August 1, 2014. For information about Certificates issued before that date, see the related Offering Circular (available on our internet website) that was in effect at the time of issuance of those Certificates. Under the Trust Agreement described in this Offering Circular, Freddie Mac has agreed to act as Trustee for and to administer all existing Certificates substantially in accordance with the Trust Agreement, as described in this Offering Circular. See *The Trust Agreement*.

* We are providing this and other internet addresses solely for the information of investors. We do not intend these internet addresses to be active links and we are not using references to these addresses to incorporate additional information into this Offering Circular or any Supplement, except as specifically stated in this Offering Circular.

SUMMARY

This summary highlights selected information about the Certificates. Before buying Certificates, you should read the remainder of this Offering Circular, the Supplement for the particular offering and the Incorporated Documents. You should rely on the information in the Supplement if it is different from the information in this Offering Circular.

Depositor, Trustee, Administrator and Guarantor Federal Home Loan Mortgage Corporation, or “**Freddie Mac**,” a shareholder-owned government-sponsored enterprise.

On September 6, 2008, the Director of FHFA placed Freddie Mac into conservatorship pursuant to authority granted by the Federal Housing Finance Regulatory Reform Act of 2008 (the “**Reform Act**”). As Conservator, FHFA immediately succeeded to all rights, titles, powers and privileges of Freddie Mac, and of any stockholder, officer or director of Freddie Mac, with respect to Freddie Mac and the assets of Freddie Mac. For additional information regarding our conservatorship, see *Freddie Mac — Conservatorship* and *Risk Factors — Governance Factors*.

REMIC Certificates As Depositor, we transfer and deposit mortgage-related assets that we have created or acquired into various trust funds established pursuant to the Trust Agreement. As Trustee for these trust funds, we create and issue under the Trust Agreement “**REMIC Certificates**” representing beneficial ownership interests in “**REMIC Pools**,” which are pools of assets held by those trust funds. We issue REMIC Certificates in series (“**Series**”), each consisting of two or more “**REMIC Classes**.”

“**Multiclass PCs**” are REMIC Certificates backed directly or indirectly by Freddie Mac PCs. “**Multiclass Securities**” are REMIC Certificates backed directly or indirectly by GNMA Certificates.

MACR Certificates Some Series include Classes (“**MACR Classes**”) of Modifiable and Combinable REMIC Certificates (“**MACR Certificates**”). In a Series with MACR Classes, the Holders of specified REMIC Classes can exchange all or part of those Classes for proportionate interests in related MACR Classes and vice versa. The MACR Classes receive payments from their related REMIC Classes.

Appendix III describes MACR Certificates and exchange procedures and fees.

Certificates and Classes	In this Offering Circular and related Supplements, we use the term “ Certificates ” to include REMIC Certificates and MACR Certificates, and the term “ Classes ” to include REMIC Classes and MACR Classes.
Assets and Mortgages	The assets in each REMIC Pool (the “ Assets ”) may include Freddie Mac PCs, GNMA Certificates, mortgage securities issued by entities not affiliated with Freddie Mac or other securities we have created or acquired, all proceeds of those assets, amounts on deposit in a custodial account of collections from those assets and the right to receive payments pursuant to our guarantee. The Assets are backed by residential mortgages (the “ Mortgages ”). The Mortgages may be secured by single-family or multifamily residential properties and may have either fixed or adjustable interest rates.
Payments	As Administrator, we pay principal and interest due on a Class monthly on the applicable Payment Date. Payment Dates fall on or about: <ul style="list-style-type: none"> • The 15th of each month, for Classes backed by PCs. • The 17th or 20th of each month, as applicable, for Classes backed by GNMA Certificates.
<ul style="list-style-type: none"> • Interest 	We pay interest on each Class at its applicable per annum interest rate (“ Class Coupon ”). Interest payable on a Payment Date accrues during the monthly periods specified in the related Supplement. However, interest on Accrual Classes and Partial Accrual Classes is paid only to the extent described in the related Supplements. Principal Only Classes have a Class Coupon of 0% and do not receive interest. Interest payable on an Interest Only Class is calculated on a notional principal amount.
<ul style="list-style-type: none"> • Principal 	<p>We pay principal on the Certificates of each Series on each Payment Date as described in the related Supplement. The Holders of any Class that receives principal payments receive those payments on a pro rata basis, subject to any special allocation procedures that may apply to Retail Classes.</p> <p>Notional Classes receive interest payments but not principal payments. They have notional principal amounts on which we calculate their interest.</p>
Retail Classes	Some Series include Retail Classes, which are designed primarily for individual investors. We typically issue and pay Retail Classes in \$1,000 increments, or “ Retail Class Units. ” <i>Appendix IV</i> describes principal payments on most Retail Classes.

GMC Classes Some Series include Guaranteed Maturity Classes. Guaranteed Maturity Classes have a Final Payment Date earlier than the latest date by which these Classes might be retired solely from payments on their underlying Assets. *Description of Certificates — Payments — Final Payment Dates — Guaranteed Maturity Classes* describes Guaranteed Maturity Classes and redemption procedures for these Classes.

Call and Callable Classes Some Series include pairs of Certificates, each consisting of a “Callable Class” and a “Call Class” that represent the entire beneficial interest in a callable pass-through pool. The Assets of such a pool consist of a REMIC Class from the same Series. The Holder of the Callable Class will be entitled to all of the interest and principal payments on the related Assets. The Holder of the Call Class will not receive payments of principal and interest, but will have the right to direct Freddie Mac to redeem the related Callable Class and to exchange the Call Class for the related Assets. The procedures for exercising the call right, including the redemption period, redemption notice, exchange fees and call payments required to exercise the call right, will be described in the related Supplement. Only one Holder is permitted to hold a Call Class of Certificates at any time.

A Series may also include one or more “Callable Classes” of REMIC Certificates, representing interests in a REMIC Pool, the primary Asset of which is a callable class of CPCs. Such Asset is issued in a pair, together with a call class of CPCs, and will be redeemable at the direction of the holder of that call class of CPCs. As described in the related Supplement, such a redemption of the related Asset will result in the concurrent retirement of each Callable Class of REMIC Certificates.

Guarantee As Guarantor, we guarantee to Holders of each Class the timely payment of interest at the applicable Class Coupon and the payment of its principal amount as described in the related Supplement, including payment in full by its Final Payment Date. In the case of a Holder of a Call Class, we also guarantee all proceeds due to the Holder upon exercise of its call right. **Principal and interest payments on the Certificates are not guaranteed by, and are not debts or obligations of, the United States or any federal agency or instrumentality other than Freddie Mac.**

In the event our Conservator were to repudiate our guarantee obligation, the ability of Holders of Certificates to enforce the guarantee obligation would be limited to actual direct compensatory damages. The rights of Holders to bring proceedings against Treasury are limited if we fail to pay under our guarantee. See *The Trust Agreement — Rights Upon Event*

of Default. Our Conservator has advised us that it has no intention of repudiating the guarantee obligation because it views repudiation as incompatible with the goals of our conservatorship.

Trust Agreement As Trustee, we issue Certificates from each REMIC Pool according to the Trust Agreement, which we summarize in this Offering Circular. You should refer to the Trust Agreement for a complete description of your rights and obligations and those of Freddie Mac as Depositor, Trustee, Administrator and Guarantor.

1% Clean-up Call Unless otherwise provided in the applicable Supplement, as Administrator, we will have a “clean-up call” right to redeem all the remaining Classes of any Series or, in the case of a Double-Tier Series, all the remaining Classes of any Lower-Tier REMIC Pool, on any Payment Date when their aggregate remaining principal amount would be less than 1% of their aggregate original principal amount.

REMIC Election and Tax Status of the Certificates As Administrator, we will elect to treat each REMIC Pool as a real estate mortgage investment conduit (“**REMIC**”) under the Internal Revenue Code of 1986 (the “**Code**”). “**Regular Classes**” constitute “regular interests” in their related REMIC Pools and each “**Residual Class**” constitutes the “residual interest” in its related REMIC Pool.

In general, Regular Classes are taxed as debt instruments, but Residual Classes are not. Special tax rules apply to Residual Classes. These rules often impose tax liabilities on Residual Classes that exceed any payments they receive. You should consult your tax advisor before purchasing a Residual Class.

The arrangements under which MACR Classes are created (“**MACR Pools**”) will be classified as grantor trusts for federal income tax purposes.

Accounting Considerations Various factors may influence the accounting treatment applicable to the Certificates of a Series. You should consult your own accountant regarding the appropriate accounting treatment for Certificates or an exchange of Certificates.

Form of Certificates Each Supplement will specify the form of the Certificates offered by that Supplement.

- Non-Retail Regular and MACR Classes in most cases are issued, held and transferable on the book-entry system of the Federal Reserve Banks (the “**Fed System**”).

- Retail Classes and some other Regular and MACR Classes are issued, held and transferable on the book-entry system (the “**DTC System**”) of The Depository Trust Company or its successor (“**DTC**”).
- We issue some Classes, including all Residual and Call Classes, in registered certificated form. They are transferable at our office, in our capacity as registrar, or at the office of any successor registrar we designate (the “**Registrar**”). You may contact Freddie Mac as Registrar through our Investor Inquiry Department or at:

Freddie Mac — Office of Registrar
 1551 Park Run Drive, MS D5B
 McLean, VA 22102

Holders

As an investor in Certificates, you are not necessarily the Holder of those Certificates. You ordinarily must hold your Certificates through one or more financial intermediaries. You may exercise your rights as an investor only through the Holder of your Certificates, and we may treat the Holder as the absolute owner of your Certificates. The term “**Holder**” means:

- For a Class held on the Fed System, any entity that appears on the records of a Federal Reserve Bank as a holder of that Class.
- For a Class held on the DTC System, DTC or its nominee.
- For a certificated Class, any entity or individual that appears on the records of the Registrar as a registered holder of that Class.

RISK FACTORS

Although we guarantee the payments on the Certificates, and so bear the associated credit risk, as an investor you will bear the other risks of owning mortgage securities. This section highlights some of these risks. Investors should carefully consider the risks described below and elsewhere in this Offering Circular, the related Supplement and the Incorporated Documents before deciding to purchase Certificates. You should also review the *Risk Factors* sections of the PC Offering Circular and Giant Offering Circular for discussions of the risks related to PCs, Giant PCs and the underlying Mortgages. However, neither this Offering Circular nor those other documents describe all the possible risks of an investment in the Certificates that may result from your particular circumstances, nor do they project how the Certificates will perform under all possible interest rate and economic scenarios.

PREPAYMENT AND YIELD FACTORS:

Principal payment rates are uncertain. Principal payment rates on the Certificates will depend on the rates of principal payments on the underlying Mortgages. Mortgage principal payments include scheduled payments and full and partial prepayments, including prepayments that result from refinancings and other voluntary payments by borrowers and from the repurchase of Mortgages due to defaults or delinquencies, inaccurate representations or warranties or other factors. Mortgage prepayment rates fluctuate continuously and in some market conditions substantially. Therefore, we cannot predict the rate of prepayments on the Assets or the rate of principal payments on the related Certificates.

Substantial repurchases of seriously delinquent Mortgages could materially affect the prepayment rates of the Assets backing your Certificates. Starting in March 2010, we began repurchasing seriously delinquent Mortgages from PC pools, and we expect to continue repurchasing most of those Mortgages that become 120 days or more delinquent if we determine that the cost of guarantee payments, including advances of interest, exceeds the cost of holding those nonperforming Mortgages in our retained portfolio, due to our adoption of new accounting standards and changing economics. We will continue to review the economics of repurchasing Mortgages that are 120 days or more delinquent in the future and may reevaluate our delinquent Mortgage repurchase practices and alter them if circumstances warrant.

Increased Mortgage refinance, modification and other loss mitigation programs could materially affect Mortgage prepayment speeds. Working with our Conservator, we have significantly increased our loan modification and foreclosure prevention efforts since we entered into conservatorship, such as foreclosure suspensions and the Relief Refinance and Home Affordable Modification Programs under the MHA Program and our non-HAMP modification initiatives.

Depending on the level of borrower response to our Relief Refinance Program, Home Affordable Modification Program and non-HAMP modification initiatives and the number of borrowers who qualify for such refinancings and modifications, the increase in prepayments on certain Mortgages could be material. Generally, refinancings and modifications of Mortgages result in prepayments to investors in an amount equal to the unpaid principal balance of the affected Mortgages. We cannot predict the number of borrowers who will qualify for these programs or the rate of prepayments on the related Certificates. However, borrowers that take advantage of such programs may later experience difficulties refinancing their Mortgages on market terms, which may later decrease prepayments on such modified or refinanced Mortgages as a result.

Mortgage prepayments are affected by many factors and are unpredictable. The rates of prepayments of Mortgages, and therefore the rates of principal payments on the Assets backing a

Series of Certificates, are influenced by a variety of economic, social and other factors, including local and regional economic conditions, homeowner mobility and the availability of, and costs associated with, alternative financing.

Such factors include but are not limited to prevailing mortgage interest rates, Mortgage characteristics, such as the geographic location of the mortgaged property, loan size, loan-to-value (“LTV”) ratio or year of origination, borrower characteristics (such as credit scores) and equity position in their house, availability and convenience of refinancing and prevailing servicing fee rates. In addition, the rate of defaults and resulting repurchases of the Mortgages and repurchases due to breaches of representations and warranties by Mortgage sellers or repurchases due to servicing violations by Mortgage servicers (presently, we have a substantial backlog of such repurchase requests to Mortgage sellers and servicers), or due to modification, such as may occur upon a borrower’s successful completion of a trial period under our Home Affordable Modification Program or non-HAMP modification initiatives, or refinancing as a result of an actual or imminent default, could affect prepayment rates and adversely affect the yield on your Certificates.

Prepayments can reduce your yield. Your yield on a Class of Certificates will depend on its price, the rate of prepayments on its underlying Assets, and the other characteristics of the Mortgages. The Mortgages may be prepaid at any time, in most cases without penalty.

- If you purchase your Class at a discount to its principal amount and the rate of principal payments is slower than you expect, you will receive payments over a longer period than you expect, so the yield on your investment will be lower than you expect.
- If you purchase your Class at a premium over its principal amount and the rate of principal payments is faster than you expect, you will receive payments over a shorter period than you expect, so the yield on your investment will be lower than you expect.
- If you purchase an Interest Only Class or any other Class at a significant premium and prepayments are fast, you may not even recover your investment.
- In general, the rate of prepayments early in your investment has the greatest effect on your yield to maturity. A negative effect on your yield produced by principal prepayments at a higher (or lower) rate than you expect in the period immediately following your purchase of your Class is not likely to be fully offset by an equivalent reduction (or increase) in that rate in later periods.

Callable Classes are subject to redemption risks. If you own a Callable Class, a redemption of the underlying Assets will be similar in its principal payment effect to a full prepayment of all the related Mortgages. After a Callable Class becomes redeemable, its value is not likely to exceed, and may be lower than, its redemption price.

Index levels can reduce your yield if you own a Floating Rate or Inverse Floating Rate Class. The yield on your Class could be lower than you expect:

- If you own a Floating Rate Class and the levels of the applicable Index are lower than you expect.
- If you own an Inverse Floating Rate Class and the levels of the applicable Index are higher than you expect.

If you buy an Interest Only Floating Rate Class, you may not even recover your investment if the level of the applicable Index is low or prepayments are fast. If you buy an Interest Only Inverse Floating

Rate Class, you may not even recover your investment if the level of the applicable Index is high or prepayments are fast.

Classes that support other Classes are more sensitive to prepayment rates. If you own a Class, such as a Support Class, that supports the principal payment stability of other Classes, your Class is likely to be more sensitive to prepayment rates than are any Classes it supports. You may not receive principal payments on your Class for extended periods of time, and you may receive principal payments that change significantly from period to period. The same may be true if the Assets underlying your Certificates include a previously issued Class that supports other Classes in its own Series.

Classes may not adhere to their principal payment schedules. If you own a Class, such as a PAC, TAC or Scheduled Class, that was structured to receive principal payments in accordance with a schedule, we cannot assure you that your Class will adhere to that schedule. In most cases, such Classes do not adhere to their schedules after a period of time has elapsed. Your Class will become more sensitive to Mortgage prepayments after its own supporting Classes are retired. Moreover, your Class may support other Classes. The same may be true if the Assets underlying your Certificates include a previously issued Class that was structured to receive principal payments in accordance with a schedule in its own Series.

Reinvestment of principal payments may produce lower yields; expected principal payments may not be available for reinvestment. Mortgages tend to prepay fastest when current interest rates are low. When you receive principal payments in a low interest rate environment, you may not be able to reinvest them in comparable securities with as high a yield as your Certificates. When current interest rates are high, Mortgages tend to prepay more slowly and your ability to reinvest principal payments could be delayed. If the yield on comparable investments is higher than the yield of your Certificates at that time, you could be disadvantaged by not receiving principal for reinvestment as quickly as you expected.

General economic conditions could adversely affect your Certificates. Despite a general improvement in the residential housing market, certain segments of the market continue to experience serious difficulties. A substantial number of borrowers remain “underwater,” or owe more on their Mortgages than their homes are currently worth. In addition, adverse conditions in the economy and the housing market may make it difficult or impossible for many borrowers to sell their homes or refinance their mortgages.

These circumstances may persist and could worsen and accelerate if the United States economy, the housing market and consumer confidence do not continue to recover or if foreign economies experience difficulties. Payment defaults on Mortgages could result in accelerated prepayments of your Certificates as a result of Mortgage modifications, refinancings, foreclosures or workouts.

The rate of such refinancings and modifications could also increase as a result of our Relief Refinance and Home Affordable Modification Programs and our non-HAMP modification initiatives. These developments could adversely affect the liquidity, pricing and yield of your Certificates. Payment and recovery of principal on the Certificates could depend on our ability to honor our guarantee obligations. See *Increased Mortgage refinance, modification and other loss mitigation programs could materially affect Mortgage prepayment speeds.*

INVESTMENT FACTORS:

The Certificates may not be suitable investments for you. The Certificates are complex securities. You, alone or together with your financial advisor, need to understand the risks of your investment. You need to be able to analyze the information in the related offering documents and the Incorporated Documents, as well as the economic, interest rate and other factors that may affect your investment. You also need to understand the terms of the Certificates and any investment restrictions that may apply to you. Because each investor has different investment needs and different risk tolerances, you should consult your own financial, legal, accounting and tax advisors to determine if the Certificates are suitable investments for you. If you require a definite payment stream, or a single payment on a specific date, the Certificates are not suitable investments for you. If you purchase Certificates, you need to have enough financial resources to bear all of the risks related to your investment.

The Certificates are subject to liquidity risk. Illiquidity can have a severely negative impact on the prices of the Certificates, especially those that are particularly sensitive to prepayment or interest rate risk. The Certificates are not traded on any exchange and the market price of a particular issuance of Certificates or a benchmark price may not be readily available. A secondary market for some types of Certificates may not develop. Even if a market develops, it may not continue. As a result, you may not be able to sell your Certificates easily or at prices that will allow you to realize your desired yield. The secondary markets for some Certificates have experienced periods of illiquidity in the past, and can be expected to do so again in the future. Our financial condition, our conservatorship, uncertainty concerning our future structure and organization, including whether we will continue to exist, the level of governmental support for Freddie Mac and market perceptions or speculation concerning such factors could materially affect the liquidity and pricing of your Certificates. Moreover, adverse national or global financial developments may materially affect the liquidity and pricing of your Certificates. These include, among others: the disruption of international and domestic credit markets, recessionary or weak economic conditions in the U.S. and in foreign countries (including those countries that own and trade our Certificates and other mortgage-backed securities), severe contraction in the residential mortgage credit market and the demise and consolidation of several major securities broker-dealers and financial institutions (including substantial mortgage originators). See *Prepayment and Yield Factors: General economic conditions could adversely affect your Certificates.*

The Certificates are subject to market risk. The market value of your Certificates will vary over time, primarily in response to changes in prevailing interest rates. Financial, regulatory and legislative developments concerning Freddie Mac generally, including whether we are in conservatorship or receivership, could affect prices for your Certificates. In addition, any adverse change in the market perception of our level of governmental support or credit standing could reduce the market price of the Certificates. If you sell your Certificates when their market values are low, you may experience significant losses. The value of each Call Class will depend primarily on the market value of the Assets to which the related call right applies (which will depend on prevailing interest rates and other market and economic conditions), market expectations about its future value, and the costs associated with any exercise of the call right. If you own a Call Class, you should consider the risk that you may lose all of your initial investment.

Your ability to exchange REMIC Certificates and MACR Certificates may be limited. You must own specific Classes in the correct proportions to enter into an exchange involving MACR Certificates. If you do not own such specific Classes, you may not be able to obtain them because:

- The owner of a Class that you need for an exchange may refuse or be unable to sell that Class to you at a reasonable price or at any price.
- Some Classes may be unavailable because they have been placed into other financial structures, including other REMIC Pools.
- Principal payments and prepayments over time will decrease the amounts available for exchange.

You may not be allowed to buy Certificates. If you are subject to investment laws and regulations or to review by regulatory authorities, you may not be allowed to invest in some types of Certificates or in Certificates generally. If you purchase Certificates in violation of such laws or regulations, you may be compelled to divest such Certificates. See *Legal Investment Considerations*.

GOVERNANCE FACTORS:

The Conservator may repudiate our contracts, including our guarantee. As Conservator, FHFA may disaffirm or repudiate contracts (subject to certain limitations for qualified financial contracts) that we entered into prior to its appointment as Conservator if it determines, in its sole discretion, that performance of the contract is burdensome and that disaffirmation or repudiation of the contract promotes the orderly administration of our affairs. The Reform Act requires FHFA to exercise its right to disaffirm or repudiate most contracts within a reasonable period of time after its appointment as Conservator. In a final rule published in June 2011, FHFA defines a reasonable period of time to disaffirm or repudiate a contract following the appointment of a conservator or receiver to be 18 months.

The Conservator has advised us that it has no intention of repudiating any guarantee obligation relating to Freddie Mac's mortgage-related securities, including the Certificates, because it views repudiation as incompatible with the goals of the conservatorship. In addition, the Reform Act provides that mortgage loans and mortgage-related assets that have been transferred to a Freddie Mac securitization trust must be held for the beneficial owners of the related Freddie Mac mortgage-related securities, including the Certificates, and cannot be used to satisfy our general creditors.

