

Freddie Mac



Supers, Giant MBS and Other Pass-Through Certificates

- Supers**
- Giant MBS**
- Stripped Certificates**
- Stripped Interest Certificates**
- Callable Pass-Through Certificates**
- Structured Pass-Through Certificates**

The Pass-Through Certificates

Freddie Mac issues and guarantees several types of “**Pass-Through Certificates.**” Pass-Through Certificates are securities that represent interests in pools of assets that are held in trust for investors and are backed by single-family residential mortgages. Most of the types of Pass-Through Certificates we issue under this Offering Circular have a “**Payment Delay**” (i.e., the delay between the time interest begins to accrue and the time the investor receives an interest payment) of approximately 55 days.

Freddie Mac’s Guarantee

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

Freddie Mac Will Provide More Information for Each Offering

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

Tax Status and Securities Law Exemptions

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

Pass-Through Certificates may not be suitable investments for you. You should not purchase Pass-Through Certificates unless you have carefully considered and are able to bear the associated prepayment, interest rate, yield and market risks of investing in them. The *Risk Factors* section beginning on page 9 highlights some of these risks.

We are providing this preliminary draft Offering Circular solely to help market participants adapt to the impending changes to Freddie Mac’s mortgage securities programs in connection with the Single Security Initiative. The information contained in this preliminary draft Offering Circular is not complete and may be changed. We will not sell any securities pursuant to this preliminary draft Offering Circular. This preliminary draft Offering Circular is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted. Before you invest, you should read the Offering Circular, once available in final form, for more complete information about the offering. Once available, you will be able to obtain for free the final Offering Circular on Freddie Mac’s website, www.freddiemac.com/mbs.

If you intend to purchase Pass-Through Certificates, you should rely on the information in this Offering Circular, in the disclosure documents that we incorporate by reference in this Offering Circular as stated under *Additional Information* and in the related supplement for those Pass-Through Certificates. We have not authorized anyone to provide you with different information.

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

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

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FREDDIE MAC

GENERAL

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

Our statutory mission is to provide liquidity, stability and affordability to the U.S. housing market. We fulfill our mission by purchasing, securitizing, and providing our credit guarantee for residential mortgages and by investing in mortgages and mortgage-related securities. We do not originate mortgage loans or lend money directly to consumers.

Although we are chartered by Congress, we alone are responsible for making payments on our securities. Payments on our Pass-Through Certificates are not guaranteed by, and are not debts or obligations of, the United States or any federal agency or instrumentality other than Freddie Mac.

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

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

CONSERVATORSHIP

We continue to operate under the conservatorship that commenced on September 6, 2008, conducting our business under the direction of the Federal Housing Finance Agency (“**FHFA**”), our conservator (the “**Conservator**”). To address deficits in our net worth, FHFA, as Conservator, entered into a senior preferred stock purchase agreement (as amended, the “**Purchase Agreement**”) with the U.S. Department of the Treasury (“**Treasury**”), and (in exchange for an initial commitment fee of senior preferred stock and warrants to purchase common stock) Treasury made a commitment to provide funding, under certain conditions. We are dependent upon the continued support of Treasury and FHFA in order to continue operating our business. Our ability to access funds from Treasury under the Purchase Agreement is critical to keeping us solvent and avoiding appointment of a receiver by FHFA under statutory mandatory receivership provisions. See the Incorporated Documents for additional information regarding our conservatorship, the Purchase Agreement and the uncertainty surrounding our future.

ADDITIONAL INFORMATION

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SUMMARY

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

Depositor, Trustee, Administrator

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

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

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

Most of the types of Pass-Through Certificates we issue under this Offering Circular have a Payment Delay of 55 days.

Assets and Mortgages The assets in each Pass-Through Pool may include certain securities issued by Freddie Mac or Fannie Mae (including Freddie Mac or Fannie Mae UMBS), other Pass-Through Certificates, mortgage securities issued by entities not affiliated with Freddie Mac or other securities we have created or acquired, all proceeds of those assets, amounts on deposit in a custodial account of collections from those assets and the right to receive payments pursuant to our guarantee. The mortgages underlying the assets will be secured by single-family residential properties, and bear interest at either a fixed rate or an interest rate subject to Step Rate Increases. The mortgages that may underly certain assets may have been acquired by Fannie Mae. Unless specifically stated or the context otherwise requires, for purposes of this Offering Circular the term “Mortgages” refers to mortgages acquired by Freddie Mac or Fannie Mae, as applicable.

Types of Pass-Through Certificates:

- **Supers** Supers are single-class securities that receive principal and interest from their underlying assets. Supers bear interest at a fixed rate.
- **Giant MBS** Giant MBS are single-class securities that receive principal and interest from their underlying assets. Giant MBS bear interest at a fixed rate or an interest rate subject to Step Rate Increases.
- **Stripped Certificates** Stripped Certificates are issued in series consisting of two or more classes that receive principal only, interest only or both principal and interest from a single underlying asset. Each series is backed by a single security (e.g., a Supers or a Giant MBS). If you own proportionate amounts of each of the classes from the same series, you may exchange them for an equivalent amount of the underlying asset, and vice versa.
- **Modifiable And Combinable Securities (MACS)** MACS are Stripped Certificates issued in series consisting of a fixed rate interest only class, a principal only class and multiple fixed rate classes that receive both principal and interest with different class coupons, ranging from deep discount to high premium coupons. A series of MACS also may include multiple floating rate, inverse floating rate and weighted average coupon classes, some of which receive both principal and interest and some of which are interest only classes. If you own appropriate amounts of MACS classes, you may exchange them for other classes of the same series with different class coupons or interest rate formulas, or for an equivalent amount of the underlying asset, and vice versa.
- **Stripped Interest Certificates** Stripped Interest Certificates are issued in series consisting of one or more classes that receive interest payments from one or more assets. Each series is backed by a portion of interest payments from Mortgages included in various pools that back UMBS or Freddie Mac MBS.
- **Callable Pass-Through Certificates (CPCs)** CPCs are issued in series consisting of pairs of callable and call classes, and are backed by a single security (e.g., a Supers or a Giant MBS). The callable class receives principal and interest from the underlying security. The call class receives no principal or interest, but has the right to call the related callable class for redemption and to receive the underlying security.

• **Structured Pass-Through
Certificates (SPCs)**

SPCs are issued in series consisting of one or more classes. Each class receives payments from one or more assets. The assets usually are REMIC classes issued by Freddie Mac or another party.

Payments As Administrator, Freddie Mac passes through any payment of principal and interest due on a Pass-Through Certificate monthly on the applicable Payment Date. As described in more detail later, Payment Dates fall on or about the 25th of each month.

• **Interest** Freddie Mac pays interest on each class of Pass-Through Certificates at its class coupon. Interest payable on a Payment Date accrues during the monthly accrual period specified in this Offering Circular or the applicable supplement.

• **Principal** Pass-Through Certificates receive principal payments in the same amounts and the same periods as their underlying assets. Holders of a class of Pass-Through Certificates entitled to principal receive principal payments proportionately with each other, based on the principal amounts of their Pass-Through Certificates.

