

Offering Circular

**Freddie
Mac**

Federal Home Loan Mortgage Corporation

Multiclass Mortgage Participation Certificates (Guaranteed) (Issuable in Series)

The Federal Home Loan Mortgage Corporation ("Freddie Mac") will offer Multiclass Mortgage Participation Certificates (Guaranteed) (the "Multiclass PCs") from time to time in series (each, a "Series") pursuant to this Offering Circular and one or more Offering Circular Supplements relating to each Series. In the case of certain Series (each, a "Single-Tier Series"), the Multiclass PCs will represent beneficial ownership interests in a single pool (each, a "REMIC Pool") formed by Freddie Mac consisting of Mortgage Securities (as defined herein) and, if so provided in the related Offering Circular Supplement, one or more cash deposits. In the case of other Series (each, a "Double-Tier Series"), the Multiclass PCs will represent beneficial ownership interests in one of two REMIC Pools (the "Lower-Tier REMIC Pool" and the "Upper-Tier REMIC Pool").

The Mortgage Securities included in each REMIC Pool will either consist of or be backed by one or more PCs and/or Giant PCs (each, as defined herein). For each Double-Tier Series, the Mortgage Securities included in the related Upper-Tier REMIC Pool (the "Upper-Tier Mortgage Securities") will consist of certificates representing one or more "regular interests" in the related Lower-Tier REMIC Pool.

PCs include Gold PCs, Original PCs and ARM PCs (each, as defined herein); Giant PCs include Gold Giant PCs, Original Giant PCs and ARM Giant PCs (each, as defined herein). PCs represent undivided interests in discrete pools consisting of specified first lien, residential mortgages or participations therein (the "Mortgages") purchased by Freddie Mac. Giant PCs represent beneficial ownership interests in discrete pools consisting of specified PCs and/or Giant PCs. The general characteristics of PCs are described in Freddie Mac's various Offering Circulars (including supplements thereto) relating to PCs as in effect from time to time (each, a "PC Offering Circular"), and the general characteristics of Giant PCs are described in Freddie Mac's various Offering Circulars (including supplements thereto) relating to Giant PCs as in effect from time to time (each, a "Giant PC Offering Circular").

Freddie Mac guarantees (i) to each Holder (as defined herein) of a Regular Class PC (as defined herein) the timely payment of interest at the applicable Multiclass PC interest rate (the "Multiclass PC Coupon") on such Holder's Regular Class PC, (ii) to each Holder of a Residual Class PC (as defined herein) the timely payment of interest at the applicable Multiclass PC Coupon or as otherwise described in the applicable Offering Circular Supplement and (iii) to each Holder the payment of the principal amount of such Holder's Multiclass PC as payments are required to be made on the related Mortgage Securities in accordance with their terms, as described in the applicable Offering Circular Supplement. Freddie Mac guarantees the payment of interest and principal on all PCs and Giant PCs, as described herein and in the applicable PC and Giant PC Offering Circulars. See "Description of Multiclass PCs — Guarantees."

Each Series will consist of two or more classes of Multiclass PCs (each, a "Class") and may include, among others, one or more Classes of Accrual PCs, Variable Rate PCs, Stated Maturity PCs, Planned Amortization PCs, Targeted Amortization PCs, Retail Class PCs, Principal Only PCs or Interest Only PCs (each, as defined herein) or any combination of the above. Each Single-Tier Series will include a single Class of Residual Class PCs. Each Double-Tier Series will include a single Class of Residual Class PCs for the Lower-Tier REMIC Pool and a single Class of Residual Class PCs for the Upper-Tier REMIC Pool. Interest, if any, on each Class of Multiclass PCs will be passed through on each Payment Date specified in the related Offering Circular Supplement, except for interest on any Classes of Accrual PCs. Payments of interest, if any, on a Class of Accrual PCs will occur as described in the related Offering Circular Supplement. Interest accrued but not paid on a Class of Accrual PCs will be added to the principal amount thereof on the applicable Payment Dates. Principal payments will be made on each Payment Date on the Multiclass PCs of each Series as described in the related Offering Circular Supplement.

Scheduled payments on the Mortgages underlying the Mortgage Securities in each REMIC Pool will be sufficient to make timely payments of interest on the Multiclass PCs of the related Series and to retire each Class of such Series on or before its Final Payment Date (as defined herein). Because the rate of payment of principal of each Class of the Multiclass PCs of each Series will depend in part on the rate of payment (including prepayments) of the principal of the related Mortgages, the actual final payment with respect to any Class of Multiclass PCs of such Series could occur significantly earlier than its Final Payment Date.

An election will be made to treat each REMIC Pool as a "real estate mortgage investment conduit" ("REMIC") pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). All Classes of Multiclass PCs of each Series will constitute "regular interests" in a REMIC, except that a single Class of Residual Class PCs constituting a "residual interest" in a REMIC will be created for each REMIC Pool. The Residual Class PCs will be subject to certain transfer restrictions. See "Certain Federal Income Tax Consequences."

Unless otherwise specified in the Offering Circular Supplement relating to a Series, Regular Class PCs will be sold in book-entry form only, and Residual Class PCs will be sold in registered, certificated form only. See "Description of Multiclass PCs — Form of Multiclass PCs, Holders, Minimum Principal Amounts and Transfers."

This Offering Circular should be read in conjunction with each Offering Circular Supplement applicable to a Series, each PC Offering Circular and Giant PC Offering Circular applicable to the PCs and/or Giant PCs underlying any particular Series, Freddie Mac's current Information Statement and any supplements to any of the foregoing. See "Availability of Information and Incorporation by Reference."

The obligations of Freddie Mac under its guarantee of the Multiclass PCs are obligations of Freddie Mac only and are not backed by the full faith and credit of the United States. Income on the Multiclass PCs has no exemption under federal law from federal, state or local taxation. The Multiclass PCs are exempt from the registration requirements of the Securities Act of 1933 and are "exempted securities" within the meaning of the Securities Exchange Act of 1934.

This Offering Circular may not be used to consummate sales of Multiclass PCs unless accompanied by the applicable Offering Circular Supplement.

Offering Circular Dated April 23, 1991

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No dealer, salesperson or other person has been authorized to give any information or to make any representations on behalf of Freddie Mac, other than those contained in this Offering Circular, the PC Offering Circulars, the Giant PC Offering Circulars, Freddie Mac's current Information Statement or any supplement to any of the foregoing, and, if given or made, such information or representations must not be relied upon as having been authorized by Freddie Mac. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Multiclass PCs offered hereby, nor does it constitute an offer to sell or a solicitation of an offer to buy the Multiclass PCs by anyone in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create an implication that the information herein is correct as of any time subsequent to the date hereof.

OFFERING CIRCULAR SUPPLEMENT

The Offering Circular Supplement or Supplements (together, the "Offering Circular Supplement") with respect to a Series of Multiclass PCs to be offered hereby and by means of such Offering Circular Supplement will, among other things, set forth with respect to such Series of Multiclass PCs: (i) the identity and type of each Class of Multiclass PCs of such Series; (ii) the original principal amount and, if applicable, the Multiclass PC Coupon or method of determining the Multiclass PC Coupon of, or the amount payable in respect of interest on, each Class of Multiclass PCs of such Series; (iii) certain information concerning the REMIC Pool or Pools for such Series; (iv) the Final Payment Date of each Class of Multiclass PCs of such Series; (v) the method used to calculate the aggregate amount of principal required to be passed through with respect to each Class of Multiclass PCs on each Payment Date; (vi) the order of payments of principal to each of the Classes within such Series, whether sequential, pro rata, or otherwise; (vii) the Payment Dates with respect to such Series; (viii) information with respect to the terms of the Class or Classes of Residual Class PCs for such Series; and (ix) additional information with respect to the plan of distribution of such Series of Multiclass PCs. Each Offering Circular Supplement will also identify the PC and/or Giant PC Offering Circulars that describe the PCs and/or Giant PCs underlying the related Series.

OFFERING CIRCULAR SUMMARY

The summary information set forth below is qualified in its entirety by reference to the information appearing elsewhere in this Offering Circular and by reference to the information with respect to each Series of Multiclass PCs contained in the related Offering Circular Supplement.

Seller and Guarantor	The Federal Home Loan Mortgage Corporation, a publicly held government-sponsored enterprise.
The Multiclass PCs	The Multiclass Mortgage Participation Certificates (Guaranteed) of each Series will be issued pursuant to a Multiclass Mortgage Participation Certificate Agreement dated as of April 23, 1991 in the form included in this Offering Circular as Exhibit A and either one or two Terms Supplements relating to each Series (the Multiclass Mortgage Participation Certificate Agreement, together with each Terms Supplement applicable to a Series, the "Multiclass PC Agreement"). The Multiclass PCs of each Single-Tier Series will evidence beneficial ownership interests in the REMIC Pool relating to such Series formed by Freddie Mac pursuant to the Multiclass PC Agreement. In the case of a Double-Tier Series, (i) the Multiclass PCs issued in respect of the related Lower-Tier REMIC Pool (the "Lower-Tier PCs") will represent beneficial ownership interests in such Lower-Tier REMIC Pool, (ii) one or more Classes of such Lower-Tier PCs representing "regular interests" therein will constitute the Upper-Tier Mortgage Securities for the related Upper-Tier REMIC Pool and (iii) the Multiclass PCs issued in respect of such Upper-Tier REMIC Pool (the "Upper-Tier PCs") will represent beneficial ownership interests therein.
The Mortgage Securities	Various mortgage securities created or acquired by Freddie Mac (the "Mortgage Securities") having the characteristics described herein under "Description of Multiclass PCs — The Mortgage Securities" and, as to a particular Series of

Multiclass PCs, in the related Offering Circular Supplement. The Mortgages underlying the PCs and/or Giant PCs that either constitute or back the Mortgage Securities are first lien, residential mortgages, including whole mortgage loans and/or participation interests therein. PCs include Gold PCs, Original PCs and ARM PCs; Giant PCs include Gold Giant PCs, Original Giant PCs and ARM Giant PCs. The Mortgages in any pool underlying a PC (each, a "PC Pool") are all either conventional Mortgages or Mortgages insured by the Federal Housing Administration and/or guaranteed, in part, by the Department of Veterans Affairs.

**Form of Multiclass PCs;
Holders**

Unless otherwise specified in the Offering Circular Supplement relating to a Series, the Classes of Multiclass PCs of a Series that constitute "regular interests" in the REMIC Pool or Pools for such Series (collectively, the "Regular Class PCs") will be issued and maintained, and may be transferred by Holders, only on the book-entry system of the Federal Reserve Banks. (However, Upper-Tier Mortgage Securities will be issued and held by Freddie Mac in certificated form.) Regular Class PCs maintained on such book-entry system may be held of record only by entities eligible to maintain book-entry accounts with a Federal Reserve Bank. If a Series of Multiclass PCs includes a Class or Classes of Retail Class PCs, each such Class will be represented by one or more certificates registered in the name of the nominee of The Depository Trust Company or any successor thereto (the "Depository"), unless otherwise provided in the related Offering Circular Supplement. The Depository will maintain each such Class through its book-entry facilities. The Class of Multiclass PCs that constitutes the "residual interest" in each REMIC Pool (the "Residual Class PCs") will not be issued in book-entry form but will be issued in registered, certificated form. Residual Class PCs in certificated form will be transferable and exchangeable at the office of Texas Commerce Bank National Association (the "Registrar"), which has been designated by Freddie Mac as its agent for such purpose, or any successor thereto.

The term "Holders" is used herein to refer to (i) the entities whose names appear on the book-entry records of a Federal Reserve Bank as the entities for whose accounts Regular Class PCs (other than Retail Class PCs) have been deposited, (ii) the entity acting as nominee for the Depository in holding Retail Class PCs in certificated form and/or (iii) the entities whose names appear on the records of the Registrar as the registered holders of Residual Class PCs, as the case may be.

A Holder of a Multiclass PC is not necessarily the beneficial owner of such Multiclass PC. Beneficial owners ordinarily will hold Regular Class PCs, and may hold Residual Class PCs, through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A Holder that is not the beneficial owner of a Multiclass PC, and each other financial intermediary in the chain between the Holder and the beneficial owner, will have the responsibility of establishing and maintaining accounts for their customers. The rights of a beneficial owner of a Multiclass PC with respect to Freddie Mac and (in the case of a Regular Class PC maintained on the Federal Reserve Banks' book-entry system) a Federal Reserve Bank may be exercised only through the Holder of that Multiclass PC. Freddie Mac and the Federal Reserve Banks will have no direct obligation to a beneficial owner of a Multiclass PC that is not also the Holder of the Multiclass PC. A Federal Reserve Bank will act only upon the instructions of the Holder in recording transfers of a Regular Class PC maintained on the Federal Reserve Banks' book-entry system. See "Description of Multiclass PCs — Form of Multiclass PCs, Holders, Minimum Principal Amounts and Transfers."

**Minimum Principal Amounts
and Transfers**

Multiclass PCs will be issued and must be maintained and transferred in the minimum original principal amounts and additional increments specified herein or in the applicable Offering Circular Supplement. See "Description of Multiclass PCs — Form of Multiclass PCs, Holders, Minimum Principal Amounts and Transfers."