If our guarantee obligations were repudiated, payments of principal and/or interest to Holders would be reduced in the event of any borrowers' late payments or failure to pay or a servicer's failure to remit borrower payments to the trust. In that case, trust administration and servicing fees could be paid from payments on the Assets prior to distributions to Holders. Any actual direct compensatory damages owed due to the repudiation of our guarantee obligations may not be sufficient to offset any shortfalls experienced by Holders.

The Conservator also has the right to transfer or sell any asset or liability of Freddie Mac, including our guarantee obligation, without our approval, assignment or consent. If the Conservator were to transfer our guarantee obligation to another party, Holders would have to rely on that party for satisfaction of the guarantee obligation and would be exposed to the credit risk of that party.

FHFA could terminate our conservatorship by placing us into receivership, which could adversely affect our guarantee, and restrict or eliminate certain rights of Holders. Under the Reform Act, FHFA must place us into receivership if the Director of FHFA makes a determination in writing that our assets are, and for a period of 60 days have been, less than our obligations. FHFA has notified us that the measurement period for any mandatory receivership determination with respect to our assets and obligations would commence no earlier than the SEC public filing deadline for our quarterly or annual financial statements and would continue for 60 calendar days after that date. FHFA has also advised us that, if, during that 60-day period, we receive funds from Treasury in an amount at least equal to the deficiency amount under the Purchase Agreement, the Director of FHFA will not make a mandatory receivership determination.

In addition, we could be put into receivership at the discretion of the Director of FHFA at any time for a number of reasons, including critical undercapitalization. In addition, FHFA could be required to place us into receivership if Treasury is unable to provide us with funding requested under the Purchase Agreement to address a deficit in our net worth. Treasury might not be able to provide the requested funding if, for example, the U.S. government were shut down or if the U.S. government reached its borrowing limit and, as a result, Treasury was unable to obtain funds sufficient to cover the request.

A receivership would terminate the current conservatorship. The appointment of FHFA as our receiver would terminate all rights and claims that our stockholders and creditors may have against our assets or under our charter arising as a result of their status as stockholders or creditors, other than the potential ability to be paid upon our liquidation. Unlike conservatorship, the purpose of which is to conserve our assets and return us to a sound and solvent condition, the purpose of receivership is to liquidate our assets and resolve claims against us. Bills pending in Congress provide for Freddie Mac to eventually be placed into receivership.

If FHFA were to become our receiver, it could exercise certain powers that could adversely affect Holders. As receiver, FHFA could repudiate any contract entered into by us prior to its appointment as receiver if FHFA determines, in its sole discretion, that performance of the contract is burdensome and that repudiation of the contract promotes the orderly administration of our affairs. The Reform Act requires that any exercise by FHFA of its right to repudiate any contract occur within a reasonable period following its appointment as receiver.

If FHFA, as receiver, were to repudiate our guarantee obligations, the receivership estate would be liable for actual direct compensatory damages as of the date of receivership under the Reform Act. Any such liability could be satisfied only to the extent our assets were available for that purpose. Moreover, if our guarantee obligations were repudiated, payments of principal and/or interest to Holders would be reduced in the event of any borrowers' late payments or failure to pay or a servicer's failure to remit borrower payments to the trust. In that case, trust administration and servicing fees could be paid from payments on the Assets prior to distributions to Holders of Certificates. Any actual direct compensatory damages owed due to the repudiation of our guarantee obligations may not be sufficient to offset any shortfalls experienced by Holders.

In its capacity as receiver, FHFA would have the right to transfer or sell any asset or liability of Freddie Mac, including our guarantee obligation, without any approval, assignment or consent of any party. If FHFA, as receiver, were to transfer our guarantee obligation to another party, Holders would have to rely on that party for satisfaction of the guarantee obligation and would be exposed to the credit risk of that party.

During a receivership, certain rights of Holders of Certificates under the Trust Agreement may not be enforceable against FHFA, or enforcement of such rights may be delayed. The Trust Agreement provides that upon the occurrence of a Guarantor event of default, which includes the appointment of a receiver, Holders have the right to replace Freddie Mac as Trustee and Administrator if the requisite percentage of Holders consent. Pursuant to the Reform Act, FHFA, as receiver, may prevent Holders from enforcing their rights to replace Freddie Mac as Trustee and Administrator if the event of default arises solely because a receiver has been appointed.

The Reform Act also provides that no person may exercise any right or power to terminate, accelerate or declare an event of default under certain contracts to which Freddie Mac is a party, or obtain possession of or exercise control over any property of Freddie Mac, or affect any contractual rights of Freddie Mac, without the approval of FHFA as receiver, for a period of 90 days following the appointment of FHFA as receiver.

If we are placed into receivership and do not or cannot fulfill our guarantee obligation to Holders of Certificates, Holders could become unsecured creditors of Freddie Mac with respect to claims made under our guarantee. For a description of certain rights of Holders to proceed against the Treasury if we fail to pay under our guarantee, see *The Trust Agreement — Rights Upon Event of Default*.

APPLICATION OF PROCEEDS

Most Certificates are issued in exchange for the underlying Assets, in which case we do not receive cash proceeds. In some instances, we issue Certificates backed by Assets that we already own. In those transactions, we use the net proceeds received from the sale of the Certificates to the related dealers for cash to provide funds for general corporate purposes, including the purchase and financing of additional Mortgages and mortgage securities.

DESCRIPTION OF CERTIFICATES

REMIC POOL STRUCTURES

Each Series may be either a **“Single-Tier Series”** or a **“Double-Tier Series.”**

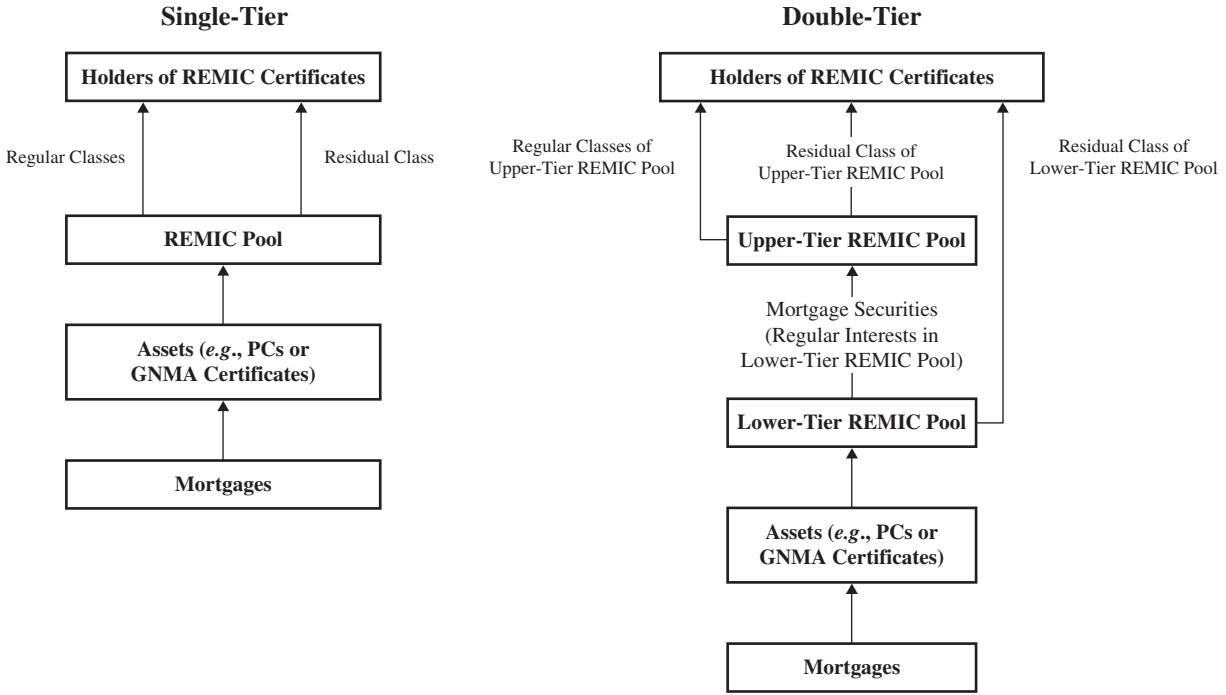
The REMIC Certificates of a Single-Tier Series represent beneficial ownership interests in a single REMIC Pool within the related trust fund. The REMIC Certificates of a Double-Tier Series represent beneficial ownership interests in an **“Upper-Tier REMIC Pool”** and one or more **“Lower-Tier REMIC Pools”** within the related trust fund.

In a Double-Tier Series:

- The Classes issued from each Lower-Tier REMIC Pool (the **“Lower-Tier Classes”**) represent beneficial ownership interests in that Pool.
- One or more Lower-Tier Classes are included in the Upper-Tier REMIC Pool, where they will constitute the **“Mortgage Securities”** of that Pool.
- The Classes issued from the Upper-Tier REMIC Pool (the **“Upper-Tier Classes”**) represent beneficial ownership interests in that Pool.

The REMIC Certificates offered in a Double-Tier Series usually include all of the Upper-Tier Classes plus the Residual Class of each Lower-Tier REMIC Pool.

The following diagrams illustrate the structures for typical Single-Tier and Double-Tier Series. Any particular Series may have a different structure, as described in the related Supplement. For example, Double-Tier Series sometimes include more than one Lower-Tier REMIC Pool, and Series with Guaranteed Maturity Classes include additional REMIC Pools, as described in the related Supplements.



The Classes of Certificates fall into different descriptive categories. Each Supplement will identify the categories applicable to each Class by using standard abbreviations. These abbreviations and their definitions appear in *Appendix II*.

REMIC POOL ASSETS

General

Each REMIC Pool includes any one or more of the following Assets:

- PCs, including Freddie Mac Mortgage Participation Certificates and Freddie Mac Giant PCs.
- GNMA-Related Securities, including GNMA Certificates and Freddie Mac Giant Securities.
- Previously or concurrently issued REMIC or MACR Classes.
- Freddie Mac Stripped Giant Certificates.
- One or more Callable Classes of Freddie Mac Callable Pass-Through Certificates (“CPCs”). (CPCs are pass-through securities that consist of related pairs of “Callable Classes” and “Call Classes” as described in the Giant Offering Circular.)
- Eligible securities issued by entities not affiliated with Freddie Mac, each representing all or part of the direct or indirect beneficial ownership of one or more pools of Mortgages.
- Any other types of securities that are eligible for inclusion in a REMIC and that receive payments directly or indirectly from Mortgages.

Each REMIC Pool may also include cash or other eligible assets. See *The Trust Agreement — Transfer of Assets to REMIC Pool*. In Series with Retail Classes, REMIC Pools usually include non-interest bearing cash deposits in amounts specified in the related Supplement (“**Retail Rounding Accounts**”) to be applied as described in *Appendix IV*. In addition, each trust fund may hold a MACR Pool or other assets that are not part of any REMIC Pool.

In any Series, the underlying Assets may be divided into two or more groups (“**Asset Groups**”). The Supplement for each Series will contain more specific information regarding the Assets for the Series.

The remainder of this section describes the general characteristics of PCs and GNMA-Related Certificates, which directly or indirectly back all Certificates.

PCs

“**PCs**” include Freddie Mac Mortgage Participation Certificates and Freddie Mac Giant PCs. Our PC Offering Circular and Giant Offering Circular describe the characteristics of the various types of PCs. Supplements for Certificates backed by PCs will incorporate by reference the current PC and Giant Offering Circulars.

Mortgage Participation Certificates

Mortgage Participation Certificates are single-class securities, guaranteed by us, that represent undivided interests in pools of Mortgages. Nearly all Mortgages that back Mortgage Participation Certificates are conventional mortgages, which means that neither the United States nor any federal agency or instrumentality guarantees or insures them.

If the underlying Mortgages have fixed rates of interest or were modified pursuant to our HAMP or non-HAMP initiatives, the Mortgage Participation Certificates may be either “**Gold PCs**” or “**Original PCs**.” If the underlying Mortgages have adjustable rates of interest (“**ARMs**”), the related Mortgage Participation Certificates are called “**ARM PCs**.”

For Gold PCs, there is a delay of approximately 45 days between the time interest begins to accrue and the time the investor receives the interest payment. This time period is a “**Payment Delay**.” Original PCs and ARM PCs have a Payment Delay of approximately 75 days.

Giant PCs

“**Giant PCs**” are Freddie Mac Giant Certificates that represent pass-through interests in Mortgage Participation Certificates. Giant PCs have names — “**Gold Giant PCs**,” “**Original Giant PCs**” and “**ARM Giant PCs**” — that identify their underlying assets and the applicable Payment Delay.

Non-Standard Mortgages

Some PCs represent interests in special types of Mortgages, such as relocation Mortgages, cooperative share Mortgages or extended buydown Mortgages. These types of Mortgages may prepay differently than standard Mortgages.

Some PCs represent interests in other special types of Mortgages, such as initial interest Mortgages (which we ceased purchasing on or about September 1, 2010), reduced servicing fee Mortgages, biweekly Mortgages, assumable Mortgages, Mortgages modified by us and re-securitized,

super-conforming Mortgages, jumbo-conforming Mortgages, high LTV Mortgages or prepayment penalty Mortgages. Jumbo-conforming and super-conforming ARM Mortgages, and in some cases, super-conforming fixed-rate Mortgages, may be combined and included in a single PC pool.

See the PC Offering Circular and our internet website for information on how PC pool numbers and prefixes indicate the general type of Mortgages backing a PC.

GNMA-Related Securities

“GNMA-Related Securities” may be either GNMA Certificates or Freddie Mac Giant Securities.

GNMA Certificates

“GNMA Certificates” are mortgage-backed securities that the Government National Mortgage Association (**“GNMA”**) guarantees. GNMA is a corporate instrumentality of the United States within the U.S. Department of Housing and Urban Development (**“HUD”**). GNMA guarantees the timely payment of principal and interest on certificates that are backed by pools of mortgages insured or guaranteed by the Federal Housing Administration, the U.S. Department of Veterans Affairs, the U.S. Department of Agriculture Rural Development (formerly the Rural Housing Service) or HUD.

Investors in GNMA Certificates receive monthly payments of interest and scheduled principal, even if the borrowers on the underlying mortgages have not made their monthly payments. GNMA’s guarantee obligations, unlike Freddie Mac’s, are backed by the full faith and credit of the United States.

Mortgage banking companies and other financial concerns approved by GNMA issue and service GNMA Certificates. GNMA guarantees securities under its GNMA I program (**“GNMA I Certificates”**) and GNMA II program (**“GNMA II Certificates”**). Holders of GNMA I Certificates and GNMA II Certificates have substantially similar rights, although a few differences do exist.

Under the GNMA I program, a single GNMA issuer assembles a pool of mortgages and issues and markets GNMA I Certificates that are backed by that pool. The origination date of mortgages in the pool must be within two years of the date that the related GNMA I Certificates are issued. All mortgages underlying a particular GNMA I Certificate must be of the same type (for example, all single-family, level payment mortgages) and have the same fixed interest rate. The pass-through rate on each GNMA I Certificate is 50 basis points less than the interest rate on the mortgages included in the pool. Holders of GNMA I Certificates receive payments on or about the 15th of each month. GNMA I Certificates have a Payment Delay of approximately 45 days.

Under the GNMA II program, a pool may consist of mortgages submitted by more than one GNMA issuer. The resulting pool backs a single issue of GNMA II Certificates, which each participating issuer markets to the extent that it contributed mortgages to the pool. Each GNMA II Certificate issued from a multiple issuer pool, however, represents an interest in the entire pool, not just in mortgages contributed to the pool by a particular GNMA issuer. GNMA II Certificates also may be backed by a custom pool of fixed-rate mortgages formed by a single issuer. Holders of GNMA II Certificates receive payments on or about the 20th of each month. GNMA II Certificates have a Payment Delay of approximately 50 days.

Each GNMA II Certificate pool consists entirely of fixed-rate mortgages or entirely of ARMs. Fixed-rate mortgages underlying any particular GNMA II Certificate must be of the same type, but may have annual interest rates that vary from each other by up to 100 basis points. The pass-through rate on each fixed-rate GNMA II Certificate will be 50 to 150 basis points per annum, in the case of GNMA II Certificates issued prior to July 1, 2003, and 25 to 75 basis points per annum, in the case of GNMA II Certificates issued on or after July 1, 2003, less than the highest per annum interest rate on any mortgage included in the pool.

ARMs underlying any particular GNMA II Certificate will have interest rates that adjust annually based on the one-year Treasury index. GNMA pooling specifications require that all ARMs in a given pool have an identical first adjustment date, annual interest adjustment date, first payment adjustment date, index reference date and means of adjustment. All of the ARMs underlying a particular GNMA II Certificate issued prior to July 1, 2003 must have interest rates that are 50 to 150 basis points per annum above the interest rate of the GNMA II Certificate. In addition, the mortgage margin for those ARMs must be 50 to 150 basis points per annum greater than the margin for the related GNMA II Certificate. All of the ARMs underlying a particular GNMA II Certificate issued on or after July 1, 2003 must have interest rates that are 25 to 75 basis points per annum above the interest rate of the related GNMA II Certificate. In addition, the mortgage margin with respect to those ARMs must be 25 to 75 basis points per annum greater than the margin for the related GNMA II Certificate. The ARMs and GNMA II Certificates have an annual adjustment cap of $\pm 1\%$ and lifetime cap of $\pm 5\%$ above or below the initial interest rate; provided however, that with respect to GNMA II Certificates issued on or after October 1, 2003 and backed by 7-year and 10-year hybrid ARMs, these GNMA II Certificates and the related mortgage loans will be subject to an annual adjustment cap of $\pm 2\%$ and a lifetime cap of $\pm 6\%$ above or below the initial interest rate. Thirty days after each annual interest adjustment date, the payment amount of an ARM resets so that its remaining principal balance would fully amortize in equal monthly payments over its remaining term to maturity, assuming its interest rate were to remain constant at the new rate.

Under its “Platinum” program, GNMA guarantees certificates that represent ownership interests in pools of GNMA I Certificates or GNMA II Certificates. The terms “GNMA I Certificates” and “GNMA II Certificates” include certificates guaranteed under the Platinum program.

Giant Securities

“**Giant Securities**” are Freddie Mac Giant Certificates that represent ownership interests in GNMA Certificates. Our Giant Offering Circular describes the characteristics of Giant Securities. Supplements for Certificates backed by GNMA-Related Securities will incorporate by reference the current Giant Offering Circular.

PAYMENTS

Class Factors

General

As Administrator, we calculate and make available each month (including on our internet website) the Class Factor for each Class of Certificates having a principal or notional principal amount.

The “**Class Factor**” for any Class having a principal amount for any month is a truncated eight-digit decimal that, when multiplied by the original principal amount of a Certificate of that Class, will

equal its remaining principal amount. The Class Factor for any month reflects payments of principal (or, in the case of Accrual and Partial Accrual Classes, additions to principal) to be made on the Payment Date:

- In the same month, for Classes backed by Gold PCs or GNMA Certificates.
- In the following month, for Classes backed by Original PCs or ARM PCs.

Class Factors will be available on or about:

- The fifth Business Day (as defined below) of each month, for Classes backed by PCs.
- The tenth Business Day of each month, for Classes backed by GNMA Certificates.

A Class Factor for a Notional Class reflects the remaining notional principal amount of a Certificate of that Class in the same manner. The Class Factor for a Retail Class applies to that Class as a whole, not to individual Retail Class Units, and disregards any rounding of principal payments.

For Component Classes, we also make available “**Component Factors**” for each Component. The Component Factor for a Component is analogous to the Class Factor for a Class. You can obtain Component Factors from our Investor Inquiry Department.

We calculate the Class Factors for MACR Classes and REMIC Classes that are exchangeable for MACR Classes assuming that the maximum possible amount of each Class is outstanding at all times, without regard to any exchanges that may occur.

The Class Factor for each Class for the month of its issuance is 1.00000000.

Class Factors for Multiclass Securities

We calculate Class Factors for Multiclass Securities and related MACR Classes by using GNMA Certificate factors reported each month. Currently, the reported factors that we use are preliminary and subject to revision. In addition, there may not be reported factors for some GNMA Certificates. If a factor has not been reported, we will estimate it on the basis of assumed Mortgage amortization schedules. Our estimate will reflect payment factor information previously reported and estimated subsequent scheduled amortization (but not prepayments) on the related Mortgages.

Because GNMA Certificate factors may be preliminary, and we must estimate factors when reported factors are not available, there may be variances between the principal payments we receive on the GNMA Certificates in any month and the amounts we pay on the related Certificates, as reflected by their Class Factors for that month. However, the Class Factors for any month will reconcile any variances that occurred in the preceding month. Our determination of the Class Factors in the manner described above will be final.

Payment Dates

As Administrator, we make payments to the Holders of Certificates on each applicable Payment Date. A “**Payment Date**” is:

- For Classes backed by PCs, the 15th of each month or, if the 15th is not a Business Day, the next Business Day.

- For Classes backed entirely by GNMA I Certificates, the 17th of each month or, if the 17th is not a Business Day, the next Business Day.
- For Classes backed entirely or partly by GNMA II Certificates, the 20th of each month or, if the 20th is not a Business Day, the next Business Day.

For this purpose, “**Business Day**” means a day other than:

- A Saturday or Sunday.
- A day when Freddie Mac is closed.
- For Classes on the Fed System, a day when the Federal Reserve Bank of New York (or other agent acting as Freddie Mac’s fiscal agent) is closed or, as to any Holder, a day when the Federal Reserve Bank that maintains the Holder’s account is closed.
- For Classes on the DTC System, a day when DTC is closed.

Payments of Principal

On each Payment Date, we pay principal to the Holders of each Class on which principal is then due, as described in the related Supplement.

For any Payment Date, the total amount of principal payments to be made on the Classes of any Series equals the sum of:

- Any interest that has accrued on any Accrual or Partial Accrual Classes of that Series during the applicable Accrual Period (as described below) and is not payable as interest on that Payment Date.
- The amount of principal payments required to be made in the same month on the underlying Assets. For Multiclass Securities, we calculate this amount as described under *Class Factors — Class Factors for Multiclass Securities* above.

Subject to special allocation procedures that may apply to a Retail Class, the Holders of Certificates of any Class entitled to receive principal payments on any Payment Date receive those payments on a pro rata basis. *Appendix IV* describes how we typically make principal payments on Retail Classes.

For convenience in describing payments on it, each Component Class is deemed to consist of two or more “**Components.**” These Components, together, constitute a single Class and are not separately issued or transferable. However, discussions in this Offering Circular and in Supplements regarding the payment characteristics of the various categories of Classes also apply to Components within the same categories.

