

# Freddie Mac



## Giant and Other Pass-Through Certificates (Multifamily)

### Giant Certificates Stripped Giant Certificates Stripped Interest Certificates Structured Pass-Through Certificates

#### The Pass-Through Certificates

Freddie Mac issues and guarantees several types of multifamily **“Pass-Through Certificates.”** Pass-Through Certificates are securities that represent undivided beneficial ownership interests in pools of assets that are held in trust for investors and are backed by multifamily residential mortgages.

#### Freddie Mac’s Guarantee

We guarantee the payment of interest and principal on the Pass-Through Certificates as described in this Offering Circular. **Principal and interest payments on the Pass-Through 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 Pass-Through Certificates. For each offering of Pass-Through Certificates, we prepare an offering circular supplement. The supplement will describe more specifically the particular Pass-Through Certificates included in that offering.

#### Tax Status and Securities Law Exemptions

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

**Pass-Through Certificates may not be suitable investments for you. You should not purchase Pass-Through 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 8 highlights some of these risks.**

Offering Circular dated February 23, 2017

If you intend to purchase Pass-Through Certificates, you should rely 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 supplement for those Pass-Through 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 Pass-Through Certificates in any jurisdiction that prohibits their offer.

## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>	<u>Description</u>	<u>Page</u>
Freddie Mac . . . . .	3	Transfer of Assets to Pass-Through Pool . . . . .	31
General . . . . .	3	Various Matters Regarding Freddie Mac . . . . .	31
Conservatorship . . . . .	3	Events of Default . . . . .	33
Additional Information . . . . .	4	Rights Upon Event of Default . . . . .	33
Summary . . . . .	5	Voting Rights . . . . .	34
Risk Factors . . . . .	8	Voting Under Any PC or REMIC Agreement . . . . .	34
Prepayment and Yield Factors . . . . .	8	Amendment . . . . .	35
Investment Factors . . . . .	9	Governing Law . . . . .	35
Governance Factors . . . . .	11	Certain Federal Income Tax Consequences . . . . .	36
Application of Proceeds . . . . .	13	General . . . . .	36
Credit Risk Retention . . . . .	13	Giant Certificates . . . . .	38
Description of Pass-Through Certificates . . . . .	14	Strips . . . . .	41
General . . . . .	14	SPCs . . . . .	44
Giant Certificates . . . . .	14	Exchange Transactions . . . . .	44
Stripped Giant Certificates . . . . .	15	Backup Withholding, Foreign Withholding and Information Reporting . . . . .	44
Stripped Interest Certificates . . . . .	16	Foreign Account Tax Compliance Act . . . . .	45
Structured Pass-Through Certificates . . . . .	16	ERISA Considerations . . . . .	46
Categories of Classes . . . . .	17	Accounting Considerations . . . . .	46
Pass-Through Pool Assets . . . . .	18	Legal Investment Considerations . . . . .	47
Payments . . . . .	19	Distribution Arrangements . . . . .	47
Guarantees . . . . .	21	Increase in Size . . . . .	47
Form, Holders and Payment Procedures . . . . .	22	Appendix I — Index of Terms . . . . .	I-1
Prepayment, Yield and Suitability Considerations . . . . .	23	Appendix II — Exchange Procedures for Stripped Giant Certificates . . . . .	II-1
Prepayments . . . . .	23	Appendix III — Examples of MACS Exchanges . . . . .	III-1
Yields . . . . .	26		
Suitability . . . . .	28		
Tabular Information in Supplements . . . . .	29		
The Multifamily Pass-Through Certificate Trust Agreement . . . . .	31		

---

*Appendix I—Index of Terms* shows the page numbers where definitions of capitalized terms appear.

---

## 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. We do not originate mortgage loans or lend money directly to consumers.

Although we are chartered by Congress, we alone are responsible for making payments on our securities. Payments on our Pass-Through 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.

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) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing; and
- Promote access to mortgage credit throughout the U.S. (including central cities, rural areas and other underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.

### 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**”). 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, the Purchase Agreement and the uncertainty surrounding our future.

## 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 Multifamily Mortgage Participation Certificates (“PCs”) and any related supplements (together, the “PC 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 the series on our internet website at [www.freddiemac.com/mbs](http://www.freddiemac.com/mbs).

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 a 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 Multifamily Pass-Through Certificates 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](mailto:Investor_Inquiry@freddiemac.com)**

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

**Internet Website\*: [www.freddiemac.com](http://www.freddiemac.com)**

\* 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 Pass-Through Certificates. Before buying Pass-Through Certificates, you should read the remainder of this Offering Circular and 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*.

**Pass-Through Certificates . . . . .** As Depositor, we transfer and deposit mortgage-related assets that we have created or acquired into various trust funds established pursuant to the Multifamily Pass-Through Certificates Trust Agreement. As Administrator, on behalf of the Trustee for these trust funds, we create and issue under the Multifamily Pass-Through Certificates Trust Agreement “**Pass-Through Certificates**” representing beneficial ownership interests in “**Pass-Through Pools**,” which are pools of assets held by those trust funds.

**Assets and Mortgages . . . . .** The assets in each Pass-Through Pool may include Freddie Mac’s Multifamily PCs, Pass-Through 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 mortgages underlying the assets (the “**Mortgages**”) will be secured by multifamily residential properties, including assisted living, skilled nursing and/or memory care facilities, and have a fixed and/or an adjustable interest rate.

**Types of Pass-Through Certificates or SPCs . . . . .**

• **Giant Certificates . . . . .** Giant Certificates are single-class securities that receive principal and interest from their underlying assets. They may have either a fixed or an adjustable interest rate, called a class coupon, depending on the underlying Mortgages.

- **Giant PCs** . . . . . Giant PCs are Giant Certificates whose underlying assets are Freddie Mac PCs, other Giant PCs or Freddie Mac REMIC securities backed by PCs.
  
- **Stripped Giant Certificates** . . . . . Stripped Giant Certificates are issued in series consisting of two or more classes that receive principal only, interest only or both principal and interest from their underlying asset. Each series is backed by a single Giant Certificate. If you own proportionate amounts of each of the classes from the same series, you may exchange them for an equivalent amount of the underlying asset, and vice versa.
  
- **Modifiable And Combinable Securities (MACS)** . . . . . MACS are Stripped Giant Certificates issued in series consisting of a fixed rate interest only class, a principal only class and multiple fixed rate classes that receive both principal and interest with different class coupons, ranging from deep discount to high premium coupons. A series of MACS also may include multiple floating rate, inverse floating rate and weighted average coupon classes, some of which receive both principal and interest and some of which are interest only classes. If you own appropriate amounts of MACS classes, you may exchange them for other classes of the same series with different class coupons or interest rate formulas, or for an equivalent amount of the underlying asset, and vice versa.
  
- **Stripped Interest Certificates** . . . . . Stripped Interest Certificates are issued in series consisting of one or more classes that receive interest payments from one or more assets. Each series is backed by a portion of interest payments from Mortgages included in various pools that back Freddie Mac PCs.
  
- **Structured Pass-Through Certificates (SPCs)** . . . . . SPCs are issued in series consisting of one or more classes. Each class receives payments from one or more assets. The assets usually are REMIC classes issued by Freddie Mac or another party.
  
- Payments** . . . . . As Administrator, Freddie Mac passes through any payment of principal and interest due on a Pass-Through Certificate monthly on the applicable Payment Date, which will typically be the 25<sup>th</sup> of each month.
  
- **Interest** . . . . . Freddie Mac pays interest on each class of Pass-Through Certificates at its class coupon. Interest payable on a Payment Date accrues during the monthly accrual period specified in this Offering Circular or the applicable supplement.
  
- **Principal** . . . . . Pass-Through Certificates receive principal payments in the same amounts and the same periods as their underlying assets.

Holders of a class of Pass-Through Certificates entitled to principal receive principal payments proportionately with each other, based on the principal amounts of their Pass-Through Certificates.

**Trustee** ..... Freddie Mac serves as Trustee for each issue of Pass-Through Certificates pursuant to the terms of the Multifamily Pass-Through Certificates Trust Agreement for that issue.

**Accounting Considerations** ..... Various factors may influence the accounting treatment applicable to various types of Pass-Through Certificates. You should consult your own accountant regarding the appropriate accounting treatment for Pass-Through Certificates or an exchange of Pass-Through Certificates.

**Form of Pass-Through Certificates** .....

Pass-Through Certificates that are backed by PCs in most cases will be issued, held and transferable on the book-entry system of the Federal Reserve Banks (the “**Fed System**”).

In some cases, Pass-Through Certificates may be issued, held and transferable on the book-entry system (the “**DTC System**”) of The Depository Trust Company or its successor (“**DTC**”).

Some classes will be issued in registered, certificated form. They will be 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 DB  
McLean, Virginia 22102-3110

**Holders** ..... As an investor in Pass-Through Certificates, you are not necessarily the Holder of those Pass-Through Certificates. You will ordinarily hold your Pass-Through Certificates through one or more financial intermediaries. Your rights as an investor may be exercised only through the Holder of your Pass-Through Certificates, and Freddie Mac may treat the Holder as the absolute owner of your Pass-Through 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 Pass-Through 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 Pass-Through Certificates. You should also review the Risk Factors section of the PC Offering Circular for discussions of the risks related to PCs and the underlying Mortgages. However, neither this Offering Circular nor those other documents describe all the possible risks of an investment in the Pass-Through Certificates that may result from your particular circumstances, nor do they project how the Pass-Through 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 Pass-Through 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 Pass-Through Certificates.

**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 Pass-Through Certificates, are influenced by a variety of economic, social and other factors, including local and regional economic conditions and the availability of, and costs associated with, alternative financing.

**Principal payment behavior varies over time and among PC pools.** The rate of principal payments on a PC pool may vary significantly from month to month as a result of fluctuations in the principal payment rates of its underlying Mortgages. A PC pool may experience payment behavior that is similar to or different from that experienced by other PC pools consisting of similar Mortgages. Any PC pool could experience payment behavior that is significantly different from other PC pools, particularly if it contains a relatively small number of Mortgages, contains Mortgages from only one seller or has been formed specifically to emphasize one or more loan characteristics, such as property location or loan size. Changes in payment behavior could also result from changes in or waivers of our Mortgage purchasing or servicing requirements or standards.