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

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

**Form of Pass-Through
Certificates**

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

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

Some classes, including Call Classes, will be issued in registered, certificated form. They will be transferable at our office, in our capacity as registrar, or at the office of any successor registrar we designate (the “**Registrar**”). You may contact Freddie Mac as Registrar through our Investor Inquiry Department or at:

Freddie Mac — Office of Registrar
1551 Park Run Drive, MS DB
McLean, Virginia 22102-3110

Holders As an investor in Pass-Through Certificates, you are not necessarily the Holder of those Pass-Through Certificates. You will ordinarily hold your Pass-Through Certificates through one or more financial intermediaries. Your rights as an investor may be exercised only through the Holder of your Pass-Through Certificates, and Freddie Mac may treat the Holder as the absolute owner of your Pass-Through Certificates. The term **“Holder”** means:

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

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RISK FACTORS

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

PREPAYMENT AND YIELD FACTORS

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

Substantial repurchases of seriously delinquent Mortgages could materially affect the prepayment rates of the assets backing your Pass-Through Certificates. We currently repurchase from our UMBS and Freddie Mac MBS pools substantially all Mortgages that are 120 days or more delinquent. We effect these repurchases primarily because the cost of guarantee payments to UMBS and Freddie Mac MBS holders, including advances of interest at the UMBS and Freddie Mac MBS coupon, for most nonperforming Mortgages exceeds the cost of holding these nonperforming Mortgages in our mortgage-related investments portfolio as a result of the required adoption in January 2010 of certain accounting standards and changing economics. In addition, these Mortgage repurchases help us preserve capital and reduce the amount of any additional draws under our Purchase Agreement with Treasury.

We expect to continue our current repurchase practices as long as they are economically beneficial. However, we will continue to review the economics of repurchasing Mortgages that are 120 days or more delinquent in the future and may reevaluate our delinquent Mortgage repurchase practices and alter them if circumstances warrant.

Increased Mortgage refinance, modification and other loss mitigation programs could materially affect Mortgage prepayment speeds. Working with our Conservator, we have significantly increased our refinance, loan modification and foreclosure prevention efforts (such as foreclosure suspensions) since we entered into conservatorship.

Depending on the level of borrower response to our loan modification initiatives and the number of borrowers who qualify for such refinancings and modifications, the increase in prepayments on certain Mortgages could be material. Generally, refinancings and modifications of Mortgages result in prepayments to investors in an amount equal to the unpaid principal balance of the affected Mortgages.

We cannot predict the number of borrowers who will qualify for these programs or the rate of prepayments on the related Pass-Through Certificates. However, borrowers that take advantage of such programs may later experience difficulties refinancing their Mortgages on market terms, which may later decrease prepayments on such modified or refinanced Mortgages as a result.

Mortgage prepayments are affected by many factors and are unpredictable. The rates of prepayments of Mortgages, and therefore the rates of principal payments on the assets backing a series of Pass-Through Certificates, are influenced by a variety of economic, social and other factors, including local and regional economic conditions, homeowner mobility and the availability of, and costs associated with, alternative financing.

Such factors, which may be affected by loan modification initiatives, include but are not limited to prevailing mortgage interest rates, Mortgage characteristics, such as the geographic location of the mortgaged properties, loan size, loan-to-value (“LTV”) ratios or year of origination, borrower characteristics (such as credit scores) and equity positions in their houses, availability and convenience of refinancing, prevailing servicing fee rates and the availability of loan modification initiatives. In addition, the rate of defaults and resulting repurchases of the Mortgages, and repurchases due to (i) breaches of representations and warranties by Mortgage sellers, (ii) servicing violations by Mortgage servicers, (iii) modification, such as may occur upon a borrower’s successful completion of a trial period under a loan modification initiative, or (iv) refinancing as a result of an actual or imminent default, could also affect prepayment rates and adversely affect the yield on your Pass-Through Certificates.

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

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

Callable classes are subject to redemption risks. If you own a callable class, you should consider the following additional risks:

- A redemption of the underlying assets will be similar in its principal payment effect to a full prepayment of all the related Mortgages.

- After your Callable Class becomes redeemable, its value is not likely to exceed, and may be lower than, its redemption price.
- A redemption is most likely to occur when prevailing interest rates are low. In this scenario, you may not be able to reinvest the redemption price in comparable securities at as high a yield.
- A redemption will occur only at the direction of the investor in the related Call Class. The Call Class investor may have economic incentives particular to that investor either to exercise or to refrain from exercising the call right.

Index levels can reduce your yield if you own a floating rate or inverse floating rate class. The yield on your class could be lower than you expect:

- If you own a floating rate class and the levels of the applicable index are lower than you expect.
- If you own an inverse floating rate class and the levels of the applicable index are higher than you expect.

If you buy an interest only floating rate class, you may not even recover your investment if the level of the applicable index is low or prepayments are fast. If you buy an interest only inverse floating rate class, you may not even recover your investment if the level of the applicable index is high or prepayments are fast.

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

General economic conditions could adversely affect your Pass-Through Certificates. Changes in economic conditions and the condition of the residential housing market could adversely affect your Pass-Through Certificates in a number of ways. The rate and number of mortgage payment delinquencies remain high. The condition of the economy and the housing market have made it difficult or impossible for many borrowers to sell their homes or refinance their mortgages.

If the U.S. economy is weak, a high level of payment defaults on Mortgages could occur. Payment defaults on Mortgages could result in accelerated prepayments of your Pass-Through Certificates as a result of repurchase practices relating to seriously delinquent Mortgages and Mortgage modifications, refinancings, foreclosures or workouts. The rate of such refinancings and modifications could remain high as a result of refinance and loan modification initiatives. These developments could adversely affect the liquidity, pricing and yield of your Pass-Through Certificates. Payment and recovery of principal on your Pass-Through Certificates could depend on our ability to honor our guarantee obligations. See *Substantial repurchases of seriously delinquent Mortgages could materially affect the prepayment rates of the assets backing your Pass-Through Certificates* and *Increased Mortgage refinance, modification and other loss mitigation programs could materially affect Mortgage prepayment speeds*.

INVESTMENT FACTORS

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

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

The Pass-Through Certificates are subject to market risk. The market value of your Pass-Through Certificates will vary over time, primarily in response to changes in prevailing interest rates. Financial, regulatory and legislative developments concerning Freddie Mac generally, including whether we are in conservatorship or receivership, could affect prices for your Pass-Through Certificates. In addition, any adverse change in the market perception of our level of governmental support or credit standing could reduce the market price of the Pass-Through Certificates. Similar developments or perceptions with respect to Fannie Mae could affect the prices of your Pass-Through Certificates, particularly if the underlying Pass-Through Pool includes securities issued by Fannie Mae. If you sell your Pass-Through Certificates when their market values are low, you may experience significant losses.

The value of each Call Class will depend primarily on the market value of the assets to which the related call right applies (which will depend on prevailing interest rates and other market and economic conditions), market expectations about its future value, and the costs associated with any exercise of the call right. If you own a Call Class, you should consider the risk that you may lose all of your initial investment.

Your ability to exchange classes of MACS may be limited. You must own specific classes in the correct proportions to enter into an exchange involving MACS. If you do not own such specific classes, you may not be able to obtain them because:

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

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

Potential conflicts of interest. In connection with the Pass-Through Certificates that we issue, we act in multiple roles — Trustee, Depositor, Administrator and Guarantor. Further, we act in these same roles with respect to UMBS and Freddie Mac MBS that we issue. The Master Trust Agreements pursuant to which our UMBS and Freddie Mac MBS are issued provide that in determining whether a Mortgage shall be repurchased from the related pool, we may in our capacities as the Administrator and Guarantor of our UMBS or Freddie Mac MBS consider factors as we deem appropriate, including the reduction of administrative costs (in the case of the Administrator) and possible exposure under our guarantee (in the case of the Guarantor). There is no independent third party engaged with respect to the UMBS, Freddie Mac MBS or Pass-Through Certificates to monitor and supervise our activities in our various roles. In connection with our roles as the Administrator and Guarantor of the UMBS and Freddie Mac MBS that we issue, we may take certain actions with respect to Mortgages that may adversely affect Pass-Through Certificate Holders. For example, we may repurchase, or direct sellers or servicers to repurchase, Mortgages from pools in certain situations. A Mortgage repurchase will be treated as a prepayment in full of the Mortgage being repurchased and will increase the prepayment speeds of Pass-Through Certificates. See *Prepayment and Yield Factors — Substantial repurchases of seriously delinquent Mortgages could materially affect the prepayment rates of the assets backing your Pass-Through Certificates*.