Payment Dates; Method of Payment

Freddie Mac will pass through payments of principal and interest to Holders of Multiclass PCs of each Series on the 15th day of each month specified in the related Offering Circular Supplement or, if such day is not a Business Day (as defined in the Multiclass PC Agreement), on the next succeeding Business Day (a "Payment Date"), commencing on the date specified in the related Offering Circular Supplement. Unless otherwise specified in the Offering Circular Supplement relating to a Series, payments are credited on each Payment Date by a Federal Reserve Bank to the accounts of Holders of Regular Class PCs maintained on the Federal Reserve Banks' book-entry system. The Multiclass PC Agreement provides that in the event of a principal or interest payment error, Freddie Mac, in its sole discretion, either may request the Federal Reserve Bank to correct such error or may effect corrections by the adjustment of payments to be made on future Payment Dates. A Holder that is not the beneficial owner of a Multiclass PC, and each other financial intermediary in the chain to the beneficial owner, will have the responsibility of remitting payments for the accounts of their customers.

Unless otherwise provided in the applicable Offering Circular Supplement, payments of principal and interest on a Class of Retail Class PCs will be made by the Registrar to the Depository in immediately available funds. The Depository will be responsible for crediting the amount of such payments to the accounts of the applicable Depository participants entitled thereto, in accordance with the Depository's normal procedures. Each such participant and each other financial intermediary will be responsible for disbursing such payments to the beneficial owners of the Retail Class PCs that it represents.

Payments of principal and interest on a Residual Class PC will be made by check mailed by the Registrar to the address of the Holder, as it appears on the register maintained by the Registrar, or, if specified in the related Offering Circular Supplement, by wire transfer to such Holder, in either case not later than the applicable Payment Date; provided, however, that (i) if the principal amount of a Residual Class PC is reduced to zero before the principal amounts of all Classes of Regular Class PCs issued in respect of the related REMIC Pool are reduced to zero, the payment of principal on such Residual Class PC that reduces the principal amount thereof to zero will be made only upon presentation (without surrender) of such Residual Class PC at the office of the Registrar for notation that the principal amount thereof has been so reduced and (ii) the final payment on a Residual Class PC will be made only upon presentation and surrender of such Residual Class PC at the office of the Registrar. See "Description of Multiclass PCs — Form of Multiclass PCs, Holders, Minimum Principal Amounts and Transfers."

Interest

Interest will accrue on each Class of the Regular Class PCs of each Series at the applicable Multiclass PC Coupon (which may be zero) specified in, or determined as specified in, the related Offering Circular Supplement and will be passed through on each Payment Date, except for interest on any Classes of Accrual PCs contained in such Series. Payments of interest on each Class of Accrual PCs will be passed through to the extent, if any, provided in the related Offering Circular Supplement. The amount of any interest accrued and not passed through on any Payment Date on any Class of Accrual PCs will be added to the principal amount of such Class. Any accrued interest so added will accrue interest. Interest, if any, in respect of the Class or Classes of Residual Class PCs of each Series will be passed through on each Payment Date at the applicable Multiclass PC Coupon or as otherwise described in the applicable Offering Circular Supplement. Interest payable or added to principal on a Payment Date will accrue during the period or periods specified in the related Offering Circular Supplement. See "Description of Multiclass PCs — Payments of Interest."

Principal

Unless otherwise specified in the Offering Circular Supplement relating to a Series, principal payments on the Multiclass PCs of such Series will be made on each Payment Date in an aggregate amount equal to the sum of (i) the amount of interest, if any, accrued on any Classes of Accrual PCs contained in such Series during the related interest accrual period but not payable as interest on such Payment Date; and (ii) an amount equal to the Mortgage Security Principal Payment Amount (as defined below) for such Payment

Date. All payments of principal on the Multiclass PCs of each Series will be applied on each Payment Date to the Classes of such Series as provided in the related Offering Circular Supplement. Subject to any allocation procedures that may apply in the case of Retail Class PCs, the Holders of Multiclass PCs of any Class entitled to receive principal payments on any Payment Date will receive such payments on a pro rata basis among the Multiclass PCs of such Class.

With respect to any Payment Date, the Mortgage Security Principal Payment Amount for a Series will be the amount of principal payments made on the same Payment Date on the Mortgage Securities in the related REMIC Pool or, in the case of a Double-Tier Series, in the related Lower-Tier REMIC Pool. See "Description of Multiclass PCs — Payments of Principal."

Residual Class PCs

Holders of each Class of Residual Class PCs will be entitled to receive (i) on each Payment Date, any payments of principal and interest specified in the related Offering Circular Supplement and (ii) the proceeds of the remaining assets, if any, of the related REMIC Pool after the principal amounts of all Classes issued in respect of such REMIC Pool have been reduced to zero.

The Residual Class PCs will be subject to certain transfer restrictions. See "Certain Federal Income Tax Consequences — Transfers of Residual Class PCs."

Record Date

Each payment on the Multiclass PCs of a Series will be made to Holders of record on the day specified in the related Offering Circular Supplement.

Final Payment Date

The Final Payment Date for each Class of Multiclass PCs of a Series will be the Payment Date on or before which the entire principal amount of the Multiclass PCs of such Class is reduced to zero. The Final Payment Date for each Class will be calculated as described in the related Offering Circular Supplement. See "Description of Multiclass PCs — Final Payment Dates and Weighted Average Lives of the Multiclass PCs."

Guarantees

Freddie Mac guarantees (i) to each Holder of a Regular Class PC the timely payment of interest at the applicable Multiclass PC Coupon on such Holder's Regular Class PC, (ii) to each Holder of a Residual Class PC the timely payment of interest at the applicable Multiclass PC Coupon or as otherwise described in the applicable Offering Circular Supplement and (iii) to each Holder the payment of the principal amount of such Holder's Multiclass PC, as payments are required to be made on the related Mortgage Securities in accordance with their terms, as described in the applicable Offering Circular Supplement. See "Description of Multiclass PCs — Guarantees."

With respect to Gold PCs, Freddie Mac guarantees to each holder thereof the timely payment of (i) interest at the applicable PC interest rate on the holder's pro rata share of the unpaid principal balance of the related Mortgages, as calculated by Freddie Mac under the "Pool Factor" method described in the applicable PC Offering Circular, and (ii) the Monthly Principal Reduction (as defined in the applicable PC Offering Circular) due to be paid on such Mortgages as calculated by Freddie Mac, to the extent of such holder's pro rata share of the unpaid principal balance of such Mortgages. Freddie Mac also guarantees to each holder of a Gold PC the ultimate collection of all principal on the related Mortgages, without offset or deduction, to the extent of such holder's pro rata share of the unpaid principal balance of such Mortgages, not later than the Payment Date occurring in the same month as the Final Payment Date (as defined in the applicable PC Offering Circular) of such PC. See the discussion of Freddie Mac's guarantees with respect to Gold PCs in the applicable PC Offering Circulars.

With respect to Original PCs and ARM PCs, Freddie Mac guarantees to each holder thereof the timely payment of interest at the applicable PC interest rate on the holder's pro rata share of the aggregate unpaid principal balance of the related Mortgages, as calculated by Freddie Mac under the Pool Factor method. Freddie Mac also guarantees to each such holder the ultimate collection of all principal of the related Mortgages, without offset or deduction, to the extent of such holder's pro rata share thereof. See the discussion of Freddie Mac's guarantees with respect to Original PCs and ARM PCs in the applicable PC Offering Circulars.

With respect to Gold Giant PCs, Original Giant PCs and ARM Giant PCs, Freddie Mac guarantees to each holder thereof (i) the timely payment of interest at the applicable Giant PC interest rate and (ii) the payment of the principal amount thereof as payments are made on the PCs and/or Giant PCs underlying such Gold Giant PCs, Original Giant PCs or ARM Giant PCs. See the discussion of Freddie Mac's guarantees with respect to Gold Giant PCs, Original Giant PCs and ARM Giant PCs in the applicable Giant PC Offering Circulars.

Optional Redemption Unless otherwise specified in the Offering Circular Supplement relating to a Series, the outstanding Multiclass PCs of such Series (or, in the case of a Double-Tier Series, the outstanding Lower-Tier PCs) may be redeemed in whole, but not in part, at the option of Freddie Mac, on any Payment Date on or after the Payment Date on which, after giving effect to principal payments to be made on such Payment Date, the aggregate outstanding principal amount of the Multiclass PCs (or Lower-Tier PCs) of such Series is less than 1% of the aggregate original principal amount of the Multiclass PCs (or Lower-Tier PCs) of such Series. Any such optional redemption will be at a redemption price equal to 100% of the unpaid principal amount of the Multiclass PCs (or Lower-Tier PCs) redeemed, plus accrued and unpaid interest thereon. Upon any such redemption of Lower-Tier PCs in a Double-Tier Series, the redemption price of the Upper-Tier Mortgage Securities will be applied as principal and interest on the outstanding Classes of Upper-Tier PCs and will reduce the principal amounts of such Classes to zero. All decisions as to the making of an optional redemption, including the timing of any such optional redemption, will be at Freddie Mac's sole discretion. See "Description of Multiclass PCs — Optional Redemption." Neither PCs nor Giant PCs are subject to redemption by Freddie Mac.

Multiclass PC Pool Factors On or about the first (or, if so provided in the related Offering Circular Supplement, the seventh) business day of each month, Freddie Mac will publish or otherwise make available for that month the Multiclass PC Pool Factor for each Class of Multiclass PCs of a Series. The Multiclass PC Pool Factor for any month is a truncated seven-digit decimal calculated by Freddie Mac which, when multiplied by the original principal amount of a Class of Multiclass PCs, will equal the remaining principal amount of such Class, after giving effect to any payment of (or addition to) principal to be made on the Payment Date in the following month or, in the case of a Series for which the Mortgage Securities consist of or are backed by Gold PCs and/or Gold Giant PCs, in the same month. See "Description of Multiclass PCs — Multiclass PC Pool Factors."

REMIC Election and Tax Status of the Multiclass PCs An election will be made to treat each REMIC Pool as a "real estate mortgage investment conduit" ("REMIC") for federal income tax purposes. Regular Class PCs will be treated as "regular interests" in a REMIC, and Residual Class PCs will be treated as the "residual interest" in a REMIC for federal income tax purposes.

As a consequence of the REMIC election, the Multiclass PCs will generally be treated as "qualifying real property loans" for mutual savings banks and domestic building and loan associations, "regular or residual interests in a REMIC" for domestic building and loan associations, "real estate assets" for real estate investment trusts and, except for the Residual Class PCs, as "qualified mortgages" for other REMICs. See "Certain Federal Income Tax Consequences — Status of Multiclass PCs."

Special tax considerations apply to an investment in the Residual Class PCs for all types of investors. In certain circumstances, the method of taxation of the Residual Class PCs can produce a significantly less favorable after-tax return for beneficial owners of the Residual Class PCs than would be the case if (i) the Residual Class PCs were taxable as debt instruments or (ii) no portion of the taxable income on the Residual Class PCs in each period were treated as "excess inclusions." In certain periods, taxable income and the resulting tax liability on a Residual Class PC are likely to exceed payments received thereon. See "Certain Federal Income Tax Consequences — Taxation of Residual Class PCs." In addition, a substantial tax may be imposed

on certain transferors of the Residual Class PCs and certain beneficial owners of the Residual Class PCs that are "pass-thru entities." See "Certain Federal Income Tax Consequences — Transfers of Residual Class PCs." Investors should consult their tax advisors before purchasing a Residual Class PC.

Legality of Investment

Subject to the considerations described under "Regulatory Constraints" herein, the Multiclass PCs:

- will be acceptable as security for the deposit of public monies subject to the control of the United States or any of its officers;
- will be eligible as collateral for Treasury tax and loan accounts;
- will be among those securities which national banks may deal in, underwrite and purchase for their own accounts without limitation;
- will be eligible as collateral for advances by Federal Reserve Banks;
- will be legal investments for federal savings associations and federal savings banks;
- will be eligible as collateral for advances from Federal Home Loan Banks;
- will be legal investments for surplus and reserve funds of Federal Home Loan Banks;
- will be legal investments for federal credit unions; and
- will be considered plan assets for private pension funds under the Employee Retirement Income Security Act of 1974, as amended (and the underlying Mortgage Securities, PCs, Giant PCs and Mortgages will not be considered plan assets).

In general, any person, trust or business entity created pursuant to or existing under the laws of the United States or any state is authorized to purchase, hold and invest in Multiclass PCs to the same extent that the investor is authorized to purchase, hold or invest in obligations issued or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof. However, investment authority for certain investors may be limited by state legislation in certain cases.

The Federal Home Loan Bank System's Office of Regulatory Activities (whose functions have been assumed by the Office of Thrift Supervision) issued a bulletin, entitled "Mortgage Derivative Products and Mortgage Swaps." Such bulletin established guidelines for the investment by federally-chartered or federally-insured savings institutions in certain "high-risk" derivative mortgage-backed securities and limitations on the use of such securities by insolvent, undercapitalized or otherwise "troubled" institutions.