**Prepayments can reduce your yield.** Your yield on a class of Pass-Through Certificates will depend on its price, the rate of prepayments on its underlying assets and the other characteristics of the Mortgages. Certain Mortgages may be voluntarily prepaid at any time, subject to any applicable lockout period and to the payment of any applicable prepayment premiums. The Mortgages with lockout periods may be voluntarily prepaid at any time outside of the lockout period. The Mortgages



also may be prepaid due to defaults, casualties, condemnations and repurchases. You should carefully consider the yield risks, including these:

- 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 (including a class of Stripped Interest Certificates) or any other class at a significant premium and prepayments are very 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.

**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.
- 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.

**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 Pass-Through 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 Pass-Through Certificates at that time, you could be disadvantaged by not receiving principal for reinvestment as quickly as you expected.

## **INVESTMENT FACTORS:**

**The Pass-Through Certificates may not be suitable investments for you.** The Pass-Through 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 Pass-Through 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 Pass-Through Certificates are suitable investments for you. If you require a definite payment stream, or a single payment on a specific date, the Pass-Through Certificates are not suitable investments for you. If you purchase Pass-Through Certificates, you need to have enough financial resources to bear all of the risks related to your investment.

**The Pass-Through Certificates are subject to liquidity risk.** Illiquidity can have a severely negative impact on the prices of the Pass-Through Certificates, especially those that are particularly sensitive to prepayment or interest rate risk. The Pass-Through Certificates are not traded on any exchange and the market price of a particular issuance of Pass-Through Certificates or a benchmark price may not be readily available. A secondary market for some types of Pass-Through Certificates may not develop. Even if a market develops, it may not continue. As a result, you may not be able to sell your Pass-Through Certificates easily or at prices that will allow you to realize your desired yield. The secondary markets for some Pass-Through 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 Pass-Through Certificates. Moreover, adverse national or global financial developments may materially affect the liquidity and pricing of your Pass-Through 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 Pass-Through 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).

**The Pass-Through Certificates are subject to market risk.** The market value of your Pass-Through 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 Pass-Through 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 Pass-Through Certificates. If you sell your Pass-Through Certificates when their market values are low, you may experience significant losses.

**Index levels will affect yields of your adjustable rate Pass-Through Certificates.** If your Pass-Through Certificates are backed by adjustable rate Mortgages, and the index level used to adjust the interest rates on those Mortgages is lower than you expect, the yield on your investment could be lower than you expect, especially if prepayments are slow. Even if the index level is high but prepayments are fast, your yield could be lower than you expect.

**Your ability to exchange classes of MACS may be limited.** You must own specific classes in the correct proportions to enter into an exchange involving MACS. 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, such as a REMIC.
- Principal payments and prepayments over time will decrease the amounts available for exchange.

**You may not be allowed to buy Pass-Through 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 Pass-Through Certificates. If you purchase Pass-Through Certificates in violation of such laws or regulations, you may be compelled to divest such Pass-Through Certificates. See *Legal Investment Considerations*.

**Potential conflicts of interest.** In connection with the Pass-Through Certificates that we issue, we act in multiple roles — Trustee, Depositor, Administrator and Guarantor. Further, we act in these same roles with respect to PCs that we issue. The Multifamily PC Trust Agreement provides that in determining whether a Mortgage shall be repurchased from the related PC pool, we may in our capacities as the Administrator and Guarantor of our PCs consider factors as we deem appropriate, including the reduction of administrative costs (in the case of the Administrator) and possible exposure under our guarantee (in the case of the Guarantor). There is no independent third party engaged with respect to the PCs or Pass-Through Certificates to monitor and supervise our activities in our various roles. In connection with our roles as the Administrator and Guarantor of the PCs that we issue, we may take certain actions with respect to Mortgages that may adversely affect Pass-Through Certificate Holders. For example, we may repurchase, or direct sellers or servicers to repurchase, Mortgages from PC pools in certain situations. A Mortgage repurchase will be treated as a prepayment in full of the Mortgage being repurchased and will increase the prepayment speeds of Pass-Through Certificates.

#### **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 Pass-Through 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 Pass-Through 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.

**Damages in event of the Conservator's repudiation of our guarantee are limited.** In general, the liability of the Conservator for the disaffirmance or repudiation of any contract, including our guarantee, is limited to actual direct compensatory damages determined as of September 6, 2008, which is the date we were placed into conservatorship.

**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 determines 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 as set forth under the Reform Act. 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 not fully operational because Congress had failed to approve funding 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.

Being placed into 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 Pass-Through 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 Pass-Through Certificates under the Multifamily Pass-Through Certificates Trust Agreement may not be enforceable against FHFA, or enforcement of such rights may be delayed. The Multifamily Pass-Through Certificates 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 Pass-Through 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 Multifamily Pass-Through Certificates Trust Agreement — Rights Upon Event of Default*.

See the Incorporated Documents for additional information regarding the possible implications of a receivership.

## **APPLICATION OF PROCEEDS**

Most Pass-Through Certificates are issued in exchange for the underlying assets, in which case we do not receive cash proceeds. In some instances, we issue Pass-Through Certificates backed by assets that we already own. In those transactions, we use the net proceeds received from the sale of the Pass-Through 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.

## **CREDIT RISK RETENTION**

Freddie Mac, as the sponsor of the securitizations in which the Pass-Through Certificates are to be issued, will satisfy its credit risk retention requirement under the FHFA's Credit Risk Retention Rule at

12 C.F.R. Part 1234 pursuant to Section 1234.8 thereof. Freddie Mac is currently operating under the conservatorship of the FHFA with capital support from the United States and will fully guarantee the timely payment of principal and interest on all the Certificates referenced above in this section.

## DESCRIPTION OF PASS-THROUGH CERTIFICATES

### GENERAL

As Depositor, we transfer and deposit mortgage-related securities and other mortgage-related assets into Pass-Through Pools within the related trust funds. As Administrator, on behalf of the Trustee, we create and issue Pass-Through Certificates under the related Multifamily Pass-Through Certificates Trust Agreement representing interests in those pools. Each Pass-Through Pool has its own identification number assigned by us, as Administrator. The securities in the Pass-Through Pools are backed by Mortgages that we have purchased.

A Pass-Through Pool usually includes a single type of asset. These assets are typically:

- Freddie Mac PCs or Giant PCs.
- Securities that represent “regular interests” in a real estate mortgage investment conduit (“REMIC”).
- Other Pass-Through Certificates offered under this Offering Circular.
- Other mortgage-related assets identified in the related supplement.
- Other securities identified as assets in the related supplement.

As Trustee, we hold legal title to the assets, directly or through our agent, in each Pass-Through Pool and related trust fund for the benefit of the investors in the related Pass-Through Certificates. Below we describe more specifically the types of Pass-Through Certificates and the characteristics of their underlying assets. In addition, if we issue any other type of Pass-Through Certificates, we will describe them in the related supplement.

### GIANT CERTIFICATES

“**Giant Certificates**” are single-class securities entitled to payments of both principal and interest received on the related assets. When we issue Giant Certificates, we form a Pass-Through Pool that typically consists of PCs (including Freddie Mac REMIC securities backed by PCs). If the assets are PCs (including Freddie Mac REMIC securities backed by PCs), the Giant Certificates we issue are “**Giant PCs.**” A Pass-Through Pool for Giant Certificates also may include other Giant Certificates of the same type.

Giant Certificates may bear interest at a fixed rate or an adjustable rate. The assets underlying fixed-rate Giant Certificates usually have the same fixed interest rate as the related Giant Certificates. However, we sometimes issue fixed rate Giant Certificates with an interest rate that is higher or lower than the rate payable on the related assets by retaining a portion of the principal or interest payments on the assets.

The interest rate of an adjustable rate Giant Certificate adjusts each month based on the weighted average of the interest rates of the related assets. The interest rates on all of the adjustable rate Mortgages (“**ARMs**”) backing an adjustable rate Giant Certificate adjust based on the same index and using the same means of adjustment, but do not necessarily adjust on the same date.

The minimum original principal balance of a Pass-Through Pool backing Giant Certificates is \$1 million.

## **STRIPPED GIANT CERTIFICATES**

**“Stripped Giant Certificates”** are issued in series, each consisting of two or more classes. These classes receive unequal proportions of the principal and interest paid on a single underlying asset. When the underlying asset is a Giant PC, the Stripped Giant Certificates we issue are **“Stripped Giant PCs.”**

Stripped Giant Certificates include interest only classes (**“Interest Only Classes”** or **“IO Classes”**), principal only classes (**“Principal Only Classes”** or **“PO Classes”**) and interest/principal classes (**“IP Classes”**). IO Classes receive all or a portion of the interest payments from the underlying asset and no principal. PO Classes receive all or a portion of the principal payments from the underlying asset and no interest. IP Classes receive a portion of both the principal and interest payments from the underlying asset.

IO and IP Classes may bear interest at a fixed, adjustable, floating or inverse floating rate.

In order to calculate the interest due each month, a notional principal amount is assigned to each IO Class. The original notional principal amount will equal the original principal amount of the underlying asset, and will decline proportionately with the principal amount of that asset.

Stripped Giant Certificates include a feature that permits you to exchange them for their underlying asset. To exchange your Stripped Giant Certificates for an equivalent amount of the underlying Giant Certificate, you must own proportionate interests in the principal and notional principal amounts of all classes of the same series. Similarly, if you own a Giant Certificate that has been reconstituted by an exchange, you may exchange it for equivalent interests in the related Stripped Giant Certificates. Stripped Giant Certificates may be recombined and restripped in this manner repeatedly.

We may charge you a fee for an exchange. Unless otherwise described in the related supplement, the procedures for exchanging Stripped Giant Certificates are described in *Appendix II*.

**“Modifiable And Combinable Securities”** or **“MACS”** are Stripped Giant Certificates that are issued in a range of possible class coupons or class coupon formulas and that are exchangeable for other classes of the same series having different class coupons or class coupon formulas. Each series of MACS is backed by a single fixed or adjustable rate Giant PC.