Payments of Interest

Interest will accrue on each Certificate during each Accrual Period at the applicable Class Coupon, if any, described in the related Supplement. We compute interest on the basis of a 360-day year of twelve 30-day months. Interest accrued on an Accrual or Partial Accrual Class is payable to the extent provided in the related Supplement, and the amount of any interest accrued and not paid as interest is added to the principal amount of that Class. Any accrued interest so added will also accrue interest. No interest at all will be paid on any Class (including any Retail Class Unit) after its balance has been reduced to zero.

Each Residual Class receives interest on each Payment Date either (a) at its Class Coupon, if any, or (b) in an amount equal to the interest payments received on the Assets in the related REMIC Pool on that Payment Date in excess of the total amount of interest payable on (or added to) the related Regular Classes on that Payment Date. In most cases, any such excess is insignificant.

The “**Accrual Period**” relating to any Payment Date is:

- For a Fixed Rate, Ascending Rate, Descending Rate or Delay Class backed by Gold PCs or GNMA Certificates, the calendar month preceding the Payment Date.
- For a Fixed Rate, Ascending Rate, Descending Rate or Delay Class backed by Original PCs or ARM PCs, either the period:
 - From the 15th of the second month preceding the Payment Date to the 15th of the month preceding the Payment Date.
 - The second calendar month preceding the Payment Date.
- For a Floating Rate or Inverse Floating Rate Class (other than a Delay Class) backed by PCs, the period from the 15th of the month preceding the Payment Date to the 15th of the month of the Payment Date.
- For a Floating Rate or Inverse Floating Rate Class (other than a Delay Class) backed by GNMA Certificates, either the period:
 - From the 17th of the month preceding the Payment Date to the 17th of the month of the Payment Date (for Classes backed entirely by GNMA I Certificates).
 - From the 20th of the month preceding the Payment Date to the 20th of the month of the Payment Date (for Classes backed in whole or in part by GNMA II Certificates).

Interest Rate Indices

Each Floating Rate or Inverse Floating Rate Class bears interest during each Accrual Period by reference to one of the following indices (each, an “**Index**”), as described in the related Supplement:

- “**LIBOR**,” the arithmetic mean of the London interbank offered rates for Eurodollar deposits with a maturity of one month, three months, one year or some other maturity, as described in the related Supplement.
- “**COFI**,” the Cost of Funds Index, which reflects the weighted average cost of funds for savings institutions in Arizona, California and Nevada that are members of the Eleventh Federal Home Loan Bank District.
- A “**Treasury Index**,” the auction average (investment) yield on three-month or six-month Treasury bills or the weekly average yield on Treasury securities adjusted to a constant maturity of one, three, five, seven, ten or thirty years or to some other constant maturity, as specified in the related Supplement.
- The “**Prime Rate**,” the prime or base lending rate of major banks as published in *The Wall Street Journal*.

Classes bearing interest based on these Indices are called “**LIBOR Classes**,” “**COFI Classes**,” “**Treasury Index Classes**” and “**Prime Rate Classes**,” as applicable.

Appendix V describes how we determine these Indices for each Accrual Period. Absent clear error, our determination of the applicable Index levels and our calculation of the Class Coupons for Floating Rate and Inverse Floating Rate Classes for each Accrual Period will be final and binding. You can get the Class Coupons for the current and all preceding Accrual Periods from our internet website or from our Investor Inquiry Department.

Residual Classes

Holders of each Residual Class are entitled to receive:

- On each Payment Date, any payments of principal and interest described in the related Supplement.
- Upon surrender of their Certificates to the Registrar, the proceeds of any remaining Assets of the related REMIC Pool after we have made all required principal and interest payments on all Classes issued from that REMIC Pool.

Residual Classes are subject to transfer restrictions, including restrictions on ownership by foreign persons. See *Certain Federal Income Tax Consequences — Transfers of Interests in a Residual Class*.

We will provide Holders of Residual Classes information to enable them to prepare reports required under the Code or applicable Treasury regulations. Because we do not intend to hold any Residual Class, applicable law may not allow us to perform tax administrative functions for the REMIC Pools. Therefore, if you own a Residual Class, you may have certain tax administrative obligations, for which we will act as your attorney-in-fact and agent. See *Certain Federal Income Tax Consequences*.

Record Dates

As Administrator, we make payments on each Payment Date to Holders as of the related Record Date. The “**Record Date**” for any Payment Date is the close of business on:

- The last day of the preceding month, for a Class backed by Gold PCs or GNMA Certificates.
- Either the 14th of the preceding month or the last day of the second preceding month, for a Class backed by Original PCs or ARM PCs.

Final Payment Dates

General

The “**Final Payment Date**” for each Class is the latest date by which it will be paid in full and will retire. Except in the case of a Guaranteed Maturity Class, we calculate Final Payment Dates using highly conservative assumptions. The actual retirement of any Class could occur significantly earlier than its Final Payment Date.

Guaranteed Maturity Classes

Each Guaranteed Maturity Class represents an interest in a separate REMIC Pool (each, a “**Guaranteed Maturity REMIC Pool**”) that directly or indirectly holds one or more REMIC Classes (each, a “**Guaranteed Maturity Underlying REMIC Class**”) of the related Series.

On each Payment Date while Guaranteed Maturity Classes entitled to principal are outstanding, their Holders will receive the principal payments made on the same Payment Date on the related Guaranteed Maturity Underlying REMIC Class. Each Guaranteed Maturity Class will bear interest on each Payment Date at its Class Coupon.

The amount we pay to each Guaranteed Maturity Class on its Final Payment Date will equal:

- The outstanding principal amount, if any, of that Class, based on its Class Factor published:
 - For a Guaranteed Maturity Class backed by Gold PCs or GNMA Certificates, in the month prior to its Final Payment Date (the Class Factor published in the month of its Final Payment Date will be zero).
 - For a Guaranteed Maturity Class backed by ARM PCs or Original PCs, in the second month prior to its Final Payment Date (the Class Factor published in the month prior to its Final Payment Date will be zero).

plus

- 30 days' interest on its outstanding principal or notional principal amount, accrued during the Accrual Period for its Final Payment Date.

Unless the related Guaranteed Maturity Underlying REMIC Class retires before the Final Payment Date for a Guaranteed Maturity Class, as Administrator, we will make the final payment on that Guaranteed Maturity Class from (a) the principal and interest payments received on the related Guaranteed Maturity Underlying REMIC Class on the applicable Final Payment Date plus (b) the net proceeds from a sale of that Guaranteed Maturity Underlying REMIC Class. If necessary, as Guarantor, we will pay any additional amount pursuant to our guarantee. If the amount described in (a) and (b) above exceeds the amount required for payment on the applicable Guaranteed Maturity Class or Classes, as Administrator, we will pay that excess to the Residual Class of the related Guaranteed Maturity REMIC Pool.

As Administrator, we will sell the Guaranteed Maturity Underlying REMIC Class as follows:

- On a date after the date the Class Factor for the Guaranteed Maturity Underlying REMIC Class is available and on or before the Business Day prior to the applicable Final Payment Date, we will liquidate the related Guaranteed Maturity Underlying REMIC Class in a commercially reasonable manner.
- We will apply the net proceeds of the liquidation, as necessary, to redeem the related Guaranteed Maturity Class(es) on the applicable Final Payment Date.

Guarantees

With respect to each REMIC Pool, as Guarantor, we guarantee to the Trustee and to each Holder of a Certificate:

- The timely payment of interest at its Class Coupon.
- The payment of its principal amount as described in the related Supplement, including payment in full by its Final Payment Date.
- In the case of a Holder of a Call Class, all proceeds due to the Holder upon exercise of its call right.

We also guarantee:

- For all of our Mortgage Participation Certificates, the timely payment of interest and the full and final payment of principal on the underlying Mortgages.
- For our Gold PCs only, the timely payment of scheduled principal on the underlying Mortgages, calculated as described in the PC Offering Circular.
- For our Giant Certificates, the timely payment of interest and the payment of principal as described in the Giant Offering Circular.

Principal and interest payments on the Certificates are not guaranteed by, and are not debts or obligations of, the United States or any federal agency or instrumentality other than Freddie Mac.

1% Clean-up Call

Unless otherwise provided in the related Supplement, as Administrator, we will have the right (a “**1% Clean-up Call Right**”) to redeem all the remaining Classes of any Series or, in the case of a Double-Tier Series, all the remaining Classes of any Lower-Tier REMIC Pool, on any Payment Date when their aggregate remaining principal amount would be less than 1% of their aggregate original principal amount. The aggregate remaining principal amount gives effect to any principal payments that would be made on that Payment Date in the absence of a redemption.

We will give notice of any exercise of our 1% Clean-up Call Right to the affected Holders 30 to 60 days before the redemption date. For each redemption, we will pay a redemption price equal to 100% of the unpaid principal amount of the Classes redeemed, plus interest for the related Accrual Period. In the case of a Double-Tier Series, this price will be applied to retire the related Upper-Tier Classes. An exercise of our 1% Clean-up Call Right will result in the retirement of all outstanding related Classes, including any MACR Classes.

If a REMIC Pool includes a Callable Class of CPCs, we will not exercise our 1% Clean-up Call Right if that Callable Class is to be redeemed.

For each optional redemption, as Administrator, we will adopt a liquidation plan that meets the requirements of a “qualified liquidation” under Section 860F(a)(4) of the Code. This plan will allow us to liquidate all of the Assets in the REMIC Pool, or the applicable Lower-Tier REMIC Pool in the case of a Double-Tier Series, at fair market value as we determine, and apply the net proceeds of that liquidation to pay the redemption price. If the proceeds are not sufficient to pay the redemption price, we will contribute the necessary funds. After any redemption, we will distribute any remaining proceeds from the liquidation, net of expenses, to the Holders of the related Residual Class, upon surrender of their Certificates to the Registrar.

All decisions regarding the exercise of our 1% Clean-up Call Right, including its timing, will be at our discretion. We will be under no obligation to any Holder to make or not make an optional redemption, even if it would be in that Holder’s interest. PCs and GNMA-Related Securities are not redeemable.

Redemption of Callable Class Held by REMIC Pool

If the Assets of a REMIC Pool include a Callable Class of CPCs, as Administrator, we will adopt a liquidation plan for that REMIC Pool if the Callable Class is redeemed. This plan will meet the

requirements of Section 860F(a)(4) of the Code, and will govern the liquidation of the REMIC Pool as a result of the redemption of the Callable Class.

FORM, HOLDERS AND PAYMENT PROCEDURES

Form and Denominations

Fed System. Investors who own Certificates held on the Fed System typically are not the Holders of those Certificates. Only banks and other entities eligible to maintain book-entry accounts with a Federal Reserve Bank (“**Fed Participants**”) may be Holders of Certificates held on the Fed System.

Certificates held on the Fed System are subject to the HUD regulations governing Freddie Mac’s book-entry securities (24 C.F.R. Part 81, Subpart H) and any procedures that Freddie Mac and a Federal Reserve Bank may agree to. These regulations and procedures relate to the issuance and recordation of, and transfers of interests (including security interests) in, all of Freddie Mac’s book-entry securities held on the Fed System, regardless of when the securities were issued. Fed Participants’ individual accounts are governed by operating circulars and letters of the Federal Reserve Banks.

DTC System. DTC is a New York-chartered limited purpose trust company that performs services for its participants (“**DTC Participants**”), mostly brokerage firms and other financial institutions. Certificates held on the DTC System are registered in the name of DTC or its nominee. Therefore, DTC or its nominee is the Holder of Certificates held on the DTC System.

Certificated Classes. Certificated Classes, including Residual and Call Classes, are transferable only at the office of the Registrar. A Holder may have to pay a service charge to the Registrar for any registration of transfer of a certificated Class, and will have to pay any transfer taxes or other governmental charges.

CUSIP Number. Each Class of Certificates has a unique nine-character designation, known as a “**CUSIP Number**,” used to identify that Class.

Denominations. All Classes other than Retail, Call and Residual Classes are issued, held and transferred in minimum original principal or notional principal amounts shown in the following table and additional increments of \$1. If a Class is of more than one type, its minimum is the greater of the applicable minimum amounts shown.

<u>Type of Class</u>	<u>Minimum Original Principal or Notional Principal Amount</u>	
Jump or Notional (Jump)	\$1,000,000	
Descending Rate	}	
Interest Only		
Interest Rate Cap		
Principal Only		
Inverse Floating Rate		
Non-Sticky Jump		100,000
Shifting Payment Percentage		
Sticky Jump		
Structured Formula		
Toggle		
Other	1,000	

A Holder of a Certificate on the Fed System also has to comply with any Federal Reserve Bank minimum wire transfer requirements. DTC holds each Retail Class in \$1,000 Retail Class Units.

Each Call Class is issued and held in certificated form as a single certificate and is transferable at the office of the Registrar.

A Residual Class without an original principal amount or notional principal amount is issued in minimum percentage interests of 1%. Other Residual Classes are issued in minimum original principal or notional principal amounts of \$1,000 and additional increments of \$1.

Holders

A Holder of a Certificate is not necessarily its beneficial owner. Beneficial owners ordinarily will hold Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. For example, as an investor, you may hold a Certificate through a brokerage firm which, in turn, holds through a Fed Participant. In that case, you would be the beneficial owner and the Fed Participant would be the Holder.

If your Class is held on the DTC System, your ownership will be recorded on the records of the brokerage firm, bank or other financial intermediary where you maintain an account for that purpose. In turn, the financial intermediary's interest in the Class will be recorded on the records of DTC (or of a DTC Participant that acts as agent for the financial intermediary, if the intermediary is not itself a DTC Participant).

A Holder that is not also the beneficial owner of a Certificate, 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 customers. Freddie Mac and any Federal Reserve Bank will not have a direct obligation to a beneficial owner of a Certificate that is not also the Holder. A Federal Reserve Bank or DTC will act only upon the instructions of the Fed Participant or DTC Participant, as applicable, in recording transfers of a Class.

Freddie Mac, the Registrar, the Federal Reserve Banks and DTC may treat the Holder as the absolute owner of a Certificate for the purpose of receiving payments and for all other purposes, regardless of any notice to the contrary. Your rights as a beneficial owner of a Certificate may be exercised only through the Holder.

Payment Procedures

Federal Reserve Banks credit payments on Classes held on the Fed System to the appropriate Fed Participants.

We, or in some cases, the Registrar, make payments on Classes held on the DTC System in immediately available funds to DTC. DTC is responsible for crediting the payment to the accounts of the appropriate DTC Participants in accordance with its normal procedures.

Each Holder of a certificated Class may choose to have the Registrar make payments either by check mailed to the address of the Holder shown on the Registrar's records or by electronic transfer of funds to a bank account designated by the Holder. However, a Holder will receive the final payment on a certificated Class only upon presentation and surrender of the Holder's Certificate to the Registrar.

Each Holder and each other financial intermediary will be responsible for remitting payments to the beneficial owners of a Class that it represents.

If a principal or interest payment error occurs, we may correct it by adjusting payments to be made on later Payment Dates or in any other manner we consider appropriate.

MACR CERTIFICATES

In each Series that includes MACR Certificates, we will issue the REMIC Classes shown on the front cover of the related Supplement on the Closing Date. Some of those Classes may be exchanged, in whole or in part, for MACR Classes at any time on or after the Closing Date. The related Supplement will describe the characteristics of the MACR Classes and the available “**Combinations**” of REMIC Certificates and MACR Certificates. MACR Classes are issued from MACR Pools, which are included within the related trust funds but not within any REMIC Pool.

The specific Classes of REMIC Certificates and MACR Certificates that are outstanding at any given time, and the outstanding principal or notional principal amounts of those Classes, will depend on payments on those Classes and any exchanges that have occurred. Exchanges of REMIC Certificates for MACR Certificates, and vice versa, may occur repeatedly. The total outstanding principal amount of all the REMIC Classes and MACR Classes that are backed by the same Assets, not including any notional principal amount, will always equal the total remaining principal amount of the underlying Assets.

MACR Certificates receive interest payments from their related REMIC Certificates at their applicable Class Coupons. On each Payment Date when MACR Certificates entitled to principal are outstanding, we allocate principal payments from the applicable REMIC Certificates to the related MACR Certificates that are entitled to principal. If there are two or more outstanding MACR Classes of the same Combination entitled to principal, they receive principal payments pro rata. If the applicable REMIC Certificates include an Accrual or Partial Accrual Class and a related Accretion Directed Class, we allocate the net reduction in their aggregate principal amount to the related MACR Certificates.

Appendix III describes MACR Certificates and exchange procedures and fees.

PREPAYMENT, YIELD AND SUITABILITY CONSIDERATIONS

PREPAYMENTS

General

The rates of principal payments on the Assets and the Certificates will depend on the rates of principal payments on the related Mortgages. Mortgage principal payments may be in the form of scheduled amortization or partial or full prepayments. Prepayments include:

- Voluntary prepayments by the borrower as well as prepayments due to refinancings and modifications (including under our Relief Refinance and Home Affordable Modification Programs).
- Prepayments resulting from the repurchase or liquidation of Mortgages due to default, delinquency, inaccurate representations and warranties made by sellers or other factors.
- Liquidations resulting from casualty or condemnation.
- Payments made by Freddie Mac, as Guarantor, or GNMA under their guarantees of principal (other than payments of scheduled principal).

Mortgages may be voluntarily prepaid in full or in part at any time, in most cases without payment of a penalty. We cannot make any representation regarding the likely prepayment experience of the Mortgages underlying any REMIC Pool.

Mortgage prepayment rates are likely to fluctuate significantly over time. Prepayment rates are influenced by a variety of economic, social and other factors, including local and regional economic conditions, homeowner mobility and the availability of, and costs associated with, alternative financing.

Such factors include but are not limited to prevailing mortgage interest rates, Mortgage characteristics, such as the geographic location of the mortgaged property, loan size, LTV ratio or year of origination, borrower characteristics (such as credit scores) and equity position in their house, availability and convenience of refinancing and prevailing servicing fee rates. In addition, the rate of defaults and resulting repurchases of the Mortgages, and repurchases due to breaches of representations and warranties by Mortgage sellers or repurchases due to servicing violations by Mortgage servicers (presently, we have a substantial backlog of such repurchase requests to Mortgage sellers and servicers), or due to modification, such as may occur upon a borrower's successful completion of a trial period under our Home Affordable Modification Program, or refinancing as a result of an actual or imminent default, could also affect prepayment rates and adversely affect the yield on the Certificates.

Transfers of mortgaged properties also influence prepayment rates. The Mortgages underlying fixed-rate PCs generally include "due-on-transfer" clauses which provide that the holder of the Mortgage may demand full payment of the Mortgage upon the transfer of the mortgaged property. Freddie Mac, in most cases, requires mortgage servicers to enforce these clauses where permitted by applicable law. The PC Offering Circular discusses this further. ARMs and Mortgages underlying GNMA Certificates generally do not include due-on-transfer clauses.

Our pooling criteria for PCs also may affect prepayment rates, as discussed in the PC Offering Circular. We use mortgage information available to us to determine which Mortgages we will purchase, the prices we will pay for Mortgages, how to pool the Mortgages we purchase and which Mortgages we will retain in our own portfolio. The information we use varies over time, and may include, among other things, LTV ratios, loan sizes and ages, geographic distribution, weighted average interest rates, purposes or sources of origination, borrower median income and credit scoring. We have discretion to determine whether the Mortgages we purchase will be securitized or held in our portfolio.

The rate of principal payments on a PC may fluctuate significantly from month to month as a result of fluctuations in the principal payment rates of its underlying Mortgages. A PC may experience payment behavior that is similar to or different from that experienced by other PCs backed by similar Mortgages. In addition, a PC could experience payment behavior that is significantly different from other PCs, particularly if it is backed by a relatively small number of Mortgages or Mortgages from only one originator, or if its pool has been formed specifically to emphasize one or more specific loan characteristics, such as borrower income, credit score or loan size. We can make no representation concerning the particular effect that any factor may have on Mortgage prepayment behavior, or the prepayment rates for any type of Mortgage as compared to other kinds of Mortgages.

GNMA Certificates are subject to prepayment uncertainty similar to that discussed above for PCs.

Principal Payment Stability of Classes

The Mortgages and the Certificates are subject to principal prepayment uncertainty. As we describe in Supplements, some Classes of Certificates, such as PAC Classes and other Classes that receive principal payments in accordance with schedules, are expected to have a lower level of

prepayment uncertainty than their underlying Mortgages. These Classes have a degree of “stability.” Stability in one Class or group of Classes is always offset by instability in other Classes, such as Support Classes. These types of Classes “support” the more stable Classes.

YIELDS

General

In general, your yield on any Class of Certificates will depend on several variables, including:

- The price you paid for that Class.
- The rate of principal payments on the underlying Mortgages and Assets.
- The actual characteristics of the underlying Mortgages.
- In the case of a Floating Rate or Inverse Floating Rate Class, the levels of the applicable Index.
- The payment priorities of your Class and the related Classes in the same Series.
- The Payment Delay of your Class.
- In the case of a Class backed by previously issued Certificates, the payment priorities of the Classes in the underlying Series.
- In the case of a Callable Class, whether a redemption of the underlying Assets occurs.

You should carefully consider the yield risks associated with the Certificates, including these:

- If you purchase a Class at a discount to its principal amount and the rate of principal payments on the underlying Assets is slower than you expect, you will receive payments over a longer period than you expect, so the yield on your investment will be lower than you expect. This is especially true for a Principal Only Class.
- If you purchase a Class at a premium over its principal amount and the rate of principal payments on the underlying Assets is faster than you expect, you will receive payments over a shorter period than you expect, so the yield on your investment will be lower than you expect.
- If you purchase an Interest Only Class or any other Class at a significant premium over its principal amount and there are fast principal payments on the underlying Assets, you may not even recover your investment in that Class.
- If you purchase a Class that is backed by previously issued Certificates, your yield will be affected by the manner in which we allocate payments both in your own Series and in the underlying Series.
- In general, the rate of Mortgage principal payments early in your investment has the greatest effect on your yield to maturity. As a result, a negative effect on your yield produced by principal payments at a higher (or lower) rate than you expect in the period immediately following your purchase of a Certificate is not likely to be offset by an equivalent reduction (or increase) in that rate in later periods.
- Mortgages tend to prepay fastest when prevailing interest rates are low. When this happens, you may not be able to reinvest your principal payments in comparable securities at as high a yield.