Institutions whose investment activities are subject to review by certain federal and state regulatory authorities may be subject to restrictions, or may hereafter become subject to restrictions (which may be retroactively imposed), by such regulatory authorities, on investment by such institutions in certain types of Multiclass PCs. See "ERISA Considerations," "Legality of Investment" and "Regulatory Constraints."

Liquid Assets

Unless otherwise specified in the Offering Circular Supplement relating to a Series, no Class of Multiclass PCs of such Series will be treated, as of the date of issuance, as "liquid assets" for federal savings associations, federal savings banks and other Federal Home Loan Bank members.

FEDERAL HOME LOAN MORTGAGE CORPORATION

Freddie Mac is a publicly held government-sponsored enterprise created on July 24, 1970 pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. Sections 1451-1459 (the "Freddie Mac Act"). Freddie Mac's statutory mission is to provide stability in the secondary market for home mortgages, to respond appropriately to the private capital market and to provide ongoing assistance to the home mortgage secondary market by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for home mortgage financing. The principal activity of Freddie Mac consists of the purchase of first lien, conventional, residential mortgages and participation interests in such mortgages from mortgage lending institutions and the resale of the whole loans and participations so purchased in the form of guaranteed mortgage securities. Freddie Mac generally matches its purchases of mortgages with sales of guaranteed securities. Mortgages retained by Freddie Mac are financed with short and long-term debt and equity capital.

AVAILABILITY OF INFORMATION AND INCORPORATION BY REFERENCE

Freddie Mac prepares an Information Statement annually which describes Freddie Mac, its business and operations and contains Freddie Mac's audited financial statements for the two most recent fiscal years ending prior to the date of such Information Statement. From time to time Freddie Mac prepares an Information Statement supplement which includes certain unaudited financial data and other information concerning the business and operations of Freddie Mac. Freddie Mac periodically prepares PC Offering Circulars with respect to PCs and Giant PC Offering Circulars with respect to Giant PCs, each of which describes the general characteristics of such securities, the related mortgages and other matters and each of which includes a copy of the agreement pursuant to which such securities are created and sold (a "PC Agreement" in the case of the PCs and a "Giant PC Agreement" in the case of Giant PCs). The current Information Statement, the current PC Offering Circulars, the current Giant PC Offering Circulars and any supplements to each of the foregoing are incorporated by reference into this Offering Circular and made a part hereof. Any of these documents and any quarterly report prepared and made available by Freddie Mac can be obtained by writing or calling the Investor Inquiry Department at Freddie Mac at 8200 Jones Branch Drive, McLean, Virginia 22102 (outside Washington, D.C. metropolitan area, telephone 800/336-FMPC; within Washington, D.C. metropolitan area, telephone 703/759-8160).

DESCRIPTION OF MULTICLASS PCs

General

Multiclass PCs will be offered from time to time in Series pursuant to this Offering Circular and an Offering Circular Supplement relating to each Series.

Each Series of Multiclass PCs represents the beneficial ownership interest in the REMIC Pool or Pools for such Series. In the case of a Single-Tier Series, the Multiclass PCs will represent beneficial ownership interests in a single REMIC Pool, consisting of Mortgage Securities and, if so provided in the related Offering Circular Supplement, one or more cash deposits. In the case of a Double-Tier Series, the Lower-Tier PCs will represent beneficial ownership interests in the Lower-Tier REMIC Pool, one or more Classes of such Lower-Tier PCs representing "regular interests" therein will constitute the Upper-Tier Mortgage Securities for the related Upper-Tier REMIC Pool, and the Upper-Tier PCs will represent beneficial ownership interests in such Upper-Tier REMIC Pool.

Each Series of Multiclass PCs will be sold under the terms of the Multiclass PC Agreement, which qualifies this summary in its entirety. Holders and anyone having a beneficial interest in Multiclass PCs of any Series should refer to the Multiclass PC Agreement for a complete description of their rights and obligations and the rights and obligations of Freddie Mac with respect to such Multiclass PCs. Each Holder acquires a Multiclass PC subject to all the terms and conditions of the Multiclass PC Agreement.

Each Series of Multiclass PCs will consist of one or more Classes and may include, among others, one or more of the following types of Classes: a Class of Multiclass PCs on which interest will accrue but will not be payable as interest thereon, or will not be so payable until the time specified in the related Offering Circular Supplement (the

“Accrual PCs”); a Class of Multiclass PCs on which interest accrues at a variable rate which may be related directly or inversely (although not necessarily proportionately) to an index (the “Variable Rate PCs”); a Class of Multiclass PCs that, on the basis of certain assumptions set forth in the related Offering Circular Supplement, would receive payments in reduction of the outstanding principal amount in specified amounts and on specified dates (the “Stated Maturity PCs,” the “Planned Amortization PCs” or the “Targeted Amortization PCs,” each of which may include one or more “Types”); a Class of Multiclass PCs that is designed to be maintained by the Depository in small denominations and that may receive payments of principal in units or other increments in accordance with priorities and limitations as specified in the related Offering Circular Supplement (the “Retail Class PCs”); a Class of Multiclass PCs entitled to receive payments of principal only (the “Principal Only PCs”); and a Class of Residual Class PCs that do not have principal amounts (other than a notional principal amount) and that are entitled to receive payments of interest only (the “Interest Only PCs”). Each Single-Tier Series of Multiclass PCs will include a single Class, and each Double-Tier Series will include two Classes (one for each related REMIC Pool), of Residual Class PCs as specified in the related Offering Circular Supplement. Residual Class PCs may be denominated by principal amounts, may be denominated by percentage interests in the residual interest in the related REMIC Pool or may be “Interest Only PCs.” Payments with respect to each Series of Multiclass PCs will be made on each Payment Date specified in the related Offering Circular Supplement.

Form of Multiclass PCs, Holders, Minimum Principal Amounts and Transfers

Unless otherwise specified in the Offering Circular Supplement relating to a Series, Freddie Mac will sell Regular Class PCs (other than Retail Class PCs) only in book-entry form through the Federal Reserve Banks’ book-entry system. Freddie Mac’s fiscal agent for such Regular Class PCs in book-entry form will be any Federal Reserve Bank or such other institution as may be specified in the related Offering Circular Supplement. The Fiscal Agency Agreement between Freddie Mac and the Federal Reserve Bank of New York, acting on behalf of the Federal Reserve Banks, makes generally applicable to such Regular Class PCs the Freddie Mac book-entry regulations, 1 C.F.R. Part 462, and such procedures, insofar as applicable, as may from time to time be established by regulations of the Treasury governing United States securities, and such other procedures as may be agreed upon from time to time by Freddie Mac and a Federal Reserve Bank. These regulations and procedures relate primarily to the registration, transfer and pledge of Freddie Mac’s book-entry securities. Each Class of Multiclass PCs is assigned a unique nine-character designation (a “CUSIP Number”) used, among other things, to identify such Class.

Unless otherwise specified in the Offering Circular Supplement relating to a Series, Regular Class PCs (other than Retail Class PCs) will be issued and must be maintained and transferred on the book-entry system of the Federal Reserve Banks in minimum original principal amounts of \$1 and additional increments of \$1. A Regular Class PC may not be transferred if, as a result of the transfer, the transferor or the transferee would have on deposit in its account Regular Class PCs of any Class having an original principal amount of less than \$1. Transfers of Regular Class PCs will also be subject to any applicable Federal Reserve Bank requirements with respect to minimum wire transfer amounts.

Regular Class PCs in book-entry form (other than Retail Class PCs) may be held of record only by entities eligible to maintain book-entry accounts with a Federal Reserve Bank. A Federal Reserve Bank’s book-entry records will reflect a Holder’s aggregate holdings of Regular Class PCs by account.

If a Series of Multiclass PCs includes a Class or Classes of Retail Class PCs, each such Class will be represented by one or more certificates registered in the name of the nominee of the Depository, unless otherwise provided in the related Offering Circular Supplement. The Depository will maintain each such Class through its book-entry facilities.

Unless otherwise specified in the Offering Circular Supplement relating to a Series, Residual Class PCs will not be issued in book-entry form but will be issued only in fully registered, certificated form in minimum original principal amounts of \$1,000 and additional increments of \$1. Residual Class PCs will be transferable and exchangeable at the offices of the Registrar. A service charge may be imposed for any exchange or registration of transfer of Residual Class PCs, and Freddie Mac may require payment of a sum sufficient to cover any tax or other governmental charge.

The term "Holders" is used herein to refer to (i) the entities whose names appear on the book-entry records of a Federal Reserve Bank as entities for whose accounts Regular Class PCs (other than Retail Class PCs) have been deposited, (ii) the entity acting as nominee for the Depository in holding Retail Class PCs in certificated form and/or (iii) the entities whose names appear on the records of the Registrar as the registered holders of Residual Class PCs, as the case may be.

A Holder of a Multiclass PC is not necessarily the beneficial owner of such Multiclass PC. Beneficial owners ordinarily will hold Regular Class PCs, and may hold Residual Class PCs, through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. For example, an individual purchaser may hold a Regular Class PC through a brokerage firm which, in turn, holds the Regular Class PC through an entity eligible to maintain book-entry accounts with a Federal Reserve Bank. In such case, the beneficial owner of a Regular Class PC would be the individual purchaser and the entity whose name appears on the records of a Federal Reserve Bank as the entity for whose account the Regular Class PC was deposited would be the Holder. A Holder that is not the beneficial owner, and each other financial intermediary in the chain between the Holder and the beneficial owner, will have the responsibility of establishing and maintaining accounts for their respective customers. The rights of the beneficial owner of a Multiclass PC with respect to Freddie Mac and (in the case of a Regular Class PC maintained on the Federal Reserve Banks' book-entry system) a Federal Reserve Bank may be exercised only through the Holder of the Multiclass PC. Neither Freddie Mac nor any Federal Reserve Bank will have a direct obligation to a beneficial owner of a Multiclass PC that is not also the Holder of the Multiclass PC. A Federal Reserve Bank will act only upon the instructions of the Holder in recording transfers of a Regular Class PC maintained on the Federal Reserve Banks' book-entry system.

A Federal Reserve Bank credits interest and principal to Holders on each Payment Date. A Holder of a Regular Class PC on the books and records of a Federal Reserve Bank on the applicable Record Date will be entitled to any payment of principal and interest on the Regular Class PC made on the related Payment Date. The Multiclass PC Agreement provides that in the event of a principal or interest payment error, Freddie Mac in its sole discretion either may request the Federal Reserve Bank to correct such error or may effect corrections by the adjustment of payments to be made on future Payment Dates.

Unless otherwise provided in the applicable Offering Circular Supplement, payments of principal and interest on a Class of Retail Class PCs will be made by the Registrar to the Depository in immediately available funds. The Depository will be responsible for crediting the amount of such payments to the accounts of the applicable Depository participants entitled thereto, in accordance with the Depository's normal procedures. Each such participant and each other financial intermediary will be responsible for disbursing such payments to the beneficial owners of the Retail Class PCs that it represents.

Payments of principal and interest on a Residual Class PC will be made by check mailed by the Registrar to the address of the Holder, as it appears on the register maintained by the Registrar, or, if specified in the related Offering Circular Supplement, by wire transfer to such Holder, in either case not later than the applicable Payment Date; provided, however, that (i) if the principal amount of a Residual Class PC is reduced to zero before the principal amounts of all Classes of Regular Class PCs issued in respect of the related REMIC Pool are reduced to zero, the payment of principal on such Residual Class PC that reduces the principal amount thereof to zero will be made only upon presentation (without surrender) of such Residual Class PC at the office of the Registrar for notation that the principal amount thereof has been so reduced and (ii) the final payment on a Residual Class PC will be made only upon presentation and surrender of such Residual Class PC at the office of the Registrar.

The Mortgage Securities

The Mortgage Securities included in each REMIC Pool will consist of any one or more of the following types of securities:

- (i) Freddie Mac Mortgage Participation Certificates (Guaranteed) ("PCs"). PCs include:
 - "Gold PCs," as to which the period of time between the first day of the month in which such PCs are issued and the initial Payment Date in respect of such PCs is approximately 45 days;
 - "Original PCs," as to which the period of time between the first day of the month in which such PCs are issued and the initial Payment Date in respect of such PCs is approximately 75 days; and

- “ARM PCs,” which are Freddie Mac Adjustable Rate Mortgage Participation Certificates (Guaranteed).
- (ii) Freddie Mac Giant Mortgage Participation Certificates (Guaranteed) (“Giant PCs”). Giant PCs include:
- “Gold Giant PCs,” which represent beneficial ownership interests in discrete pools consisting of specified Gold PCs and/or Gold Giant PCs;
 - “Original Giant PCs,” which represent beneficial ownership interests in discrete pools consisting of specified Original PCs and/or Original Giant PCs; and
 - “ARM Giant PCs,” which represent beneficial ownership interests in discrete pools consisting of specified ARM PCs and/or ARM Giant PCs.
- (iii) Securities representing the “regular interests” in a REMIC, including, in the case of an Upper-Tier REMIC Pool, one or more of the Classes of Lower-Tier PCs representing “regular interests” in the related Lower-Tier REMIC Pool.
- (iv) Debt obligations (“Funding Notes”) representing “regular interests” in a REMIC, which Funding Notes are secured by PCs and/or Giant PCs and provide for the receipt by Freddie Mac of payments on such PCs and/or Giant PCs in such amounts as are necessary to amortize the principal amounts of, and pay accrued interest on, such Funding Notes.
- (v) Any other types of mortgage securities which are eligible for inclusion in a REMIC and whose payments are derived from PCs and/or Giant PCs.