**FACTORS RELATED TO ALIGNMENT WITH FANNIE MAE AND THE SINGLE
SECURITY INITIATIVE**

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COMMINGLING FACTORS

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GOVERNANCE FACTORS

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

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

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

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

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

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

In addition, we could be put into receivership at the discretion of the Director of FHFA at any time for a number of reasons as set forth under the Reform Act. In addition, FHFA could be required to place us into receivership if Treasury is unable to provide us with funding requested under the

Purchase Agreement to address a deficit in our net worth. Treasury might not be able to provide the requested funding if, for example, the U.S. government were not fully operational because Congress had failed to approve funding or if the U.S. government reached its borrowing limit and, as a result, Treasury was unable to obtain funds sufficient to cover the request.

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

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

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

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

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

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

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

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

APPLICATION OF PROCEEDS

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

CREDIT RISK RETENTION

Freddie Mac, as the sponsor of the securitizations in which the Pass-Through Certificates are to be issued, will satisfy its credit risk retention requirement under the FHFA's Credit Risk Retention Rule at 12 C.F.R. Part 1234 pursuant to Section 1234.8 thereof. Freddie Mac is currently operating under the conservatorship of the FHFA with capital support from the United States and will fully guarantee the timely payment of principal and interest on all the Pass-Through Certificates.

SINGLE SECURITY INITIATIVE AND COMMINGLING

Under the direction of our conservator and regulator, FHFA, we are implementing the single security initiative, which is intended to increase the liquidity of the to-be-announced (“TBA”) market and to reduce the disparities in trading value between our and Fannie Mae's single-class mortgage-related securities. In March 2017, FHFA published “An Update on Implementation of the Single Security and the Common Securitization Platform,” which included the timeframe for implementation of Release 2 of the common securitization platform (“CSP”), planned for the second quarter of 2019. Release 2 will allow Freddie Mac and Fannie Mae to issue a single (common) mortgage-related security, to be called the “Uniform Mortgage-Backed Security” or “UMBS”. Release 2 will add to the functionality of the CSP by, among other things, enabling commingling in resecuritizations of certain securities issued by Freddie Mac and Fannie Mae, as discussed below. As part of the single security initiative, Freddie Mac will begin to issue a non-TBA-eligible mortgage-backed security referred to as an “MBS.” As noted below, Fannie Mae also issues a mortgage-backed security referred to as an MBS; however, MBS issued by Freddie Mac may not be commingled with MBS issued by Fannie Mae.

Freddie Mac intends to offer an optional exchange program to enable holders to exchange certain existing Gold mortgage participation certificates (“Gold PCs”) and Giant mortgage participation certificates (“Giant PCs”) for “UMBS Mirror Certificates,” “MBS Mirror Certificates,” “Supers UMBS Mirror Certificates” or “Giant MBS Mirror Certificates” (as such terms are defined in the Mirror Certificates Offer Circular), as the case may be, and receive applicable float compensation in connection therewith.

Freddie Mac UMBS, UMBS Mirror Certificates, Supers and Supers UMBS Mirror Certificates can be commingled in resecuritizations with corresponding similar Fannie Mae UMBS, Supers, and Legacy TBA-eligible MBS and Legacy TBA-eligible “**Megas**”.

In general:

- UMBS Mirror Certificates, Fannie Mae UMBS and Fannie Mae Legacy TBA-eligible MBS can be included in Pass-Through Pools in the same manner as Freddie Mac UMBS; and
- Supers UMBS Mirror Certificates, Fannie Mae Supers and Fannie Mae Legacy TBA-eligible Megas can be included in Pass-Through Pools in the same manner as Supers issued by Freddie Mac.

For purposes of this Offering Circular, we use the term “**Commingled Pass-Through Certificates**” to refer to Supers, Stripped Supers, SCs, CPCs, and SPCs that are backed, in whole or in part, by Fannie Mae-issued UMBS, Supers, Legacy TBA-eligible MBS or Legacy TBA-eligible Megas.

Freddie Mac MBS, MBS Mirror Certificates, Giant MBS, Giant MBS Mirror Certificates, Legacy Gold PCs and Legacy Giant PCs cannot be commingled with Fannie Mae securities. However:

- MBS Mirror Certificates can be included in Pass-Through Pools in the same manner as Freddie Mac MBS; and
- Giant MBS Mirror Certificates can be included in Pass-Through Pools in the same manner as Giant MBS.

Accordingly, unless specifically stated or the context otherwise requires, for purposes of this Offering Circular:

- The term “**UMBS**” will be deemed to include (i) UMBS issued by Freddie Mac, (ii) UMBS Mirror Certificates issued by Freddie Mac, (iii) UMBS issued by Fannie Mae and (iv) Fannie Mae Legacy TBA-eligible MBS.
- The term “**Freddie Mac MBS**” will be deemed to include (i) MBS issued by Freddie Mac and (ii) MBS Mirror Certificates issued by Freddie Mac.

The term “**Legacy**,” as used in connection with securities, refers to Fannie Mae MBS and Megas and Freddie Mac Gold PCs and Giant PCs issued, in each case, prior to the implementation of the single security initiative on June 3, 2019.

DESCRIPTION OF PASS-THROUGH CERTIFICATES

GENERAL

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

Most of the types of Pass-Through Certificates we issue under this Offering Circular have a Payment Delay of 55 days.

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

- UMBS.
- Supers issued by Freddie Mac or Fannie Mae, Supers UMBS Mirror Certificates or Fannie Mae Legacy TBA-eligible Megas.
- Freddie Mac MBS, Giant MBS or Giant MBS Mirror Certificates.
- Securities that represent “regular interests” in a real estate mortgage investment conduit (“REMIC”) issued by Freddie Mac or, in certain cases, Fannie Mae.
- Other Pass-Through Certificates offered under this Offering Circular.
- Other mortgage-related assets identified in the related supplement.
- Other securities identified as assets in the related supplement.

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

SUPERS

“**Supers**” are single-class securities entitled to payments of both principal and interest received on the related assets. When we issue Supers under this Offering Circular, we form a Pass-Through Pool that consists of any of the following:

- UMBS;
- Other Supers issued by Freddie Mac or Fannie Mae;
- Supers UMBS Mirror Certificates;
- Fannie Mae Legacy TBA-eligible Megas; or
- Freddie Mac or Fannie Mae REMIC securities backed entirely by UMBS.

Supers bear interest at a fixed rate. The assets underlying Supers usually have the same fixed interest rate as the related Supers. However, we sometimes issue Supers under this Offering Circular with an interest rate that is higher or lower than the rate payable on the related assets by retaining a portion of the principal or interest payments on the assets.