Floating Rate and Inverse Floating Rate Classes

If you invest in a Floating Rate or Inverse Floating Rate Class, you should consider the following additional risks:

- If you own a Floating Rate Class, Index levels lower than you expect could result in yields lower than you expected, especially if the Class Coupon varies based on a multiple of the Index. Also, the Class Coupon of your Class can never be higher than its stated maximum rate, regardless of the level of the Index. If you own an Interest Only Floating Rate Class, you may not even recover your investment if the level of the applicable Index is low or Mortgage prepayments are fast.
- If you own an Inverse Floating Rate Class, Index levels higher than you expect could result in yields lower than you expected, especially if the Class Coupon varies based on a multiple of the Index. The Class Coupons of most Inverse Floating Rate Classes can fall as low as 0%. If you own an Interest Only Inverse Floating Rate Class, you may not even recover your investment if the level of the applicable Index is high or Mortgage prepayment rates are fast.
- When mortgage interest rates are generally low, which usually results in faster prepayments, the applicable Index value may be high. On the other hand, when mortgage interest rates are generally high, which usually results in slower prepayments, the applicable Index value could be low. Either of these scenarios could result in a lower than expected yield on your Certificates.
- No Index will remain constant at any value. Even if the average value of an Index is consistent with what you expect, the timing of any changes in that value may affect your actual yield. In general, the earlier a change in the value of the applicable Index, the greater the effect on your yield. As a result, a negative effect on your yield produced by an Index value that is higher (or lower) than you expect early in your investment is not likely to be offset by an equivalent reduction (or increase) in that value in later periods.

If you invest in a Floating Rate Class that is backed by ARMs, you should also consider the following:

- If the Index levels used to adjust the interest rates of the ARMs are lower than you expect, the yield on your investment could be lower than you expect.
- The interest rates on ARMs usually are subject to limits on the amount they can adjust on each adjustment date. The total amount that an ARM can adjust may also be limited by lifetime ceilings and, in some cases, lifetime floors.
- Interest rates for ARM PCs and ARM Giant PCs generally adjust monthly, based on a weighted average of the interest rates on the underlying ARMs. The interest rates on the underlying ARMs may adjust monthly, semi-annually, annually or at other intervals. Moreover, there is a gap of several months from the publication of an applicable Index value until the interest rate of an ARM PC or ARM Giant PC reflects that value. As a result, the interest rates of the ARM PCs and ARM Giant PCs in a REMIC Pool may not fully reflect current interest rates.
- Disproportionate principal payments, including prepayments, on ARMs that have relatively low and high interest rates compared to the other ARMs in the same pool will

affect the level of the interest rates on the related ARM PCs and ARM Giant PCs, even if the interest rates on those ARMs remain unchanged.

Callable Classes

If you invest in a Callable Class of Certificates, you should consider the following additional risks:

- A redemption of the underlying Assets will be similar in its principal payment effect to a full prepayment of all the related Mortgages.
- After your Callable Class becomes redeemable, its value is not likely to exceed, and may be lower than, its redemption price.
- A redemption is most likely to occur when prevailing interest rates are low. In this scenario, you may not be able to reinvest the redemption price in comparable securities at as high a yield.
- A redemption will occur only at the direction of the investor in the related Call Class. The Call Class investor may have economic incentives particular to that investor either to exercise or to refrain from exercising the call right. For example, the Call Class investor may own a related Interest Only (or Principal Only) Class of REMIC Certificates, in which case the investor may be less likely (or more likely) to exercise the call right. The Call Class investor also could sell or lend the call right to an investor with similar incentives.

Payment Delay

The effective yield on any Certificate that has a Payment Delay of more than 30 days will be less than the yield that its Class Coupon and purchase price would otherwise produce, because:

- On its first Payment Date, 30 days' interest will be payable on (or, in the case of an Accrual or Partial Accrual Class, added to the principal amount of) the Certificate even though interest began to accrue 45 or more days earlier, depending on its Payment Delay.
- On each Payment Date after the first, interest on the Certificate will accrue during its Accrual Period, which will end 15 or more days before that Payment Date, depending on its Payment Delay.

SUITABILITY

The Certificates may not be suitable investments for you. You should consider the following before you invest in Certificates.

- The Certificates are not appropriate investments if you require a single lump sum payment on a date certain, or if you require an otherwise definite payment stream.
- A market may not develop for the sale of some Certificates after their initial issuance. Even if a market develops, it may not continue. As a result, you may not be able to sell your Certificates easily or at prices that will allow you to realize your desired yield.
- The market values of your Certificates are likely to fluctuate, primarily in response to changes in prevailing interest rates. Such fluctuations may result in significant losses to you.

- The secondary markets for mortgage-related securities have experienced periods of illiquidity in the past, and can be expected to do so in the future. Illiquidity can have a severely negative effect on the prices of Certificates, especially those that are particularly sensitive to prepayment, redemption or interest rate risk or that have been structured to meet the investment needs of limited categories of investors. In addition, illiquidity could result from our financial condition, our conservatorship, uncertainty concerning our future structure, organization, or level of government support and market perceptions or speculation.
- You may not be able to sell very small or very large amounts of Certificates at prices available to other investors.
- The Certificates are complex securities. Before investing in a Certificate, you should be able, either alone or with a financial advisor, to evaluate the information contained and incorporated in this Offering Circular and in the related Supplement. You should evaluate the information in the context of your personal financial situation and your views on possible and likely interest rate and economic scenarios.

This Offering Circular does not describe all the possible risks of an investment in Certificates that may result from your particular circumstances, nor does it predict how Certificates will perform under all possible interest rate and economic scenarios. You should purchase Certificates only if you understand and can bear the prepayment, redemption, interest rate, yield and market risks associated with your investment under a variety of interest rate and economic scenarios. If you purchase Certificates, you need to have enough financial resources to bear all the risks related to your Certificates.

TABULAR INFORMATION IN SUPPLEMENTS

In order to illustrate the effect of prepayments or Index levels on Classes of Certificates, the related Supplements may include tables that show the following information, in each case under various prepayment or Index scenarios:

- Weighted average lives.
- Pre-tax yields to maturity.
- Declining principal or notional principal balances.
- Amounts payable as principal annually.

All of the tables shown in a Supplement will be based on assumptions (“**Modeling Assumptions**”) about the underlying Mortgages. Because the Mortgages will have characteristics that differ from those assumed in preparing any table, the actual weighted average lives, pre-tax yields, cash flows and declining principal balances are likely to differ from those shown, even in the unlikely event that all the underlying Mortgages were to prepay at the assumed rates.

Yield Calculations

We calculate pre-tax yields by:

1. Determining the monthly discount rates (whether positive or negative) that, when applied to the assumed stream of cash flows to be paid on a Class, would cause the

discounted present value of those cash flows to equal the assumed purchase price (including accrued interest, if any) of the Class.

2. Converting the monthly rates to corporate bond equivalent (semiannual payment) rates.

These yield calculations do not take into account any variations in the interest rates at which you might reinvest payments that you receive. Consequently, they will not reflect the return on any investment when those reinvestment rates are considered.

Weighted Average Lives

The weighted average life of a security refers to the average amount of time that will elapse from the date of its issuance until each dollar of principal has been repaid to the investor. The weighted average lives of the Classes of Certificates will depend primarily on the rate at which principal is paid on the Mortgages. We calculate weighted average lives by:

1. Multiplying the assumed net reduction, if any, in the principal balance on each Payment Date by the number of years from the date of issuance to that Payment Date.
2. Summing the results.
3. Dividing the sum by the aggregate amount of the assumed net reductions in principal balance.

We calculate weighted average lives for a Notional Class assuming that a reduction in its notional principal balance is a reduction in principal balance.

Prepayment Models

Prepayments on pools of mortgages can be measured based on a variety of prepayment models. The models typically used in Supplements will be The Securities Industry and Financial Markets Association's standard prepayment (or "**PSA**") model and the constant (or conditional) prepayment rate (or "**CPR**") model.

The PSA model assumes that:

- Mortgages will prepay at an annual rate of 0.2% in the first month after origination.
- The prepayment rate will increase by an annual rate of 0.2% per month up to the 30th month after origination.
- The monthly prepayment rate will be constant at 6% per annum in the 30th and later months.

This assumption is called "100% PSA." For example, at 100% PSA, mortgages with a loan age of three months (mortgages in their fourth month after origination) are assumed to prepay at an annual rate of 0.8%. "0% PSA" assumes no prepayments; "50% PSA" assumes prepayment rates equal to 0.50 times 100% PSA; "200% PSA" assumes prepayment rates equal to 2.00 times 100% PSA; and so forth.

The CPR model assumes an annual constant mortgage prepayment rate each month relative to the then outstanding principal balance of a pool of mortgages for the life of that pool. For example, at 6% CPR, the CPR model assumes that the monthly prepayment rate will be constant at 6% per annum. (For mortgages in their 30th and later months, 6% CPR corresponds to 100% PSA.)

Neither the PSA nor the CPR model describes historical prepayment experience or can predict the prepayment rate of any actual mortgage pool.

Even though the tables in a Supplement will use assumed constant Mortgage prepayment rates, the underlying Mortgages will not prepay at a constant rate until maturity, nor will all of those Mortgages prepay at the same rate. You must make an independent decision regarding the appropriate principal prepayment scenarios to use in deciding whether to purchase Certificates.

THE TRUST AGREEMENT

Under the Multiclass Certificates Master Trust Agreement dated the same date as this Offering Circular, as Depositor, we transfer and deposit Assets that we have acquired into various trust funds. As Trustee, we create and issue Certificates under the Multiclass Certificates Master Trust Agreement and the related “**Terms Supplement**” for each offering of Certificates. For any particular offering, the Multiclass Certificates Master Trust Agreement and the applicable Terms Supplement together constitute the “**Trust Agreement.**”

The following summary describes various provisions of the Trust Agreement. This summary is not complete. You should refer to the Trust Agreement if you would like further information about its provisions. You can obtain copies of the Trust Agreement, including any Terms Supplements, from our Investor Inquiry Department as shown under *Additional Information*. Your receipt and acceptance of a Certificate constitutes your unconditional acceptance of all the terms of the Trust Agreement.

TRANSFER OF ASSETS TO REMIC POOL

The Assets deposited in each REMIC Pool will be identified to that Pool and its related trust fund in our corporate records. As Trustee, we will hold legal title to the Assets, directly or through our agent, for the benefit of the related REMIC Pool and the Holders of the related Series as required by the Trust Agreement.

A REMIC Pool that includes GNMA Certificates may also include the rights of that REMIC Pool under a Guaranteed Investment and Fee Contract (a “**GIFC**”). A GIFC allows us to invest amounts received on the GNMA Certificates from the date received to the next Payment Date for the related Certificates. It also provides for the payment of a fee to us.

Under certain circumstances, as Administrator, we may substitute eligible Assets for those originally included in a REMIC Pool. We will make any substitution in accordance with applicable laws and regulations in effect at the time of substitution and only if tax counsel advises us that the REMIC Pool will continue to be classified as a REMIC for federal income tax purposes. The initial rate of principal payments on the related Certificates may be faster or slower than if the applicable REMIC Pool had originally included the substitute Assets.

VARIOUS MATTERS REGARDING FREDDIE MAC

Freddie Mac in its Corporate Capacity

Freddie Mac, in its corporate capacity, and its directors, officers, employees and agents will not be liable to Holders for any action taken or omitted in good faith or for errors in judgment. However, they will not be protected against any liability that results from their willful misfeasance, bad faith, gross negligence or reckless disregard of their obligations.

The Trust Agreement requires Freddie Mac, as Administrator, to administer Assets of REMIC Pools using the same standards as for similar assets that it owns. Holders will not be able to direct or control Freddie Mac's actions under the Trust Agreement, unless an Event of Default occurs.

Except with regard to its guarantee obligations or other payment obligations, Freddie Mac will not be liable for any Holder's direct damages unless Freddie Mac has failed to exercise the same degree of ordinary care that it exercises in the conduct of its own affairs. Freddie Mac will not be liable for any Holder's consequential damages.

In addition, Freddie Mac need not appear in any legal action that is not incidental to its responsibilities under the Trust Agreement and that we believe may result in any expense or liability. However, Freddie Mac may undertake any legal action that we believe is necessary or desirable in the interests of the Holders. Freddie Mac will bear the legal costs of any such action.

Freddie Mac may acquire all or part of the Certificates of any Class. Except as described under *Rights Upon Event of Default* and *Voting Rights* below, the Certificates we hold will be treated the same as Certificates of the same Class held by other Holders.

The Trust Agreement will be binding upon any successor to Freddie Mac.

Custodial Account

We are responsible as the Administrator under the Trust Agreement for certain duties.

As Administrator, we hold funds that are received from the Assets and used to pay Holders in an account or accounts separate from our own corporate funds. Such separate account(s), collectively, are called the custodial account and funds held in the custodial account are held in trust for the benefit of Holders of Certificates. The custodial account is the account from which Holders are paid. Amounts on deposit in the custodial account may be commingled with funds for all REMIC Pools and for other Freddie Mac mortgage securities (and temporarily with other collections on Mortgages) and are not separated on a REMIC Pool by REMIC Pool basis. As Administrator, we are entitled to investment earnings on funds on deposit in the custodial account and we are responsible for any losses. Holders are not entitled to any investment earnings from the custodial account. We may invest funds in the custodial account in eligible investments set forth in the Trust Agreement prior to distribution to Holders.

Certain Matters Regarding Our Duties as Trustee

We serve as Trustee under each Trust Agreement. We may resign from our duties as Trustee under the Trust Agreement upon providing 90 days' advance written notice. Our resignation would not become effective until a successor has assumed our duties. Even if our duties as Trustee under the Trust Agreement terminate, we still would be obligated under our guarantee.

Under the Trust Agreement, the Trustee may consult with and rely on the advice of counsel, accountants and other advisors, and the Trustee will not be responsible for errors in judgment or for anything it does or does not do in good faith if it so relies. This standard of care also applies to our directors, officers, employees and agents. We are not required, in our capacity as Trustee, to risk our funds or incur any liability if we do not believe those funds are recoverable or we do not believe adequate indemnity exists against a particular risk. This does not affect our obligations as Guarantor.

We are indemnified by each trust fund for actions we take in our capacity as Trustee in connection with the administration of that trust fund. Officers, directors, employees and agents of the Trustee are

also indemnified by each trust fund with respect to that trust fund. Nevertheless, neither we nor they will be protected against any liability if it results from willful misfeasance, bad faith or gross negligence or as a result of reckless disregard of our duties. The Trustee is not liable for consequential damages.

The Trust Agreement provides that the Trustee may, but is not obligated to, undertake any legal action that it deems necessary or desirable in the interests of Holders. We may be reimbursed for the legal expenses and costs of the action from the assets of the related trust fund. Any such reimbursement will not affect our guarantee obligations.

EVENTS OF DEFAULT

“**Events of Default**” under the Trust Agreement are:

- Any failure by Freddie Mac, as Guarantor or Administrator, to pay principal or interest that lasts for 30 days.
- Any failure by Freddie Mac, as Guarantor or Administrator, to perform in any material way any other obligation under the Trust Agreement, if the failure lasts for 60 days after Freddie Mac receives written notice from the Holders of at least 60% of the then outstanding principal or notional principal amount of an affected Class.
- Specified events of bankruptcy, insolvency or similar proceedings involving Freddie Mac, including the appointment of a receiver, liquidator, assignee, custodian or sequestrator or similar official for Freddie Mac (but not including the appointment of a conservator or similar official for Freddie Mac).

RIGHTS UPON EVENT OF DEFAULT

If an Event of Default under a Trust Agreement is not remedied, the Holders of at least 50% of the outstanding principal or notional principal amount of any affected Class of Certificates may remove Freddie Mac as Administrator and nominate a successor as to the related trust fund. That nominee will replace Freddie Mac as Administrator, unless Freddie Mac objects within ten days after the nomination. In that event, either Freddie Mac or anyone who has been a bona fide Holder of an affected Class for at least six months may ask a court to appoint a successor. The court may then appoint a successor Administrator. Any such removal will not affect Freddie Mac’s guarantee obligations.

In addition, Freddie Mac may be removed as Trustee if an Event of Default has occurred with respect to a trust fund. In that case, we can be removed and replaced by a successor trustee as to an affected trust fund by Holders owning not less than 50% of the outstanding principal or notional principal amount of any affected Class of Certificates.

For these purposes Certificates held by Freddie Mac will be disregarded.

The rights provided to Holders of Certificates under the Trust Agreement as described above may not be enforced against FHFA, or enforcement of such rights may be delayed, if we are placed into receivership. The Trust Agreement provides that upon the occurrence of an Event of Default, which includes the appointment of a receiver, Holders have the right to replace Freddie Mac as Trustee and Administrator if the requisite percentage of Holders of an affected Class of Certificates consent. The Reform Act prevents Holders from enforcing their rights to replace Freddie Mac as Trustee and Administrator if the Event of Default arises solely because a receiver has been appointed. The Reform

Act also provides that no person may exercise any right or power to terminate, accelerate or declare an event of default under certain contracts to which Freddie Mac is a party, or obtain possession of or exercise control over any property of Freddie Mac, or affect any contractual rights of Freddie Mac, without the approval of FHFA, as receiver, for a period of 90 days following the appointment of FHFA as receiver.

Under the Purchase Agreement between Treasury and us, Holders of Certificates are given certain limited rights against Treasury under the following circumstances: (i) we default on our guarantee payments, (ii) Treasury fails to perform its obligations under its funding commitment, and (iii) we and/or the Conservator are not diligently pursuing remedies in respect of that failure. In that case, the Holders of an affected Class of Certificates may file a claim in the U.S. Court of Federal Claims for relief requiring Treasury to fund to us up to the lesser of (1) the amount necessary to cure the payment default and (2) the lesser of (a) the amount by which our total liabilities exceed our total assets, as reflected on our balance sheet prepared in accordance with generally accepted accounting principles, and (b) the maximum amount of Treasury's funding commitment under the Purchase Agreement less the aggregate amount of funding previously provided under this commitment. The enforceability of such rights has been confirmed by the Office of Legal Counsel of the U.S. Department of Justice in an opinion dated September 26, 2008.

VOTING RIGHTS

Except in limited circumstances following an Event of Default, no Holder of a Certificate has any right to vote or to otherwise control in any manner the management and operation of any trust fund. In addition, Holders may institute legal actions and proceedings with respect to the Trust Agreement or the Certificates only in limited circumstances, and no Holder has the right to prejudice the rights of any other Holder under the Trust Agreement or to seek preference or priority over any other Holder.

VOTING UNDER ANY UNDERLYING AGREEMENT

Holders of PCs, Giant Securities, Stripped Giant Certificates and Callable Classes of CPCs have various rights under the agreements governing their securities. If a default occurs under one of these underlying agreements, holders of a specified percentage of the affected PCs, Giant Securities, Stripped Giant Certificates or CPCs may seek to remove Freddie Mac under that agreement. As Trustee, we will hold the PCs, Giant Securities, Stripped Giant Certificates and CPCs that back Certificates. However, the Trust Agreement generally allows the Holders of the Certificates, rather than Freddie Mac, to act if a default occurs under the related underlying agreement. For this purpose, the Holders of Certificates will be treated as the holders of the affected PCs, Giant Securities, Stripped Giant Certificates or CPCs in proportion to the outstanding principal amounts of their Certificates.

The rights provided to holders of PCs, Giant Securities, Stripped Giant Certificates and Callable Classes of CPCs under the agreements governing those securities and the rights of Holders of the Certificates under the underlying agreements are also subject to the limitations of the Reform Act, as described under *Rights Upon Event of Default* above.

Holders of PCs, Giant Securities, Stripped Giant Certificates and CPCs also have the right to consent to certain amendments to their governing agreements. The Trust Agreement provides that, as the holder of a PC, Giant Security, Stripped Giant Certificate or CPC that backs Certificates, Freddie Mac, as Trustee, may consent to such an amendment. However, if the amendment would adversely affect in any material way the interests of the Holders of Certificates, Freddie Mac may not agree to it

unless Holders of at least 50% of the outstanding principal or notional principal amount of each affected Class consent in writing. Despite this rule, Freddie Mac may amend an agreement governing Mortgage Participation Certificates, without the consent of Holders, if the amendment changes Freddie Mac's procedures for calculating payments or passing through prepayments on Mortgage Participation Certificates that back REMIC Pools formed after September 1, 1995. See the PC Offering Circular for information about payments on Mortgage Participation Certificates.

AMENDMENT

Freddie Mac and the Trustee may amend the Trust Agreement without the consent of any Holder or Holders to:

- Cure any ambiguity or to correct or add to any provision in the Trust Agreement, if the amendment does not adversely affect Holders in any material way.
- Maintain the qualification of any REMIC Pool as a REMIC under the Code.
- Maintain the qualification of any MACR Pool as a grantor trust under the Code.
- Avoid the imposition of any state or federal tax on a REMIC Pool or MACR Pool.

With the written consent of the Holders of at least 50% of the then outstanding principal or notional principal amount of any affected Class, Freddie Mac and the Trustee also may amend the Trust Agreement in any other way. However, unless each affected Holder consents, Freddie Mac and the Trustee may not amend the Trust Agreement to impair the rights of Holders to receive payments (including guarantee payments) when due or to sue for any payment that is overdue.

To the extent that any provisions of the Trust Agreement differ from the provisions of any of our previous agreements governing Multiclass Certificates, the Trust Agreement will be deemed to amend those prior agreements if such change would not require the consent of Holders under the terms of those prior agreements.

GOVERNING LAW

The Trust Agreement is to be interpreted in accordance with federal law. If there is no applicable federal precedent and if the application of New York law would not frustrate the purposes of the Freddie Mac Act, the Trust Agreement or any transaction under the Trust Agreement, then New York law will be deemed to reflect federal law.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

GENERAL

The following is a general discussion of the material federal income tax consequences relating to the purchase, ownership and transfer of Certificates. It does not address all the federal income tax consequences that may apply to particular categories of investors. Some investors may be subject to special rules. **The tax laws and other authorities for this discussion are subject to change or differing interpretations, and any change or interpretation may apply retroactively. You should consult your own tax advisors to determine the federal, state, local and any other tax consequences that may be relevant to you.**

REMIC ELECTION

We will elect to treat each REMIC Pool as a REMIC under the Code. Assuming (1) such election, (2) compliance with the Trust Agreement and (3) compliance with changes in the law, each REMIC Pool will qualify as a REMIC. In that case, the REMIC Pool generally will not be subject to tax, the related Regular Classes will be “regular interests” in a REMIC and the related Residual Class will be the “residual interest” in a REMIC.