The Offering Circular Supplement relating to each Series will contain specific information regarding the Mortgage Securities constituting the REMIC Pool or Pools for such Series.

Multiclass PC Pool Factors

On or about the first (or, if so provided in the related Offering Circular Supplement, the seventh) business day of each month, Freddie Mac will publish or otherwise make available the Multiclass PC Pool Factor for each Class of each Series of outstanding Multiclass PCs. The Multiclass PC Pool Factor for any month is a truncated seven-digit decimal calculated by Freddie Mac which, when multiplied by the original principal amount of a Class of Multiclass PCs, will equal the remaining principal amount of such Class, after giving effect to any payment of (or addition to) principal to be made on the Payment Date in the following month or, in the case of a Series for which the Mortgage Securities consist of or are backed by Gold PCs and/or Gold Giant PCs, in the same month.

Payments of Interest

Unless otherwise specified in the related Offering Circular Supplement, interest, if any, will accrue during the applicable interest accrual period relating to each Payment Date on the remaining principal amount of each Class of the Regular Class PCs of each Series as reflected by the Multiclass PC Pool Factor for each such Class published in the month specified in such Offering Circular Supplement, at the applicable Multiclass PC Coupon specified in or determined as specified in the related Offering Circular Supplement. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on Multiclass PCs other than Accrual PCs will be passed through on the Payment Dates specified in the related Offering Circular Supplement. Interest accrued on each Class of Accrual PCs will be payable to the extent provided in the related Offering Circular Supplement, the amount of any interest accrued and unpaid as of any Payment Date being added to the principal amount of each such Accrual PC. Any accrued interest so added will accrue interest.

Unless otherwise specified in the Offering Circular Supplement relating to a Series of Multiclass PCs, interest in respect of each Class of Residual Class PCs will be passed through on each Payment Date either (i) at the applicable Multiclass PC Coupon or (ii) in an amount equal to the amount received as interest payments on the Mortgage Securities in the related REMIC Pool on such Payment Date, less the aggregate amount of interest payable on (or added to the principal amount of) the related Regular Class PCs on such Payment Date.

Payments of Principal

On each Payment Date for a Series of Multiclass PCs, Freddie Mac will be obligated to make principal payments in the manner described in the related Offering Circular Supplement to the Holders of each Class of such Series as to which principal is then due. Each Class of Multiclass PCs of such Series will be fully paid no later than the Final Payment Date for such Class.

Unless otherwise provided in the related Offering Circular Supplement, the total amount of each principal payment required to be made on the Multiclass PCs on a Payment Date will be equal to the sum of (i) the interest, if any, that has accrued on any Class or Classes of Accrual PCs during the applicable interest accrual period but is not payable as interest thereon on such Payment Date; and (ii) the Mortgage Security Principal Payment Amount for such Payment Date.

For any Payment Date, the amount of principal to be paid on (or, in the case of a Class of Accrual PCs, the net amount of principal to be paid on or added to the principal amount of) any Class of Multiclass PCs entitled thereto can be calculated by multiplying the original principal amount of such Class by the difference between the Multiclass PC Pool Factors for such Class published in the two consecutive months specified in the related Offering Circular Supplement.

Subject to any allocation procedures that may apply in the case of Retail Class PCs, the Holders of Multiclass PCs of any Class entitled to receive principal payments on any Payment Date will receive such payments on a pro rata basis.

Residual Class PCs

Holders of each Class of Residual Class PCs will be entitled to receive (i) on each Payment Date, any payments of principal and interest specified in the related Offering Circular Supplement and (ii) the proceeds of the remaining assets, if any, of the related REMIC Pool after the principal amounts of all Classes issued in respect of such REMIC Pool have been reduced to zero.

Residual Class PCs will be subject to certain transfer restrictions, including certain restrictions on the ownership thereof by foreign persons. See "Certain Federal Income Tax Consequences—Transfers of Residual Class PCs."

For federal income tax purposes, the Holders of each Class of Residual Class PCs will be considered to be the holders of the residual interest in the related REMIC Pool. Pursuant to the Multiclass PC Agreement, Freddie Mac will be obligated to provide to such Holders such information as Freddie Mac deems necessary or appropriate to enable them to prepare federal income tax returns and any reports regarding the Multiclass PCs that may be required under the Code or applicable Treasury regulations. Freddie Mac has no present intention to hold any Residual Class PCs, and applicable law may not permit Freddie Mac to perform tax administrative functions for the REMIC Pools. Accordingly, the Holders of Residual Class PCs may have certain tax administrative obligations (for which Freddie Mac will act as attorney-in-fact and agent). See "Certain Federal Income Tax Consequences."

Guarantees

Freddie Mac guarantees (i) to each Holder of a Regular Class PC the timely payment of interest at the applicable Multiclass PC Coupon on such Holder's Regular Class PC, (ii) to each Holder of a Residual Class PC the timely payment of interest at the applicable Multiclass PC Coupon or as otherwise described in the applicable Offering Circular Supplement and (iii) to each Holder the payment of the principal amount of such Holder's Multiclass PC, as payments are required to be made on the related Mortgage Securities in accordance with their terms, as described in the applicable Offering Circular Supplement.

With respect to Gold PCs, Freddie Mac guarantees to each holder thereof the timely payment of (i) interest at the applicable PC interest rate on the holder's pro rata share of the unpaid principal balance of the related Mortgages, as calculated by Freddie Mac under the "Pool Factor method" described in the applicable PC Offering Circular and (ii) the Monthly Principal Reduction due to be paid on such Mortgages as calculated by Freddie Mac, to the extent of such holder's pro rata share of the unpaid principal balance of such Mortgages. Freddie Mac also guarantees to each holder of a Gold PC the ultimate collection of all principal on the related Mortgages, without

offset or deduction, to the extent of such holder's pro rata share of the unpaid principal balance of the Mortgages, not later than the Payment Date occurring in the same month as the Final Payment Date of such PC. See the discussion of Freddie Mac's guarantees with respect to Gold PCs in the applicable PC Offering Circulars.

With respect to Original PCs and ARM PCs, Freddie Mac guarantees to each holder thereof the timely payment of interest at the applicable PC interest rate on such holder's pro rata share of the aggregate unpaid principal balance of the related Mortgages, as calculated by Freddie Mac under the Pool Factor method. Freddie Mac also guarantees to each such holder the ultimate collection of all principal of the related Mortgages, without offset or deduction, to the extent of such holder's pro rata share of the unpaid principal balance of such Mortgages. With respect to certain Original PCs, in addition to Freddie Mac's other guarantees, Freddie Mac guarantees to each such Holder the timely payment of monthly principal scheduled to be paid under the amortization schedule applicable to each Mortgage, based on the servicers' reports of scheduled principal due on the Mortgages; few, if any, such Original PCs are expected to be included in any REMIC Pool. See the discussion of Freddie Mac's guarantees with respect to Original PCs and ARM PCs in the applicable PC Offering Circulars.

Currently, Freddie Mac may pay the amount due on account of its guarantee of ultimate collection of principal on Original PCs or ARM PCs at any time after default on an underlying mortgage, but not later than 30 days following (i) foreclosure sale, (ii) if applicable, payment of the claim by any mortgage insurer, the Federal Housing Administration or the Veterans Administration or (iii) the expiration of any right of redemption, whichever occurs later; and in any event no later than one year after demand has been made upon the mortgagor for accelerated payment of principal or for payment of principal due on the maturity of a mortgage.

With respect to Gold Giant PCs, Original Giant PCs and ARM Giant PCs, Freddie Mac guarantees to each holder thereof (i) the timely payment of interest at the applicable Giant PC interest rate and (ii) the payment of the principal amount thereof as payments are made on the PCs and/or Giant PCs underlying such Gold Giant PC, Original Giant PC, or ARM Giant PCs. See the discussion of Freddie Mac's guarantees with respect to Gold Giant PCs, Original Giant PCs, and ARM Giant PCs in the applicable Giant PC Offering Circulars.

THE OBLIGATIONS OF FREDDIE MAC UNDER ITS GUARANTEES OF THE MULTICLASS PCs, PCs AND GIANT PCs ARE OBLIGATIONS OF FREDDIE MAC ONLY AND ARE NOT BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES.

Optional Redemption

Unless otherwise specified in the Offering Circular Supplement relating to a Series, the outstanding Multiclass PCs of such Series (or in the case of a Double-Tier Series, the outstanding Lower-Tier PCs) may be redeemed in whole, but not in part, at the option of Freddie Mac, upon not less than 30 or more than 60 days' notice, on any Payment Date on or after the Payment Date on which, after giving effect to principal payments to be made on such Payment Date, the aggregate outstanding principal amount of the Multiclass PCs (or Lower-Tier PCs) of such Series is less than 1% of the aggregate original principal amount of the Multiclass PCs (or Lower-Tier PCs) of such Series. Any such optional redemption will be at a redemption price equal to 100% of the unpaid principal amount of the Multiclass PCs (or Lower-Tier PCs) redeemed, plus accrued and unpaid interest for the interest accrual period or periods relating to the applicable Payment Date. In order to effect such an optional redemption, Freddie Mac will liquidate all of the Mortgage Securities in the REMIC Pool or, in the case of a Double-Tier Series, the Lower-Tier REMIC Pool at fair market value as determined by Freddie Mac, and apply the net proceeds of such liquidation (together with funds contributed by Freddie Mac if such net proceeds are insufficient) to pay the redemption price. Upon any such redemption of Lower-Tier PCs in a Double-Tier Series, the redemption price of the Upper-Tier Mortgage Securities will be applied as principal and interest on the outstanding Classes of Upper-Tier PCs and will reduce the principal amounts of such Classes to zero. Following any redemption, any remaining proceeds from the liquidation of the Mortgage Securities in the REMIC Pool or, in the case of a Double-Tier Series, the Lower-Tier REMIC Pool (net of liquidation expenses) will be distributed pro rata to the Holders of the Residual Class PCs issued in respect of such REMIC Pool upon surrender of their Residual Class PCs to the Registrar. All decisions as to the making of such an optional redemption, including the timing of any such optional redemption, will be at Freddie Mac's sole discretion. Freddie Mac will be under no obligation to any Holder to make an optional redemption, even if such redemption would be in such Holder's interest. Neither PCs nor Giant PCs are subject to redemption by Freddie Mac.

Prepayment Considerations

The rate of principal payments on the Mortgage Securities for each Series of Multiclass PCs, and therefore of payments on such Multiclass PCs, is related to the rate of payments of principal on the underlying Mortgages, which may be in the form of scheduled amortization or prepayments (for this purpose, the term "prepayments" includes prepayments made by the borrower, liquidations resulting from default, casualty or condemnation and payments made by Freddie Mac pursuant to its guarantee of ultimate collection of principal). In general, when the level of prevailing interest rates declines significantly below the interest rates on the underlying Mortgages, the rate of prepayment on such Mortgages is likely to increase, although the prepayment rate is influenced by a number of other factors. See the discussion of the weighted average lives and payment behavior of the PCs and Giant PCs in the applicable PC and Giant PC Offering Circulars.

Acceleration of mortgage payments as a result of transfers of the mortgaged property is another factor affecting prepayment rates. The Mortgages underlying PCs (other than ARM PCs) generally provide by their terms that, in the event of the transfer or prospective transfer of the underlying mortgaged property, the full unpaid principal balance of the Mortgage is due and payable at the option of the holder. Freddie Mac, in most cases, requires servicers of the Mortgages to enforce such "due-on-transfer" provisions where permitted by applicable law. Unless otherwise stated in the applicable PC Offering Circular, all of the Mortgages underlying ARM PCs provide by their terms that, in the event of the transfer of the underlying mortgaged property, such Mortgages are assumable by a creditworthy transferee. If, however, a "due-on-transfer" provision can be exercised under the terms of such a Mortgage, Freddie Mac requires servicers to enforce such provision. See the discussion of mortgage purchase and servicing standards and, in particular, the discussion of assumption and due-on-transfer policies in the applicable PC Offering Circulars relating to ARM PCs.

Final Payment Dates and Weighted Average Lives of the Multiclass PCs

The Final Payment Date for each Class of Multiclass PCs in a Series is the date on or before which the final payment of principal thereof will be made. Each Final Payment Date is determined on the basis of assumptions specified in the Offering Circular Supplement relating to each Series.

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 of such security will be repaid to the investor. Specifically, such weighted average life is determined by (a) multiplying the net reduction, if any, of the principal amount of such Multiclass PC on each Payment Date by the number of years from the date of issuance to such Payment Date, (b) summing the results and (c) dividing the sum by the aggregate amount of the net reductions in principal amount referred to in clause (a). The weighted average lives of the Multiclass PCs will be influenced by, among other factors, the rate at which principal is paid on the Mortgages underlying the Mortgage Securities for each such Series of Multiclass PCs. Principal payments on such Mortgages may be in the form of scheduled amortization or prepayments.

