



## Freddie Mac's Planned Treatment of Float Compensation Payments

The IRS' recent [Revenue Ruling 2018-24](#) stated that Freddie Mac's proposed exchange of 45-day Gold PC securities for 55-day Freddie Mac mortgage-backed securities will not be taxable. However, the IRS did not rule on the taxability of the associated float compensation payment.

Freddie Mac will treat the float compensation payment as a tax-free adjustment to the security basis. As such, for those investors that execute their exchange through the direct-to-Freddie path, Freddie Mac does not intend to report the payment as taxable income to the investor. However, Freddie Mac is not dictating to investors how they must treat the payment. Some investors may conclude after consulting with their tax advisors that it is taxable income when received.

Although Freddie Mac will not perform tax withholding or reporting of the float compensation payments, for investors who choose to use the direct-to-Freddie exchange path Freddie Mac will require collection of W-8 and W-9 forms. If an investor does not provide a valid W-8 or W-9, they will need to use the dealer-facilitated exchange path and provide documents that the dealer may require. Further, foreign asset managers who may perform exchanges on behalf of their clients through the direct-to-Freddie path will need to demonstrate that they are Qualified Intermediaries (QI). If QI status cannot be confirmed by Freddie Mac, a foreign asset manager will be required to use the dealer-facilitated exchange path.

For more details on the two Freddie Mac exchange paths, please refer to our [Exchange webpage](#).

**The information shared in this email does not constitute tax advice; investors interested in the Gold PC exchange are strongly encouraged to speak with their own tax advisors to determine how they will treat the float compensation.**

If you have questions, please contact us at [single\\_security@freddiemac.com](mailto:single_security@freddiemac.com)

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