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

GIANT MBS

“**Giant MBS**” are single-class securities entitled to payments of both principal and interest received on the related assets. When we issue Giant MBS under this Offering Circular, we form a Pass-Through Pool that consists of any of the following:

- Freddie Mac MBS;
- Other Giant MBS;
- Giant MBS Mirror Certificates; or
- Freddie Mac REMIC securities backed by Freddie Mac MBS.

Giant MBS bear interest at a fixed rate or an interest rate subject to “**Step Rate Increases**” (as such term is defined in the UMBS and MBS Offering Circular). The assets underlying fixed-rate Giant MBS usually have the same fixed interest rate as the related Giant MBS. However, we sometimes issue fixed rate Giant MBS under this Offering Circular with an interest rate that is higher or lower than the rate payable on the related assets by retaining a portion of the principal or interest payments on the assets.

The interest rate of a Giant MBS backed by “**Modified Step Rate MBS**” (as such term is defined in the UMBS and MBS Offering Circular) adjusts annually based on the weighted average of the interest rates of the “**Modified Mortgages with Step Rate Increases**” (as such term is defined in the UMBS and MBS Offering Circular). The interest rates on all of the Modified Mortgages with Step Rate Increases backing a Giant MBS adjust based on the same means of adjustment, but do not necessarily adjust on the same date.

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

STRIPPED CERTIFICATES

“**Stripped Certificates**” are issued in series, each consisting of two or more classes. These classes receive unequal proportions of the principal and interest paid on a single underlying asset. We issue two types of Stripped Certificates under this Offering Circular:

- “**Stripped Supers**” where the underlying asset is a Supers issued by Freddie Mac or Fannie Mae, a Supers UMBS Mirror Certificate or a Fannie Mae Legacy TBA-eligible Mega.
- “**Stripped Giant MBS**” where the underlying asset is a Giant MBS or a Giant MBS Mirror Certificate.

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

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

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

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

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

We may charge you a fee for an exchange. We have described the procedures for exchanging Stripped Certificates in *Appendix II*.

“Modifiable And Combinable Securities” or **“MACS”** are Stripped Certificates that are issued in a range of possible class coupons or class coupon formulas and that are exchangeable for other classes of the same series having different class coupons or class coupon formulas. Each series of MACS is backed by a single security of any of the following types:

- Supers issued by Freddie Mac or Fannie Mae;
- Supers UMBS Mirror Certificate;
- Fannie Mae Legacy TBA-eligible Mega;
- Giant MBS; or
- Giant MBS Mirror Certificate.

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

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

You can exchange classes of MACS for one or more different classes of the same series. You can also exchange one or more classes of MACS for a portion of the underlying security (e.g., a Supers or a Giant MBS), and vice versa. To make any of these exchanges, follow the procedures in *Appendix II*. *Appendix III* shows examples of exchanges involving MACS.

The classes of a series of MACS that are outstanding at any given time will depend upon which classes were issued initially and upon any exchanges that have occurred. The aggregate outstanding principal amount of all classes, not including the notional principal amounts of IO Classes, will equal

the remaining principal amount of the underlying asset at all times. Similarly, the outstanding classes will receive interest payments, in the aggregate, equal to the interest payments made on the underlying asset.

STRIPPED INTEREST CERTIFICATES

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

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

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

CALLABLE PASS-THROUGH CERTIFICATES

“**Callable Pass-Through Certificates**” or “**CPCs**” represent interests in a Pass-Through Pool that contains a single security as its primary asset. The underlying security may be any of the following types:

- Supers issued by Freddie Mac or Fannie Mae;
- Supers UMBS Mirror Certificate;
- Fannie Mae Legacy TBA-eligible Mega;
- Giant MBS; or
- Giant MBS Mirror Certificate.

Classes of CPCs are issued in pairs of “**Callable Classes**” and “**Call Classes.**” If you own a Callable Class, you will receive all of the interest and principal payments made on its underlying security. If you own a Call Class, you will not receive any payments of principal or interest because the Call Class does not represent an ownership interest in the underlying security.

There can be only one Holder at a time of a Call Class. If you are the Holder of a Call Class, you will have the right (the “**Call Right**”):

1. To direct Freddie Mac, as Administrator, to redeem the related Callable Class on any Payment Date during the period specified in the applicable supplement.
2. To exchange your Call Class for the related Callable Asset.

The “**Callable Asset**” will be the security contained in the related Pass-Through Pool. Thus, if the related Pass-Through Pool contains a Supers, the Callable Asset will be such Supers.

You must pay a Call Fee and a Call Payment to exercise the Call Right. *Appendix IV* describes the procedures for exercising the Call Right.

STRUCTURED PASS-THROUGH CERTIFICATES

“**Structured Pass-Through Certificates**” or “**SPCs**” represent interests in Pass-Through Pools that contain one or more of the following:

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

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

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CATEGORIES OF CLASSES

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

The following chart identifies and generally defines most categories of classes. The first column of the chart shows our standard abbreviation for each category. Each supplement may identify the categories of classes of the related series by means of one or more of these abbreviations.

Principal Types

| <u>Freddie Mac Standard Abbreviation</u> | <u>Category of Class</u> | <u>Definition</u> |
|--|--------------------------|--|
| NTL | Notional | Classes having only a notional principal amount. A notional principal amount is the amount used as a reference to calculate the amount of interest due on an Interest Only Class. We indicate parenthetically the type of class with which a Notional Class will reduce. |
| PT | Pass-Through | Classes that receive all or a specified portion of the principal payments on the underlying Supers, Giant MBS or other Pass-Through Pool assets. |

Interest Types

| <u>Freddie Mac Standard Abbreviation</u> | <u>Category of Class</u> | <u>Definition</u> |
|--|----------------------------------|--|
| FIX | Fixed Rate | Classes with class coupons that are fixed throughout the life of the class. |
| FLT | Floating Rate | Classes with class coupons that are reset periodically based on an index and that vary directly with changes in the index. |
| INV | Inverse Floating Rate | Classes with class coupons that are reset periodically based on an index and that vary inversely with changes in the index. |
| IO | Interest Only | Classes that receive some or all of the interest payments made on the underlying Supers, Giant MBS or other Pass-Through Pool assets and no principal. Interest Only Classes have a notional principal amount. |
| PO | Principal Only | Classes that do not receive any interest. |
| S | Structured Formula | Floating Rate and Inverse Floating Rate Classes with class coupons that are periodically reset using a formula other than an index (without any multiplier) plus a constant, in the case of Floating Rate Classes, or a constant minus an index (without any multiplier), in the case of Inverse Floating Rate Classes, and which are not designated as Toggle Classes. |
| T | Toggle | Floating Rate, Inverse Floating Rate and Weighted Average Coupon Classes with Class Coupons that change significantly as a result of very small changes in the applicable index. The change in Class Coupon may not be a continuous function of changes in the index; rather, a change in the index may result in a "shift" from a predetermined rate or formula to a different predetermined rate or formula. |
| W | WAC (or Weighted Average Coupon) | Classes whose class coupons represent a blended interest rate that may change from period to period. WAC Classes may consist of components with different interest rates or may be backed by assets with different interest rates. |

PASS-THROUGH POOL ASSETS

General

Each Pass-Through Pool will contain one or more assets. This section describes the general characteristics of UMBS and Freddie Mac MBS, which directly or indirectly back most of our Pass-Through Certificates. Pass-Through Pools can also contain:

- Supers issued by Freddie Mac or Fannie Mae;
- Supers UMBS Mirror Certificates;
- Fannie Mae Legacy TBA-eligible Megs;
- Giant MBS;
- Giant MBS Mirror Certificates;
- REMIC classes;
- other Pass-Through Certificates; or
- any other securities or mortgage-related assets that are purchased by Freddie Mac and identified as assets in the related supplement.