The Offering Circular Supplement for each Series of Multiclass PCs will contain a table setting forth the weighted average life of each Class of Multiclass PCs of such Series and the percentage of the original principal amount of each Class of Multiclass PCs of such Series that would be outstanding after specified Payment Dates for such Series, based on the assumption that prepayments on the Mortgages underlying the related Mortgage Securities are made at such rates and on such other assumptions as may be specified in such Offering Circular Supplement.

THE MULTICLASS PC AGREEMENT

The following summary describes certain provisions of the Multiclass PC Agreement not otherwise summarized in this Offering Circular. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the more complete provisions of the Multiclass PC Agreement and the applicable PC Agreement or Giant PC Agreement, as the case may be.

Transfer of Mortgage Securities to REMIC Pool

The Mortgage Securities relating to each REMIC Pool will be identified to such REMIC Pool. The Mortgage Securities either will be deposited in Freddie Mac's name on the books of a Federal Reserve Bank, if eligible, or

otherwise will be held by Freddie Mac or its custodian or other agent for the benefit of the Holders of each related Series of Multiclass PCs pursuant to the Multiclass PC Agreement. Freddie Mac has the limited right to substitute Mortgage Securities for Mortgage Securities of the same type originally placed in a REMIC Pool.

Certain Matters Regarding Freddie Mac

The Multiclass PC Agreement provides that neither Freddie Mac nor any director, officer, employee or agent of Freddie Mac will be under any liability to the Holders for any action taken, or for refraining from the taking of any action, in good faith pursuant to the Multiclass PC Agreement or for errors in judgment. However, neither Freddie Mac nor any such person will be protected against any liability imposed by reason of willful misfeasance, bad faith or gross negligence or by reason of reckless disregard of obligations and duties.

In addition, the Multiclass PC Agreement provides that Freddie Mac is not under any obligation to appear in, prosecute, or defend any legal action that is not incidental to its responsibilities under the Multiclass PC Agreement and that in its opinion may involve it in any expense or liability. However, Freddie Mac may in its discretion undertake any such legal action that it may deem necessary or desirable in the interests of the Holders. In such event, the legal expenses and costs of such action will be expenses and costs of Freddie Mac.

The Multiclass PC Agreement will be binding upon and inure to the benefit of any successor to Freddie Mac.

Voting Under Any PC Agreement

To the extent set forth in the applicable PC Agreement or Giant PC Agreement, the record holders of PCs or Giant PCs, as the case may be, representing a specified percentage of the remaining unpaid principal balance of any affected PCs or Giant PCs may take certain actions, including termination of certain obligations and duties of Freddie Mac with respect thereto, if an Event of Default under and within the meaning of the applicable PC or Giant PC Agreement has occurred and is continuing. The Multiclass PC Agreement provides that Holders of Multiclass PCs may, upon the occurrence of an Event of Default with respect to a PC or Giant PC either constituting or backing a portion of the Mortgage Securities in the related REMIC Pool or Lower-Tier REMIC Pool, as the case may be, take any such action rather than Freddie Mac. For this purpose, the Holders of Multiclass PCs will be deemed the holders of the affected PC or Giant PC, in proportion to the outstanding principal amounts of their Multiclass PCs.

As set forth in the applicable PC Agreement or Giant PC Agreement, the holders of PCs or Giant PCs, as the case may be, owning a majority of the remaining unpaid principal balance of any affected PCs or Giant PCs may consent to certain amendments to the PC Agreement or the Giant PC Agreement, as applicable. The Multiclass PC Agreement provides that Freddie Mac may consent to such an amendment as to any PC or Giant PC either constituting or backing a portion of the Mortgage Securities held in the related REMIC Pool or Lower-Tier REMIC Pool, as the case may be, so long as such amendment would not adversely affect in any material respect the interests of the Holders of Multiclass PCs. If the amendment would have such effect, Freddie Mac may consent thereto only with the written consent of Holders of Multiclass PCs of each Class so affected representing not less than 50% of the outstanding principal amount thereof.

Events of Default

Events of Default under the Multiclass PC Agreement will consist of (i) any failure by Freddie Mac to pay to Holders of Multiclass PCs of any Class any required payment that continues unremedied for 30 days; (ii) any failure by Freddie Mac duly to observe or perform in any material respect any other of its covenants or agreements in the Multiclass PC Agreement, which failure continues unremedied for 60 days after the giving of notice of such failure to Freddie Mac by the Holders of Multiclass PCs of any Class representing not less than 60% of the aggregate outstanding principal amount of the Multiclass PCs of such Class; and (iii) certain events of bankruptcy, insolvency or similar proceedings involving Freddie Mac.

Rights Upon Event of Default

As long as an Event of Default under the Multiclass PC Agreement remains unremedied, the Holders of Multiclass PCs of any Class representing not less than 50% of the aggregate outstanding principal amount of the

Multiclass PCs of such Class may, in writing, remove Freddie Mac and nominate a successor to Freddie Mac, which nominee will be deemed appointed as successor to Freddie Mac (except as to its guarantee obligation) unless within 10 days after such nomination Freddie Mac objects thereto, in which case Freddie Mac may petition any court of competent jurisdiction for the appointment of a successor or any Holder who has been a bona fide Holder for at least six months may, on behalf of such Holder and all others similarly situated, petition any such court for appointment of a successor to Freddie Mac. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor to Freddie Mac.

Amendment

The Multiclass PC Agreement may be amended by Freddie Mac, without the consent of any Holder or Holders, (i) to cure any ambiguity, to correct or supplement any provision thereof which may be inconsistent with any other provision thereof, or to make any other provisions with respect to matters or questions arising under the Multiclass PC Agreement that are not inconsistent with the other provisions of the Multiclass PC Agreement, provided that any such amendment shall not adversely affect in any material respect the interest of any Holder; or (ii) to permit Freddie Mac to take any necessary or helpful action to maintain the qualification of any REMIC Pool as a REMIC under the Code or to avoid the imposition of any state or federal tax on a REMIC Pool.

The Multiclass PC Agreement also may be amended by Freddie Mac in any other respect with the consent of the Holders of Multiclass PCs of each affected Class representing not less than 50% of the aggregate outstanding principal amount of the Multiclass PCs of such Class. However, without the consent of a Holder, the Multiclass PC Agreement may not be amended to impair or affect the right of such Holder to receive payment of principal and interest (including any payment under any guarantee in respect thereof) due such Holder, on or after the due date of such payment, or to institute suit for the enforcement of any such payment on or after such date.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

General

The following is a general discussion of the anticipated material federal income tax consequences of the purchase, ownership and disposition of Multiclass PCs. The discussion below does not purport to address all federal income tax consequences that may be applicable to particular categories of investors, some of which may be subject to special rules. The authorities on which this discussion is based are subject to change or differing interpretations, and any such change or interpretation could apply retroactively. Investors should consult their own tax advisors in determining the federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of Multiclass PCs. For purposes of this tax discussion (other than the discussion of information reporting), references to a "purchaser" or a "Holder" mean the beneficial owner of a Multiclass PC.

Status of REMIC Pools for Federal Income Tax Purposes

An election will be made to treat each REMIC Pool as a REMIC within the meaning of Section 860D(a) of the Code. Qualification as a REMIC requires ongoing compliance with certain conditions. Cadwalader, Wickersham & Taft, special counsel to Freddie Mac, has advised Freddie Mac that in the firm's opinion, assuming (i) the making of such an election (including, in the case of a Double-Tier Series, such an election as to both the Lower-Tier and Upper-Tier REMIC Pools), (ii) compliance with the Multiclass PC Agreement, and (iii) compliance with changes in the law, including any amendments to the Code or applicable Treasury regulations thereunder, each REMIC Pool with respect to each Series of Multiclass PCs will qualify as a REMIC. In such case, the Regular Class PCs will be considered to be "regular interests" in the REMIC and generally will be taxed as if they were newly originated debt instruments for federal income tax purposes, and the Residual Class PCs will be considered to be "residual interests" in the REMIC and will be subject to tax rules, described below, that differ from those that would apply if the Residual Class PCs were treated for federal income tax purposes as direct ownership interests in the Mortgages (or in Lower-Tier PCs, if applicable) or as debt instruments issued by the REMIC.

Status of Multiclass PCs

Multiclass PCs held by a mutual savings bank or a domestic building and loan association will constitute “qualifying real property loans” within the meaning of Code Section 593(d)(1) in the same proportions that the assets of the related REMIC Pool would be so treated. Multiclass PCs held by a domestic building and loan association will constitute assets described in Code Section 7701(a)(19)(C) in the proportion that the assets of the REMIC would be treated as assets described in Code Section 7701(a)(19)(C). Multiclass PCs held by a real estate investment trust will constitute “real estate assets” within the meaning of Code Section 856(c)(5)(A), and interest on the Multiclass PCs will be considered “interest on obligations secured by mortgages on real property or on interests in real property” within the meaning of Code Section 856(c)(3)(B) in the same proportion that, for both purposes, the assets and income of the REMIC Pool would be so treated. If at all times 95% or more of the assets of the related REMIC Pool qualifies for any of the foregoing treatments, the Multiclass PCs will qualify for the corresponding status in their entirety. In determining the tax status of an Upper-Tier REMIC Pool, however, Freddie Mac will apply the 95% test to the Lower-Tier PCs assuming such Lower-Tier PCs have the same characteristics as the Lower-Tier REMIC Pool. It is anticipated that the Multiclass PCs will qualify for the foregoing treatments in their entirety. Regular Class PCs will also be “qualified mortgages” within the meaning of Code Section 860G(a)(3) with respect to another REMIC to which they are transferred on or before such other REMIC’s startup day.

Taxation of Regular Class PCs

General

In general, interest, original issue discount, and market discount accrued on a Regular Class PC will be treated as ordinary income to the Holder. Each Holder must use the accrual method of accounting with regard to Regular Class PCs, regardless of the method of accounting otherwise used by such Holder.

Original Issue Discount

All Accrual PCs will be, and certain other Classes of Regular Class PCs in a Series may be, issued with “original issue discount” within the meaning of Code Section 1273(a). Holders of any Class of Regular Class PCs having original issue discount generally must include original issue discount in income for federal income tax purposes as it accrues, in accordance with a constant interest method that takes into account the compounding of interest, in advance of receipt of the cash attributable to such income. Based in part on proposed Treasury regulations issued on April 2, 1986 under Sections 1271 through 1273 and Section 1275 of the Code (the “Proposed Regulations”) and in part on the Tax Reform Act of 1986 (the “1986 Act”), including, where applicable, the intended meaning ascribed to the provisions of the 1986 Act by the Conference Committee Report (the “Committee Report”) accompanying the 1986 Act, Freddie Mac anticipates that the amount of original issue discount required to be included in the income of a Holder of a Regular Class PC in any taxable year will be computed as described below.

The total amount of original issue discount on a Regular Class PC is the excess of the “stated redemption price” of the Regular Class PC over its “issue price.” The issue price of a Regular Class PC is the price at which a substantial amount of Regular Class PCs of that Class are first sold to the public. The issue price of a Regular Class PC may also include the amount paid by an initial Holder of a Regular Class PC for accrued interest that relates to a period prior to the issue date of the Regular Class PC. The stated redemption price of an Accrual PC will include all distributions. The stated redemption price of a Regular Class PC (other than an Accrual PC) always includes its original principal amount, but generally does not include distributions of stated interest. If the interval between the date on which the Regular Class PCs are originally issued and the first Payment Date on such Regular Class PCs is longer than the interval between subsequent Payment Dates, however, the Internal Revenue Service could contend that the initial interval should be divided into a short accrual period followed by a period corresponding to the interval between subsequent Payment Dates, and that because no distribution of interest is made on the date the short accrual period ends, all stated interest distributions on such Regular Class PCs are included in the stated redemption price. Accordingly, such Regular Class PCs may be considered to be issued with original issue discount and, based on the Proposed Regulations, Freddie Mac intends to report original issue discount based on this assumption. In general, such approach would result in more interest on such a Regular Class PC being allocated to this initial interval and less interest being allocated to all subsequent periods.

Certain Classes of Regular Class PCs may be issued at prices significantly exceeding their principal amounts. The income tax treatment of such Regular Class PCs is not entirely certain. With respect to such Regular Class PCs, Freddie Mac intends to report based on the assumption that the stated redemption price of such Regular Class PCs is the sum of all payments determined under the Prepayment Assumption (as defined below), with the result that such Regular Class PCs would have original issue discount. The Internal Revenue Service might contend, however, that the stated redemption price should be limited to their principal amount, so that such Regular Class PCs would be considered for federal income tax purposes to be issued at a premium. If such a position prevailed, the rules described below under "Premium" would apply.