A series of MACS typically includes a fixed rate IO Class, a PO Class and multiple fixed rate IP Classes with class coupons ranging in 50 basis point increments from 0.5% to as high as 24.0%. We designate the IP classes of each series by their class coupons, calling a class with a class coupon of 0.5% the “0.5 Class,” a class with a class coupon of 24.0% the “24.0 Class” and so forth. A series of MACS also may include multiple floating rate, inverse floating rate and weighted average coupon classes, some of which are IP Classes and some of which are IO Classes.

We offer MACS classes in *maximum* original principal or notional principal amounts. The maximum amount for each class is considered individually for that class and without regard to the amounts of the other classes. It represents the largest amount of the class that the underlying asset could support.

You can exchange classes of MACS for one or more different classes of the same series. You can also exchange one or more classes of MACS for a portion of the underlying Giant Certificate, and vice versa. Unless otherwise described in the related supplement, the procedures for these exchanges are described in *Appendix II*.

The classes of a series of MACS that are outstanding at any given time will depend upon which classes were issued initially and upon any exchanges that have occurred. The aggregate outstanding principal amount of all classes, not including the notional principal amounts of IO Classes, will equal the remaining principal amount of the underlying asset at all times. Similarly, the outstanding classes will receive interest payments, in the aggregate, equal to the interest payments made on the underlying asset.

## **STRIPPED INTEREST CERTIFICATES**

**“Stripped Interest Certificates”** or **“SCs”** are issued in series, each consisting of one or more classes. These classes receive interest paid on their underlying assets. The underlying assets may consist of certain interest amounts payable on Mortgages that have been included in Freddie Mac PCs.

SCs consist of IO Classes that receive a portion of the interest payments from the related Mortgages and no principal. IO Classes may bear interest at a fixed rate, an adjustable rate or a weighted average rate.

In order to calculate the interest due each month, a notional principal amount is assigned to each IO Class. The original notional principal amount will equal or be derived from the original principal amount of the underlying asset, and will decline proportionately with the principal amount of that asset or as otherwise described in the related supplement.

## **STRUCTURED PASS-THROUGH CERTIFICATES**

**“Structured Pass-Through Certificates”** or **“SPCs”** represent interests in Pass-Through Pools. The Pass-Through Pools typically contain, and the related SPCs represent interests in, separate classes or types of assets. The supplement for each series of SPCs will provide information on the assets for that series. A series of SPCs typically contains two or more classes, and each class of SPCs is backed by its own Pass-Through Pool that contains one or more of the following:

- REMIC classes issued by Freddie Mac or a third party.
- Pass-Through Certificates.
- Freddie Mac debt instruments.
- Other securities described in the related supplement.

The Pass-Through Pools typically contain, and the related SPCs represent interests in, separate classes or types of assets. The supplement for each series of SPCs will provide information on the assets for that series. A series of SPCs typically contains two or more classes, and each class of SPCs is backed by its own Pass-Through Pool.



## CATEGORIES OF CLASSES

For purposes of principal and interest payments, classes of Pass-Through Certificates are categorized as shown below.

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 may 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>
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. We indicate parenthetically the type of class with which a Notional Class will reduce.
PT	Pass-Through	Classes that receive all or a specified portion of the principal payments on the underlying Giant PC or other Pass-Through Pool assets.

### Interest Types

<u>Freddie Mac Standard Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
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.
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 Giant PC or other Pass-Through Pool assets and no principal. Interest Only Classes have a notional principal amount.
PO	Principal Only	Classes that do not receive any 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.
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.

## PASS-THROUGH POOL ASSETS

### General

Each Pass-Through Pool will contain one or more assets. This section describes the general characteristics of PCs, which directly or indirectly back most of our Pass-Through Certificates. Pass-Through Pools can also contain REMIC classes, other Pass-Through Certificates or any other securities or mortgage-related assets that are purchased by Freddie Mac and identified as assets in the related supplement.

### PCs

Freddie Mac's Multifamily Mortgage Participation Certificates, or "PCs," are single-class securities, guaranteed by Freddie Mac, that represent undivided beneficial ownership interests in individual Mortgages or pools of Mortgages backed by multifamily residential rental properties, including assisted living, skilled nursing and/or memory care facilities. Nearly all Mortgages that back PCs are conventional mortgages, which means that neither the United States nor any federal agency or instrumentality guarantees or insures them.

If the underlying Mortgages are ARMs, the related PCs are called "ARM PCs."

Unless otherwise specified in the related supplement, there will be a delay of approximately 55 days between the time interest begins to accrue and the time the PC investor receives his interest payment. This time period is a "Payment Delay."

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.

We may issue Giant PCs backed by certain fixed-rate PCs issued under our cash and multilender swap programs. In forming such Giant PCs, we, as Depositor, will deposit Mortgages purchased under those programs into PC pools and contribute the resulting fixed-rate PCs to the related Giant Pass-Through Pool.

Under our cash program, we purchase Mortgages for cash and contribute them to PC pools. Under our multilender swap program, a mortgage seller can sell Mortgages to us in exchange for the same principal amount of PCs backed by the Mortgages transferred by that mortgage seller and/or by other mortgage sellers.

In connection with the PCs that we issue, we are acting in multiple roles. See *Risk Factors — Investment Factors — Potential conflicts of interest* and the PC Offering Circular for information regarding possible conflicts of interest pertaining to the various roles fulfilled by Freddie Mac as the trustee, depositor, administrator and guarantor of the PCs.

Our PC Offering Circular describes the characteristics of the various types of PCs. Supplements for Pass-Through Certificates backed by PCs will incorporate by reference the current PC 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 Pass-Through Certificates having a principal or notional principal amount.

The “**Class Factor**” for any class having a principal amount for any month is an exact decimal rounded to eight places which, when multiplied by the original principal amount of a Pass-Through Certificate of that class, will equal its remaining principal amount. The Class Factor for any month reflects payments of principal to be made on the Payment Date in the same month.

Class Factors will be available on or about the fifth Business Day (as defined below) of each month.

A Class Factor for a class that has a notional principal amount will reflect the remaining notional principal amount of a Pass-Through Certificate of that class in the same manner.

Each class of Stripped Giant Certificates has the same Class Factor as its underlying Giant Certificate. The Class Factor for a class of Stripped Giant Certificates may not reflect the outstanding amount of the class as a whole, because that amount may decrease or increase due to exchanges.

The Class Factor for each class for the month of issuance is 1.0000000.

### Payment Dates

As Administrator, we will make payments to the Holders of Pass-Through Certificates on each applicable Payment Date. Unless otherwise provided in the related supplement, the “**Payment Date**” will be the 25th of each month or, if the 25th is not a Business Day, the next Business Day.

For the purpose of this Offering Circular, “**Business Day**” means a day other than:

- A Saturday or Sunday.
- A day when Freddie Mac is closed.
- For Pass-Through Certificates 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 any Pass-Through Certificates on the DTC System, a day when DTC is closed.

### Payments of Principal

On each Payment Date, we will pay principal to the Holders of each class on which principal is then due. The Holders of Pass-Through Certificates of any class will receive principal payments on a pro rata basis. Holders of IO Classes will not receive principal payments.

For any Payment Date, you can calculate the amount of principal to be paid on a Pass-Through Certificate by multiplying its original principal amount by the difference between its Class Factors for the preceding and current months.

## Payments of Interest

Interest will accrue on each Pass-Through Certificate during each Accrual Period at the class coupon described in the related supplement. In the case of a fixed rate Pass-Through Certificate, the class coupon is set at the time of issuance and does not change. In the case of an adjustable rate Pass-Through Certificate, the class coupon adjusts monthly based on the interest rate, or the weighted average of the interest rates, of the assets or as otherwise described in the applicable supplement. Generally, we compute interest on the basis of a 360-day year of twelve 30-day months.

Floating Rate and Inverse Floating Rate Classes bear interest using interest formulas shown in the applicable supplements. Unless otherwise provided, their class coupons are based on LIBOR. “**LIBOR**” is the arithmetic mean of the London interbank offered quotations for Eurodollar deposits with a maturity of one month or some other maturity described in the related supplement.

As Administrator, we calculate the class coupons of LIBOR-based Floating Rate and Inverse Floating Rate 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 Pass-Through Pools to lose their classification as grantor trusts. 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 Pass-Through Certificates.

Absent clear error, our determination of the applicable LIBOR levels and our calculation of the class coupons for the 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. Our method for determining LIBOR is subject to modification as necessary to reflect technological and market changes.

Holders of PO Classes will not receive interest payments.

Unless otherwise provided in the applicable supplement, interest will accrue on the principal or notional principal amount of a Pass-Through Certificate as determined by its Class Factor for the month preceding the Payment Date.

Unless otherwise provided in the applicable supplement, the “**Accrual Period**” relating to any Payment Date will be one of:

- The calendar month preceding the month of the Payment Date for a Fixed Rate Class.
- The 25th of the preceding month to the 25th of the month of that Payment Date, for a Floating Rate or Inverse Floating Rate Class.

### **Record Dates**

As Administrator, we pass through payments on each Payment Date to Holders as of the related Record Date. Unless otherwise provided in the applicable supplement, the “**Record Date**” for any Payment Date is the close of business on the last day of the preceding month.

### **Final Payment Date**

The “**Final Payment Date**” for each class of Pass-Through Certificates usually reflects the latest final payment date of the underlying PCs or other assets. The final payment dates of the assets are determined by various methods depending upon their type and date of issuance, as described in the applicable offering materials. The actual final payment on any class of Pass-Through Certificates could occur significantly earlier than its Final Payment Date.

You will receive the final payment on your Pass-Through Certificates on or before the Payment Date that falls in the same month as the applicable Final Payment Date.

## **GUARANTEES**

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

- The timely payment of interest at its class coupon.
- The payment of principal as principal payments are made on the underlying assets.
- The final payment of its entire principal amount by the Payment Date that falls in the month of its Final Payment Date.

We also guarantee:

- For all PCs, the timely payment of interest and the full and final payment of principal on the underlying Mortgages.
- For other assets issued by Freddie Mac, the payment of interest and principal as described in the applicable offering materials.