STATUS OF REMIC CERTIFICATES

REMIC Certificates will constitute assets described in Code Sections 7701(a)(19)(C) and 856(c)(4)(A). Interest on the REMIC Certificates will be “interest on obligations secured by mortgages on real property or on interests in real property” within the meaning of Code Section 856(c)(3)(B) in its entirety if at all times 95% or more of the assets of the related REMIC Pool are treated as “real estate assets” within the meaning of Code Section 856(c)(5)(B). In determining the tax status of an Upper-Tier REMIC Pool, however, we will apply the 95% test assuming the Lower-Tier Classes have the same characteristics as the related Lower-Tier REMIC Pool. We anticipate that the REMIC Certificates will qualify for the foregoing treatments unless a REMIC Pool is backed by “high-LTV Mortgages” (*i.e.*, Mortgages with a LTV ratio at origination higher than 105% but not in excess of 125%). Where a REMIC Pool is backed by high-LTV Mortgages, a pro rata portion of the interest income on the related REMIC Certificates may not be treated as “interest on obligations secured by mortgages on real property or on interests in real property” within the meaning of Code Section 856(c)(3)(B) if less than 95% of the underlying assets are treated as “real estate assets.” In this circumstance, we will report certain information, pursuant to regulations under Code Section 6049, on such REMIC Certificates. The applicable Supplement will identify those REMIC Regular Classes that are backed by high-LTV Mortgages. Regular Classes will be “qualified mortgages” under Code Section 860G(a)(3) for another REMIC.

TAXATION OF REGULAR CLASSES

General

The Regular Classes will be taxed as newly originated debt instruments for federal income tax purposes. Interest, original issue discount and market discount accrued on a Regular Class will constitute ordinary income to the beneficial owner (the “**Owner**”). As an investor in a Regular Class, you must account for interest income on the accrual method.

Original Issue Discount

The REMIC Pool may issue certain Regular Classes with “original issue discount.” You must include original issue discount in income as it accrues, without regard to the timing of payments. In the absence of guidance which applies specifically to REMIC regular interests, we will report original issue discount, if any, to the Internal Revenue Service (the “**Service**”) and the Holders of the Regular Classes based on regulations under Code Sections 1271 through 1275 (the “**OID Regulations**”).

The total amount of original issue discount on a Regular Class is the excess of its “stated redemption price” over its “issue price.” The issue price is the price at which a substantial portion of the Regular Class is first sold to the public. The issue price generally includes any pre-issuance accrued interest unless you exclude such amount from the issue price and treat a portion of the stated interest payable on the first Payment Date as a return of that accrued interest rather than as an amount payable

under the instrument. In general, the stated redemption price is the sum of all payments except for stated interest actually payable at least annually based on a single fixed rate, certain variable rates, or certain combinations of fixed and variable rates. In the case of an Interest Only Class, as described below, or an Accrual Class, however, the stated redemption price will include all payments.

Interest based on certain variable rates or certain combinations of fixed and variable rates which would otherwise be excluded from the stated redemption price will be included in the stated redemption price if the excess, if any, of the issue price of the Regular Class over the principal amount of the Regular Class is more than 0.015 multiplied by the product of the principal amount and the weighted average maturity (as defined below) or, if the weighted average maturity of the Regular Class is more than ten years, 15% of the principal amount.

If the interval between the issue date and the first Payment Date exceeds the interval between subsequent Payment Dates, a portion of the interest payments in all periods is included in the stated redemption price, unless a special rule relating to debt instruments with increasing rates of interest, described below, applies. The portion included in the stated redemption price is equal to the difference between (1) the stated interest rate for subsequent periods and (2) the effective rate of interest for the long first accrual period.

We intend to report income from Interest Only Classes based on the assumption that the stated redemption price is the sum of all payments determined under the Pricing Speed (as defined below). As a result, such Classes would be issued with original issue discount. The Service might contend, however, that in the case of certain fixed rate Interest Only Classes with a nominal principal amount, the stated redemption price is the principal amount. If such a position prevailed, the rules described below under “Premium” would apply.

Under a *de minimis* rule, original issue discount on a Regular Class will be considered zero and all interest payments will be excluded from the stated redemption price if the amount of the original issue discount is less than 0.25% of the Class’s stated redemption price multiplied by the Class’s weighted average maturity. The weighted average maturity of a Regular Class is computed based on the number of full years (*i.e.*, rounding down partial years) each distribution of principal is scheduled to be outstanding. The schedule of such distributions likely should be determined in accordance with the assumed rate of prepayment of the related Mortgages used in pricing the Regular Classes (the “**Pricing Speed**”), which will be set forth in the related Supplement. For purposes of applying the *de minimis* rule and for all other purposes, we will not adjust the Pricing Speed to take into account the possibility of the early retirement of a Regular Class backed by a callable class of CPCs.

The OID Regulations provide a special application of the *de minimis* rule for certain debt instruments where the interest payable for the first period or periods is at a rate less than that which applies in all other periods. In such cases, the OID Regulations provide that the stated redemption price is equal to the issue price of the Regular Class plus the greater of (1) the interest foregone during the first period or periods and (2) the excess, if any, of the debt instrument’s stated principal amount over its issue price.

The Owner of an interest in a Regular Class generally must include in income the original issue discount accrued for each day on which the Owner holds such interest, including the date of purchase, but excluding the date of disposition. The original issue discount accruing on an interest in a Regular Class in any period equals:

$$\text{PV End} + \text{Dist} - \text{PV Beg}$$

Where:

PV End = present value of all remaining distributions to be made as of the end of the accrual period;

Dist = distributions made during the accrual period includable in stated redemption price; and

PV Beg = present value of all remaining distributions as of the beginning of the accrual period.

The present value of the remaining distributions is calculated based on (1) the original yield to maturity of the Regular Class, (2) events (including actual prepayments) that have occurred prior to the end of the period and (3) the Pricing Speed. For these purposes, the original yield to maturity of an interest in a Regular Class will be calculated based on its issue price and assuming that it will be prepaid in all periods in accordance with the Pricing Speed. The original issue discount accruing during any accrual period will then be divided by the number of days in the period to determine the daily portion of original issue discount for each day.

The daily portions of original issue discount generally will increase if prepayments on the underlying Mortgages exceed the Pricing Speed and decrease if prepayments are slower than the Pricing Speed (changes in the rate of prepayments having the opposite effect in the case of an Interest Only Class). If the relative principal payment priorities of the Classes of a Series change (*e.g.*, for Sticky Jump Classes), any increase or decrease in the present value of the remaining payments to be made on any such Class will affect the computation of original issue discount for the period in which the change in payment priority occurs.

If original issue discount accruing during any accrual period, computed as described above, is negative for any such period, you will be entitled to offset such amount only against future positive original issue discount accruing from your Class, and we intend to report income to the Service in all cases in this manner. The treatment of such negative amounts is not entirely clear, however, particularly in the case of an Interest Only Class. For example, you may be entitled to deduct a loss to the extent that your remaining basis would exceed the maximum amount of future payments to which you are entitled, assuming no further prepayments of the Mortgages (or, perhaps, assuming prepayments at a rate equal to the Pricing Speed). While the issue is not clear, all or a portion of such loss may be treated as a capital loss if you treat the Regular Class as a capital asset. You should consult your tax advisors regarding a Regular Class that has a negative amount of original issue discount during any accrual period.

If you are the initial purchaser of interests in two or more Regular Classes issued from the same REMIC Pool, you should be aware that the OID Regulations may treat such interests as a single debt instrument for purposes of the original issue discount provisions.

If a subsequent Owner of an interest in a Regular Class acquires such interest for a price greater than its "adjusted issue price," but less than its remaining stated redemption price, the daily portion for any day is reduced by an amount equal to the product of (1) such daily portion and (2) a fraction, the numerator of which is the amount by which the price exceeds the adjusted issue price and the denominator of which is the sum of the daily portions for such Regular Class interest for all days on and after the date of purchase. The adjusted issue price of an interest in a Regular Class on any given day is equal to its issue price, increased by all original issue discount previously includable with respect to that interest and reduced by the amount of all previous distributions with respect to that interest included in its stated redemption price at maturity.

Market Discount

The market discount rules may also apply to you. Market discount equals the excess of (a) either (1) the stated redemption price (less any prior distributions included in the stated redemption price) or (2) in the case of a Regular Class having original issue discount, the adjusted issue price over (b) your initial basis in the Regular Class.

The Conference Committee Report accompanying the Tax Reform Act of 1986 (the “**Committee Report**”) provides that, until the Treasury issues regulations, market discount would accrue (a) on the basis of a constant interest rate (similar to the method described above for accruing original issue discount) or (b) alternatively, either (1) in the case of a Regular Class issued without original issue discount, in the ratio of stated interest distributable in the relevant period to the total stated interest remaining to be distributed from the beginning of such period (computed taking into account the Pricing Speed) or (2) in the case of a Regular Class issued with original issue discount, in the ratio of original issue discount accrued for the relevant period to the total remaining original issue discount at the beginning of such period.

You generally must recognize accrued market discount as ordinary income to the extent of any distributions includable in the stated redemption price. Moreover, you generally must treat a portion of any gain on a sale or exchange as ordinary income to the extent of the accrued, but unrecognized, market discount to the date of disposition. Alternatively, you may elect to include market discount in income currently as it accrues on all market discount instruments that you acquire in that taxable year or after. You may revoke such an election only with the consent of the Service.

In addition, the deduction for a portion of interest expense on any indebtedness that you incur or maintain in order to purchase or carry an interest in a Regular Class purchased with market discount may be required to be deferred. The deferred portion would not exceed the portion of market discount that accrues but is not taken into income currently. Any such deferred interest expense is, in general, allowed as a deduction not later than the year in which the related market discount income is recognized.

Market discount with respect to a Regular Class will be considered to be zero if it is *de minimis* under a rule similar to that described above under “Original Issue Discount.” You should consult your tax advisors regarding the application of the market discount rules as well as the advisability of making any election with respect to market discount.

Premium

An interest in a Regular Class, other than an Interest Only Class, an Accrual Class and certain other Classes whose stated interest is partially or entirely included in their stated redemption prices, that is purchased at a cost (net of accrued interest) greater than its principal amount generally is considered to be purchased at a premium. You may elect under Code Section 171 to amortize such premium under the constant interest method, using the Pricing Speed. Such premium is an offset to interest income from an interest in a Regular Class, rather than a separate interest deduction. In addition, the Committee Report indicates Congress intended that the methods for determining the accrual of market discount described above which are alternatives to accrual on the basis of a constant interest rate also will apply for purposes of amortizing bond premium on obligations such as Regular Classes. An election made by you generally would apply to all your debt instruments, unless the election is revoked with the Service’s consent. If your election to amortize bond premium was effective

as of October 22, 1986, you may choose to have such election apply to obligations issued after September 27, 1985.

Constant Yield Election

The OID Regulations allow you to elect to include in gross income all interest that accrues on a debt instrument by using the constant yield method. For purposes of this election, interest includes stated interest, *de minimis* original issue discount, original issue discount, *de minimis* market discount and market discount, as adjusted by any premium. You should consult your tax advisors regarding the advisability of making this election.

Retail Classes

For purposes of the original issue and market discount rules, a payment in full of an interest in a Retail Class that is subject to payment in Retail Class Units or other increments, rather than on a pro rata basis with other interests in such Retail Class, will be treated as a distribution with respect to such Class.

Floating Rate, Inverse Floating Rate and Weighted Average Coupon Classes

The OID Regulations and regulations relating to the amortization of premium generally require that the original issue discount and premium rules be applied to certain Floating Rate or Inverse Floating Rate Classes (*i.e.*, Classes the rate on which would qualify as a qualified floating rate or a qualified inverse floating rate under the OID Regulations) by assuming that the variable rate is a fixed rate equal to the value of the variable rate as of the date of the applicable Supplement. We also intend to apply the original issue discount and premium rules to the other Floating Rate and Inverse Floating Rate Classes and to the Weighted Average Coupon Classes by assuming that the variable rate is a fixed rate equal to the value of the variable rate as of the date of the applicable Supplement. Further, we intend to apply the rules of the Code relating to market discount based on these assumptions. As discussed below under *Negative Yield*, however, we may make adjustments to the value of the variable rate in certain circumstances.

Negative Yield

As discussed above under *Original Issue Discount*, we intend to report income with respect to Interest Only Classes assuming those Classes are issued with original issue discount. It is not entirely clear, however, that an Interest Only Class would be issued with original issue discount or how taxable income with respect to such Class should be reported where its yield to maturity, determined based on its Pricing Speed (and, with respect to Floating Rate, Inverse Floating Rate or Weighted Average Coupon Interest Only Classes, the value of the variable rate as of the date of the applicable Supplement) is negative (*i.e.*, the sum of all projected payments on the Class determined based on its Pricing Speed, and if applicable, the value of the variable rate as of the date of the applicable Supplement, is less than your purchase price for the Class).

For purposes of computing the amount of original issue discount that accrues in each accrual period on a fixed-rate Interest Only Class that has a negative yield based on its Pricing Speed, we intend to use a yield to maturity of 0.0%. For purposes of computing the amount of original issue discount that accrues in each accrual period on Floating Rate, Inverse Floating Rate or Weighted Average Coupon Interest Only Classes that have negative yields based on their Pricing Speeds and the

values of the variable rates as of the dates of the applicable Supplements, we may make adjustments to the projected values of the variable rates in certain circumstances, and may also use a yield to maturity of 0.0% if necessary. The Supplement will identify any Interest Only Class that may have a negative yield. You should consult your tax advisors regarding a Regular Class that has a negative yield as of the issue date.

Callable Classes

Any amount received in redemption of a Regular Class that is backed by a callable class of CPCs will be treated under the original issue discount and market discount rules as a distribution with respect to that Class.

TAXATION OF RESIDUAL CLASSES

Taxation of REMIC Income

REMIC taxable income is determined under the accrual method of accounting in the same manner as the taxable income of an individual, with certain modifications. The REMIC Pool's gross income includes interest, original issue discount income and market discount income, if any, reduced by amortization of any premium, on the assets in the REMIC Pool. In this regard, the REMIC Pool will elect to take all such items into account by accruing interest based on a constant yield. Deductions include interest and original issue discount expense on the Regular Classes, reduced by the amortization of any premium, servicing fees on the REMIC Pool's Assets and other administrative expenses. An Owner of an interest in a Residual Class (a "**Residual Owner**") will take into account, as ordinary income or loss, the Residual Owner's allocable share of taxable income or net loss of the REMIC Pool.

If a REMIC Pool includes a callable class of CPCs, the REMIC Pool will be treated as owning the assets underlying such callable class and as having written a call option on such assets. The material federal income tax consequences to the REMIC Pool of acquiring, holding and disposing of such assets are described below under *Taxation of the CPCs*. The Residual Owner will take into account, as ordinary income or loss, any gain or loss from the disposition of such assets and any amortization of option premium with respect to such call option.

If a REMIC Pool includes GNMA Certificates, the REMIC Pool may invest the payments it receives from the GNMA Certificates for a temporary period under a GIFC. Any income derived from such investment, to the extent not applied to interest and principal payments on the related Multiclass Securities, will be used to pay the fees and expenses of the REMIC Pool and will not be distributable to Residual Owners.

A Residual Owner may not amortize the cost of its Residual Class interest. Taxable income of the REMIC Pool, however, will not include cash received by the REMIC Pool that represents a recovery of the REMIC Pool's basis in its Assets. Such recovery of basis by the REMIC Pool will have the effect of amortization of the issue price of the Residual Class over its life. The period of time over which such issue price is effectively amortized, however, may be longer than the economic life of the Residual Class.

A subsequent Residual Owner must report on its federal income tax returns amounts of taxable income or net loss equal to that which an original Residual Owner must report. Adjustments to reduce (or increase) the income of a subsequent Residual Owner that purchased such an interest at a price

greater than (or less than) the adjusted issue price of such interest apparently are not permitted or required.

The taxation of a Residual Owner is based on the income and expense of the REMIC Pool, and not on distributions to the Residual Owner. This method of taxation can produce a significantly less favorable after-tax return for a Residual Owner than would be the case if (1) the Residual Class were taxable as a debt instrument or (2) no portion of the taxable income on the Residual Class in each period were treated as “excess inclusions” (as defined below). In certain periods, taxable income and the resulting tax liability on an interest in a Residual Class may exceed any payments received on that Class. The excess typically will be greater in the case of the Upper-Tier Residual Class in a Double-Tier Series or the Residual Class in a Single-Tier Series. This may occur because the yield of the Mortgage Securities in a Double-Tier Series, or the Assets in a Single-Tier Series, typically will exceed the average yield of the Regular Classes in earlier periods. In addition, a substantial tax may be imposed on certain transferors of an interest in a Residual Class and certain Residual Owners that are “pass-thru” entities. See *Transfers of Interests in a Residual Class*. You should consult your tax advisors before purchasing an interest in a Residual Class.

Losses

A Residual Owner may recognize a net loss of the REMIC Pool only to the extent of the adjusted basis of its interest in the Residual Class. A Residual Owner that is a U.S. person (as defined below), however, may carry over any disallowed loss to offset any taxable income generated by the same REMIC Pool.

Treatment of Certain Items of REMIC Income and Expense

Original Issue Discount. In the case of a Double-Tier Series, the OID Regulations provide, and we intend to report assuming, that the Mortgage Securities issued in respect of the same Lower-Tier REMIC Pool will be treated as a single debt instrument for purposes of the original issue discount provisions. As previously discussed, the timing of recognition of negative original issue discount, if any, on a Regular Class, particularly an Interest Only Class, is uncertain; as a result, the timing of recognition of the related REMIC taxable income is also uncertain. For example, the related REMIC taxable income may be recognized when the adjusted issue price of such Regular Class would exceed the maximum amount of future payments with respect to such Regular Class, assuming no further prepayments of the Mortgages (or, perhaps, assuming prepayments at a rate equal to the Pricing Speed).

Market Discount. In respect of Mortgages that have market discount, such market discount would be recognized in the same fashion as if it were original issue discount.

Premium. The election to amortize premium under Code Section 171 will not be available for premium on Mortgages that are obligations of individuals originated on or prior to September 27, 1985. Premium on such Mortgages may be deductible, if in accordance with a reasonable method. The allocation of such premium pro rata among principal payments or on the basis of a constant interest rate should be considered a reasonable method.

Excess Inclusions

A portion of the REMIC taxable income of each Residual Owner will be subject to federal income tax in all events. That portion, referred to as the “excess inclusion,” is equal to the excess of REMIC

taxable income for the calendar quarter over the daily accruals for such period. The daily accruals are equal to the product of (1) 120% of the federal long-term rate (based on quarterly compounding) under Code Section 1274(d) determined for the month in which the Residual Class is issued and (2) the adjusted issue price of such interest at the beginning of such quarter. The federal long-term rate for the month of issuance of a Residual Class is published by the Service on or about the 20th of the preceding month. The adjusted issue price of an interest in a Residual Class at the beginning of a quarter is the issue price of the interest, plus the amount of the daily accruals of REMIC income attributable to such interest for all prior quarters, decreased (but not below zero) by any prior distributions. The Service has authority to promulgate regulations providing that if the aggregate value of the Residual Class is not considered to be “significant,” then a Residual Owner’s entire share of REMIC taxable income will be treated as an excess inclusion. This authority has not been exercised.

“Excess inclusions” may not be offset by unrelated losses or loss carryforwards of a Residual Owner. A Residual Owner’s excess inclusion is treated as unrelated business taxable income for an organization subject to the tax on unrelated business income. In addition, under Treasury regulations yet to be issued, if a real estate investment trust, regulated investment company or certain other pass-through entities are Residual Owners, a portion of distributions made by such entities would constitute excess inclusions. The Service has stated that this rule is applicable even in the absence of regulations. Moreover, for purposes of computing alternative minimum tax for taxpayers other than thrift institutions, taxable income is determined without regard to the rule for excess inclusions, and the alternative minimum taxable income of any such Residual Owner is not less than such Residual Owner’s excess inclusion for the year, effective for all taxable years beginning after December 31, 1986, unless the Residual Owner elects application only to taxable years beginning after August 20, 1996.

Prohibited Transactions

Income from certain transactions, called prohibited transactions, will not be part of the calculation of income or loss includable in the federal income tax returns of Residual Owners, but rather will be taxed directly to the REMIC Pool at a 100% rate. Because of Freddie Mac’s guarantee, in the event such tax is imposed on a REMIC Pool, payments of principal and interest on the REMIC Certificates will not be affected.

SALE OR EXCHANGE OF REMIC CERTIFICATES

You generally will recognize gain or loss upon sale or exchange of a REMIC Certificate equal to the difference between the amount received and your adjusted basis in the REMIC Certificate. The adjusted basis in a REMIC Certificate generally will equal the cost of the REMIC Certificate, increased by income previously included and reduced (but not below zero) by previous distributions and by any amortized premium, in the case of an interest in a Regular Class, or net losses allowed as a deduction, in the case of an interest in a Residual Class.

Except as described below, any gain or loss on the sale or exchange of a REMIC Certificate held as a capital asset will be capital gain or loss and will be long-term or short-term depending on whether the interest has been held for the long-term capital gain holding period (more than one year). Capital gains of individuals with respect to capital assets held for more than one year may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Such gain or loss will be ordinary income or loss (1) for a bank or thrift institution; and (2) in the case of an interest in a Regular Class, (a) to the extent of any accrued, but unrecognized, market

discount or (b) to the extent income recognized by you is less than the income that you would have recognized if the yield on such interest were 110% of the applicable federal rate under Code Section 1274(d).

Whether the termination of the REMIC will be treated as a sale or exchange of a Residual Owner's interest is not clear. If it is, the Residual Owner will recognize a loss at that time equal to the amount of the Residual Owner's remaining adjusted basis in such interest.

Except as provided in Treasury regulations, the wash sale rules of Code Section 1091 will apply to dispositions of an interest in a Residual Class where the seller of the interest, during the period beginning six months before the sale or disposition of the interest and ending six months after such sale or disposition, acquires (or enters into any other transaction that results in the application of Code Section 1091 with respect to) any residual interest in any REMIC or any interest in a "taxable mortgage pool" (such as a non-REMIC owner trust) that is economically comparable to a Residual Class.

TRANSFERS OF INTERESTS IN A RESIDUAL CLASS

Disqualified Organizations

A transfer of an interest in a Residual Class to a "disqualified organization" (as defined below) may result in a tax equal to the product of (1) the present value of the total anticipated future excess inclusions with respect to such interest and (2) the highest corporate marginal federal income tax rate. Such a tax generally would be imposed on the transferor of the interest in the Residual Class, except that if the transfer is through an agent for a disqualified organization, the agent is liable. A transferor is not liable for this tax if the transferee furnishes to the transferor an affidavit that the transferee is not a disqualified organization and, as of the time of the transfer, the transferor does not have actual knowledge that such affidavit is false.