Under a *de minimis* rule, original issue discount on a Regular Class PC will be considered to be zero if such original issue discount is less than 0.25% of the stated redemption price of the Regular Class PC multiplied by the weighted average maturity of the Regular Class PC. For this purpose, the weighted average maturity of Regular Class PCs is computed as the sum of the amounts determined by multiplying the number of full years (*i.e.*, rounding down partial years) from the issue date until each distribution in reduction of the principal amount of the Regular Class PC is scheduled to be made by a fraction, the numerator of which is the amount of each distribution in reduction of the principal amount of the Regular Class PC and the denominator of which is the stated redemption price of the Regular Class PC. Although not entirely clear, it appears that the schedule of such distributions should be determined in accordance with the assumed rate (or rates, in the event that the Upper-Tier REMIC Pool in a Double-Tier Series were to consist of Lower-Tier PCs in more than one Lower-Tier REMIC Pool) of prepayment of the Mortgages underlying the Mortgage Securities used in pricing the Regular Class PCs (the "Prepayment Assumption"). The Prepayment Assumption with respect to the Regular Class PCs of a Series will be set forth in the related Offering Circular Supplement. In the case of a Double-Tier Series in which the Upper-Tier REMIC Pool consists of Lower-Tier PCs in more than one Lower-Tier REMIC Pool, the Prepayment Assumption set forth in the related Offering Circular Supplement will equal the initial weighted average (by principal amount) of the assumed rates of prepayment of the Mortgages constituting or underlying the Mortgage Securities in each of the Lower-Tier REMIC Pools. No representation is made that the Regular Class PCs will prepay at this rate or at any other rate.

A holder of a Regular Class PC generally must include in gross income for any taxable year the sum of the "daily portions," as defined below, of the original issue discount on the Regular Class PC accrued during an accrual period for each day on which it holds the Regular Class PC, including the date of purchase, but excluding the date of disposition. With respect to each Regular Class PC, a calculation will be made of the original issue discount that accrues during each successive full accrual period (or shorter period from the date of original issue) that ends on the day in the calendar year corresponding to the Payment Dates on the Regular Class PC. Original issue discount is to be calculated initially based on a schedule of maturity dates that takes into account the Prepayment Assumption. The original issue discount accruing in any accrual period on a Regular Class PC would be the *excess*, if any, of (i) the sum of (a) the present value of all of the remaining distributions to be made on the Regular Class PC as of the end of that accrual period and (b) the distributions made on the Regular Class PC during the accrual period that are included in the Regular Class PC's stated redemption price, *over* (ii) the adjusted issue price of the Regular Class PC at the beginning of the accrual period. The present value of the remaining distributions referred to in the preceding sentence is calculated based on (i) the original yield to maturity of the Regular Class PC, (ii) events (including actual prepayments) that have occurred prior to the end of the accrual period, and (iii) the Prepayment Assumption. For these purposes, the original yield to maturity of the Regular Class PC will be calculated based on its issue price and assuming that the Regular Class PC will be prepaid in all periods in accordance with the Prepayment Assumption. The adjusted issue price of a Regular Class PC at the beginning of any accrual period equals the issue price of the Regular Class PC, increased by the aggregate amount of original issue discount with respect to the Regular Class PC that accrued in all such prior periods and reduced by the amount of distributions included in the Regular Class PC's stated redemption price that were made on the Regular Class PC in such prior periods. The original issue discount accruing during any accrual period will then be divided by the number of days in the period to determine the daily portion of original issue discount for each day in the period.

Under the method described above, the daily portions of original issue discount required to be included in income by a Holder of a Regular Class PC generally will increase to take into account prepayments on the PCs or Giant PCs constituting or underlying the Mortgage Securities in the related REMIC Pool that exceed the Prepayment Assumption, and generally will decrease (but not below zero for any period) if the prepayments on

such PCs or Giant PCs are slower than the Prepayment Assumption. If the relative principal payment priorities of the Classes of Multiclass PCs of a Series are altered, any increase in the present value of the remaining payments to be made on any such Class will be includible in income in the period in which the change in payment priority occurs. Similarly, any decrease in present value will reduce the amount of original issue discount includible in such period; however, any negative amount of original issue discount resulting from a decline in such present value may only offset future income from such Classes.

If the method for computing original issue discount described above results in a negative amount for any period, as could occur especially in the case of certain Classes of Regular Class PCs having high Multiclass PC Coupons, the Holders of such Regular Class PCs will be entitled to offset such amount only against future income from such Regular Class PCs. Although not entirely free from doubt, such a Holder may be entitled to deduct a loss to the extent that its remaining basis would otherwise exceed the maximum amount of future payments to which such Holder is entitled, assuming no further prepayments of the Mortgages.

A purchaser upon initial issuance of two or more Classes of Regular Class PCs issued in respect of the same REMIC Pool should be aware that the Proposed Regulations may treat such Regular Class PCs as a single debt instrument for purposes of the original issue discount provisions.

A purchaser of a Regular Class PC at a price less than its stated redemption price also will be required to include in gross income the daily portions of the original issue discount on the Regular Class PC. If the cost of the Regular Class PC to such a subsequent purchaser is greater than its "revised issue price," however, the daily portion for any day is reduced by the amount that would be the daily portion for such day (computed in accordance with the rules set forth above) multiplied by a fraction, the numerator of which is the amount by which the price paid by such purchaser for the Regular Class PC exceeds the revised issue price and the denominator of which is the sum of the daily portions for such Regular Class PC (computed in accordance with the rules set forth above) for all days after the date of purchase. The revised issue price of a Regular Class PC on any given day is equal to the sum of its adjusted issue price at the beginning of the accrual period during which such day occurs and the daily portions of original issue discount for all days during such accrual period prior to such day.

Market Discount

A purchaser of a Regular Class PC also may be subject to the market discount rules. Market discount is the amount by which the purchaser's basis in the Regular Class PC (i) is exceeded by the stated redemption price of the Regular Class PC (less any prior distributions included in the stated redemption price), or (ii) in the case of a Regular Class PC having original issue discount, is exceeded by the revised issue price. Such purchaser generally will be required to recognize accrued market discount as ordinary income as distributions includable in the stated redemption price of such Regular Class PC are received, in an amount not exceeding any such distribution. Such market discount would accrue in a manner to be provided in Treasury regulations and should take into account the Prepayment Assumption. The Committee Report provides that until such regulations are issued, such market discount would accrue either (i) on the basis of a constant interest rate (similar to the method described above for accruing original issue discount), or (ii) in the ratio of stated interest distributable in the relevant period to the total stated interest remaining to be distributed from the beginning of such period (computed taking into account the Prepayment Assumption), or in the case of a Regular Class PC issued with original issue discount, in the ratio of original issue discount accrued for the relevant period to the total remaining original issue discount at the beginning of such period. Such purchaser also generally will be required to treat a portion of any gain on a sale or exchange of the Regular Class PC as ordinary income to the extent of the market discount accrued, but unrecognized, to the date of disposition under one of the foregoing methods. As an alternative to the inclusion of market discount in income on the foregoing basis, the Holder may elect to include market discount in income currently as it accrues on all market discount instruments acquired by such Holder in that taxable year or thereafter. Such an election may be revoked only with the consent of the Secretary of the Treasury.

In addition, deductions for a portion of a Holder's interest expense attributable to any indebtedness incurred or continued to purchase or carry the Regular Class PC purchased with market discount may be deferred. The deferred portion would not exceed the portion of market discount which accrues but which is not taken into account currently. Any such deferred interest expense is, in general, allowed as a deduction not later than the year in which

the related market discount income is recognized, unless the Holder has elected to include market discount in income currently.

Market discount with respect to a Regular Class PC will be considered to be zero if such market discount is less than 0.25% of the remaining stated redemption price of such Regular Class PC, multiplied by the weighted average maturity of the Regular Class PC (determined as described above in the fourth paragraph under "Original Issue Discount") remaining after the date of purchase. Treasury regulations implementing the market discount rules have not yet been issued, and therefore investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Premium

A Regular Class PC, other than an Accrual PC, purchased at a cost (net of accrued interest) greater than its principal amount generally is considered to be purchased at a premium. The Holder may elect under Code Section 171 to amortize such premium under the constant interest method, using the Prepayment Assumption. Such premium is generally treated as an offset to the amount of interest income from a Regular Class PC, rather than as a separate interest deduction. In addition, though not set forth in the Code, the Committee Report indicates a Congressional intent that the methods for determining the accrual of market discount described above which are alternatives to accrual on the basis of a constant interest rate will also apply for purposes of amortizing bond premium under Code Section 171 on obligations such as the Regular Class PCs. An election made by a Holder under Section 171 would generally apply to the premium on all debt instruments held for investment by the Holder at any time after the beginning of the taxable year in which the election is made, unless the election is revoked with the Internal Revenue Service's consent. If a Holder's election to amortize bond premium was effective as of October 22, 1986, however, such election will apply to obligations issued after September 27, 1985 only if the Holder so chooses.

Retail Class PCs

A Holder of a Retail Class PC will recognize original issue discount and market discount (if any) in the same manner as Holders of other Regular Class PCs. For purposes of the original issue and market discount rules, a payment in full of a Retail Class PC that is subject to payment in units or other increments rather than on a pro rata basis with other Retail Class PCs of the same Class will be treated as a prepayment.

Variable and Inverse Variable Rate PCs

Regular Class PCs may provide for interest based on a variable rate, such as Variable Rate PCs or Inverse Variable Rate PCs. Although not entirely clear, it is likely that the rules of the Code relating to original issue discount, market discount and premium would be applied to such a Regular Class PC by assuming that such Regular Class PC will bear interest in all periods after the first Payment Date at a fixed rate assuming the variable rate remains constant at its value as of the date of initial issuance (or possibly as of the pricing date of such Regular Class PC). If the interest that actually accrues in any accrual period differs from the assumed rate, then an adjustment would be made in the income for the period to reflect the actual rate. Absent clarification, original issue discount will be reported to the Internal Revenue Service and to Holders of Regular Class PCs in this manner using the Prepayment Assumption.

Taxation of Residual Class PCs

Taxation of REMIC Income

Generally, the "daily portions" of REMIC taxable income or net loss will be treated as ordinary income or loss for original Holders of Residual Class PCs ("Residual Holders"). The daily portions of REMIC taxable income or net loss for a Residual Holder are determined by allocating the REMIC Pool's taxable income or net loss for each calendar quarter ratably to each day in such quarter and by allocating such daily portion among the Residual Holders in proportion to their respective holdings of Residual Class PCs in the REMIC on such day. REMIC taxable income is generally determined in the same manner as the taxable income of an individual (and subject to clarification in Treasury regulations in certain respects); however, REMIC taxable income must be determined under the accrual method of accounting. REMIC taxable income generally means the REMIC Pool's gross income,

including interest, original issue discount income and market discount income, if any, on the Mortgage Securities owned by the REMIC Pool, minus deductions, including interest and original issue discount expense on the Multiclass PCs, servicing fees on the Mortgage Securities (or an allocable portion thereof in the case of a Double-Tier Series) and the REMIC Pool, other administrative expenses, and deduction or amortization of premium, if any, with respect to the Mortgage Securities.

A Residual Holder (other than an original Holder) also will be required to report on its federal income tax returns amounts representing a daily share of the taxable income of the REMIC Pool for each day that such Holder owns a Residual Class PC. Those daily amounts generally would equal the amounts that would have been reported for the same days by an original Residual Holder, as described above. The legislative history of the 1986 Act indicates that Congress may subsequently re-examine the REMIC provisions and provide that adjustments are appropriate to reduce (or increase) the income of a subsequent Residual Holder that purchased such Residual Class PC at a price greater than (or less than) the adjusted basis such Residual Class PC would have in the hands of an original Residual Holder. For the present, however, adjustments are apparently not permitted or required.

The taxable income recognized by a Residual Holder also may be greater in earlier years because the REMIC Pool will use a constant yield in computing income from the Mortgage Securities and interest deductions with respect to Regular Class PCs, expressed as a percentage of the outstanding principal amount of the Regular Class PCs, may increase over time as earlier Classes are paid. This method of taxation of Residual Class PCs can produce a significantly less favorable after-tax return for a Residual Class PC than if it were taxed as a debt instrument.

A Residual Holder will not be permitted to amortize the cost of its Residual Class PC as an offset to its share of the taxable income of the related REMIC Pool. However, that taxable income will not include cash received by the REMIC Pool that represents a recovery of the REMIC Pool's basis in its assets, and, as described above, the REMIC Pool's initial basis in its assets equals the aggregate issue prices (*i.e.*, fair market values) of the Multiclass PCs. Such recovery of basis by the REMIC Pool will have the effect of amortization of the issue price of the Residual Class PCs over their life. However, in view of the possible acceleration of the income of Residual Holders described in the immediately preceding paragraph, the period of time over which such issue price is effectively amortized may be longer than the economic life of the Residual Class PCs. If a Residual Class PC has a negative value, it is not clear whether its issue price would be considered to be zero or such negative amount for purposes of determining the related REMIC Pool's basis in its assets.

The method of taxation of the Residual Class PCs described in this section can produce a significantly less favorable after-tax return for the Residual Class PCs than would be the case if (i) the Residual Class PCs were taxable as debt instruments or (ii) no portion of the taxable income on the Residual Class PCs in each period were treated as "excess inclusions" (as defined below). In certain periods, taxable income and the resulting tax liability on a Residual Class PC may exceed payments received thereon. In addition, a substantial tax may be imposed on certain transferors of the Residual Class PCs and certain beneficial owners of the Residual Class PCs that are "pass-thru" entities. See "Transfers of Residual Class PCs." Investors should consult their tax advisors before purchasing a Residual Class PC.