**Principal and interest payments on the Pass-Through 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.**

## FORM, HOLDERS AND PAYMENT PROCEDURES

### Form and Denominations

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

Pass-Through Certificates held on the Fed System are subject to the HUD regulations governing Freddie Mac’s book-entry securities 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. Pass-Through Certificates held on the DTC System are registered in the name of the DTC or its nominee. Therefore, DTC or its nominee is the Holder of Pass-Through Certificates held on the DTC System.

*Certificated Classes.* Certificated classes will be 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 Pass-Through Certificates will have a unique nine-character designation, known as a “**CUSIP Number,**” used to identify that class.

*Denominations.* Holders on the Fed System or the DTC System must hold and transfer their Pass-Through Certificates in minimum original principal or notional principal amounts of \$1,000 and additional increments of \$1, unless otherwise specified in the applicable supplement. A Holder may not transfer a Pass-Through Certificate if, as a result of the transfer, the Holder would have remaining in its account Pass-Through Certificates of any class having an original principal or notional principal amount of less than \$1,000. A Holder of Pass-Through Certificates on the Fed System will also have to comply with any Federal Reserve Bank minimum wire transfer requirements.

### Holders

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

### **Payment Procedures**

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

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

The Registrar will make payments on a certificated class by check mailed to the addresses of the Holders shown on the Registrar's records or, if the related supplement provides, by wire transfer to the Holders. 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 future Payment Dates or in any other manner we consider appropriate.

## **PREPAYMENT, YIELD AND SUITABILITY CONSIDERATIONS**

### **PREPAYMENTS**

The rates of principal payments on the assets and the Pass-Through 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:

- Prepayments by the borrower.
- Liquidations resulting from default, casualty or condemnation.
- Payments we make, as Guarantor, under our guarantee of principal, other than payments of scheduled principal.
- Prepayments resulting from the repurchase of Mortgages.

Unless otherwise specified in the applicable supplement, the Mortgages may be voluntarily prepaid in full at any time, subject to any applicable prepayment premiums or lockout periods. See *Risk Factors — Prepayment and Yield Factors*.

Mortgage prepayment rates are likely to fluctuate significantly over time. Prepayment rates are influenced by many factors, which may exist in multiple combinations, including:

- The age, principal amount, geographic distribution and payment terms of the Mortgages.
- The remaining depreciable lives of the underlying properties.
- The physical condition of the underlying properties (including the presence of any hazardous substances or other environmental problems).
- Any applicable tax laws (including depreciation benefits) in effect from time to time.
- Characteristics of the borrowers (such as credit status and management ability) and their equity positions in the underlying properties.
- Any partial or full guarantees by borrower affiliates.
- Changes in local industry and population migration and relocation as they affect the supply and demand for rental units and rent levels.
- Prevailing rent levels (as may be limited by any applicable rent control or stabilization laws) affecting cash flows from the underlying properties.
- Levels of current mortgage interest rates and borrower refinancing activities.
- Activity of lenders in soliciting refinancing, including refinancing without significant transaction costs by the borrower.
- Attractiveness of other investment alternatives.
- The existence of prepayment premiums or lockout provisions.
- Certain state laws limiting the enforceability of lockout periods and the collection of prepayment premiums.
- In the case of ARMs, fluctuations in the reference index values and the extent of periodic adjustments to the Mortgage coupon.
- Repurchases of Mortgages due to breaches of representations and warranties by sellers of the Mortgages.
- Repurchases of Mortgages from PC pools when the terms of those Mortgages are modified as a result of default or imminent default by the borrower.
- The size of the PC pool; the prepayment behavior of relatively small PC pools is likely to be less consistent and less predictable than the prepayment behavior of larger PC pools.
- The rate of defaults and resulting repurchases of the Mortgages in a PC pool. Defaults may increase during periods of economic recession, mortgage credit contraction, stricter underwriting standards that may inhibit refinancings, natural disasters, declining property values or increased use of secondary financing or as a result of other factors that decrease borrowers' equity. Such adverse developments could also have a greater impact on certain states or geographical regions. Depending on how long a Mortgage has been in default and the likelihood the borrower will resume making payments, we may repurchase a defaulted Mortgage from its PC pool, which would have the same effect on the Holder as a prepayment of the Mortgage.



The characteristics of particular Mortgages may also influence their prepayment rates. For example, ARMs tend to have higher default rates than fixed-rate Mortgages. Also, different types of Mortgages may be affected differently by the same factor, and some factors may affect prepayment behavior on only some types of Mortgages. For example, second lien mortgages may be more sensitive than first lien Mortgages to the general cost of credit to borrowers.

The rate of defaults and resulting repurchases of the Mortgages in a PC pool will also affect the prepayment behavior of that PC pool. Defaults may increase if the Mortgages in a PC pool are cross-collateralized and cross-defaulted, during periods of declining property values or as a result of other factors that decrease borrowers' equity.

In addition, mortgage servicing decisions, including seeking alternatives to foreclosure, may impact the prepayment behavior of particular PC pools.

The factors affecting the prepayment behavior of the Mortgages differ in certain respects from those affecting the prepayment behavior of single family mortgages. A borrower typically views multifamily properties solely as an investment and, therefore, economic rather than personal considerations primarily will affect the prepayment behavior of the Mortgages. Also, individual Mortgage amounts often are large and one Mortgage is likely to comprise a larger portion of the PC pool than would be the case with a pool of single family mortgages. Therefore, principal prepayments may significantly affect the yield on the PCs. Similarly, the prepayment behavior of a PC pool containing only one or a small number of Mortgages is likely to be more volatile than the prepayment behavior of a PC pool containing a large number of Mortgages, because a prepayment on a single Mortgage may result in the payment to Holders of all or a substantial portion of the principal amount of the PC pool.

We make no representation regarding the likely prepayment experience of the Mortgages underlying any PC, 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. For example, although we may expect Mortgages with higher prepayment premiums to prepay less frequently than Mortgages with lower or no prepayment premiums, prepayment premium provisions may or may not effectively deter prepayments. Similarly, lockout provisions may or may not prevent prepayments.

We will pass through to Holders a portion of any prepayment premiums collected from borrowers during the applicable yield maintenance period, subject to the limitations set forth below in the next paragraph. We will not pass through any portion of prepayment premiums collected after the end of the applicable yield maintenance period.

With respect to the PC pools, the portion of any prepayment premium collected from a borrower with respect to a Mortgage that we will pass through to Holders will be equal to the greater of: (1) zero; and (2) the product of (a) the amount of principal of such Mortgage being prepaid or accelerated, (b) the excess, if any, of one-twelfth of the related PC coupon over an assumed reinvestment rate, and (c) a factor that discounts to present value the costs resulting to the lender from the difference in interest rates during the months remaining in the yield maintenance period. Generally, the assumed reinvestment rate is equal to one-twelfth of the yield rate of the Treasury security specified in the related Mortgage documents as reported on the Treasury website five business days before the prepayment date, expressed as a decimal calculated to two decimal places.

## **YIELDS**

### **General**

In general, your yield on any class of Pass-Through Certificates will depend on several variables, including:

- The price you paid for that class.
- The rate of principal prepayments on the underlying Mortgages.
- The actual characteristics of the underlying Mortgages.
- In the case of adjustable rate Pass-Through Certificates, the levels of the interest rates on the underlying ARMs, as adjusted from time to time.
- The payment delay for that class.
- Whether prepayment premiums are passed through to investors.

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

- If you purchase a class at a discount to its principal amount and the rate of principal payments on the underlying Mortgages 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 PO Class.
- If you purchase a class at a premium over its principal amount and the rate of principal payments on the underlying Mortgages 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 IO Class or any other class at a significant premium over its principal amount and there are fast principal payments on the underlying Mortgages, you may not even recover your investment in that class.
- In general, the rate of Mortgage prepayments 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 prepayments at a higher (or lower) rate than you expect in the period immediately following your purchase of a Pass-Through 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.

### **Yields of 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 Pass-Through 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.

### **Yields of ARM Pass-Through Certificates**

If you invest in adjustable rate Pass-Through Certificates, you should consider the following additional risks:

- If the index levels used to adjust the underlying ARMs are lower than you expect, the yield on your investment could be lower than you expect.
- The interest rates on ARMs 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.
- Class coupons for adjustable rate Pass-Through Certificates 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 reflects that value. As a result, the class coupon of your Pass-Through Certificates 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 class coupons for the related Pass-Through Certificates, even if the interest rates on those ARMs remain unchanged.
- When mortgage interest rates are generally low, which usually results in faster prepayments, the index value may be high. On the other hand, when mortgage interest rates are generally high, which usually results in slower prepayments, the index value

could be low. Either of these scenarios could result in a lower than expected yield on adjustable rate Pass-Through 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.

### **Payment Delay**

The effective yield on any interest-bearing Pass-Through Certificate with a Payment Delay 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 the Pass-Through Certificate even though interest began to accrue approximately 55 days (or a certain other number of days as may be specified in the related supplement) earlier, depending on its Payment Delay.
- On each Payment Date after the first, the interest payable on the Pass-Through Certificate will accrue during its Accrual Period, which will end approximately 55 days (or a certain other number of days as may be specified in the related supplement) before that Payment Date, depending on its Payment Delay.

### **SUITABILITY**

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

- Pass-Through 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 types of Pass-Through 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 Pass-Through Certificates easily or at prices that will allow you to realize your desired yield.
- The market values of your Pass-Through 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 Pass-Through 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, the conservatorship, uncertainty concerning our future structure, organization, or level of government support and market perceptions or speculation.

- The Pass-Through Certificates of some classes may not be eligible to back Freddie Mac REMIC classes or other Freddie Mac structured transactions. This may impair the liquidity of those classes.
- Pass-Through Certificates are complex securities. Before investing in a Pass-Through 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 Pass-Through Certificates that may result from your particular circumstances, nor does it project how Pass-Through Certificates will perform under all possible interest rate and economic scenarios. You should purchase Pass-Through Certificates only if you understand and can bear the prepayment, redemption, yield, liquidity and market risks associated with your investment under a variety of interest rate and economic scenarios. If you purchase Pass-Through Certificates, you need to have enough financial resources to bear all the risks related to your Pass-Through Certificates.