A "pass-thru entity" (as defined below) is subject to tax (at the highest corporate marginal federal income tax rate) on excess inclusions to the extent disqualified organizations hold interests in the pass-thru entity. However, this tax will not apply if the pass-thru entity receives an affidavit that the record holder is not a disqualified organization and does not have actual knowledge that the affidavit is false. For purposes of the tax described in this paragraph, all interests in an electing large partnership, as defined under Code Section 775, will be treated as held by disqualified organizations.

For these purposes, (1) "disqualified organization" means the United States, any state or political subdivision thereof, any foreign government, any international organization, any agency or instrumentality of any of the foregoing, certain organizations that are exempt from taxation under the Code (including tax on excess inclusions) and certain corporations operating on a cooperative basis and (2) "pass-thru entity" means any regulated investment company, real estate investment trust, common trust fund, partnership, trust or estate and certain corporations operating on a cooperative basis. Except as may be provided in Treasury regulations, any person holding an interest in a pass-thru entity as a nominee for another will, with respect to such interest, be treated as a pass-thru entity.

The Trust Agreement provides that any attempted transfer of a beneficial or record interest in a Residual Class will be null and void unless (1) the proposed transferee provides to Freddie Mac (a) an affidavit that the transferee is not a disqualified organization and is not purchasing such interest on behalf of a disqualified organization and (b) if requested by Freddie Mac, an opinion of counsel to the

effect that the proposed transfer will not cause the Residual Class interest to be held by a disqualified organization; or (2) Freddie Mac consents to the transfer.

Additional Transfer Restrictions

The regulations under Code Sections 860A through 860G (the “**REMIC Regulations**”) provide that a transfer of a noneconomic residual interest is disregarded for all federal income tax purposes if a significant purpose of the transfer is to impede the assessment or collection of tax. Such a purpose exists if, at the time of the transfer, the transferor knew or should have known that the transferee would be unwilling or unable to pay taxes on its share of the taxable income of the REMIC.

Pursuant to a safe harbor, a transferor will be presumed to lack such knowledge (or reason to know) if, after a reasonable investigation, (1) the transferor finds that the transferee historically paid its debts as they came due, and finds no significant evidence that the transferee would not continue to do so, (2) the transferee represents to the transferor that the transferee understands that it might incur tax liabilities in excess of any cash received with respect to the residual interest and that the transferee intends to pay the taxes associated with owning the residual interest as they come due, (3) the transferee represents that it will not cause income from the noneconomic residual interest to be attributable to a foreign permanent establishment or fixed base (within the meaning of an applicable income tax treaty) of the transferee or another U.S. taxpayer, and (4) the transfer satisfies either an “asset test” or a “formula test,” as set forth in the REMIC Regulations.

Under the REMIC Regulations, a transfer satisfies the asset test if (1) the transferee’s gross assets for financial reporting purposes exceed \$100 million and its net assets for financial reporting purposes exceed \$10 million at the time of the transfer and at the close of each of the transferee’s two fiscal years preceding the year of transfer, (2) the transferee is an eligible corporation (any domestic subchapter C corporation other than a tax-exempt corporation, regulated investment company, real estate investment trust, REMIC or cooperative) other than a foreign permanent establishment of a domestic corporation and agrees in writing that any subsequent transfer of the interest will be to another eligible corporation in a transaction that satisfies the asset test safe harbor, and (3) the facts and circumstances, including the amount of consideration paid to the transferee, do not reasonably indicate to the transferor that the taxes associated with the residual interest will not be paid.

A transfer satisfies the formula test if the present value of the anticipated tax liabilities associated with holding the residual interest does not exceed the sum of (1) the present value of any consideration given to the transferee to acquire the interest, (2) the present value of the expected future distributions on the interest, and (3) the present value of the anticipated tax savings associated with holding the interest as the REMIC generates losses.

A residual interest in a REMIC (including a residual interest with significant value at issuance) is a noneconomic residual interest unless, at the time of the *transfer*, (1) the present value of the expected future distributions on the residual interest at least equals the product of the present value of the anticipated excess inclusions and the highest corporate income tax rate in effect for the year in which the transfer occurs and (2) the transferor reasonably expects that for each anticipated excess inclusion the transferee will receive distributions from the REMIC at or after the time at which taxes accrue on the anticipated excess inclusion in an amount sufficient to satisfy the taxes accrued.

The REMIC Regulations provide that any transfer of a residual interest (whether or not a noneconomic residual interest) to a non-U.S. person is disregarded for all federal tax purposes if the

residual interest has “tax avoidance potential.” A residual interest has tax avoidance potential under the REMIC Regulations unless, at the time of transfer, the transferor reasonably expects that:

- for each excess inclusion, the REMIC will distribute on the residual interest an amount that will equal at least 30% of the excess inclusion, and
- the transferee will receive each such distribution from the REMIC at or after the time at which the excess inclusion accrues and not later than the close of the calendar year following the calendar year of accrual.

The reasonable expectation requirement will be satisfied if the above test would be met assuming that the Mortgages underlying the REMIC’s assets were to prepay at each rate between 50% and 200% of the Pricing Speed. The REMIC Regulations also provide that a transfer from a non-U.S. person to a U.S. person or to a non-U.S. person engaged in a United States trade or business is disregarded if the transfer has “the effect of allowing the transferor to avoid tax on accrued excess inclusions.”

With respect to a Residual Class that has been held at any time by a non-U.S. person, we (or our agent) will be entitled to withhold (and to pay to the Service) any portion of any payment on such Residual Class that we reasonably determine is required to be withheld. If we (or our agent) reasonably determine that a more accurate determination of the amount required to be withheld from a distribution can be made within a reasonable period after the scheduled date for such distribution, we may hold such distribution in trust for the Owners of any such Residual Class, until we can make the more accurate determination.

Certain restrictions will be imposed on transfers of the interests in Residual Classes, including the requirement that no transfer to a non-U.S. person (or, for certain Residual Classes, to any person) will be permitted without our written consent. These restrictions, together with those imposed under the REMIC Regulations, may have the practical effect of rendering the interests in certain Residual Classes non-transferable.

For these purposes, the term “**U.S. person**” means any one of the following:

- An individual who, for federal income tax purposes, is a citizen or resident of the United States.
- A corporation (or other business entity treated as a corporation for federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia.
- An estate whose income is subject to federal income tax, regardless of its source.
- 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.
- 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 be treated as U.S. Persons.

A “**Non-U.S. person**” is a beneficial owner of a Certificate that is an individual, a corporation, a trust or an estate that is not a U.S. person.

If a partnership (or other entity treated as a partnership for federal income tax purposes) holds Certificates, the treatment of a partner will generally depend upon the status of the particular partner

and the activities of the partnership. If you are a partner in such a partnership, you should consult your own tax advisors.

Miscellaneous

If the equity interest in a non-U.S. person investor is held in whole or in part by a U.S. person, the investor or U.S. person should consult its own tax advisors regarding any tax consequences to such U.S. person of the investor's purchase of an interest in a Residual Class.

The Treasury regulations provide that a transferee does not immediately recognize income upon the receipt of an inducement payment in connection with the transfer of a noneconomic residual interest. Rather, the payment is recognized as income over a period that is reasonably related to the period during which the REMIC is expected to generate taxable income or net loss allocable to the holder of the noneconomic Residual Class. The regulations provide the following two safe harbor methods for tax accounting for the payment:

- A transferee may recognize the payment for federal income tax purposes in the same amounts and over the same period in which the payment is included in the transferee's income for financial reporting purposes, provided that such period is not shorter than the period over which the REMIC is expected to generate taxable income.
- A transferee may recognize the payment for federal income tax purposes ratably over the "anticipated weighted average life of the REMIC," as defined in the REMIC Regulations, as determined at the time the transferee acquires the residual interest.

The regulations state that the unamortized amount of the payment must be currently included by a transferee on disposition of the Residual Class. Additionally, the regulations provide that a transferee's treatment of the payment is a method of accounting that must be consistently applied to all such payments received by the transferee in connection with noneconomic residual interests. Finally, the regulations state that such payment shall be treated as income from U.S. sources.

Certain federal income tax consequences of a payment made to a transferee on the transfer of a Residual Class remain unclear. If you receive a payment in connection with the acquisition of a Residual Class, you should consult your tax advisor as to the proper treatment of such payment.

TREATMENT OF SERVICING COMPENSATION

If you are an individual, estate or trust, you will be subject to limitation with respect to certain itemized deductions described in Code Section 67, to the extent that such deductions, in the aggregate, do not exceed 2% of your adjusted gross income, and you may not be able to deduct such fees and expenses to any extent in computing your alternative minimum tax liability. Such deductions will include servicing, guarantee and administrative fees (including any prepayment premiums retained by the servicer with respect to prepayment penalty Mortgages to the extent they are treated as servicing compensation) paid to the servicer of the Mortgages or, if applicable, to GNMA or to Freddie Mac. These deductions will be allocated entirely to the Residual Owners in the case of REMIC Pools with multiple classes of interests that pay their principal amounts sequentially. As a result, the REMIC Pool will report additional taxable income to Residual Owners in an amount equal to their allocable share of such deductions, and individuals, estates, or trusts holding an interest in such a Residual Class may have taxable income in excess of the cash received. In the case of a "Single-class REMIC" as defined in applicable Treasury regulations, such deductions will be allocated proportionately among the Regular and Residual Classes.

TAXATION OF MACR CLASSES

General

Each MACR Pool will be classified as a grantor trust under subpart E, part I of subchapter J of the Code. The interests in the Regular Classes that have been exchanged with us for MACR Classes (including any exchanges effective on the date of issuance of the Regular Classes) will be the assets of the MACR Pool and the MACR Classes will represent beneficial ownership of these interests in the Regular Classes.

Tax Status

The MACR Classes should be considered to represent assets described in Code Sections 7701(a)(19)(C) and 856(c)(4)(A). Original issue discount and interest accruing on MACR Classes should be considered to represent “interest on obligations secured by mortgages on real property or on interests in real property” within the meaning of Code Section 856(c)(3)(B) in its entirety if 95% or more of the assets of the related REMIC Pool are treated as “real estate assets” within the meaning of Code Section 856(c)(5)(B). If less than 95% of the assets of the related REMIC Pool are treated as “real estate assets” (e.g., where the assets of the related REMIC Pool consist of high-LTV Mortgages), then a pro rata portion of the original issue discount and interest accruing on such MACR Classes may not be considered to represent income described in Code Section 856(c)(3)(B). The applicable Supplement will identify those MACR Classes where the related REMIC Pool is backed by high-LTV Mortgages. MACR Classes will be “qualified mortgages” under Code Section 860G(a)(3) for a REMIC.

Tax Accounting for MACR Classes

A MACR Class will represent beneficial ownership of an interest in one or more related Regular Classes. If it represents an interest in more than one Regular Class, you must allocate your basis in the MACR Class among the interests in the Regular Classes in accordance with their relative fair market values as of the time of acquisition. Similarly, on the sale of such a MACR Class, you must allocate the amount received on the sale among the interests in the Regular Classes in accordance with their relative fair market values as of the time of sale.

As an investor in a MACR Class, you must account separately for each interest in a Regular Class (there may be only one such interest). Where the interest represents a pro rata part of a Regular Class, you should account for such interest as described under *Taxation of Regular Classes* above. Where the interest represents beneficial ownership of a disproportionate part of the principal and interest payments on a Regular Class (a “**Strip**”), you will be treated as owning, pursuant to Code Section 1286, “stripped bonds” to the extent of your share of principal payments and “stripped coupons” to the extent of your share of interest payments on such Regular Class. Although the tax treatment of a Strip is unclear, we intend to treat each Strip as a single debt instrument for purposes of information reporting. The Service, however, could take a different position. For example, the Service could contend that a Strip should be treated as a pro rata part of the Regular Class to the extent that the Strip represents a pro rata portion of it, and “stripped bonds” or “stripped coupons” with respect to the remainder. You should consult your tax advisors regarding this matter.

We intend to report with respect to a MACR Class assuming that all payments on a Strip are included in the stated redemption price of the Strip. You should calculate original issue discount with respect to each Strip and include it in ordinary income as it accrues, which may be prior to the receipt

of cash attributable to such income, in accordance with a constant interest method that takes into account the compounding of interest. See *Taxation of Regular Classes — Original Issue Discount* above. You should determine your yield to maturity based on your purchase price allocated to the Strip and on a schedule of payments projected using a prepayment assumption, and then make periodic adjustments to take into account actual prepayment experience. It is not clear whether the prepayment assumption you should use to calculate original issue discount would be determined at the time of purchase of the Strip or would be the original Pricing Speed with respect to the related Regular Class. Further, if the related Regular Class is backed by a callable class of CPCs, it is not clear whether such prepayment assumption should take into account the possibility of the retirement of the Strip concurrently with the redemption of the Regular Class. You should consult your tax advisors regarding these matters. For purposes of information reporting relating to original issue discount, we will use the original yield to maturity of the Strip determined as of the date of issuance of the Series, calculated based on the original Pricing Speed.

If original issue discount accruing with respect to a Strip, computed as described above, is negative for any period, you will be entitled to offset such amount only against future positive original issue discount accruing from such Strip, and we intend to report income in all cases in this manner. Although not entirely free from doubt, you may be entitled to deduct a loss to the extent that your remaining basis would exceed the maximum amount of future payments to which you are entitled with respect to such Strip, assuming no further prepayments of the Mortgages (or, perhaps, assuming prepayments at a rate equal to the Pricing Speed). Although the issue is not free from doubt, all or a portion of such loss may be treated as a capital loss if you treat the Strip as a capital asset.

You will realize gain or loss on the sale of a Strip in an amount equal to the difference between the amount realized and your adjusted basis in the Strip. Your adjusted basis generally is equal to your allocated cost of the Strip, increased by income previously included, and reduced (but not below zero) by distributions previously received. Except as described below, any gain or loss on such sale will be capital gain or loss if you held your interest as a capital asset and will be long-term if the interest has been held for the long-term capital gain holding period (more than one year). Such gain or loss will be ordinary income or loss (1) for a bank or thrift institution or (2) to the extent income recognized by you is less than the income that would have been recognized if the yield on such interest were 110% of the applicable federal rate under Code Section 1274(d).

If you exchange a Regular Class for several MACR Classes and then sell one of the MACR Classes, the sale will subject you to the coupon stripping rules of Code Section 1286. You must allocate your basis in the exchanged Regular Class between the part of the Regular Class underlying the MACR Class sold and the part of the Regular Class underlying the MACR Classes retained in proportion to their relative fair market values as of the date of such sale. You are treated as purchasing the interest retained for the amount of basis allocated to such interest. You must calculate original issue discount with respect to the retained interest as described above.

Although the matter is not free from doubt, if you acquire in one transaction a combination of MACR Classes that may be exchanged for a Regular Class, you should be treated as owning the Regular Class.

EXCHANGES OF MACR CLASSES AND REGULAR CLASSES

An exchange of an interest in one or more Regular Classes for an interest in one or more MACR Classes, or vice versa (or, if permitted, an exchange of an interest in one or more MACR Classes for an

interest in one or more other MACR Classes), will not be a taxable exchange. After the exchange, you will be treated as continuing to own the interests in the Regular Class or Classes that you owned immediately prior to the exchange.

TAXATION OF THE CPCS

Callable Class

Allocations. If you own a Callable Class, you will be required, for federal income tax purposes, to account separately for the assets underlying such Callable Class (the “**Underlying REMIC Class**”) and the call option you are deemed to have written. You must allocate your purchase price for the Callable Class between the Underlying REMIC Class and the call option based on the relative fair market values of each on the date of purchase. The (positive) amount that you allocate to the Underlying REMIC Class is your basis in the Underlying REMIC Class and the (negative) amount that you allocate to the call option is the option premium you are deemed to have received for writing the call option. Accordingly, your basis in the Underlying REMIC Class will be *greater* than the amount you paid for the Callable Class.

Upon the sale, exchange or other disposition of a Callable Class, you must again allocate amounts between the Underlying REMIC Class and the call option you were deemed to have written. This allocation is based on the relative fair market values of the Underlying REMIC Class and the call option on the date of sale. The (positive) amount that you allocate to the Underlying REMIC Class is your amount realized with respect to the Underlying REMIC Class and the (negative) amount you allocate to the call option is the amount you are deemed to have paid to be relieved from your obligations under the call option. The amount realized with respect to the Underlying REMIC Class will be *greater* than the amount actually received.

Taxation of Underlying REMIC Class. Except as described below under *Application of the Straddle Rules*, the anticipated material federal income tax consequences to you of purchasing, owning and disposing of your interest in the Underlying REMIC Class will be as described above under *Taxation of Regular Classes*.

Taxation of Call Option Premium. If you own a Callable Class, you will not be required to immediately include in your income the option premium that you were deemed to have received when you purchased the Callable Class. Rather, you need to take such premium into account only when the call right lapses, is exercised, or is otherwise terminated. As described above, an amount equal to that option premium is included in your basis in the Underlying REMIC Class. Your recovery of such basis will not occur at the same rate as the option premium is included in your income.

As the owner of a Callable Class, you will include the option premium in income as short-term capital gain when the call right lapses. The principal amount (including accrued interest, if any, that has been added to such principal amount) of the Underlying REMIC Class will be reduced over time due to principal payments. It is not entirely clear whether the call right would thus be deemed to lapse as the Underlying REMIC Class is paid down, and if so, at what rate. However, we intend to assume that the call right lapses, and you would recognize the related premium, proportionately as principal is paid on the Underlying REMIC Class (whether as scheduled principal payments or prepayments) after the first date on which the call right may be exercised. The Service may or may not agree with this method of determining income from the lapse of the call right.

If you own a Callable Class and the call right is exercised, you will add an amount equal to the unamortized portion of the option premium to the amount realized from the sale of the underlying Assets. If you transfer your interest in a Callable Class, the transfer will be treated as a “closing transaction” with respect to the option you were deemed to have written. Accordingly, you will recognize a short-term capital gain or loss equal to the difference between the unamortized amount of option premium and the amount you are deemed to pay, under the rules discussed above, to be relieved from your obligation under the option.

Call Class

Since the purchase price paid by the investor in the Call Class will be treated as an option premium for the call right, it will be:

- Added to the purchase price of the Underlying REMIC Class (in addition to any fee for the exchange) if the Underlying REMIC Class is purchased upon exercise of the call right.
- Treated as a loss as the call right lapses.

For a discussion of when your call right may be deemed to lapse, see *Callable Class — Taxation of Call Option Premium* above. Assuming that the Underlying REMIC Class, if acquired, would be a capital asset, then loss recognized on such lapse will be treated as a capital loss.

Application of the Straddle Rules

If you own a Callable Class, the Service might take the position that your interest in the Underlying REMIC Class and the call option constitute positions in a straddle. If this were correct, the straddle rules of Code Section 1092 would apply, with the following consequences:

- If you sell a Callable Class, you will be treated as selling your interest in the Underlying REMIC Class at a gain or loss, which would be short-term because your holding period would be tolled. As discussed above, your gain or loss with respect to the option premium always will be short-term under the option rules, regardless of the application of the straddle rules.
- The straddle rules might require you to capitalize, rather than deduct, a portion of any interest and carrying charges allocable to your interest in a Callable Class.
- If the Service were to take the position that your interests in the Underlying REMIC Class and the call option constitute a “conversion transaction” as well as a straddle, then a portion of the gain with respect to the Underlying REMIC Class or the call option might be characterized as ordinary income.

Tax-Exempt Organizations

In general, income or gain from the CPCs will not be subject to the tax on unrelated business taxable income for a tax-exempt organization, if the CPCs do not constitute “debt-financed property.”

TAXATION OF CERTAIN FOREIGN INVESTORS

Regular Classes and MACR Classes

Interest, including original issue discount, distributable to an investor in a Regular Class or MACR Class that is a non-U.S. person not engaged in a U.S. trade or business will be considered “portfolio interest” and, therefore, will not be subject to the 30% United States withholding tax provided that the non-U.S. person provides Internal Revenue Service Form W-8BEN or W-8BEN-E (or similar substitute forms), signed under penalties of perjury, identifying the investor and stating, among other things, that the investor in the Regular Class or MACR Class is a non-U.S. person. In the case of a Regular Class or MACR Class held by a foreign partnership or foreign trust, the form described in the preceding sentence must be provided by the partners or beneficiaries, as the case may be, rather than by the foreign partnership or foreign trust. If this form is not provided, the 30% United States withholding tax may apply unless an income tax treaty reduces or eliminates such tax. If the interest is effectively connected with the conduct of a trade or business within the United States (or, if an income tax treaty applies, is attributable to a U.S. permanent establishment) by a non-U.S. person and the non-U.S. person provides an Internal Revenue Service Form W-8ECI (or an acceptable substitute form), the interest payments will not be subject to the 30% United States withholding tax. The non-U.S. person, however, will be subject to United States federal income tax at regular rates. If you are an investor in a Regular Class or MACR Class and are a non-U.S. person, you should consult your tax advisors.

Residual Classes

A distribution to a Residual Owner that is a non-U.S. person will not be subject to the 30% withholding tax provided that (1) the conditions described in the preceding paragraph are met and (2) the distribution does not constitute an “excess inclusion” (but only, in the case of a Single-Tier Series or a Lower-Tier REMIC Pool in a Double-Tier Series, to the extent the Mortgages were originated after July 18, 1984). Excess inclusions are subject to a 30% withholding tax in all events when distributions are made (or when the interest in the Residual Class is disposed of). The Code grants the Treasury authority to issue regulations requiring withholding earlier if necessary to prevent avoidance of tax. The preamble to the REMIC Regulations indicates that the Service is considering this issue. Residual Owners that are non-U.S. persons should consult their own tax advisors. Temporary Treasury regulations may accelerate the time for withholding with respect to excess inclusions allocable to Non-U.S. persons that invest in a partnership (or in another type of pass-through entity) that holds a Residual Class. Accordingly, the withholding obligation may apply even in the absence of the receipt of cash by the partnership.

BACKUP WITHHOLDING

Distributions made on the Certificates and proceeds from the sale of Certificates to or through certain brokers may be subject to a United States federal “backup” withholding tax on “reportable payments” (including interest accruals, original issue discount and, under certain circumstances, distributions in reduction of principal amount) unless, in general, you comply with certain procedures or are an exempt recipient. Any amounts so withheld from distributions on the Certificates would be refunded by the Service or allowed as a credit against your federal income tax.