Losses

The amount of any net loss of the REMIC Pool that may be taken into account by a Residual Holder is limited to the adjusted basis of the Residual Class PC as of the close of the calendar quarter (or time of disposition of the Residual Class PC, if earlier), determined without taking into account the net loss for the quarter. Any loss that is disallowed on account of this limitation may be carried over indefinitely by the Residual Holder for whom such loss was disallowed, but only to offset any taxable income generated by the same REMIC Pool.

Treatment of Certain Items of REMIC Income and Expenses

Original Issue Discount. Generally, the REMIC Pool's inclusions of original issue discount with respect to Mortgage Securities will be determined in accordance with the rules described above under "Taxation of Regular Class PCs—Original Issue Discount." The REMIC Pool's deductions for original issue discount with respect to Multiclass PCs will be determined in the same manner, except without regard to the *de minimis* rule or the adjustments for subsequent Holders described therein. In the case of a Double-Tier Series, the Proposed Regulations provide, and Freddie Mac intends to report assuming, that the Upper-Tier Mortgage Securities will be

treated as a single debt instrument for purposes of the original issue discount provisions. If it is determined that the Upper-Tier Mortgage Securities are not treated as a single debt instrument for purposes of the original issue discount provisions, such determination would have a material adverse effect on the Holders of the Residual Class PCs issued in respect of the Lower-Tier REMIC Pool.

Market Discount. In the case of a REMIC Pool that holds PCs or Giant PCs, the REMIC Pool will have market discount income in respect of the Mortgages underlying such PCs or Giant PCs held by the REMIC if, in general, the basis of the REMIC allocable to such Mortgages is exceeded by their revised issue prices. The REMIC Pool's basis in such Mortgages is their fair market value immediately after their transfer to the REMIC Pool (which will equal the aggregate initial fair market value of the Multiclass PCs) or at a time prior to such transfer (e.g., reflecting the REMIC Pool's cost of the Mortgages) as may be provided in Treasury regulations yet to be issued. In respect of Mortgages described above which have market discount to which Code Section 1276 applies, such market discount would be recognized in the same fashion as if it were original issue discount. It is not anticipated that an Upper-Tier REMIC Pool which holds Lower-Tier PCs will have market discount income in respect of such Lower-Tier PCs.

Premium. Generally, if the basis of the REMIC Pool in Lower-Tier PCs or in Mortgages underlying a PC or Giant PC held by the REMIC Pool exceeds the unpaid principal balances of the Lower-Tier PCs or the Mortgages, the REMIC Pool will be considered to have acquired such Lower-Tier PCs or Mortgages at a premium equal to the amount of such excess. As described above under "Taxation of Regular Class PCs—Premium," a REMIC Pool which holds Lower-Tier PCs or Mortgages may elect under Code Section 171 to amortize premium on the Lower-Tier PCs or Mortgages as described above, under a constant interest rate method, using a prepayment assumption. In the case of a REMIC Pool that holds PCs or Giant PCs, substantially all of the mortgagors on the Mortgages are expected to be individuals and Code Section 171 will not be available for premium on Mortgages originated on or prior to September 27, 1985. Premium with respect to such Mortgages may be deductible, in accordance with a reasonable method regularly employed by the REMIC Pool. The allocation of such premium pro rata among principal payments or on the basis of a constant interest rate should be considered a reasonable method.

Limitations on Offset or Exemption of REMIC Income

A portion of the REMIC taxable income includable in determining the federal income tax liability of a Residual Holder will be subject to federal income tax in all events. That portion, referred to as the "excess inclusion," is equal to the excess of REMIC taxable income for the calendar quarter allocable to a Residual Class PC over the daily accruals for such quarterly period, which are equal to the product of (i) 120% of the long-term federal rate that would have applied to the Residual Class PC (if it were a debt instrument) on the Startup Day (within the meaning of Code Section 860G(a)(9)) under Code Section 1274(d), and (ii) the adjusted issue price of such Residual Class PC at the beginning of such quarter. The adjusted issue price of a Residual Class PC at the beginning of a quarter is the issue price of the Residual Class PC, plus the amount of the daily accruals of REMIC income for all prior quarters, decreased (but not below zero) by any distributions made with respect to such Residual Class PC prior to the beginning of such quarter.

The portion of a Residual Holder's REMIC taxable income consisting of the "excess inclusion" may not be offset by unrelated losses or loss carryforwards of a Residual Holder. An exception applies to certain thrift institutions, but the Treasury Department has the authority to issue regulations providing that this exception will not apply to the extent necessary or appropriate to prevent avoidance of tax. This exception may not apply if the aggregate value of the Residual Class PCs is not considered to be "significant" as described below. Further, a Residual Holder's excess inclusion is treated as unrelated business taxable income for an organization subject to the tax on unrelated business income. In addition, under Treasury regulations yet to be issued, if a real estate investment trust, regulated investment company, or certain pass-thru entities own a Residual Class PC, a portion of distributions made by such entities would constitute excess inclusions.

If the aggregate value of the Residual Class PCs is not considered to be significant, then to the extent provided in Treasury regulations a Residual Holder's entire share of REMIC taxable income will be treated as an excess inclusion subject to the foregoing limitations. Such regulations may apply to Multiclass PCs issued before such regulations are issued. The Committee Report states the intention that Treasury regulations yet to be issued would take into account the value of the Residual Class PCs relative to the aggregate value of the Multiclass PCs and that

the value of the Residual Class PCs would be considered significant in cases where such value is at least two percent of the aggregate value of the Multiclass PCs. Such regulations could provide, however, that this significant value test is a continuing or annual test so that a Residual Holder's entire share of REMIC taxable income for any year will be treated as excess inclusion if the relative value of the Residual Class PCs at the time is not significant.

The Offering Circular Supplement for each Series will set forth the anticipated value, as of a specified date, of each Class of the Residual Class PCs relative to the aggregate value of the related REMIC Pool.

Prohibited Transactions

Income from certain transactions by the REMIC Pool, called prohibited transactions, will not be part of the calculation of income or loss includable in the federal income tax returns of Residual Holders, but rather will be taxed directly to the REMIC Pool at a 100% rate. Prohibited transactions generally include (i) the disposition of qualified mortgages other than pursuant to a (a) substitution for a defective mortgage within two years or for any qualified mortgage within three months of the specified Startup Day, (b) repurchase of a defective mortgage, (c) foreclosure, default, or imminent default of a qualified mortgage, (d) bankruptcy or insolvency of the REMIC Pool or (e) qualified (complete) liquidation, (ii) the receipt of income from assets that are not the type of mortgage loans or investments that the REMIC Pool is permitted to hold, (iii) the receipt of compensation for services, or (iv) the receipt of gain from disposition of cash flow investments other than pursuant to a qualified (complete) liquidation. Where the REMIC Pool holds PCs or Giant PCs, it is uncertain whether, for the foregoing purposes, the qualified mortgages held by the REMIC Pool are the PCs or Giant PCs themselves or the Mortgages underlying such PCs or Giant PCs. Because of Freddie Mac's guarantee, in the event such tax is imposed on a REMIC Pool, payments of principal and interest on the Multiclass PCs will not be affected.

Sale or Exchange of Multiclass PCs

If a Holder sells or exchanges a Multiclass PC, the Holder will recognize gain or loss equal to the difference between the amount received and his adjusted basis in the Multiclass PC (except that, in the case of a sale of a Residual Class PC, a loss may be deferred under the "wash sale" rules described below). The adjusted basis of a Multiclass PC generally will equal the cost of the Multiclass PC to the seller, increased by income previously included by the seller with respect to the Multiclass PC, and reduced (but not below zero) by the distributions previously received by the seller and by any amortized premium, in the case of a Regular Class PC, or net losses allowed as a deduction, in the case of a Residual Class PC.

Except as described above with respect to market discount, and except as provided in this paragraph, any gain or loss on the sale or exchange of a Regular Class PC realized by an investor which holds the Regular Class PC as a capital asset will be capital gain or loss and will be long-term or short-term depending on whether the Regular Class PC has been held for the long-term capital gain holding period (more than one year). Multiclass PCs will be "evidences of indebtedness" within the meaning of Code Section 582(c)(1), so that gain or loss recognized from the sale of a Multiclass PC by a bank or thrift institution to which such section applies would be ordinary income or loss. Gain from the disposition of a Regular Class PC that might otherwise be capital gain will be treated as ordinary income to the extent such gain does not exceed the excess, if any, of (i) the amount that would have been includable in the gross income of the Holder if its yield in such Regular Class PC were 110% of the applicable federal rate under Code Section 1274(d) as of the date of purchase, over (ii) the amount of income actually includable in the gross income of such Holder with respect to the Regular Class PC.

Whether the termination of the REMIC will be treated as a sale or exchange of a Holder's Residual Class PC is not clear; if it is, and if the Residual Holder has an adjusted basis in its Residual Class PC remaining when its interest in the REMIC Pool terminates, and if the Residual Holder holds such Residual Class PC as a capital asset under Code Section 1221, then the Residual Holder will recognize a capital loss at the time in the amount of such remaining adjusted basis.

Except as provided in Treasury regulations, the wash sale rules of Code Section 1091 will apply to dispositions of Residual Class PCs where the seller of the interest, during the period beginning six months before the sale or disposition of the residual interest and ending six months after such sale or disposition, acquires (or enters into any other transaction that results in the application of Code Section 1091) any residual interest in any REMIC Pool or

any interest in a "taxable mortgage pool" (such as a non-REMIC owner trust) that is economically comparable to a Residual Class PC.

Transfers of Residual Class PCs

If a Residual Class PC is transferred to a "disqualified organization" (as defined below), a tax would be imposed in an amount equal to the product of (i) the present value of the total anticipated excess inclusions with respect to such Residual Class PC for periods after the transfer (as calculated in accordance with Treasury regulations) and (ii) the highest marginal federal income tax rate applicable to corporations. Such a tax would generally be imposed on the transferor of the Residual Class PC, except that where such transfer is through an agent for a disqualified organization, the tax would instead be imposed on such agent. However, a transferor of a Residual Class PC would in no event be liable for such tax with respect to a transfer if the transferee furnishes to the transferor an affidavit that the transferee is not a disqualified organization and, as of the time of the transfer, the transferor does not have actual knowledge that such affidavit is false.

In addition, if a "pass-thru entity" (as defined below) includes in income excess inclusions with respect to a Residual Class PC during a taxable year and a disqualified organization is the record holder of an interest in such entity, then a tax will be imposed on such entity equal to the product of (i) the amount of excess inclusions on the Residual Class PC that are allocable to the interest in the pass-thru entity held by such disqualified organization and (ii) the highest marginal federal income tax rate imposed on corporations. However, such tax will not apply if the pass-thru entity receives an affidavit that the record holder is not a disqualified organization and does not have actual knowledge that such affidavit is false.

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

The federal income tax consequences of any consideration paid to a transferee on a transfer of a Residual Class PC are unclear; any transferee receiving such consideration should consult its tax advisors.

The Multiclass PC Agreement provides that record ownership of a Residual Class PC may not be transferred unless (i) the proposed transferee provides to Freddie Mac (a) an affidavit to the effect that such transferee is not a disqualified organization and is not purchasing such Multiclass PC on behalf of a disqualified organization and (b) if requested by Freddie Mac, an opinion of counsel to the effect that the proposed transfer will not cause such Residual Class PC to be held by a disqualified organization; or (ii) Freddie Mac consents to such transfer. The Multiclass PC Agreement also provides that ownership may not be transferred to any person that is not a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, or an estate or trust that is subject to United States federal income tax regardless of the source of its income (a "U.S. person"), without Freddie Mac's written consent. Unless Freddie Mac so consents, the affidavit referred to above must include a statement that the transferee is a U.S. person. Moreover, the Multiclass PC Agreement provides that any attempted or purported transfer in violation of these transfer restrictions will be null and void and will vest no rights in any purported transferee. Each certificate representing a Residual Class PC will be legended to reflect such restrictions.

Administrative Matters

For purposes of the administrative provisions of the Code, each REMIC Pool will be treated as a partnership and Residual Holders will be treated as partners. Each REMIC Pool must file federal information returns (Form 1066, U.S. Real Estate Mortgage Investment Conduit Income Tax Return). Freddie Mac will prepare, sign and file federal income tax returns for each REMIC Pool. To the extent allowable, Freddie Mac will also act as the tax matters person for each REMIC Pool. Each Owner of a Residual Class PC, by the acceptance of its Residual Class

PC, agrees that Freddie Mac will act as its fiduciary in the performance of any duties required of it in the event that it is the tax matters person.