## **TABULAR INFORMATION IN SUPPLEMENTS**

In order to illustrate the effect of prepayments on classes of Pass-Through Certificates, the related supplements may include tables that show the following information, in each case under various prepayment and/or index scenarios:

- Pre-tax yields to maturity.
- Weighted average lives.
- Cash flows.
- Declining principal balances.

All of the tables shown in a supplement will be based on 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 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 Pass-Through 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 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 reductions 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 for Pass-Through Certificates will be The Securities Industry and Financial Markets Association's standard prepayment (or "**PSA**") model and the constant 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 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 Pass-Through Certificates.

## THE MULTIFAMILY PASS-THROUGH TRUST AGREEMENT

Under the Multifamily Pass-Through 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 Pass-Through Pools. As Administrator, on behalf of the Trustee, we create and issue Pass-Through Certificates under the Pass-Through Certificates Master Trust Agreement and the related “**Terms Supplement**” for each offering of Pass-Through Certificates. For any particular offering, the Multifamily Pass-Through Certificates Master Trust Agreement and the applicable Terms Supplement together constitute the “**Multifamily Pass-Through Trust Agreement.**”

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

### TRANSFER OF ASSETS TO PASS-THROUGH POOL

The assets deposited in each Pass-Through Pool will be identified to that Pass-Through Pool in our corporate records. As Trustee, we will hold legal title to the assets, directly or through our agent, for the benefit of each Pass-Through Pool and the Holders of the related Pass-Through Certificates.

### 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 Multifamily Pass-Through Trust Agreement requires Freddie Mac, as Administrator, to administer Pass-Through Pool assets 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 Multifamily Pass-Through 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 Multifamily Pass-Through 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 Pass-Through Certificates of any class. Except as described under *Rights Upon Event of Default* and *Voting Rights* below, Pass-Through Certificates we hold will be treated the same as Pass-Through Certificates of the same class held by other Holders.

The Multifamily Pass-Through Trust Agreement will be binding upon any successor to Freddie Mac.

### **Custodial Account**

We are responsible as the Administrator under the Multifamily Pass-Through 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 Pass-Through 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 Pass-Through Pools and for other Freddie Mac mortgage securities (and temporarily with other collections on Mortgages) and are not separated on a Pass-Through Pool by Pass-Through 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 Multifamily Pass-Through Trust Agreement prior to distribution to Holders.

### **Certain Matters Regarding Our Duties as Trustee**

We serve as Trustee under each Pass-Through Trust Agreement. We may resign from our duties as Trustee under the Multifamily Pass-Through 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 Multifamily Pass-Through Trust Agreement terminate, we still would be obligated under our guarantee.

Under the Multifamily Pass-Through 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 Pass-Through Pool for actions we take in our capacity as Trustee in connection with the administration of that Pass-Through Pool. Officers, directors, employees and agents of the Trustee are also indemnified by each Pass-Through Pool with respect to that Pass-Through Pool. 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 Multifamily Pass-Through Trust Agreement provides that the Trustee or the Administrator, on its behalf, may, but is not obligated to, undertake any legal action that it deems necessary or desirable in the interests of Holders. The Trustee or the Administrator, on its behalf, may be reimbursed for the legal expenses and costs of the action from the assets of the Pass-Through Pool. Any such reimbursement will not affect our guarantee obligations.



## **Potential Conflicts of Interest**

In connection with the Pass-Through Certificates that we issue, we are acting in multiple roles — Trustee, Depositor, Administrator and Guarantor. Further, we act in these same roles with respect to the PCs that we issue. The Multifamily PC Trust Agreement provides that in determining whether a Mortgage shall be repurchased from the related PC pool, we may in our capacities as Administrator and Guarantor of our PCs consider factors as we deem appropriate, including the reduction of administrative costs (in the case of the Administrator) and possible exposure under our guarantee (in the case of the Guarantor). There is no independent third party engaged with respect to the PCs or Pass-Through Certificates to monitor and supervise our activities in our various roles. In connection with our roles as the Administrator and Guarantor of the PCs that we issue, we may take certain actions with respect to Mortgages that may adversely affect Pass-Through Certificate Holders. For example, we may repurchase, or direct sellers or servicers to repurchase, Mortgages from PC pools in certain situations. A Mortgage repurchase will be treated as a prepayment in full of the Mortgage being repurchased and will increase the prepayment speeds of Pass-Through Certificates.

## **EVENTS OF DEFAULT**

“**Events of Default**” under the Multifamily Pass-Through 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 Multifamily Pass-Through Trust Agreement, if the failure lasts for 60 days after Freddie Mac receives written notice from the Holders of at least 60% of the 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 Multifamily Pass-Through Trust Agreement is not remedied, the Holders of at least 50% of the outstanding principal or notional principal amount of any affected class of Pass-Through Certificates may remove Freddie Mac as Administrator and nominate a successor as to that Pass-Through Pool. 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 Pass-Through Pool. In that case, we can be removed and replaced by a successor trustee as to an affected Pass-Through Pool by Holders owning not less than 50% of the outstanding principal or notional principal amount of any affected Class of Pass-Through Certificates.

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

The rights provided to Holders of Pass-Through Certificates under the Multifamily Pass-Through 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 Multifamily Pass-Through 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 Pass-Through 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 Pass-Through 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 Pass-Through 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 Pass-Through Certificate has any right to vote or to otherwise control in any manner the management and operation of any Pass-Through Pool. In addition, Holders may institute legal actions and proceedings with respect to the Trust Agreement or the Pass-Through 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 PC OR REMIC AGREEMENT**

Holders of PCs and Freddie Mac REMIC classes have various rights under the agreements governing their securities. If a default occurs under one of these agreements, holders of a specified percentage of the affected PCs or REMIC classes may seek to remove Freddie Mac under that agreement. As Trustee, we will hold the PCs and REMIC classes that back Pass-Through Certificates. However, the Multifamily Pass-Through Trust Agreement generally allows the Holders of the Pass-Through Certificates, rather than Freddie Mac, to act if an event of default occurs under the related PC or REMIC agreement. For this purpose, the Holders of Pass-Through Certificates will be treated as the holders of the affected PC or REMIC class in proportion to the outstanding principal amounts of their Pass-Through Certificates.

The rights provided to holders of PCs and REMIC classes under the agreements governing those securities and the rights of Holders of the Pass-Through Certificates under the underlying agreements are also subject to the limitations of the Reform Act, as described above.

Holders of PCs and Freddie Mac REMIC classes also have the right to consent to certain amendments to their governing agreements. The Multifamily Pass-Through Trust Agreement provides that, as the holder of a PC or REMIC class that backs Pass-Through 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 Pass-Through 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. See the PC Offering Circular for information about payments on PCs.

## **AMENDMENT**

Freddie Mac and the Trustee may amend the Multifamily Structured Pass-Through Trust Agreement without the consent of any Holder or Holders to:

- Cure any ambiguity or to correct or add to any provision in the Multifamily Structured Pass-Through Trust Agreement, if the amendment does not adversely affect Holders in any material way.
- Maintain the qualification of any Pass-Through Pool as a grantor trust under the Internal Revenue Code of 1986 (the “Code”).
- Avoid the imposition of any state or federal tax on a Pass-Through 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 Multifamily Pass-Through Trust Agreement in any other way. However, unless each affected Holder consents, Freddie Mac and the Trustee may not amend the Multifamily Pass-Through 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 Multifamily Pass-Through Trust Agreement differ from the provisions of any of our previous agreements governing Pass-Through Certificates, the Multifamily Pass-Through 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 Multifamily Pass-Through 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 Multifamily Pass-Through Trust Agreement or any Multifamily Pass-Through Certificate transaction, 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 Pass-Through 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.**

Although Freddie Mac is a government-sponsored enterprise, neither the Pass-Through Certificates nor the income received from them is exempt from federal income, estate or gift taxes under the Code. Further, neither the Code nor the Freddie Mac Act exempts the Pass-Through Certificates or income on them from taxation by any state, any United States possession or any local taxing authority.

If you exchange assets for Pass-Through Certificates (or for Pass-Through Certificates and cash) you may be required to recognize gain or loss on the exchange. If you enter into such an exchange, you should consult your own tax advisors about this matter.

We will report income on the Pass-Through Certificates to the Internal Revenue Service (the “**Service**”) and to Holders of Pass-Through Certificates based, in part, on the final Treasury Regulations under Sections 1271-1275 of the Code (the “**OID Regulations**”).

The federal income tax treatment of some classes of Pass-Through Certificates depends on the treatment of those classes under the “stripped bond” rules of Section 1286 of the Code. Debt instruments can be characterized in various ways under the stripped bond rules, including the possible application of the regulations governing contingent payment obligations. Because of this uncertainty and the relationship between the stripped bond rules and the contingent payment obligation rules, you should consult your own tax advisors regarding the proper tax treatment of these Pass-Through Certificates. The tax information we will provide for Pass-Through Certificates will assume that the contingent payment obligation rules are not applicable.

We will treat Stripped Giant Certificates and Stripped Interest Certificates (each, for tax purposes, a “**Strip**”) according to the rules discussed below under *Strips*. Also, if a class of Strips backs a Pass-Through Certificate, the same rules may apply indirectly to that Pass-Through Certificate. We will describe this in the applicable supplement.

The arrangements under which Giant Certificates, Strips and SPCs are created and sold and the related Pass-Through Pools are administered will be classified as grantor trusts under subpart E, part I of subchapter J of the Code and not as associations taxable as corporations.

If you own a Giant Certificate or a SPC, you will be treated for federal income tax purposes as the owner of a pro rata undivided interest in each of the assets of the related Pass-Through Pool, subject to the discussion below under *Giant Certificates — Application of the Stripped Bond Rules*.

If you own a Strip, you will be treated for federal income tax purposes as the owner of the right to receive payments of principal and/or interest, as applicable, on the assets in the related Pass-Through Pool.