In connection with the UMBS and Freddie Mac MBS that we issue, we are acting in multiple roles. See *Risk Factors — Investment Factors — Potential conflicts of interest* in the UMBS and MBS Offering Circular for information regarding possible conflicts of interest pertaining to the various roles fulfilled by Freddie Mac as the trustee, depositor, administrator and guarantor of UMBS or MBS. We also act in similar multiple roles, and have similar possible conflicts of interest, with respect to the other mortgage-backed securities we issue, as does Fannie Mae with respect to the mortgage-backed securities Fannie Mae issues. See the relevant Incorporated Documents for more information.

See the UMBS and MBS Offering Circular and the prefix library on our internet website for information on how pool numbers and prefixes indicate the general type of Mortgages backing a Freddie Mac UMBS or MBS.

UMBS

UMBS are single-class securities, guaranteed by Freddie Mac or Fannie Mae, as the case may be, that represent undivided interests in pools of residential fixed-rate Mortgages that are eligible for the TBA market. UMBS Mirror Certificates are single-class securities, guaranteed by Freddie Mac and backed by certain “**Eligible PCs**” (as defined in the Mirror Certificates Offering Circular), which in turn represent undivided interests in pools of residential fixed-rate Mortgages that are eligible for the TBA market. For all UMBS, there is a delay of approximately 55 days between the time interest begins to accrue and the time the securityholder receives its interest payment.

All Mortgages that back these securities are conventional mortgages, which means that neither the United States nor any federal agency or instrumentality guarantees or insures them. The Mortgages that back Freddie Mac UMBS and UMBS Mirror Certificates have been acquired by Freddie Mac. The Mortgages that back Fannie Mae UMBS and Fannie Mae Legacy TBA-eligible MBS have been acquired by Fannie Mae.

We may issue Supers backed by Freddie Mac UMBS issued under our cash and multilender swap programs. In forming such Supers, we, as Depositor, will deposit Mortgages purchased under those programs into UMBS pools and contribute the resulting UMBS to the Pass-Through Pool.

Freddie Mac MBS

Freddie Mac MBS are single-class securities, guaranteed by Freddie Mac, that represent undivided interests in pools of residential Mortgages. MBS Mirror Certificates are single-class securities, guaranteed by Freddie Mac and backed by certain Eligible PCs, which in turn represent undivided interests in pools of residential fixed-rate Mortgages that do not qualify for the TBA market. For all of these securities, there is a delay of approximately 55 days between the time interest begins to accrue and the time the securityholder receives its interest payment.

The Mortgages that back these securities have been acquired by Freddie Mac, and nearly all of such Mortgages are conventional mortgages. The underlying Mortgages bear interest at a fixed rate or an interest rate subject to Step Rate Increases.

Some Freddie Mac MBS represent interests in other special types of Mortgages, such as initial interest Mortgages (which we ceased purchasing on or about September 1, 2010), reduced servicing fee Mortgages, biweekly Mortgages, assumable Mortgages, super-conforming Mortgages, jumbo-conforming Mortgages, high LTV Mortgages or prepayment penalty Mortgages. These types of Mortgages may prepay differently than standard Mortgages.

PAYMENTS

Class Factors

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

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

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

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

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

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

Payment Dates

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

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

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

Payments of Principal

On each Payment Date, we will pay principal to the Holders of each class on which principal is then due. The Holders of Pass-Through Certificates of any class will receive principal payments on a pro rata basis.

Holders of IO Classes and Call Classes of CPCs will not receive principal payments.

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

Payments of Interest

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

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

As Administrator, we calculate the class coupons of LIBOR-based Floating Rate and Inverse Floating Rate Classes for each Accrual Period (after the first) on the second business day before the Accrual Period begins (an “**Adjustment Date**”). For this purpose, a “business day” is a day on which banks are open for dealing in foreign currency and exchange in London, New York City and Washington, D.C.

We determine LIBOR using the rate, expressed as a percentage per annum, for U.S. dollar deposits of the applicable maturity set by ICE Benchmark Administration Limited (“**ICE**”) as of 11:00 a.m. (London time) on the related Adjustment Date (the “**ICE Method**”). Rates determined by ICE are currently displayed on Bloomberg L.P.’s page “**BBAM**.” That page, or any other page that may replace BBAM on that service or any other service authorized by ICE to display the rates it determines for deposits in U.S. dollars, is a “**Designated Page**.” Rates determined by ICE are currently rounded to five decimal places. Although ICE provided assurances that there will be no initial changes to the manner in which the rate is calculated or to data collection methodologies, we can provide no

assurance that there will be no such changes in the future. In addition, we cannot assure you that LIBOR for any distribution date accurately represents the offered rate applicable to loans in U.S. dollars for a stated period between leading European banks or that LIBOR will continue to be widely used as a benchmark interest rate.

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

Absent clear error, our determination of the applicable LIBOR levels and our calculation of the class coupons for the Floating Rate and Inverse Floating Rate Classes for each Accrual Period will be final and binding. You can get the class coupons for the current and all preceding Accrual Periods from our internet website or from our Investor Inquiry Department. Our method for determining LIBOR is subject to modification as necessary to reflect technological and market changes.

Holders of PO Classes and Call Classes of CPCs will not receive interest payments.

Interest will accrue on the principal or notional principal amount of a Pass-Through Certificate as determined by its Class Factor for the month preceding the Payment Date.

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

- The calendar month preceding the month of the Payment Date, for a Fixed Rate Class.
- The period from the 25th of the month preceding the Payment Date through and including the 24th of the month of that Payment Date, for a Floating Rate or Inverse Floating Rate Class.

Record Dates

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

Final Payment Date

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

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

GUARANTEES

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

- The timely payment of interest at its class coupon.
- The payment of principal as principal payments are made on the underlying assets.
- The final payment of its entire principal amount by the Payment Date that falls in the month of its Final Payment Date.
- In the case of the Holder of a Call Class of CPCs, all proceeds due to the Holder upon exercise of its Call Right.

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

FORM, HOLDERS AND PAYMENT PROCEDURES

Form and Denominations

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

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

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

Certificated Classes. Certificated classes will be transferable only at the office of the Registrar. A Holder may have to pay a service charge to the Registrar for any registration of transfer of a certificated class, and will have to pay any transfer taxes or other governmental charges. Each Call Class will be issued as a single certificate in an original notional principal amount equal to the original principal amount of its related Callable Class and will be held and transferable only as a single certificate.

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

Denominations. Holders on the Fed System or the DTC System must hold and transfer their Pass-Through Certificates in minimum original principal or notional principal amounts of \$100,000 (for IO, PO, Inverse Floating Rate, Structured Formula and Toggle Classes) or \$1,000 (for other Classes) and additional increments of \$1. A Holder may not transfer a Pass-Through Certificate if, as a

result of the transfer, the Holder would have remaining in its account Pass-Through Certificates of any class having an original principal or notional principal amount of less than \$100,000 or \$1,000, as applicable. A Holder of Pass-Through Certificates on the Fed System will also have to comply with any Federal Reserve Bank minimum wire transfer requirements.