Treatment of Servicing Compensation

An investor that is an individual, estate or trust will be subject to limitation with respect to certain itemized deductions described in Code Section 67, to the extent that such deductions, in the aggregate, do not exceed 2% of the investor's adjusted gross income, and such investor may not be able to deduct such fees and expenses to any extent in computing such investor's alternative minimum tax liability. In the case of a REMIC Pool that holds PCs or Giant PCs, such deductions will include servicing compensation for the related Series, or servicing fees paid to the servicer of the Mortgages underlying the PCs or Giant PCs in the REMIC Pool, or to Freddie Mac as guarantor of the PCs or Giant PCs. Where the REMIC Pool holds Lower-Tier PCs, such deductions will include the REMIC Pool's allocable share, if any, of such fees and compensation with respect to each of the Lower-Tier REMIC PCs in the REMIC Pool. The Treasury Department issued temporary regulations on March 4, 1988 pertaining to certain REMIC information reporting requirements (the "Temporary Regulations"). These regulations clarified the allocation of deductions described in Code Section 67. Under these regulations, such deductions will be allocated entirely to the Holders of the Residual Class PCs in the case of REMIC Pools with multiple classes of interests that pay their principal amounts sequentially. As a result, the REMIC Pool will report additional taxable income to Holders of such Residual Class PCs in an amount equal to their allocable share of such servicing compensation, and individuals, estates, or trusts holding Residual Class PCs may have taxable income in excess of the cash received. In cases involving single-class arrangements, the Temporary Regulations provide that such deductions will be allocated proportionately among Regular and Residual Class PCs.

Taxation of Certain Foreign Investors

Regular Class PCs

Interest, including original issue discount, distributable to holders of Regular Class PCs which are not U.S. persons will be considered "portfolio interest" and, therefore, generally will not be subject to the 30% United States withholding tax provided that such non-U.S. person (i) is not a "10-percent shareholder" within the meaning of Code Section 871(b)(3)(B) or a controlled foreign corporation described in Code Section 881(c)(3)(C), (ii) is not, with respect to the United States, a personal holding company or corporation that accumulates earnings in order to avoid United States federal income tax and (iii) provides an appropriate statement, signed under penalties of perjury, identifying the beneficial owner and stating, among other things, that the beneficial owner of the Regular Class PC is a non-U.S. person. If such statement is not provided, 30% withholding will apply unless reduced or eliminated pursuant to an applicable tax treaty or unless the interest is effectively connected with the conduct of a trade or business within the United States by such non-U.S. person. In the latter case, such non-U.S. person will be subject to United States federal income tax at regular rates. Holders of Regular Class PCs who are non-U.S. persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Regular Class PC.

Residual Class PCs

Amounts paid to Residual Holders which are non-U.S. persons are treated as interest for purposes of the 30% (or lower treaty rate) United States withholding tax. Certain amounts distributed on the Residual Class PCs may qualify as "portfolio interest." Provided that the conditions described in the preceding paragraph are met with respect to the Residual Class PCs, the portion, if any, of any such distribution that does not constitute an "excess inclusion" would be exempt from the 30% (or lower) withholding tax (but only, in the case of a Single-Tier Series or the Lower-Tier REMIC Pool in a Double-Tier Series, to the extent the Mortgages were originated after July 18, 1984). A Residual Holder will not be entitled to any exemption from the 30% withholding tax or a reduced treaty rate to the extent of that portion of REMIC taxable income that constitutes an "excess inclusion." Such amounts will be taken into account for purposes of withholding only when paid or otherwise distributed (or when the Residual Class PC is disposed of) under rules similar to withholding upon disposition of debt instruments that have original issue discount. However, the Code grants the Treasury Department authority to issue regulations requiring the amount includible to be taken into account earlier than otherwise provided where necessary to prevent avoidance of tax. The Committee Report indicates the intention that this latter rule should apply where the Residual Class

PCs do not have significant value. See "Taxation of Residual Class PCs—Limitations on Offset or Exemption of REMIC Income." Holders of Residual Class PCs which are non-U.S. persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Residual Class PC.

Backup Withholding

Distributions made on the Multiclass PCs and proceeds from the sale of Multiclass PCs to or through certain brokers may be subject to a "backup" withholding tax of 20% of "reportable payments" (including interest accruals, original issue discount, and, under certain circumstances, distributions in reduction of principal amount) unless, in general, the Holder of the Multiclass PCs complies with certain reporting and/or certification procedures or is an exempt recipient under applicable provisions of the Code. Any amounts so withheld from distributions on the Multiclass PCs would be refunded by the Internal Revenue Service or allowed as a credit against the Holder's federal income tax.

Reporting Requirements

Reports will be made to the Internal Revenue Service and to Holders of record of Regular Class PCs that are not excepted from the reporting requirements as may be required with respect to amounts treated as interest or original issue discount for federal income tax purposes accrued on the Regular Class PCs and with respect to information necessary to compute the accrual of any market discount or the amortization of any premium on the Regular Class PCs.

The Internal Revenue Service has released Form 1066, U.S. Real Estate Mortgage Investment Conduit Income Tax Return and accompanying Schedule Q, Quarterly Notice to Residual Interest Holders of REMIC Taxable Income or Net Loss Allocation. Temporary Regulations generally require that Schedule Q be furnished by the REMIC to each Residual Holder no later than the last day of the month following the close of each calendar quarter in which the REMIC Pool is in existence. Temporary Regulations also provide information must be furnished quarterly to Holders of Residual Class PCs, furnished annually to Holders of Regular Class PCs, and filed annually with the Internal Revenue Service concerning the percentage of the REMIC Pool's assets meeting the qualified asset tests described above under "Status of Multiclass PCs."

Temporary Regulations provide that a Holder of a Residual Class PC is not required to treat items on its return consistently with their treatment on the REMIC Pool's return if a Holder owns 100% of the Residual Class PCs for the entire calendar year. Otherwise, each Holder of a Residual Class PC is required to treat items on its returns consistently with their treatment of the REMIC Pool's return, unless the Holder of a Residual Class PC either files a statement identifying the inconsistency or establishes that the inconsistency resulted from incorrect information received from the REMIC Pool. The Internal Revenue Service may assess a deficiency resulting from a failure to comply with the consistency requirement without instituting an administrative proceeding at the REMIC level. The REMIC Pool does not intend to register as a tax shelter pursuant to Code Section 6111 because it is not anticipated that the REMIC Pool will have a net loss for any of the first five taxable years of its existence. Any person that holds a Residual Class PC as a nominee for another person may be required to furnish the REMIC Pool, in a manner to be provided in Treasury regulations, with the name and address of such person and other information.

ERISA CONSIDERATIONS

The Department of Labor issued a final regulation on November 13, 1986, which provides that if an employee benefit plan ("plan") subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), acquires a "guaranteed governmental mortgage pool certificate" then, for purposes of the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of ERISA and the Code, the plan's assets include the certificate and all of its rights with respect to such certificate under applicable law, but do not, solely by reason of the plan's holding of such certificate, include any of the mortgages underlying such certificate. Under the regulation, the term "guaranteed governmental mortgage pool certificate" is specifically defined to include a certificate "backed by, or evidencing an interest in, specified mortgages or participation interests therein" and with respect to which interest and principal payable pursuant to the certificate are guaranteed by Freddie Mac. The effect of such regulations is to make clear that the sponsor (that is, the entity that organizes and services the pool, in this case Freddie Mac) and other persons, in providing services with respect to the assets in the pool, would not be subject to the fiduciary

responsibility provisions of Title I of ERISA, nor be subject to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, merely by reason of the plan's investment in a certificate. At the time this Labor Department regulation was originally issued, certificates similar to Multiclass PCs were not in existence. However, Freddie Mac has been advised by its special counsel, Cadwalader, Wickersham & Taft, that the Multiclass PCs should qualify as "guaranteed governmental mortgage pool certificates."

The purchase of a Residual Class PC by a plan may give rise to "unrelated business taxable income" as described in Sections 511 through 515 and Section 860E of the Code. See "Certain Federal Income Tax Consequences—Taxation of Residual Class PCs—Limitations on Offset or Exemption of REMIC Income."

LEGALITY OF INVESTMENT

Subject to the considerations described under "Regulatory Constraints" below:

Multiclass PCs are lawful investments, and may be accepted as security, for all fiduciary, trust and public funds, the investment or deposits of which are under the authority and control of the United States or any officers thereof. 12 U.S.C. § 1452(g). Accordingly, Multiclass PCs are acceptable as collateral for Treasury tax and loan accounts pursuant to 31 C.F.R. § 203.15(d)(1).

National banks may deal in, underwrite and purchase Multiclass PCs for their own accounts without regard to limitations generally applicable to investment securities. 12 U.S.C. § 24, seventh paragraph.

Federal Reserve Banks may accept Multiclass PCs as eligible security for advances to member banks for periods not exceeding 90 days. 12 U.S.C. § 347 and 12 C.F.R. § 201.108(b)(16).

Federal savings associations and federal savings banks may invest in Multiclass PCs without regard to limitations generally applicable to investments. 12 U.S.C. § 1464(c)(1)(E).

Multiclass PCs are eligible as security for advances by Federal Home Loan Banks to federal savings associations, federal savings banks and other members for which Multiclass PCs are legal investments. 12 U.S.C. § 1430(a)(2) and 12 C.F.R. § 935.7(b)(2).

Federal Home Loan Banks may invest their surplus and reserve funds in Multiclass PCs. 12 U.S.C. §§ 1431(h) and 1436(a), respectively.

Federal credit unions may purchase Multiclass PCs without regard to limitations generally applicable to investments. 12 U.S.C. § 1757(7)(E). National Credit Union Administration Letter to Credit Unions No. 96, as modified by Letter to Credit Unions No. 108, includes guidelines to assist federal credit unions in making investment decisions for mortgage related securities.

In addition to the specific authorizations discussed above, pursuant to Section 106 of the Secondary Mortgage Market Enhancement Act of 1984 ("SMMEA"), any person, trust, corporation, partnership, association, business trust or business entity created pursuant to or existing under the laws of the United States or any state (including the District of Columbia and Puerto Rico) is authorized to purchase, hold and invest in Multiclass PCs to the same extent that the investor is authorized to purchase, hold or invest in obligations issued or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof. Prior to October 4, 1991, a state may enact legislation which specifically refers to Section 106 and either prohibits or limits an investor's authority to invest in Multiclass PCs. Several states have enacted or introduced legislation to override SMMEA investment authority in various respects. The enactment by any state of legislation which prohibits or limits authority to invest in Multiclass PCs will not affect the validity of any contractual commitment to purchase, hold or invest in Multiclass PCs made prior to the date of enactment, and such legislation cannot require the sale or other disposition of any Multiclass PCs acquired prior to the date of enactment.

REGULATORY CONSTRAINTS

Any financial institution which is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration or other federal or state agencies with similar authority

should review any applicable rules, guidelines and regulations prior to purchasing Multiclass PCs. The Federal Home Loan Bank System's Office of Regulatory Activities (whose functions have been assumed by the Office of Thrift Supervision) issued a bulletin, entitled "Mortgage Derivative Products and Mortgage Swaps." Such bulletin established guidelines for the investment by federally-chartered or federally-insured savings institutions in certain "high-risk" derivative mortgage-backed securities and limitations on the use of such securities by insolvent, undercapitalized or otherwise "troubled" institutions. According to the bulletin, such "high-risk" derivative mortgage-backed securities include Interest Only PCs, Principal Only PCs, Variable Rate PCs whose Multiclass PC Coupons vary inversely to an index, Residual Class PCs, Accrual PCs and Classes of Multiclass PCs of a Series that are particularly sensitive to mortgage principal prepayments due to the presence of one or more Classes of Planned Amortization PCs or Targeted Amortization PCs in such Series. Certain other Classes of Multiclass PCs offered from time to time may be considered "high-risk" derivative mortgage-backed securities.

Depository institutions should review and consider the applicability of the Federal Financial Institutions Examination Council (the "FFIEC") Supervisory Policy Statement on the Selection of Securities Dealers and Unsuitable Investment Practices (to the extent adopted by their respective regulators), which, among other things, sets forth guidelines for investing in certain types of mortgage related securities, including securities such as the Multiclass PCs. In December 1990, the FFIEC issued proposed amendments to its Supervisory Policy Statement. Similarly, in March 1991, the National Credit Union Administration proposed to amend its regulations with respect to investments in certain mortgage related securities. Each of these proposals, if adopted in its current form, would impose additional restrictions on investments in mortgage related securities (including, under certain circumstances, divestiture requirements).

Institutions whose investment activities are subject to review by certain regulatory authorities may hereafter become subject to restrictions, which may be retroactively imposed by such regulatory authorities, on investment by such institutions in certain types of Multiclass PCs. Furthermore, certain state regulators have indicated that regulated institutions subject to their jurisdiction should not hold so-called "interest only" mortgage-backed securities, including "interest only" mortgage-backed securities previously purchased.

Investors should consult with their own legal advisors in determining whether and to what extent Multiclass PCs constitute legal investments for such investors. The foregoing and the preceding section do not take into consideration the applicability of statutes, rules, regulations, orders, guidelines or agreements generally governing investments made by a particular investor, including, but not limited to, "prudent investor" provisions, percentage-of-assets limits, and provisions which may restrict or prohibit investments in securities which are issued in book-entry form or which are not "interest-bearing" or "income-paying."

FEDERAL SECURITIES LAWS

The Multiclass PCs are exempt from the registration requirements of the Securities Act of 1933 and are "exempted securities" within the meaning of the Securities Exchange Act of 1934.

DISTRIBUTION ARRANGEMENTS

Each Series of Multiclass PCs will be offered pursuant to the terms set forth in the related Offering Circular Supplement.