## Tax Status

Giant Certificates generally will be considered to represent “loans . . . secured by an interest in real property” within the meaning of Section 7701(a)(19)(C)(v) of the Code and “real estate assets” within the meaning of Section 856(c)(5)(B) of the Code. Interest income from the Giant Certificates generally will be considered to represent “interest on obligations secured by mortgages on real property” within the meaning of Section 856(c)(3)(B) of the Code. In the event that any Mortgage has a loan-to-value (“LTV”) ratio in excess of 100 percent (that is, the principal amount of any Mortgage exceeds the fair market value of the real property securing it), it is not certain whether or to what extent such Mortgages would qualify as loans secured by an interest in real property for purposes of Section 7701(a)(19)(C)(v) of the Code. Even if the property securing the Mortgage does not meet this test, the Giant Certificates will be treated as “obligations of a corporation which is an instrumentality of the United States” within the meaning of Section 7701(a)(19)(C)(ii) of the Code. Thus, the Giant Certificates will be a qualifying asset for a domestic building and loan association. Additionally, if any Mortgage has a LTV ratio in excess of 100%, interest income on the excess portion of the Mortgage will not be “interest on obligations secured by mortgages on real property” within the meaning of Section 856(c)(3)(B) of the Code and such excess portion of the Mortgage will not be a “real estate asset” within the meaning of Section 856(c)(5)(B) of the Code. The excess portion will represent a “Government security” within the meaning of Section 856(c)(4)(A) of the Code. If a Giant Certificate contains a Mortgage with an LTV ratio in excess of 100%, a holder that is a real estate investment trust should consult its tax advisor concerning the appropriate tax treatment of such excess portion.

Under Treasury regulations applicable to a REMIC, Giant Certificates will generally be treated as “qualified mortgages” within the meaning of Section 860G(a)(3)(A) of the Code (and not other statutes) only if the underlying Mortgages have an LTV ratio of 125% or less at either (i) the time the Mortgages were originated (which includes the time of any “significant modification” of such Mortgages) or (ii) the time a sponsor contributes such Mortgages to a REMIC. Accordingly, any Mortgage with an LTV ratio in excess of 125% at origination (including at the time of any “significant modification” of such Mortgage) generally would not be considered a “qualified mortgage” for purposes of the REMIC rules unless the LTV ratio has decreased to 125% or below at the time such Mortgage is contributed by a sponsor to a REMIC. If a Giant Certificate contains a Mortgage with an LTV ratio in excess of 125%, a holder that is a REMIC should consult its tax advisor concerning the tax consequences of transferring such Giant Certificate to a REMIC.

Although there is no specific precedent and the characterization of the Strips is not entirely free from doubt, the Strips generally should be considered to represent “loans . . . secured by an interest in real property” within the meaning of Section 7701(a)(19)(C)(v) of the Code and “real estate assets” within the meaning of Section 856(c)(5)(B) of the Code, and original issue discount and interest from the Strips generally should be considered to represent “interest on obligations secured by mortgages on real property” within the meaning of Section 856(c)(3)(B) of the Code. In the event that some portion of a Strip is backed by a Mortgage with an LTV ratio in excess of 100%, it is not certain whether or to what extent such Mortgages would qualify as loans secured by an interest in real property for purposes of Section 7701(a)(19)(C)(v) of the Code. Even if the property securing the Mortgage does not meet this test, the Strips should be treated as “obligations of a corporation which is an instrumentality of the United States” within the meaning of Section 7701(a)(19)(C)(ii) of the Code. Thus, the Strips should be a qualifying asset for a domestic building and loan association. Additionally, if any Mortgage has an LTV ratio in excess of 100%, a portion of the interest income on the Strip that is attributable to that Mortgage will not be “interest on obligations secured by mortgages on real

property” within the meaning of Section 856(c)(3)(B) of the Code and a portion of the Strip that is attributable to that Mortgage will not be a “real estate asset” within the meaning of Section 856(c)(5)(B) of the Code. The portion of a Strip that does not qualify as a “real estate asset” within the meaning of Section 856(c)(5)(B) of the Code should represent a “Government security” within the meaning of Section 856(c)(4)(A) of the Code. If a portion of a Strip is backed by a Mortgage with an LTV ratio in excess of 100%, a holder that is a real estate investment trust should consult its tax advisor concerning the appropriate tax treatment of such portion. Further, if any Mortgage has an LTV ratio in excess of 125%, such Mortgage generally would not constitute a qualifying asset of a REMIC unless the LTV ratio of such Mortgage has decreased to 125% or less at the time such Mortgage is contributed by a sponsor to a REMIC. If a Strip is backed by a Mortgage with an LTV ratio in excess of 100%, a holder that is a real estate investment trust should consult its tax advisor concerning the appropriate tax treatment of such excess portion. If a Strip is backed by a Mortgage with an LTV ratio in excess of 125%, a holder that is a REMIC should consult its tax advisor concerning the tax consequences of transferring such Strip to a REMIC.

## **GIANT CERTIFICATES**

### **General**

If you own Giant Certificates, you generally must report on your federal income tax return your pro rata share of the entire income from the Mortgages underlying the assets in the related Pass-Through Pool, in accordance with your method of accounting. Income generally will include gross interest income at the interest rates on the Mortgages and incidental fees, if any. If you own a Giant PC backed by Freddie Mac REMIC securities, you should review the related supplement to this Offering Circular for a description of the underlying Freddie Mac REMIC securities, and the offering documents related to such Freddie Mac REMIC securities for a description of the federal income tax consequences of owning such securities.

You generally will be able to deduct, under Section 162 or 212 of the Code, your pro rata share of servicers’ fees or any Freddie Mac guarantee fees, including incidental fees paid by the borrowers and retained by the servicer, Freddie Mac, and all administrative and other expenses of the Pass-Through Pool in accordance with your method of accounting. The Code limits the deductions for these miscellaneous itemized deductions for some investors.

### **Discount and Premium**

If you purchase a Giant Certificate, you will be treated as purchasing an interest in each of the underlying Mortgages at a price determined by allocating the purchase price paid for that Giant Certificate among the Mortgages in proportion to their fair market values at the time of purchase. To the extent that the portion of the purchase price allocated to a Mortgage is less than or greater than the portion of the principal balance of the Mortgage allocated to the Giant Certificate, the interest in the Mortgage will be deemed to have been acquired with discount or premium, respectively. The treatment of any discount will depend on whether the discount represents original issue discount or market discount.

You should consult your own tax advisors to determine whether Section 1272(a)(6) of the Code, as expanded by the Taxpayer Reform Act of 1997, could affect the accrual of discount or amortization of premium on your Giant Certificates or otherwise affect the tax accounting for your Giant Certificates.

If you recognize gain or loss attributable to discount or premium that is not characterized as original issue discount, market discount or amortizable bond premium (described below), your gain or loss will be treated as capital gain or loss if the Giant Certificate is held as a capital asset.

*Original Issue Discount.* You will be required to report as ordinary income your pro rata share of any original issue discount related to the Mortgages underlying the Giant Certificate pursuant to Sections 1271-1273 and 1275 of the Code. Original issue discount may arise as a result of initial incentive or “teaser” interest rates on ARMs or points charged at origination. You will be required to accrue original issue discount into current income only if it exceeds a *de minimis* amount. The Mortgages also would be subject to the original issue discount rules if, as discussed below, the “stripped bond” provisions of the Code were determined to be applicable.

Freddie Mac intends to treat any negative amortization on an ARM underlying a Giant Certificate as original issue discount. You will be required to include any resulting deferred interest in income in the period in which it accrues.

*Market Discount.* The market discount rules of Sections 1276-1278 of the Code will apply to treat market discount in excess of a *de minimis* amount as ordinary income. You must recognize accrued market discount to the extent of gain realized on disposition or to the extent of principal payments that you receive. The market discount rules provide that:

- Market discount will be considered to accrue under a straight-line method unless you elect to calculate it under a constant yield method.
- Interest that you paid or that accrues on indebtedness that you incurred or continued to purchase or carry Mortgages acquired at a market discount will be allowed as a deduction only to the extent that such interest, reduced by the interest on the Mortgages includible in income, including original issue discount, is greater than the market discount that accrued but was not taken into account during the taxable year such interest was paid or accrued. Any such interest expense that is deferred will, in general, be allowed as a deduction when the related market discount income is recognized.
- Alternatively, you may elect to include market discount in income currently, under either a straight-line method or a constant yield method, on all market discount obligations you hold except those acquired in taxable years before the year of the election. An election to include market discount as income currently can be revoked only with the Service’s consent. In this event, the rules about ordinary income on disposition and interest deferral discussed above will not apply.

The exact application of the market discount rules is not clear.

*Premium.* If you have purchased your interest in any Mortgage at a premium, the premium may be amortizable under a constant yield method at your election under Section 171 of the Code. The premium is treated as an offset to interest income includable with respect to the Mortgage. An election to amortize premium will apply to all debt instruments you hold at the beginning of the tax year for which you make the election and to all such instruments acquired after the election. An election to amortize premium can be revoked only with the Service’s consent.

*Constant Yield Election.* You may elect to include in gross income all interest that accrues on a Mortgage by using the constant yield method. For purposes of this election, interest would include stated interest, *de minimis* original issue discount, original issue discount, *de minimis* market discount

and market discount, as adjusted by any premium. You should consider the relationship between this election and the elections described above under *Market Discount* and *Premium*.

### **Sale or Exchange of a Giant Certificate**

If you sell a Giant Certificate, you will recognize gain or loss equal to the difference between your adjusted tax basis in the Giant Certificate and the amount you realized in the sale (not including amounts attributable to accrued and unpaid interest, which will be treated as ordinary interest income).

In general, your adjusted tax basis in the Giant Certificate will equal what you paid for the Giant Certificate, plus the amount of any discount income you previously reported on the Giant Certificate, less the amount of any premium you previously offset against interest income on the Giant Certificate and the amount of any principal payments you received on it.

You must report accrued but unrecognized market discount as ordinary income, but your gain or loss otherwise will be a capital gain or loss if you held the Giant Certificate as a capital asset. The capital gain or loss will be long-term or short-term, depending on whether you owned the Giant Certificate for the long-term capital gain holding period (currently 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.