Holders

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

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

A Holder that is not also the beneficial owner of a Pass-Through Certificate, and each other financial intermediary in the chain between the Holder and the beneficial owner, will be responsible for establishing and maintaining accounts for their customers. Freddie Mac and any Federal Reserve Bank will not have a direct obligation to a beneficial owner of a Pass-Through Certificate that is not also the Holder. A Federal Reserve Bank or DTC will act only upon the instructions of the Fed Participant or DTC Participant, as applicable, in recording transfers of a class.

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

Payment Procedures

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

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

The Registrar will make payments on a certificated class by check mailed to the addresses of the Holders shown on the Registrar's records or, if the related supplement provides, by wire transfer to the Holders. However, a Holder will receive the final payment on a certificated class only upon presentation and surrender of the Holder's certificate to the Registrar.

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

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

PREPAYMENT, YIELD AND SUITABILITY CONSIDERATIONS

PREPAYMENTS

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

- Voluntary prepayments by the borrower, as well as prepayments due to refinancings and modifications (including under our or, if applicable, Fannie Mae's refinance or loan modification initiatives).
- Prepayments resulting from the repurchase or liquidation of Mortgages due to default, delinquency, inaccurate representations and warranties made by sellers or other factors.
- Liquidations resulting from casualty or condemnation.
- Payments made by Freddie Mac, as Guarantor, or, if applicable, Fannie Mae under their guarantees of principal (other than payments of scheduled principal).

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

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

Such factors, which may be affected by our or, if applicable, Fannie Mae's loan modification initiatives, include but are not limited to prevailing mortgage interest rates, Mortgage characteristics, such as the geographic location of the mortgaged properties, loan size, LTV ratios or year of origination, borrower characteristics (such as credit scores) and equity positions in their houses, availability and convenience of refinancing, prevailing servicing fee rates and the availability of loan modification initiatives. In addition, the rate of defaults and resulting repurchases of the Mortgages, and repurchases due to (i) breaches of representations and warranties by Mortgage sellers, (ii) servicing violations by Mortgage servicers, (iii) modification, such as may occur upon a borrower's successful completion of a trial period under a loan modification initiative, or (iv) refinancing as a result of an actual or imminent default could also affect prepayment rates and adversely affect the yield on the Pass-Through Certificates.

The characteristics of particular Mortgages may also influence their principal payment rates.

Transfers of mortgaged properties also influence prepayment rates. The Mortgages underlying our UMBS and Freddie Mac MBS generally include "due-on-transfer" clauses which provide that the holder of the Mortgage may demand full payment of the Mortgage upon the transfer of the mortgaged property. Freddie Mac, in most cases, requires mortgage servicers to enforce these clauses where permitted by applicable law. The UMBS and MBS Offering Circular discusses this further.

If you are purchasing a Pass-Through Certificate backed by our UMBS or MBS, you should review the discussion of prepayments and yields in the *Prepayment, Yield and Suitability Considerations* section of the UMBS and MBS Offering Circular.

If you are purchasing a Pass-Through Certificate backed by UMBS Mirror Certificates, MBS Mirror Certificates, Supers UMBS Mirror Certificates or Giant MBS Mirror Certificates, you should review the discussion of prepayments and yields in the *Prepayment, Yield and Suitability Considerations* section of the Mirror Certificates Offering Circular.

YIELDS

General

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

- The price you paid for that class.
- The rate of principal prepayments on the underlying Mortgages.
- The actual characteristics of the underlying Mortgages.

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

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

Yields of Floating Rate and Inverse Floating Rate Classes

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

- If you own a Floating Rate Class, index levels lower than you expect could result in yields lower than you expected, especially if the class coupon varies based on a multiple of the index. Also, the class coupon of your class can never be higher than its stated maximum

rate, regardless of the level of the index. If you own an Interest Only Floating Rate Class, you may not even recover your investment if the level of the applicable index is low or Mortgage prepayments are fast.

- If you own an Inverse Floating Rate Class, index levels higher than you expect could result in yields lower than you expected, especially if the class coupon varies based on a multiple of the index. The class coupons of most Inverse Floating Rate Classes can fall as low as 0%. If you own an Interest Only Inverse Floating Rate Class, you may not even recover your investment if the level of the applicable index is high or Mortgage prepayment rates are fast.
- When mortgage interest rates are generally low, which usually results in faster prepayments, the applicable index value may be high. On the other hand, when mortgage interest rates are generally high, which usually results in slower prepayments, the applicable index value could be low. Either of these scenarios could result in a lower than expected yield on your Pass-Through Certificates.
- No index will remain constant at any value. Even if the average value of an index is consistent with what you expect, the timing of any changes in that value may affect your actual yield. In general, the earlier a change in the value of the applicable index, the greater the effect on your yield. As a result, a negative effect on your yield produced by an index value that is higher (or lower) than you expect early in your investment is not likely to be offset by an equivalent reduction (or increase) in that value in later periods.

Payment Delay

The effective yield on any interest-bearing Pass-Through Certificate with a Payment Delay of more than 30 days will be less than the yield that its class coupon and purchase price would otherwise produce, because:

- On its first Payment Date, 30 days' interest will be payable on the Pass-Through Certificate even though interest began to accrue approximately 55 days earlier.
- On each Payment Date after the first, the interest payable on the Pass-Through Certificate will accrue during its Accrual Period, which will end approximately 25 days before that Payment Date.

SUITABILITY

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

- Pass-Through Certificates are not appropriate investments if you require a single lump sum payment on a date certain, or if you require an otherwise definite payment stream.
- A market may not develop for the sale of some types of Pass-Through Certificates after their initial issuance. Even if a market develops, it may not continue. As a result, you may not be able to sell your Pass-Through Certificates easily or at prices that will allow you to realize your desired yield.

- The market values of your Pass-Through Certificates are likely to fluctuate, primarily in response to changes in prevailing interest rates. Such fluctuations may result in significant losses to you.
- The secondary markets for mortgage-related securities have experienced periods of illiquidity in the past, and can be expected to do so in the future. Illiquidity can have a severely negative effect on the prices of Pass-Through Certificates, especially those that are particularly sensitive to prepayment, redemption or interest rate risk or that have been structured to meet the investment needs of limited categories of investors. In addition, illiquidity could result from our financial condition, the conservatorship, uncertainty concerning our future structure, organization, or level of government support and market perceptions or speculation.
- The Pass-Through Certificates of some classes may not be eligible to back Freddie Mac REMIC classes or other Freddie Mac structured transactions. This may impair the liquidity of those classes.
- Pass-Through Certificates are complex securities. Before investing in a Pass-Through Certificate, you should be able, either alone or with a financial advisor, to evaluate the information contained and incorporated in this Offering Circular and in the related supplement. You should evaluate the information in the context of your personal financial situation and your views on possible and likely interest rate and economic scenarios.

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

TABULAR INFORMATION IN SUPPLEMENTS

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

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

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

Yield Calculations

We calculate pre-tax yields by:

1. Determining the monthly discount rates (whether positive or negative) that, when applied to the assumed stream of cash flows to be paid on a class, would cause the discounted present value of those cash flows to equal the assumed purchase price of the class.
2. Converting the monthly rates to corporate bond equivalent (semiannual payment) rates.

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

Weighted Average Lives

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

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

Prepayment Models

Prepayments on pools of Mortgages can be measured based on a variety of prepayment models. The models typically used in supplements for Pass-Through Certificates will be The Securities Industry and Financial Markets Association's standard prepayment (or "**PSA**") model and the constant prepayment rate (or "**CPR**") model.