REPORTING AND ADMINISTRATIVE MATTERS

Reports will be made to the Service and to Holders of record of Certificates that are not excepted from the reporting requirements.

We will prepare, sign and file federal income tax returns for each REMIC Pool. To the extent allowable, we will also act as the tax matters partner for each REMIC Pool. Each Residual Owner, by the acceptance of its interest in a Residual Class, agrees that we will act as the Owner's fiduciary in the performance of any duties required of the Owner in the event that the Owner is the tax matters partner.

A Residual Owner is required to treat items on its returns consistently with their treatment on the REMIC Pool's return, unless the Owner owns 100% of the Residual Class for the entire calendar year or the Owner either files a statement identifying the inconsistency or establishes that the inconsistency resulted from incorrect information received from the REMIC Pool. The Service may assess a deficiency resulting from a failure to comply with the consistency requirement without instituting an administrative proceeding at the REMIC level. Any person that holds a Residual Class interest as a nominee for another person may be required to furnish the REMIC Pool, in a manner to be provided in Treasury regulations, the name and address of such other person and other information.

We will provide Holders of the Residual Classes information to enable them to prepare reports required under the Code or applicable Treasury regulations. Because we do not intend to hold the Residual Classes, applicable law may not allow us to perform tax administrative functions for the REMIC Pools. Therefore, if you own a Residual Class, you may have certain tax administrative obligations, for which we will act as your attorney-in-fact and agent.

FOREIGN ACCOUNT TAX COMPLIANCE ACT

Investors should be aware that under legislation enacted in 2010 and related administrative guidance (commonly known as "FATCA"), certain payments in respect of Regular and MACR Classes after June 30, 2014 and payments of the gross proceeds from the sale or other disposition of such Classes after December 31, 2016 received by a non-U.S. entity may be subject to withholding of U.S. federal income tax at a rate of 30% if such non-U.S. entity fails to take the required steps to provide certain information regarding its "United States accounts" or its direct or indirect "substantial U.S. owners." The required steps and the information to be provided will depend on whether the non-U.S. entity is considered a "foreign financial institution" for this purpose, and if an intergovernmental agreement exists between the United States and an applicable foreign country that may modify the applicable requirements. Investors should consult their tax advisors regarding the potential application and impact of the FATCA withholding rules based on their particular circumstances, including the applicability of any intergovernmental agreement modifying these rules.

ERISA CONSIDERATIONS

A Department of Labor regulation provides that if an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 ("ERISA") acquires a "guaranteed governmental mortgage pool certificate," then, for purposes of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code, the plan's assets include the certificate and all of its rights in the certificate, but do not, solely by reason of the plan's holding of the certificate, include any of the mortgages underlying the certificate. Under this regulation, the term "guaranteed governmental mortgage pool certificate" includes a certificate "backed by, or evidencing an interest in, specified

mortgages or participation interests therein” if Freddie Mac guarantees the interest and principal payable on the certificate.

The regulation makes it clear that Freddie Mac and other persons, in providing services for the assets in the pool, would not be subject to the fiduciary responsibility provisions of Title I of ERISA, or the prohibited transaction provisions of Section 406 of ERISA or Code Section 4975, merely by reason of the plan’s investment in a certificate.

The Regular and MACR Classes should qualify as “guaranteed governmental mortgage pool certificates.”

Governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and the Code, may nevertheless be subject to local, state or other federal laws that are substantially similar to provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their own legal advisors before purchasing Certificates.

All employee benefit plan investors should consult with their legal advisors to determine whether the purchase, holding or resale of a Certificate could give rise to a transaction that is prohibited or is not otherwise permissible under either ERISA or the Code.

In addition, special considerations apply to Callable Classes of Certificates. The acquisition of a call right by the beneficial owner of the related Call Class, as well as the consequences of the exercise of the call right by such a beneficial owner, might be treated under ERISA as principal transactions between the beneficial owners of the related Callable Class of Certificates and the beneficial owner of that Call Class. Thus, in theory, the acquisition or exercise of the call right could be characterized under certain circumstances as an ERISA prohibited transaction between a plan and a “party in interest” (assuming that the plan owns a Callable Class of Certificates and the “party in interest” owns the related Call Class, or vice versa), unless an ERISA prohibited transaction exemption, such as PTE 84-14 (for Transactions by Independent Qualified Professional Asset Managers), is applicable. A Call Class may be deemed to be an option to acquire a guaranteed governmental mortgage pool certificate rather than such a certificate. ERISA plan fiduciaries should consult with their counsel concerning these issues.

The purchase of an interest in a Residual Class by a plan may give rise to “unrelated business taxable income” as described in Code Sections 511 through 515 and Section 860E. See *Certain Federal Income Tax Consequences — Taxation of Residual Classes — Excess Inclusions*.

ACCOUNTING CONSIDERATIONS

Various factors may influence the accounting treatment applicable to your Certificates. Accounting standards, and the application and interpretation of such standards, are subject to change from time to time. Before making an investment in the Certificates or exchanging Certificates, you are encouraged to consult your own accountant for advice on the appropriate accounting treatment for the Certificates.

LEGAL INVESTMENT CONSIDERATIONS

You should consult your own legal advisors to determine whether Certificates are legal investments for you and whether you can use Certificates as collateral for borrowings. In addition,

financial institutions should consult their legal advisors or regulators to determine the appropriate treatment of Certificates under risk-based capital or similar rules.

If you are subject to legal investment laws and regulations or to review by regulatory authorities, you may be subject to restrictions on investing in some types of Certificates or in Certificates generally. Institutions regulated by 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 Treasury or any other federal or state agency with similar authority should review applicable regulations, policy statements and guidelines before purchasing or pledging Certificates.

PLAN OF DISTRIBUTION

For each Series of Certificates, Freddie Mac will enter into a purchase agreement with one or more underwriters (each, an **“Underwriter”**), who will offer the Classes of that Series as described in the related Supplement. Underwriters and their affiliates may engage in other transactions with and perform services for Freddie Mac in the ordinary course of business. Freddie Mac, the Underwriters or other parties may receive compensation, trading gain or other benefits in connection with such transactions. We typically receive a fee from the Underwriter for each offering.

Each offering may be made and the Certificates may be offered or sold only where it is legal to do so. This Offering Circular and any applicable Supplement do not constitute an offer to sell or buy or a solicitation of an offer to buy or sell any securities other than the Certificates or an offer to sell or buy or a solicitation of an offer to buy or sell Certificates in any jurisdiction or in any other circumstance in which such an offer or solicitation is unlawful or not authorized.

We may engage in transactions that affect the payment behavior and market prices of Certificates. For any Series, we may furnish some or all of the PCs or other Assets from our own portfolio, and we may acquire some or all of the related Classes of Certificates. Assets from our portfolio may emphasize specific Mortgage characteristics, such as loan purpose, source of origination, geographic distribution or loan size, or specific borrower characteristics, such as credit score or equity in the property. In addition, from time to time we may repurchase Certificates on the market for our portfolio, and we may offer for sale any Certificates that we hold.

INCREASE IN SIZE

Before any offering of Certificates closes, Freddie Mac may increase the size of the offering by increasing the amount of the Assets or any Asset Group. In that event, the Certificates receiving payments from those Assets will have the same characteristics as described in the related Supplement, except that (a) the original principal or notional principal amount of each related REMIC Class, (b) the maximum original principal or notional principal amount of each related MACR Class and (c) the dollar values of any applicable principal payment schedules or priority amounts, all will increase by the same proportion. The related Terms Supplement will reflect any increase in size of an offering.

INDEX OF TERMS

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STANDARD DEFINITIONS AND ABBREVIATIONS FOR CLASSES

The following chart identifies and generally defines most categories of Classes. The first column of the chart shows our standard abbreviation for each category. Each Supplement will identify the categories of Classes of the related Series by means of one or more of these abbreviations.

PRINCIPAL TYPES

<u>Freddie Mac Standard Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
AD	Accretion Directed	Classes that are designed to receive principal payments primarily from the interest that accrues on specified Accrual or Partial Accrual Classes. These Classes also may receive principal payments from principal paid on the underlying Assets.
AS	Accelerated Security	Shifting Payment Percentage Classes that are generally expected to receive principal payments more rapidly than the related Non-Accelerated Securities in earlier periods.
AFC	Available Funds	Classes that may receive as principal, in addition to other amounts, a portion of the funds received as interest on the underlying Assets, to the extent that such funds remain available after accrued interest due on the same or related Classes has been paid.
CALL	Call	Classes whose Holders have the right to direct Freddie Mac to redeem the related Callable Class or Classes, as provided in the applicable Supplement.
CALLABLE	Callable	Classes that are redeemable, directly or indirectly, at the direction of the Holder of the related Call Class, as provided in the applicable Supplement.
CPT	Component	Classes consisting of Components. The Components of a Component Class may have different principal and/or interest payment characteristics but together constitute a single Class. Each Component of a Component Class may be identified as falling into one or more of the categories in this chart.
GMC	Guaranteed Maturity Class	Classes that have a Final Payment Date earlier than the latest date by which those Classes might be retired solely from payments on their underlying Assets. Typically, Holders of a Guaranteed Maturity Class receive payments up to their Final Payment Date from payments made on a related Guaranteed Maturity Underlying REMIC Class. On its Final Payment Date, however, the Holders of an outstanding Guaranteed Maturity Class will be entitled to receive the entire outstanding principal balance of their Certificates, plus interest at the applicable Class Coupon accrued during the related Accrual Period, even if the related Guaranteed Maturity Underlying REMIC Class has not retired.
JMP	Jump	Classes whose principal payment priorities change upon the occurrence of multiple “trigger” or other priority-changing conditions. This category includes Classes whose priority-changing conditions fail to satisfy the requirements for the Non-Sticky Jump or Sticky Jump designation.

<u>Freddie Mac Standard Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
NAS	Non-Accelerated Security	Shifting Payment Percentage Classes that are generally expected to receive principal payments more slowly than the related Accelerated Securities in earlier periods. On each Payment Date or beginning on a specified Payment Date, however, each Class of Non-Accelerated Securities is entitled to a prescribed allocation of scheduled principal payments and prepayments on the underlying Mortgages that may change over time.
NPR	No Payment Residual	Residual Classes that are designed to receive no payments of principal.
NSJ	Non-Sticky Jump	Classes whose principal payment priorities change temporarily upon the occurrence of a single “trigger” or priority-changing condition. A Non-Sticky Jump Class “jumps” or is “jumped” (changes its principal payment priority to its new priority) on each Payment Date when the condition is met and reverts to its original priority (does not “stick” to the new priority) on each Payment Date when the condition is not met.
NTL	Notional	Classes having only a notional principal amount. A notional principal amount is the amount used as a reference to calculate the amount of interest due on an Interest Only Class that is not entitled to any principal. The Supplements typically indicate parenthetically the type of Class with which a Notional Class will reduce or how a Notional Class will reduce with respect to its underlying Assets. For example, “NTL(PAC)” may designate a Notional Class whose notional principal amount will reduce based on principal reductions of one or more PAC Classes, and “NTL(PT)” or “NTL(STP)” may designate a Notional Class whose notional principal amount will reduce proportionately with principal reductions of the related Assets.
PAC	PAC (or Planned Amortization Class)	Classes that are designed to receive principal payments using a predetermined schedule derived by assuming two <i>constant</i> prepayment rates (a “ Structuring Range ”) for the underlying Mortgages. A PAC schedule generally will reflect a Structuring Range at least 30% PSA (or 2% CPR) above and at least 30% PSA (or 2% CPR) below the Pricing Speed for the related Series. In addition, a PAC Class generally will have a range of <i>constant</i> Mortgage prepayment rates, based on the Mortgage assumptions used in modeling its Series (an “ Effective Range ”), that meets these same criteria and at which it would receive scheduled payments. PAC Classes will always have one or more related Support Classes. The PAC Classes in any Series may include two or more “Types.” The PAC Class or Classes within any Type paying from the same Asset Group generally have a single Structuring Range. The different Types have different Structuring Ranges and/or different principal payment priorities. In cases where there is more than one Type, the PAC Classes may be assigned such designations as <i>Type I PAC Classes</i> , <i>Type II PAC Classes</i> and so forth (standard abbreviations: <i>PAC I</i> , <i>PAC II</i> and so forth).

<u>Freddie Mac Standard Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
PT	Pass-Through	Classes which receive all or a specified portion of the principal payments on the underlying Assets (or designated portion of the Assets) and that are not designated as Strip or Sequential Pay Classes.
RTL	Retail	Classes designated for sale to retail investors. Retail Classes typically are issued in small Retail Class Units and may receive principal payments in accordance with special priorities and allocation procedures.
SC	Structured Collateral	Classes that receive payments from one or more previously issued REMIC or MACR Classes. In some cases, a Structured Collateral Class also may have the designation of its underlying Class; in other cases, a Structured Collateral Class also may have a designation based on the principal payment priorities in its Series. For example, “SC/PAC” may designate a Structured Collateral Class whose underlying Class is a PAC Class or a Structured Collateral Class which is designed as a PAC Class in its own Series. Some or all of the Classes which support a Structured Collateral Class designated as a PAC, Scheduled or TAC Class based on the designation of its underlying Class may be supporting Classes in the underlying Series.
SCH	Scheduled	<p>Classes that are designed to receive principal payments using a predetermined schedule or a specified monthly dollar amount, but that are not designated as PAC or TAC Classes. Scheduled Classes may include, among others, the following:</p> <ul style="list-style-type: none"> • “High/Low Scheduled Classes” are designed to receive principal payments using two or more predetermined schedules, each of which is derived using either a single <i>constant</i> prepayment rate (a “Structuring Rate”) or a Structuring Range for the underlying Mortgages. • “Absolute Maturity Scheduled Classes” are designed to receive principal payments using a predetermined schedule (typically based on a percentage of the remaining principal balance of the underlying Assets) such that they will be retired by the last date of such schedule under all Mortgage prepayment scenarios, including a scenario in which no prepayments occur. • “Limited Range Scheduled Classes” are designed to receive principal payments using a predetermined schedule derived from a Structuring Range that is less than 30% PSA (or 2% CPR) above or less than 30% PSA (or 2% CPR) below the Pricing Speed for the related Series or have an Effective Range that meets these criteria. • “Component Scheduled Classes” are Classes consisting of PAC and TAC Components, PAC and Scheduled Components or Scheduled and TAC Components.

<u>Freddie Mac Standard Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
		Scheduled Classes will always have one or more related Support Classes. The Scheduled Classes in any Series may include two or more “Types.” The Scheduled Class or Classes within any Type paying from the same Asset Group generally have a single Structuring Range. The different Types have different Structuring Ranges and/or different principal payment priorities. In cases where there is more than one Type, the Scheduled Classes may be assigned such designations as <i>Type I Scheduled Classes</i> , <i>Type II Scheduled Classes</i> and so forth (standard abbreviations: <i>SCH I</i> , <i>SCH II</i> and so forth).
SEG	Segment	A Class which, together with one or more other Classes, constitutes one or more principal payment “segments.”
SEQ	Sequential Pay	Classes that receive principal payments in a prescribed sequence, that do not have predetermined schedules and that, in most cases, receive payments of principal continuously from the first Payment Date on which they receive principal until they are retired. Sequential Pay Classes may receive principal payments concurrently with one or more other Sequential Pay Classes. A single Class that receives principal payments before, after or concurrently with all other Classes in the same Series may be identified as a Sequential Pay Class.
SJ	Sticky Jump	Classes whose principal payment priorities change permanently upon the occurrence of a single “trigger” or other priority-changing conditions. A Sticky Jump Class “jumps” or is “jumped” (changes its principal payment priority to its new priority) on the first Payment Date when the condition is met and retains (“sticks” to) that priority until retired.
SPP	Shifting Payment Percentage	Classes that receive principal attributable to prepayments on the underlying Mortgages in a different manner than principal attributable to scheduled payments and/or in shifting proportions over time.
STP	Strip	Classes that receive a constant proportion, or “strip,” of the principal payments on the underlying Assets (or designated portion of the Assets).
SUP	Support	Classes that receive principal payments from the underlying Assets on any Payment Date only if scheduled payments have been made on specified PAC, TAC and/or Scheduled Classes.

<u>Freddie Mac Standard Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
TAC	TAC (or Targeted Amortization Class)	Classes that are designed to receive principal payments using a predetermined schedule derived from a single Structuring Rate for the underlying Mortgages. A TAC Class also may have either an Effective Range or a single <i>constant</i> Mortgage prepayment rate, based on the Mortgage assumptions used in modeling its Series (an “ Effective Rate ”), at which it would receive scheduled payments. TAC Classes will always have one or more related Support Classes. The TAC Classes in any Series may include two or more “Types.” The different Types have different principal payment priorities and/or have schedules that are derived from different Structuring Rates. In cases where there is more than one Type, the TAC Classes may be assigned such designations as <i>Type I TAC Classes</i> , <i>Type II TAC Classes</i> and so forth (standard abbreviations: <i>TAC I</i> , <i>TAC II</i> and so forth).
XAC	Index Allocation Class	Classes whose principal payment allocations are based on the value of an Index.

INTEREST TYPES

<u>Freddie Mac Standard Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
AFC	Available Funds	Classes whose entitlement to be paid accrued interest is subject to the availability of funds received as interest and/or principal payments on the underlying Assets. In the event such funds are insufficient, the amount of the deficiency may, if so provided in the applicable Supplement, be carried forward to subsequent Payment Dates (and may itself accrue interest) until sufficient funds are available to provide for the payment of the deficiency. Any deficiency that remains unpaid after the underlying Assets are retired will not be owing or paid and will not be covered by Freddie Mac’s guarantees.
ARB	Ascending Rate	Classes that have predetermined Class Coupons that increase one or more times on dates determined before issuance.
DLY	Delay	A Floating Rate, Inverse Floating Rate or WAC Class for which there is a delay of 15 or more days from the end of its Accrual Period to the related Payment Date.
DRB	Descending Rate	Classes that have predetermined Class Coupons that decrease one or more times on dates determined before issuance.
EXE	Excess	Classes that receive any principal and interest paid on the underlying Assets in excess of the amount of the prescribed principal and interest required to be paid on all Classes in the Series. Excess Classes sometimes have specified principal amounts but no specified Class Coupon.
FIX	Fixed Rate	Classes with Class Coupons that are fixed throughout the life of the Class.
FLT	Floating Rate	Classes with Class Coupons that are reset periodically based on an Index and that vary directly with changes in the Index.

<u>Freddie Mac Standard Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
IDC	Index Differential	Classes with Class Coupons that are reset periodically based on the difference (or other specified relationship) between two or more designated Indices.
IRC	Interest Rate Cap	Classes that receive payments of any accrued interest in excess of a specified rate based solely on benefits received under a third-party derivative contract. As a result, payments of any such excess accrued interest will not be covered by the Freddie Mac guarantee.
INV	Inverse Floating Rate	Classes with Class Coupons that are reset periodically based on an Index and that vary inversely with changes in the Index.
IO	Interest Only	Classes that receive some or all of the interest payments made on the underlying Assets and little or no principal. Interest Only Classes have either a nominal or a notional principal amount. A nominal principal amount represents actual principal that will be paid on the Class. It is referred to as nominal since it is extremely small compared to other Classes. A notional principal amount is the amount used as a reference to calculate the amount of interest due on an Interest Only Class that is not entitled to any principal.
NPR	No Payment Residual	Residual Classes that are designed to receive no payments of interest.
PEC	Payment Exchange Certificates	Classes whose Class Coupons vary, in whole or in part, based upon payments of interest made to or from one or more related Classes.
PO	Principal Only	Classes that do not receive any interest.
PZ	Partial Accrual	Classes that accrete a part of their interest, which is added to the outstanding principal balance, and receive payments of the remainder as interest.
S	Structured Formula	Floating Rate and Inverse Floating Rate Classes with Class Coupons that are periodically reset using a formula other than an Index (without any multiplier) plus a constant, in the case of Floating Rate Classes, or a constant minus an Index (without any multiplier), in the case of Inverse Floating Rate Classes, and which are not designated as Toggle Classes.
T	Toggle	Floating Rate, Inverse Floating Rate and Weighted Average Coupon Classes with Class Coupons that change significantly as a result of very small changes in the applicable Index. The change in Class Coupon may not be a continuous function of changes in the Index; rather, a change in the Index may result in a “shift” from a predetermined rate or formula to a different predetermined rate or formula.
W	WAC (or Weighted Average Coupon)	Classes whose Class Coupons represent a blended interest rate that may change from period to period. WAC Classes may consist of Components with different interest rates or may be backed by Assets with different interest rates.
Z	Accrual	Classes that accrete all of their interest, which is added to their outstanding principal balance. This accretion may continue until the Class begins receiving principal payments, until some other event has occurred or until the Class is retired.

MACR CERTIFICATE EXCHANGES

The Supplement for each Series that includes one or more MACR Classes will identify those Classes and the Combinations of related REMIC Classes and MACR Classes.

Exchanges

We permit any exchange of Classes within a Combination, subject to the following constraints:

- The Classes must be exchanged in the applicable “exchange proportions,” if any, shown in the Supplement. As described below, these are based on the *original* principal amounts (or *original* notional principal amounts, if applicable) of the REMIC Classes or MACR Classes, as applicable.
- The aggregate principal amount (rounded to whole dollars) of the Certificates received in the exchange, immediately after the exchange, must equal that of the Certificates surrendered for exchange immediately before the exchange (for this purpose, the principal amount of any Notional Class always equals \$0).
- The aggregate “Annual Interest Amount” (rounded to whole dollars) of the Certificates received in the exchange must equal that of the Certificates surrendered for exchange. The “**Annual Interest Amount**” for any Certificate equals its outstanding principal or notional principal amount times its Class Coupon. If an exchange includes one or more Floating Rate or Inverse Floating Rate Classes, the Annual Interest Amount for the Classes received and the Classes surrendered must be equal at all levels of the applicable Index.

Where “exchange proportions” are shown for Classes that are exchangeable for other Classes, we base those proportions on the *original*, rather than on the *outstanding*, principal or notional principal amounts of the Classes. If the Classes receive principal payments pro rata with each other, the exchange proportions also will apply to their *outstanding* principal amounts. If the Classes do not receive principal payments pro rata with each other, you can calculate current exchange proportions for the Classes, based on their *outstanding* principal amounts, by (1) multiplying the exchange proportion for each Class by its current Class Factor and (2) dividing each resulting percentage by the sum of such percentages.