### **Application of the Stripped Bond Rules**

When we issue a class of Giant Certificates, Revenue Ruling 71-399, 1971-2 C.B. 433, issued to us by the Service, indicates that any difference between interest payable at the mortgage interest rate and the sum of (a) interest payable at the class coupon plus (b) fees applicable to the Mortgages (servicers' fees or any Freddie Mac guarantee fees) should be accounted for as discount income or premium expense. If such sum exceeds the mortgage interest rate, the difference is characterized as "discount" and considered additional gross income. If such sum is less than the mortgage interest rate, the net difference is characterized as "premium expense."

In Revenue Ruling 71-399, the Service ruled that discount income is to be included as ordinary income in accordance with the beneficial owner's method of accounting, and that premium expense may be deductible in accordance with applicable rules. The Service, however, may contend that by reason of enactment of the stripped bond rules of Section 1286 of the Code (or its predecessor, Section 1232B), Revenue Ruling 71-399 is no longer applicable in characterizing such difference.

The Service has issued guidance taking the position that, when mortgages are sold and the servicer is entitled to receive amounts that exceed reasonable compensation for the mortgage servicing to be performed, the mortgages are treated as stripped bonds within the meaning of Section 1286 of the Code. If this treatment applies, you would not be treated as having a pro rata undivided interest in the underlying Mortgages, but rather you would be treated as owning "stripped bonds" to the extent of your share of principal payments and "stripped coupons" to the extent of the class coupon plus reasonable servicing fees and guarantee fees. The consequences of this characterization are described below under *Strips*.

The Service has also issued guidance providing that a purchaser of a mortgage that is a stripped bond must treat it as a market discount bond if the amount of original issue discount on the stripped bond is considered to be zero after application of the *de minimis* rule of Section 1273(a)(3) of the Code or if the annual stated rate of interest payable on the stripped bond is 100 basis points or less below the



annual stated rate of interest payable on the mortgage. These conditions apparently are based on the premise that the interest payments which remain associated with the stripped bond are treated, for purposes of the original issue and market discount provisions of the Code, as stated interest payable with respect to the stripped bond. If these conditions are met, you would be required to account for any market discount in accordance with the rules for market discount as described above under *Discount and Premium*.

It is unclear whether the position taken by the Service in the guidance would be upheld if challenged.

## **STRIPS**

### **General**

Under Section 1286 of the Code, “stripped bonds” are created as a result of the separation of the ownership of the right to receive some or all interest payments on an obligation from the right to receive some or all of the principal payments. If you own a Strip, you will be considered to own the following:

- Stripped bonds, to the extent of your share of principal payments on the underlying assets.
- Stripped coupons, to the extent of your share of interest payments on the underlying assets.

Section 1286 treats a stripped bond or a stripped coupon, for purposes of applying the original issue discount rules, as a debt instrument issued with original issue discount on the date that you purchase the stripped interest. While it is unclear whether the original issue discount calculations described below should be done separately for each principal and/or interest payment on a Strip, or by treating all such payments as if they were made on a single debt instrument, we intend to treat a Strip as a single debt instrument for purposes of information reporting.

### **Determination of Income on Strips**

You must include original issue discount on each Strip in your ordinary income for federal income tax purposes as it accrues, which may be prior to receipt of the cash attributable to such income. You must include this in accordance with a constant yield method that takes into account the compounding of interest. Although not free from doubt (see *Possible Alternative Characterizations*), the amount of original issue discount you are required to include in your income in any taxable year likely will be computed as described below. This computation will:

- Use the prepayment rate assumed in pricing the transaction as stated in the applicable supplement (the “**Pricing Speed**”).
- With respect to certain Strips that are Floating Rate or Inverse Floating Rate Classes, project a level of future payments 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. The supplement will identify those Strips as to which this assumption applies. In the case of other Strips that include rights to variable interest payments, however, these rules will apply by assuming that the variable rate is a fixed rate that reflects the overall yield that is reasonably expected for the relevant Strip (which in many instances will also equal the value of the variable rate as of the date of the applicable supplement).
- Require periodic adjustments to take into account actual prepayment experience.

Generally, if you own a Strip, you must include in your gross income the sum of the “daily portions,” as defined below, of the original issue discount on the Strip for each day that you own it, including the date you purchased it, but not including the date you dispose of it.

You can determine the daily portions of original issue discount as follows:

1. Calculate the original issue discount that accrues during each month or, if applicable, the shorter period from the date of purchase to the end of the first month. For each period, you do this by:
  - Adding:
    - the present values at the end of the month of any payments to be received in future months, using the Pricing Speed (by using as a discount rate the yield to maturity of the Strip, as described below), and
    - any payments included in the stated redemption price of the Strip received during such month.
  - Subtracting from the above sum the “adjusted issue price” of the Strip at the beginning of the month.
    - The adjusted issue price of a Strip at the beginning of the first month, or shorter period, is its issue price.
    - The adjusted issue price of a Strip at the beginning of a month following the first month or shorter period is the adjusted issue price at the beginning of the immediately preceding month *plus* the amount of original issue discount allocable to that preceding month *plus* the amount of original issue discount allocable to that preceding month and *minus* the amount of any payment included in the stated redemption price made at the end of or during that preceding month and the amount of any loss recognized at the end of that preceding month.
2. Divide the original issue discount accruing during that month, or shorter period, by the number of days in the period.

The yield used in making these calculations should be the monthly rate (assuming monthly compounding) determined as of the date of purchase that, if used in discounting the remaining payments on the portion of the underlying Mortgages allocable to the Strip, would cause the present value of those payments to equal your purchase price of the Strip.

It is not clear whether the Pricing Speed would be determined at the time you purchase the Strip or at the time the Strips are created and first sold. The Pricing Speed that we will use for purposes of information reporting will be the same for each class of Strips backed by the same pass-through pool, and will be determined based upon conditions at the time of the initial creation and sale of the related Strips.

Under the method for calculating the accrual of original issue discount described above, the rate at which you recognize original issue discount on a Strip and, in the case of an IO Class, the amount of such original issue discount depend on the actual rate of prepayment of the underlying Mortgages and the relative amount of principal and interest on each Mortgage represented by the Strip.

If the method for computing income for any particular month results in a negative amount, you may be entitled to deduct such amount as a loss only against future income from the Strip. However, you should be entitled to deduct a loss to the extent that your remaining basis would otherwise exceed

the maximum amount of future payments which you are entitled to receive (determined by assuming that no future prepayments will occur on the underlying Mortgages).

### **Treatment of Servicing Fee for Federal Income Tax Purposes**

For purposes of tax reporting, either of the following amounts will be allocated to related classes of Strips, based on relative amounts of original issue discount accrued during each accrual period on each class:

- The excess of the interest paid on the Mortgages over the aggregate interest payable on the related Strips.
- The portion of that excess that represents reasonable servicing fees, as described above under *Giant Certificates — Application of the Stripped Bond Rules*.

If you own a Strip, you will be entitled to deduct each year, in accordance with your method of accounting, the amount of the servicing fee allocated to you to the same extent as if you paid the amount of the servicing fee directly. The Code limits the deductions for such servicing fees for some investors.

### **Sale of a Strip**

If you sell a Strip, you will recognize a gain or loss equal to the difference, if any, between the amount realized and your adjusted basis in the Strip. The gain or loss will be a capital gain or loss if you held the Strip as a capital asset. The capital gain or loss will be long-term or short-term, depending on whether you owned the Strip for the long-term capital gain holding period (currently more than one year). In general, your adjusted basis in the Strip will equal the amount you paid for the Strip, plus the amount of original issue discount you previously reported on the Strip, minus the amount of any payments included in the stated redemption price of the Strip received by you and the amount of any losses previously recognized by you with respect to the Strip.

### **Possible Alternative Characterizations**

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

Further, the characterizations of Strips discussed above are not the only possible interpretations of the applicable Code provisions. For example, if you own a Strip, you may be treated as the owner of:

- One installment obligation consisting of the Strip's pro rata share of the payments attributable to principal on each Mortgage and a second installment obligation consisting of the Strip's pro rata share of the payments attributable to interest on each Mortgage.
- As many stripped bonds or stripped coupons as there are scheduled payments of principal and/or interest on each Mortgage.
- A separate installment obligation for each Mortgage, representing the Strip's pro rata share of payments of principal and/or interest to be made on that Mortgage.

Alternatively, if you own Strips, you may be treated as owning (a) a pro rata fractional undivided interest in each Mortgage to the extent that the Strip represents the same pro rata portion of principal

and interest on each Mortgage and (b) a stripped bond or stripped coupon, as applicable, to the extent of any disproportionate principal or interest.

In addition, the Service might assert that the contingent payment rules mentioned above under *General* should apply to certain Strips.

### **Purchase of More Than One Class of Strips**

Although the matter is not free from doubt, if you purchase more than one class of Strips issued from the same Pass-Through Pool at the same time or in the same series of transactions, you should be treated for federal income tax purposes as having made a single purchase. If you purchase more than one class of Strips issued from the same Pass-Through Pool in different transactions, it is unclear whether the federal income tax treatment of the Strips should be determined by treating each class separately or as described in the previous sentence.

### **SPCs**

If you own an SPC, you should review the applicable supplement for a description of the related assets, and the offering documents applicable to the assets for a description of the federal income tax consequences of owning the assets.

### **EXCHANGE TRANSACTIONS**

If you surrender classes of Strips in return for an equivalent principal amount of the underlying Giant Certificate, or vice versa, you will not recognize gain or loss as a result. After the exchange, you will be treated as continuing to own the interests that you owned immediately prior to the exchange.

If you surrender MACS for other MACS or for an interest in the underlying assets, or vice versa, you will not recognize gain or loss as a result. After the exchange, you will be treated as continuing to own the interests that you owned immediately prior to the exchange.

### **BACKUP WITHHOLDING, FOREIGN WITHHOLDING AND INFORMATION REPORTING**

If you are a U.S. Person, you may be subject to federal backup withholding tax under Section 3406 of the Code on payments on your Pass-Through Certificate, unless you comply with applicable information reporting procedures or are an exempt recipient. Any such amounts withheld would be allowed as a credit against your federal income tax liability.