The PSA model assumes that:

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

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

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

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

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

THE PASS-THROUGH TRUST AGREEMENT

Under the Pass-Through Certificates Master Trust Agreement dated the same date as this Offering Circular, as Depositor, we transfer and deposit assets that we have acquired into various Pass-Through Pools. As Administrator, on behalf of the Trustee, we create and issue Pass-Through Certificates under the Pass-Through Certificates Master Trust Agreement and the related “**Terms Supplement**” for each offering of Pass-Through Certificates. For any particular offering, the Pass-Through Certificates Master Trust Agreement and the applicable Terms Supplement together constitute the “**Pass-Through Trust Agreement**.”

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

TRANSFER OF ASSETS TO PASS-THROUGH POOL

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

VARIOUS MATTERS REGARDING FREDDIE MAC

Freddie Mac in its Corporate Capacity

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

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

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

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

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

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

Custodial Account

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

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

Certain Matters Regarding Our Duties as Trustee

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

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

We are indemnified by each Pass-Through Pool for actions we take in our capacity as Trustee in connection with the administration of that Pass-Through Pool. Officers, directors, employees and agents of the Trustee are also indemnified by each Pass-Through Pool with respect to that Pass-Through Pool. Nevertheless, neither we nor they will be protected against any liability if it results from willful misfeasance, bad faith or gross negligence or as a result of reckless disregard of our duties. The Trustee is not liable for consequential damages.

The Pass-Through Trust Agreement provides that the Trustee or the Administrator, on its behalf, may, but is not obligated to, undertake any legal action that it deems necessary or desirable in the interests of Holders. The Trustee or the Administrator, on its behalf, may be reimbursed for the legal expenses and costs of the action from the assets of the Pass-Through Pool. Any such reimbursement will not affect our guarantee obligations.

Potential Conflicts of Interest

In connection with the Pass-Through Certificates that we issue, we act in multiple roles — Trustee, Depositor, Administrator and Guarantor. Further, we act in these same roles with respect to UMBS and Freddie Mac MBS that we issue. The Master Trust Agreements pursuant to which our UMBS and Freddie Mac MBS are issued provide that in determining whether a Mortgage shall be repurchased from the related pool, we may in our capacities as the Administrator and Guarantor of our UMBS or Freddie Mac MBS consider factors as we deem appropriate, including the reduction of administrative costs (in the case of the Administrator) and possible exposure under our guarantee (in the case of the Guarantor). There is no independent third party engaged with respect to the UMBS or Freddie Mac MBS or Pass-Through Certificates to monitor and supervise our activities in our various roles. In connection with our roles as the Administrator and Guarantor of the UMBS or Freddie Mac MBS that we issue, we may take certain actions with respect to Mortgages that may adversely affect Pass-Through Certificate Holders. For example, we may repurchase, or direct sellers or servicers to repurchase, Mortgages from pools in certain situations. A Mortgage repurchase will be treated as a prepayment in full of the Mortgage being repurchased and will increase the prepayment speeds of Pass-Through Certificates. See *Risk Factors — Prepayment and Yield Factors — Substantial repurchases of seriously delinquent Mortgages could materially affect the prepayment rates of the assets backing your Pass-Through Certificates.*

EVENTS OF DEFAULT

“Events of Default” under the Pass-Through Trust Agreement are:

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

RIGHTS UPON EVENT OF DEFAULT

If an Event of Default under a Pass-Through Trust Agreement is not remedied, the Holders of at least 50% of the outstanding principal or notional principal amount of any affected class of Pass-Through Certificates may remove Freddie Mac as Administrator and nominate a successor as to that Pass-Through Pool. That nominee will replace Freddie Mac as Administrator unless Freddie Mac objects within ten days after the nomination. In that event, either Freddie Mac or anyone who has been

a bona fide Holder of an affected class for at least six months may ask a court to appoint a successor. The court may then appoint a successor Administrator. Any such removal will not affect Freddie Mac's guarantee obligations.

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

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

The rights provided to Holders of Pass-Through Certificates under the Pass-Through Trust Agreement as described above may not be enforced against FHFA, or enforcement of such rights may be delayed, if we are placed into receivership. The Pass-Through Trust Agreement provides that upon the occurrence of an Event of Default, which includes the appointment of a receiver, Holders have the right to replace Freddie Mac as Trustee and Administrator if the requisite percentage of Holders of an affected class of Pass-Through Certificates consent. The Reform Act prevents Holders from enforcing their rights to replace Freddie Mac as Trustee and Administrator if the Event of Default arises solely because a receiver has been appointed. The Reform Act also provides that no person may exercise any right or power to terminate, accelerate or declare an event of default under certain contracts to which Freddie Mac is a party, or obtain possession of or exercise control over any property of Freddie Mac, or affect any contractual rights of Freddie Mac, without the approval of FHFA, as receiver, for a period of 90 days following the appointment of FHFA as receiver.

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

VOTING RIGHTS

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

VOTING UNDER ANY UMBS, MBS, MIRROR CERTIFICATES OR REMIC AGREEMENT

[TO COME]

AMENDMENT

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

- Cure any ambiguity or to correct or add to any provision in the Pass-Through Trust Agreement, if the amendment does not adversely affect Holders in any material way.
- Maintain the qualification of any Pass-Through Pool as a grantor trust under the Internal Revenue Code of 1986 (the “Code”).
- Avoid the imposition of any state or federal tax on a Pass-Through Pool.

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

GOVERNING LAW

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

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

GENERAL

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

Although Freddie Mac is a government-sponsored enterprise, neither the Pass-Through Certificates nor the income received from them is exempt from federal income, estate or gift taxes

under the Code. Further, neither the Code nor the Freddie Mac Act exempts the Pass-Through Certificates or income on them from taxation by any state, any United States possession or any local taxing authority.

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

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

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

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

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

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

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

Tax Status

Supers and Giant MBS generally will be considered to represent “loans . . . secured by an interest in real property” within the meaning of Section 7701(a)(19)(C)(v) of the Code and “real estate assets” within the meaning of Section 856(c)(5)(B) of the Code. Interest income from Supers or Giant MBS generally will be considered to represent “interest on obligations secured by mortgages on real property” within the meaning of Section 856(c)(3)(B) of the Code. In the event that any Mortgage has an LTV ratio in excess of 100 percent (that is, the principal amount of any Mortgage exceeds the fair market value of the real property securing it), it is not certain whether or to what extent such Mortgages would qualify as loans secured by an interest in real property for purposes of Section 7701(a)(19)(C)(v) of the Code. Even if the property securing the Mortgage does not meet this test, the Supers or Giant MBS will be treated as “obligations of a corporation which is an

instrumentality of the United States” within the meaning of Section 7701(a)(19)(C)(ii) of the Code. Thus, the Supers or Giant MBS will be a qualifying asset for a domestic building and loan association. Additionally, if any Mortgage has an LTV ratio in excess of 100%, interest income on the excess portion of the Mortgage will not be “interest on obligations secured by mortgages on real property” within the meaning of Section 856(c)(3)(B) of the Code and such excess portion of the Mortgage will not be a “real estate asset” within the meaning of Section 856(c)(5)(B) of the Code. The excess portion will represent a “Government security” within the meaning of Section 856(c)(4)(A) of the Code. If a Supers or Giant MBS contains a Mortgage with an LTV ratio in excess of 100%, a holder that is a real estate investment trust should consult its tax advisor concerning the appropriate tax treatment of such excess portion.