Example: Class A and Class B, which together are exchangeable for a MACR Class, have equal *original* principal amounts and therefore have exchange proportions of 50% and 50%. However, they receive principal payments in alphabetical order, so that no principal payment is made on Class B until Class A has been retired. If the current Class Factors are 0.6000000 for Class A and 1.0000000 for Class B, you would calculate their current exchange proportions, based on their *outstanding* principal amounts, as follows:

Step (1):

Class A: $50\% \times 0.6000000 = 30\%$

Class B: $50\% \times 1.0000000 = 50\%$

Step (2):

Class A: $30\% \div (30\% + 50\%) = 37.5\%$

Class B: $50\% \div (30\% + 50\%) = 62.5\%$

A permitted exchange might include \$375,000 *outstanding* principal amount of Class A and \$625,000 *outstanding* principal amount of Class B (equivalent to \$625,000 *original* principal amount of Class A and \$625,000 *original* principal amount of Class B). If Class A has been retired, its *current* exchange proportion would be 0%, that of Class B would be 100%, and only Class B would be included in the exchange.

Any exchanges will be subject to the rules, regulations and procedures applicable to our book-entry securities, in the case of Classes in book-entry form.

The first payment on a REMIC Certificate or a MACR Certificate received in an exchange transaction will be made on the Payment Date in either the first or the second month after the exchange, depending on its Payment Delay. We will make this payment to the Holder of record as of the applicable Record Date.

Types of Combinations

Within a particular Series, one or more types of Combinations may exist.

In some cases you can exchange two or more REMIC Classes for a single MACR Class, and vice versa. The following illustrates such a Combination:

REMIC Certificates				MACR Certificates			
Class	Original Balance	Exchange Proportions	Class Coupon	Class	Maximum Original Balance	Exchange Proportions	Class Coupon
A	\$10,000,000	50%	10%	M	\$20,000,000	100%	5%
PO	10,000,000	50	0				

In some cases you can exchange a single REMIC Class for two or more MACR Classes, and vice versa. The following illustrates such a Combination:

REMIC Certificates				MACR Certificates			
Class	Original Balance	Exchange Proportions	Class Coupon	Class	Maximum Original Balance	Exchange Proportions	Class Coupon
A	\$10,000,000	100%	10%	M	\$10,000,000	100%	0%
				MI	10,000,000(notional)	*	10

* Not applicable. The notional principal amount of the MI Class being exchanged equals the principal amount of the M Class being exchanged.

Finally, in some cases you can exchange a REMIC Class or Classes for various combinations of “ratio-stripping” MACR Classes, and you can exchange these MACR Classes for REMIC Classes or for other MACR Classes. In such cases, subject to the constraints listed under *Exchanges* above, numerous subcombinations are possible.

The following illustrates a “ratio-stripping” Combination with a single REMIC Class:

REMIC Certificates				MACR Certificates			
Class	Original Balance	Exchange Proportions	Class Coupon	Class	Maximum Original Balance	Exchange Proportions	Class Coupon
A	\$10,000,000	100%	7.00%	MI	\$10,000,000(notional)	N/A	7.00%
				MA	10,000,000	N/A	6.00
				MB	10,000,000	N/A	6.25
				MC	10,000,000	N/A	6.50
				MD	10,000,000	N/A	6.75
				ME	9,655,172	N/A	7.25
				MF	9,333,333	N/A	7.50
				MG	9,032,258	N/A	7.75
				MH	8,750,000	N/A	8.00
				MP	10,000,000	N/A	0.00

Within this Combination you could, for example, exchange (a) any one of the first four subcombinations of Classes shown in the following table for any other such subcombination or (b) any one of the last three subcombinations shown for any other such subcombination.

Subcombinations

<u>Subcombination</u>	<u>Class</u>	<u>Original Balance</u>	<u>Class Coupon</u>	<u>Annual Interest Amount</u>
1	A	\$10,000,000	7.00%	\$700,000
2	MI	\$10,000,000(notional)	7.00%	\$700,000
	MP	10,000,000	0.00	0
		<u>\$10,000,000</u>		<u>\$700,000</u>
3	MI	\$ 1,428,571(notional)	7.00%	\$100,000
	MA	10,000,000	6.00	600,000
		<u>\$10,000,000</u>		<u>\$700,000</u>
4	MB	\$ 1,600,000	6.25%	\$100,000
	MH	7,500,000	8.00	600,000
	MP	900,000	0.00	0
		<u>\$10,000,000</u>		<u>\$700,000</u>
5	MF	\$ 5,000,000	7.50%	\$375,000
6	MH	\$ 4,687,500	8.00%	\$375,000
	MP	312,500	0.00	0
		<u>\$ 5,000,000</u>		<u>\$375,000</u>
7	MA	\$ 2,500,000	6.00%	\$150,000
	MB	2,500,000	6.25	156,250
	MI	982,143(notional)	7.00	68,750
		<u>\$ 5,000,000</u>		<u>\$375,000</u>

Procedures and Fees

Notice

- If you want to exchange Classes, you must notify our Single Family Securitization Multiclass Issuance Group through a dealer that belongs to our REMIC dealer group. The dealer must notify us by telephone (866-903-2767) or by fax (571-382-3817).
- We must receive the notice not later than two Business Days before the proposed exchange date, which, subject to our approval, can be any Business Day other than the first or last Business Day of the month. The notice must include:
 - The outstanding principal or notional principal amount of both the Certificates to be exchanged and the Certificates to be received.
 - The proposed exchange date.
- After we receive a notice, we will telephone the dealer to give instructions for delivering the Certificates and the exchange fee to us by wire transfer.
- Your notice becomes irrevocable on the second Business Day before the proposed exchange date.

Exchange Fee

We charge a fee for each exchange. You should contact our Single Family Securitization Multiclass Issuance Group through a dealer that belongs to our REMIC dealer group at (866) 903-2767 for a determination of the exchange fee. In no event will our fee be less than \$5,000.

RETAIL CLASS PRINCIPAL PAYMENTS

The following describes how we make principal payments on most Retail Classes.

Summary

As Administrator, we have arranged with DTC and the Registrar (which currently is Freddie Mac) to make principal payments on Retail Classes in \$1,000 Retail Class Units. We do this to accommodate retail investors who may not wish to receive their principal payments in amounts smaller than \$1,000, to give a limited payment priority to investors who request early payment, and to give the first limited payment priority to the requesting estates of deceased investors.

We make principal payments on a Retail Class as follows:

- We determine the amount of principal, if any, payable on the entire Retail Class on each Payment Date as described in the related Supplement.
- The Registrar rounds the principal payment to a multiple of \$1,000, using the Retail Rounding Account described in the Supplement, and pays the rounded amount to DTC.
- DTC remits the principal payment for the Retail Class, in multiples of \$1,000, to the applicable DTC Participants. The DTC Participants and other financial intermediaries in turn remit principal payments to investors in the Retail Class, also in multiples of \$1,000.
- Investors who have properly requested early payment are paid first, to the extent of available principal, with a first priority given to “Deceased Owners” and a second priority to “Living Owners.”
- If more principal is available for payment on the Retail Class than the amount covered by valid requests for early payment, non-requesting investors in that Class receive principal payments in multiples of \$1,000 under random lot procedures.

The rest of this Appendix describes these procedures in more detail.

Rounding of Principal Payments

On each Payment Date when principal is payable on a Retail Class, the amount payable on that Class is rounded to a multiple of \$1,000. On the first such Payment Date, the Registrar withdraws from the Retail Rounding Account any funds needed to round the principal payment upward to the next multiple of \$1,000 and pays the rounded amount on the Retail Class. On the next such Payment Date, the Registrar applies the principal payable on the Retail Class first to repay any amount withdrawn from the Retail Rounding Account on the previous Payment Date. The Registrar then rounds the remainder of the principal payment upward to the next multiple of \$1,000, by making another withdrawal from the Retail Rounding Account, and pays this amount on the Retail Class. This process continues on each following Payment Date until the Retail Class has been retired.

Principal Payment Requests and Withdrawals

If you own Retail Class Units, you may request that any or all of your Units be paid in full on the earliest possible Payment Date. You must submit your request to your broker or other financial intermediary, who must in turn make the request in writing to DTC on a prescribed form. DTC will

date and time stamp all requests in accordance with its established procedures and forward the requests to the Registrar. The Registrar will keep a list of DTC Participants that represent beneficial owners that have requested Retail Class principal payments, together with the order of receipt and the amounts of the requests. You can get information regarding the number of Retail Class Units for your Class for which requests have been made and the status of your own request by contacting the Registrar as shown on page 12.

You may withdraw a request for a Retail Class principal payment by notifying your broker or other financial intermediary, who must in turn forward the notice of withdrawal in writing to the Registrar on a prescribed form. Your request for a Retail Class principal payment will terminate if the Registrar receives notice that you have transferred the related Retail Class Units.

For a request or a notice of withdrawal to be effective for any Payment Date, it must be received by DTC (in the case of a request) or the Registrar (in the case of a withdrawal) by the last business day of the preceding calendar month. Once effective, a request will remain effective for all Payment Dates unless it is withdrawn or terminates.

DTC honors requests for Retail Class principal payments in accordance with the procedures described below. The Registrar will notify DTC and the appropriate DTC Participants which of the requests should be honored on each Payment Date. The decisions of the Registrar and DTC concerning these matters, and any related rules and procedures they establish, will be binding on all affected persons.

Principal Payment Allocations

Payments to Requesting Beneficial Owners. For any Payment Date, we give priority of payment on a Retail Class to beneficial owners of that Class who have requested principal payments. DTC honors requests in the following order of priority:

1. Requests of Deceased Owners in the order that DTC received those requests, up to \$100,000 for each requesting Deceased Owner. We sometimes refer to this procedure as the **“Survivor’s Priority.”**
2. Requests of Living Owners in the order established by the random lot procedures of the Registrar, up to \$10,000 for each requesting Living Owner.

DTC will then honor requests of each Deceased Owner as provided in Step 1 up to a second \$100,000, and requests of each Living Owner as provided in Step 2 up to a second \$10,000. DTC will repeat this order of priorities until it has honored all principal payment requests.

If there is not enough principal available on a given Payment Date to honor all requests, the requests will be honored on following Payment Dates as principal becomes available. In the case of requests of Living Owners, the Registrar will establish a new order of priority for each Payment Date by random lot. This order will apply both to previously unsatisfied payment requests and to newly submitted requests. A principal payment request of a Living Owner who later dies will become entitled to the priority of a newly submitted request of a Deceased Owner. This priority will be effective for each subsequent Payment Date only if DTC has received appropriate evidence of death and any requested tax waivers by the last business day of the preceding calendar month.

Payments to Non-Requesting Beneficial Owners. If the amount of principal available for payments on a Retail Class on a given Payment Date is more than the amount needed to honor all

principal payment requests, DTC will determine which Retail Class Units will be paid by using its established random lot procedures. Each DTC Participant receiving principal payments, and each financial intermediary in the chain to the beneficial owners, will remit payments to their customers according to their own procedures, which may or may not be by random lot. A DTC Participant or financial intermediary could decide to allot Retail Class principal payments to certain customers (which could include the DTC Participant or intermediary) without allotting payments to others. You may ask your brokers or other intermediaries what allocation procedures they use.

Beneficial Owners

A **“Deceased Owner”** is the estate of an individual who owned the applicable Retail Class Units at the time of death, provided the executor or other authorized representative of the estate furnishes to DTC evidence of death satisfactory to the Registrar and any tax waivers requested by the Registrar. A **“Living Owner”** is any other beneficial owner of Retail Class Units.

The following rules will apply to determine beneficial ownership in the case of Deceased Owners:

- Retail Class Units beneficially owned by tenants by the entirety, joint tenants or tenants in common will be regarded as beneficially owned by a single owner. The death of a tenant by the entirety, joint tenant or tenant in common will be regarded as the death of the beneficial owner, and the Retail Class Units beneficially owned will become eligible for the principal payment priority described above.
- Retail Class Units beneficially owned by a trust will be regarded as beneficially owned by each beneficiary of the trust to the extent of that beneficiary’s interest in the trust (however, a trust’s beneficiaries collectively cannot be beneficial owners of more Retail Class Units than are owned by the trust). The death of a beneficiary of the trust will be regarded as the death of a beneficial owner of the Retail Class Units beneficially owned by the trust to the extent of that beneficiary’s interest in the trust.
- The death of an individual who was a tenant by the entirety, joint tenant or tenant in common in a tenancy which is the beneficiary of a trust will be regarded as the death of the beneficiary of the trust.
- The death of a person who, during his or her lifetime, was entitled to substantially all of the beneficial interest in a Retail Class Unit will be regarded as the death of the beneficial owner of that Retail Class Unit, regardless of the registration of ownership, if the beneficial ownership interest can be established to the satisfaction of the Registrar. A beneficial ownership interest will exist in many cases of street name or nominee ownership, ownership by a trustee, ownership under the Uniform Gifts to Minors Act and community property or other joint ownership arrangements between spouses. A beneficial ownership interest will be evidenced by such factors as the power to sell or otherwise dispose of a Retail Class Unit, the right to receive the proceeds of sale or disposition and the right to receive interest and principal payments on a Retail Class Unit.

INTEREST RATE INDICES

As Administrator, we determine the Indices for Floating Rate and Inverse Floating Rate Classes as follows. Our methods for determining Indices are subject to modification as necessary to reflect technological and market changes.

LIBOR

We calculate the Class Coupons of LIBOR Classes for each Accrual Period (after the first) on the second business day before the Accrual Period begins (an **“Adjustment Date”**). For this purpose, a “business day” is a day on which banks are open for dealing in foreign currency and exchange in London, New York City and Washington, D.C.

We determine LIBOR using the rate, expressed as a percentage per annum, for U.S. dollar deposits of the applicable maturity set by ICE Benchmark Administration Limited (**“ICE”**) as of 11:00 a.m. (London time) on the related Adjustment Date (the **“ICE Method”**). Rates determined by ICE are currently displayed on Bloomberg L.P.’s page “BBAM.” That page, or any other page that may replace BBAM on that service or any other service authorized by ICE to display the rates it determines for deposits in U.S. dollars, is a **“Designated Page.”** Rates determined by ICE are currently rounded to five decimal places. Although ICE provided assurances that there will be no initial changes to the manner in which the rate is calculated or to data collection methodologies, we can provide no assurance that there will be no such changes in the future. In addition, we cannot assure you that LIBOR for any distribution date accurately represents the offered rate applicable to loans in U.S. dollars for a stated period between leading European banks or that LIBOR will continue to be widely used as a benchmark interest rate.

If LIBOR determined under the ICE Method does not appear on the Designated Page as of 11:00 a.m. (London time) on an Adjustment Date, or if the Designated Page is not then available, LIBOR for that date will be the most recently published LIBOR determined under the ICE Method. In the event that any other entity assumes the administration of LIBOR from ICE, LIBOR shall be determined, in our sole discretion, either (i) on the basis of the succeeding administrator’s LIBOR determination method, or (ii) by our designation of an alternative determination method or index that has performed, or that we expect to perform, in a manner substantially similar to the ICE Method. We will select an alternative index only if tax counsel advises us that the alternative index will not cause any affected REMIC Pools to lose their classification as REMICs. We can provide no assurance that any alternative LIBOR determination method or index will yield the same or similar economic results over the lives of the affected Classes.

COFI

We calculate the Class Coupons of COFI Classes for each Accrual Period (after the first) on the related Adjustment Date (for non-Delay Classes) or on the second business day of the Accrual Period (for Delay Classes), by reference to COFI as published most recently by the Federal Home Loan Bank of San Francisco (the **“FHLB of San Francisco”**). The FHLB of San Francisco currently publishes COFI on or about its last working day of each month.

COFI is designed to represent the monthly weighted average cost of funds for savings institutions in the Eleventh District (which consists of Arizona, California and Nevada) for the month prior to the month of publication. The FHLB of San Francisco computes COFI for each month by dividing the cost of funds (interest paid during the month by Eleventh District savings institutions on savings, advances and other borrowings) by the average of the total amount of these funds outstanding at the end of that month and the prior month. It then annualizes and adjusts the result to reflect the actual number of days in the particular month. If necessary, the FHLB of San Francisco adjusts the component figures to neutralize the effect of events such as member institutions leaving the Eleventh District or acquiring institutions outside the Eleventh District. COFI has been reported each month since August 1981.

COFI is intended to reflect the interest costs paid on all types of funds held by Eleventh District member savings associations and savings banks. COFI is weighted to reflect the relative amount of each type of funds held at the end of the relevant month. The three major components of funds of Eleventh District member institutions are: (1) savings deposits, (2) Federal Home Loan Bank advances and (3) all other borrowings, such as reverse repurchase agreements and mortgage-backed bonds. Unlike most other interest rate measures, COFI does not necessarily reflect current market rates, since the component funds represent a variety of terms to maturity whose costs may react in different ways to changing conditions. The FHLB of San Francisco periodically prepares percentage breakdowns of the types of funds held by Eleventh District member institutions. You can get these breakdowns from the FHLB of San Francisco.

A number of factors affect the performance of COFI that may cause it to move in a manner different from indices tied to specific interest rates, such as LIBOR or any Treasury Index. Because of the various terms to maturity of the liabilities upon which COFI is based, COFI may not necessarily reflect the average prevailing market interest rates on new liabilities of similar maturities. Also, COFI may not necessarily move in the same direction as market interest rates at all times because, as longer term deposits or borrowings mature and are renewed at prevailing market interest rates, COFI is influenced by the difference between the prior and the new rates on those deposits or borrowings. Because COFI is based on a regional and not a national cost of funds, it may not behave as would a nationally based index. In addition, the movement of COFI, as compared to other indices tied to specific interest rates, may be affected by changes instituted by the FHLB of San Francisco in the method used to calculate COFI.

You can obtain the current level of COFI by calling the FHLB of San Francisco at 415-616-2600 or from its internet website at www.fhlbsf.com.

If the FHLB of San Francisco fails to publish COFI for a period of 65 calendar days, we will calculate the Class Coupons of the COFI Classes for subsequent Accrual Periods by using, in place of COFI, any replacement index published or designated by the FHLB of San Francisco. If the FHLB of San Francisco does not publish or designate a replacement index, we will select an alternative index that has performed, or that we expect to perform, in a manner substantially similar to COFI. At the time we first select an alternative index, we will determine the average number of basis points, if any, by which the alternative index differed from COFI for the period we, in our sole discretion, reasonably determine reflects fairly the long-term difference between COFI and the alternative index, and will adjust the alternative index by that average. We will select a particular index as the alternative index only if tax counsel advises us that the alternative index will not cause any affected REMIC Pools to lose their classification as REMICs.

If the FHLB of San Francisco later resumes publication of COFI, we will calculate the Class Coupons of the COFI Classes for each following Accrual Period by reference to COFI.

Treasury Index

We calculate the Class Coupons of Treasury Index Classes for each Accrual Period (after the first) on the fourth business day before the Accrual Period begins (a “**Treasury Index Adjustment Date**”). On each Treasury Index Adjustment Date, we will determine the applicable Treasury Index, which will be either:

- The auction average (investment) yield, expressed as a per annum rate, on three-month or six-month U.S. Treasury bills as made available by the Treasury in the most recent edition of its Public Debt News that is available to us.
- The weekly average yield, expressed as a per annum rate, on U.S. Treasury securities adjusted to a constant maturity of one, three, five, seven, ten or thirty years or to some other constant maturity (as specified in the applicable Supplement) that the Federal Reserve Board publishes in the most recent edition of Federal Reserve Statistical Release No. H.15 (519) that is available to us.

The Treasury releases its Public Debt News on the day of the applicable auction. You can get it by contacting the Treasury’s Bureau of Public Debt or from its internet website at www.treasury.gov. Statistical Release No. H.15 (519) is released on Monday or Tuesday of each week. You can get it from the Publications Department at the Board of Governors of the Federal Reserve System, 21st and C Streets, N.W., M.S. 138, Washington, D.C. 20551 or from its internet website at www.treasurydirect.gov.

We consider a new value for the Treasury Index to have been made available on the day following the date it is released. In the event the applicable Treasury Index is no longer published in the Public Debt News or Federal Reserve Statistical Release No. H.15 (519), or either publication is no longer published, we will designate a new source for obtaining the applicable Treasury Index.

The applicable auction average (investment) yield for a given week is the yield resulting from the auction of three-month or six-month U.S. Treasury bills held that week.

The weekly average yield reflects the average yields of the five calendar days ending on Friday of the previous week. Yields on Treasury securities at “constant maturity” are estimated from the Treasury’s daily yield curve. This curve, which relates the yield on a security to its time to maturity, is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. These market yields are calculated from composites of quotations reported by five leading U.S. Government securities dealers to the Federal Reserve Bank of New York. This method permits estimation of the yield for a given maturity even if no security with that exact maturity is outstanding.

If the applicable Treasury Index becomes unavailable, we will designate an alternative index based upon comparable information and methodology. At the time we first select an alternative index, we will determine the average number of basis points, if any, by which the alternative index differed from the applicable Treasury Index for the period we, in our sole discretion, reasonably determine reflects fairly the long-term difference between the applicable Treasury Index and the alternative index, and will adjust the alternative index by that average. We will select a particular index as the alternative index only if tax counsel advises us that the alternative index will not cause any affected REMIC Pools to lose their classification as REMICs.

If the applicable Treasury Index becomes available again, we will calculate the Class Coupons for the related Treasury Index Classes for each following Accrual Period by reference to the applicable Treasury Index.

Notwithstanding the above, we adjust the Class Coupons of Treasury Index Classes backed by adjustable rate GNMA Certificates by reference to the same value for the applicable Treasury Index as is used to adjust the interest rates of the GNMA Certificates.

Prime Rate

On each Adjustment Date, we calculate the Class Coupons of Prime Rate Classes for the next Accrual Period by reference to the rate published as the U.S. “Prime Rate” in the “Money Rates” section or other comparable section of *The Wall Street Journal* on that Adjustment Date. The rate published in *The Wall Street Journal* currently represents the base rate on corporate loans posted by at least 70% of the 10 largest commercial banks in the United States. If *The Wall Street Journal* instead publishes a prime rate range, the average of that range, as determined by us, will be the Prime Rate.

If *The Wall Street Journal* no longer publishes a “Prime Rate” entry, we will designate a new method for determining the Prime Rate based on comparable data. We will select an alternative method only if tax counsel advises us that the method will not cause any affected REMIC Pools to lose their classification as REMICs.

If the Prime Rate becomes available in *The Wall Street Journal* again, we will calculate the Class Coupons for the Prime Rate Classes for each following Accrual Period by reference to the Prime Rate published in *The Wall Street Journal*.