Payments made to an investor who is an individual, a corporation, an estate or a trust that is not a U.S. Person, or to a Holder on behalf of such an investor, generally will not be subject to federal income or withholding tax if:

- The Mortgages underlying the investor's Pass-Through Certificates all were originated after July 18, 1984;
- The Pass-Through Certificate is not held by the investor in connection with a trade or business in the United States (or if an income tax treaty applies, is not attributable to a U.S. permanent establishment);
- The investor is not with respect to the United States a corporation that accumulates earnings in order to avoid United States federal income tax;

- The investor is not a U.S. expatriate or former U.S. resident who is taxable in the manner provided in Section 877(b) of the Code; and
- The investor provides a statement (on Internal Revenue Service Form W-8BEN or W-8BEN-E (or similar substitute forms)) signed under penalties of perjury that includes its name and address and certifies that it is not a U.S. Person in accordance with applicable requirements.

Payments to an investor who is not a U.S. Person that represent interest on Mortgages originated before July 19, 1984 may be subject to federal withholding tax at the rate of 30% or any lower rate provided by an applicable tax treaty.

Regardless of the date of origination of the Mortgages, federal backup withholding tax will not apply to payments on a Pass-Through Certificate made to an investor who is not a U.S. Person if the investor furnishes an appropriate statement of non-U.S. status.

We will make available to each Holder of a Pass-Through Certificate, within a reasonable time after the end of each calendar year, information to assist Holders and investors in preparing their federal income tax returns. The information made available to you may not be correct for your particular circumstances.

For these purposes, the term “**U.S. Person**” means 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.

If a partnership (or other entity treated as a partnership for federal income tax purposes) holds Pass-Through 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.

## **FOREIGN ACCOUNT TAX COMPLIANCE ACT**

Investors should be aware that under legislation and related administrative guidance (commonly known as “**FATCA**”), certain payments in respect of the Pass-Through Certificates after June 30, 2014 and payments of the gross proceeds from the sale or other disposition of such Pass-Through Certificates after December 31, 2018 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.

Unless otherwise stated in the applicable supplement, the Pass-Through Certificates 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 Pass-Through Certificates.

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

### **ACCOUNTING CONSIDERATIONS**

Various factors may influence the accounting treatment applicable to an investor’s acquisition and holding of mortgage-related securities. Accounting standards, and the application and interpretation of such standards, are subject to change from time to time. Before making an investment in the Pass-Through Certificates or exchanging the Pass-Through Certificates, investors are encouraged to consult their own accountant for advice on the appropriate accounting treatment for their series of Pass-Through Certificates.

## LEGAL INVESTMENT CONSIDERATIONS

You should consult your own legal advisors to determine whether Pass-Through Certificates are legal investments for you and whether you can use Pass-Through Certificates as collateral for borrowings. In addition, financial institutions should consult their legal advisors or regulators to determine the appropriate treatment of Pass-Through Certificates under risk-based capital and 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 Pass-Through Certificates or in Pass-Through 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 Pass-Through Certificates.

## DISTRIBUTION ARRANGEMENTS

Freddie Mac generally purchases assets from dealers (each, a **“Dealer”**) and other customers and, as Depositor, deposits those assets in a Pass-Through Pool. As Administrator, on behalf of the Trustee, Freddie Mac creates and issues Pass-Through Certificates representing interests in those same assets and sells the related Pass-Through Certificates through the same Dealers or customers. Dealers and their affiliates may enter into other transactions with and provide other services to Freddie Mac in the ordinary course of business. Freddie Mac, the Dealers or other parties may receive compensation, trading gain or other benefits in connection with transactions in Pass-Through Certificates. We typically receive a fee from the Dealers and other customers for each offering.

Each offering may be made and the Pass-Through 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 Pass-Through Certificates or an offer to sell or buy or a solicitation of an offer to buy or sell Pass-Through Certificates in any jurisdiction or in any other circumstance in which such an offer or solicitation is unlawful or not authorized.

Freddie Mac may retain or repurchase Pass-Through Certificates for its own portfolio, and may offer or re-offer such Pass-Through Certificates from time to time. These transactions may affect the market prices of Pass-Through Certificates.

Certain Dealers may buy, sell and make a market in Pass-Through Certificates. The secondary market for Pass-Through Certificates may be limited. If a Dealer sells a Pass-Through Certificate, the Dealer is required to confirm the sale, notify the purchaser of the settlement date, purchase price, concessions and fees and deliver a copy of this Offering Circular and the applicable supplement to the purchaser.

## INCREASE IN SIZE

Before the settlement date for any offering of Pass-Through Certificates, Freddie Mac and any Dealers or other customers may agree to increase the size of the offering. In that event, the Pass-Through Certificates will have the same characteristics as described in the applicable supplement, except that the original principal or notional principal amount of each class receiving payment from the same Pass-Through Pool will increase by the same proportion.

## INDEX OF TERMS

The following is a list of defined terms used in this Offering Circular and the pages where their definitions appear.

	<u>Page</u>		<u>Page</u>
Accrual Period . . . . .	21	MACS . . . . .	15
Adjustment Date . . . . .	20	Modifiable and Combinable	
Administrator . . . . .	5	Securities . . . . .	15
Annual Interest Amount . . . . .	III-1	Mortgages . . . . .	5
ARM PCs . . . . .	18	Multifamily Pass-Through Trust	
ARMs . . . . .	14	Agreement . . . . .	31
Business Day . . . . .	19	New MACS . . . . .	III-1
Class Factor . . . . .	19	Notional Class . . . . .	17
Code . . . . .	35	OID Regulations . . . . .	36
Conservator . . . . .	3	Old MACS . . . . .	III-1
CPR . . . . .	30	Pass-Through Class . . . . .	17
CUSIP Number . . . . .	22	Pass-Through Pools . . . . .	5
Dealer . . . . .	47	Pass-Through Certificates . . . . .	5
Depositor . . . . .	5	Payment Date . . . . .	19
Designated Page . . . . .	20	Payment Delay . . . . .	18
DTC . . . . .	7	PC Offering Circular . . . . .	4
DTC Participants . . . . .	22	PCs . . . . .	4, 18
DTC System . . . . .	7	PO Classes . . . . .	15
ERISA . . . . .	46	Pricing Speed . . . . .	41
Events of Default . . . . .	33	Principal Only Classes . . . . .	15
Exchange Act . . . . .	4	PSA . . . . .	30
Fed Participants . . . . .	22	Purchase Agreement . . . . .	3
Fed System . . . . .	7	Record Date . . . . .	21
FATCA . . . . .	45	Reform Act . . . . .	5
FHFA . . . . .	3	Registrar . . . . .	7
Final Payment Date . . . . .	21	REMIC . . . . .	14
Fixed Rate Class . . . . .	17	SCs . . . . .	16
Floating Rate Class . . . . .	17	SEC . . . . .	4
Freddie Mac . . . . .	5	Service . . . . .	36
Freddie Mac Act . . . . .	3	SPCs . . . . .	16
Giant Certificates . . . . .	14	Strip . . . . .	36
Giant PCs . . . . .	14	Stripped Giant Certificates . . . . .	15
Guarantor . . . . .	5	Stripped Giant PCs . . . . .	15
Holder . . . . .	7	Stripped Interest Certificates . . . . .	16
ICE . . . . .	20	Structured Formula Class . . . . .	17
ICE Method . . . . .	20	Structured Pass-Through	
Incorporated Documents . . . . .	4	Certificates . . . . .	16
IO Classes . . . . .	15	Terms Supplement . . . . .	31
Interest Only Classes . . . . .	15	Treasury . . . . .	3
Inverse Floating Rate Class . . . . .	17	Trustee . . . . .	5
IP Classes . . . . .	15	U.S. Person . . . . .	45
LIBOR . . . . .	20	WAC Class . . . . .	17
LTV . . . . .	37		



## EXCHANGE PROCEDURES FOR STRIPPED GIANT CERTIFICATES

### Information About Securities Eligible for Exchange

You can obtain the balances of classes of Pass-Through Certificates that are subject to exchange either from Freddie Mac's internet website or the Investor Inquiry Department at Freddie Mac.

### Notice

- If you want to enter into an exchange involving Stripped Giant Certificates (including MACS), you must notify Freddie Mac's Mortgage Funding and Investor Relations Department through a Dealer that belongs to Freddie Mac's REMIC dealer group.
- The notice must be received at least one business day before the proposed exchange date, and must include:
  - The outstanding principal or notional principal amounts of the securities to be exchanged and received.
  - The proposed exchange date, which is subject to Freddie Mac's approval.
- Your notice becomes irrevocable on the business day before the proposed exchange date.

### Exchange Fee

- We may charge an exchange fee. If so, it will be calculated as described in the applicable supplement.
- Promptly after receiving your notice, Freddie Mac will call the Dealer to give instructions for delivering the collateral. Freddie Mac will collect any exchange fee on a delivery versus payment basis.

### Payments Following an Exchange

- Freddie Mac will make the first payment on the securities issued in an exchange in the first month after their issuance.
- Freddie Mac will make the last payment on the securities surrendered in an exchange in the month of the exchange.

### Limitations on Ability to Exchange Classes

- You must own the right classes in the right proportions in order to enter into an exchange. The principal amount of the securities received in an exchange must equal the principal amount of the securities exchanged, and interest must be payable on the securities received in the same amount as would have been payable on the securities exchanged.
- If you do not own the right 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, such as a REMIC.
  - Principal payments and prepayments over time will decrease the amounts available for exchange.

### EXAMPLES OF MACS EXCHANGES

You may exchange one or more classes of a series of MACS (the “**Old MACS**”) for one or more different classes of MACS of the same series (the “**New MACS**”).

Freddie Mac will allow any exchange of MACS, so long as:

- The aggregate outstanding principal amount of the New MACS (rounded to whole dollars) immediately after the exchange equals that of the Old MACS immediately before the exchange. In this calculation, the outstanding principal amount of the IO Class always equals \$0.
- The aggregate Annual Interest Amount of the New MACS (rounded to whole dollars) equals that of the Old MACS. The “**Annual Interest Amount**” for any class 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.
- If Floating Rate and/or Inverse Floating Rate Classes are being exchanged for other Floating Rate and/or Inverse Floating Rate Classes, the Classes being surrendered are first exchanged for corresponding amounts of the IO and/or PO Classes.

The applicable supplement will describe the specific MACS exchanges.