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

Although there is no specific precedent and the characterization of the Strips is not entirely free from doubt, the Strips generally should be considered to represent “loans . . . secured by an interest in real property” within the meaning of Section 7701(a)(19)(C)(v) of the Code and “real estate assets” within the meaning of Section 856(c)(5)(B) of the Code, and original issue discount and interest from the Strips generally should be considered to represent “interest on obligations secured by mortgages on real property” within the meaning of Section 856(c)(3)(B) of the Code. In the event that some portion of a Strip is backed by a Mortgage with an LTV ratio in excess of 100%, it is not certain whether or to what extent such Mortgages would qualify as loans secured by an interest in real property for purposes of Section 7701(a)(19)(C)(v) of the Code. Even if the property securing the Mortgage does not meet this test, the Strips should be treated as “obligations of a corporation which is an instrumentality of the United States” within the meaning of Section 7701(a)(19)(C)(ii) of the Code. Thus, the Strips should be a qualifying asset for a domestic building and loan association. Additionally, if any Mortgage has an LTV ratio in excess of 100%, a portion of the interest income on the Strip that is attributable to that Mortgage will not be “interest on obligations secured by mortgages on real property” within the meaning of Section 856(c)(3)(B) of the Code and a portion of the Strip that is attributable to that Mortgage will not be a “real estate asset” within the meaning of Section 856(c)(5)(B) of the Code. The portion of a Strip that does not qualify as a “real estate asset” within the meaning of Section 856(c)(5)(B) of the Code should represent a “Government security” within the meaning of Section 856(c)(4)(A) of the Code. If a portion of a Strip is backed by a Mortgage with an LTV ratio in excess of 100%, a holder that is a real estate investment trust should consult its tax advisor concerning the appropriate tax treatment of such portion. Further, if any Mortgage has an LTV ratio in excess of 125%, such Mortgage generally would not constitute a qualifying asset of a REMIC unless the LTV ratio of such Mortgage has decreased to 125% or less at the time such Mortgage is contributed by a sponsor to a REMIC. If a Strip is backed by a Mortgage with an LTV ratio in excess of 100%, a holder

that is a real estate investment trust should consult its tax advisor concerning the appropriate tax treatment of such excess portion. If a Strip is backed by a Mortgage with an LTV ratio in excess of 125%, a holder that is a REMIC should consult its tax advisor concerning the tax consequences of transferring such Strip to a REMIC.

SUPERS AND GIANT MBS

General

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

You may be able to deduct, under Section 162 or 212 of the Code, your pro rata share of servicers' fees or any Freddie Mac guarantee fees, including incidental fees paid by the borrowers and retained by the servicers or Freddie Mac, and all administrative and other expenses of the Pass-Through Pool in accordance with your method of accounting. The Code limits the deductions for these miscellaneous itemized deductions for some investors. Notwithstanding the foregoing, miscellaneous itemized deductions described in Section 67 of the Code, which were previously available (subject to certain limitations) to investors who are individuals, estates or trusts, have been suspended for taxable years beginning after December 31, 2017 and before January 1, 2026, and continue to not be deductible for computing alternative minimum tax liability. If you are an individual, estate or trust, you should consult your tax advisor regarding the limitations on the deductibility of such items.

Discount and Premium

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

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

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

Notwithstanding the following, if you use an accrual method of accounting for federal income tax purposes and prepare an "applicable financial statement" (as defined in Section 451 of the Code), you

may be required to include original issue discount (with respect to taxable years beginning after December 31, 2018) and other items of income (with respect to taxable years beginning after December 31, 2017) no later than at the time such amounts are reflected on such a financial statement.

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

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

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

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

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

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

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

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

Sale or Exchange of a Supers or Giant MBS

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

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

You must report accrued but unrecognized market discount as ordinary income, but your gain or loss otherwise will be a capital gain or loss if you held the Supers or Giant MBS as a capital asset. The capital gain or loss will be long-term or short-term, depending on whether you owned the Supers or Giant MBS for the long-term capital gain holding period (currently more than one year). Capital gains of individuals with respect to capital assets held for more than one year may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Application of the Stripped Bond Rules

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

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

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

The Service has also issued guidance providing that a purchaser of a mortgage that is a stripped bond must treat it as a market discount bond if the amount of original issue discount on the stripped bond is considered to be zero after application of the *de minimis* rule of Section 1273(a)(3) of the Code

or if the annual stated rate of interest payable on the stripped bond is 100 basis points or less below the annual stated rate of interest payable on the mortgage. These conditions apparently are based on the premise that the interest payments which remain associated with the stripped bond are treated, for purposes of the original issue and market discount provisions of the Code, as stated interest payable with respect to the stripped bond. If these conditions are met, you would be required to account for any market discount in accordance with the rules for market discount as described above under *Discount and Premium*.

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

STRIPS

General

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

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

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

Determination of Income on Strips

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

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

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

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

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

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

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

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

If the method for computing income for any particular month results in a negative amount, you may be entitled to deduct such amount as a loss only against future income from the Strip. However,

you should be entitled to deduct a loss to the extent that your remaining basis would otherwise exceed the maximum amount of future payments which you are entitled to receive (determined by assuming that no future prepayments will occur on the underlying Mortgages).

Treatment of Servicing Fee for Federal Income Tax Purposes

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

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

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

Sale of a Strip

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

Possible Alternative Characterizations

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

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

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

Alternatively, if you own Strips, you may be treated as owning (a) a pro rata fractional undivided interest in each Mortgage to the extent that the Strip represents the same pro rata portion of principal and interest on each Mortgage and (b) a stripped bond or stripped coupon, as applicable, to the extent of any disproportionate principal or interest.

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

Purchase of More Than One Class of Strips

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

SPCs

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

CPCs

Status of the CPC Classes

The Callable Class. If you own a Callable Class, you will be treated as:

1. Owning an undivided interest in the underlying Callable Asset; and
2. Having written a call option on your interest in the underlying Callable Asset. The call option is represented by a proportionate part of the Call Right. You will be treated as having written the call option in exchange for an option premium equal to an amount computed under the rules described below.

Special considerations may apply to thrifts, REMICs, real estate investment trusts and regulated investment companies investing in a Callable Class.

The Call Class. If you own a Call Class, you will be treated as having purchased a call option on the Callable Asset underlying the related Callable Class for an option premium equal to the price you paid for the Call Class.

If you own a Call Class and acquire an interest in the related Callable Class, the call option probably would be extinguished, to the extent of that interest, for at least as long as you held such interest, and you would be treated as holding a proportionate share of the underlying Callable Asset.

Taxation of the CPC Classes

The Callable Class

Allocations. If you own a Callable Class, you will be required, for federal income tax purposes, to account separately for the underlying Callable Asset and the call option you are deemed to have

written. You must allocate your purchase price for the Callable Class between the Callable Asset and the call option based on the relative fair market values of each on the date of purchase. The (positive) amount that you allocate to the Callable Asset is your basis in the Callable Asset and the (negative) amount that you allocate to the call option is the option premium you are deemed to have received for writing the call option. Accordingly, your basis in the underlying Callable Asset will be *greater* than the amount you paid for the Callable Class.

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

Taxation of Underlying Callable Asset. Except as described below under *Application of the Straddle Rules*, the anticipated material federal income tax consequences to you of purchasing, owning and disposing of your interest in the underlying Callable Asset will be as described in the offering materials for the Callable Asset.

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

As the owner of a Callable Class, you will include the option premium in income as short-term capital gain when the Call Right lapses. Typically, the principal amount of the Callable Asset subject to the Call Right will be reduced over time due to principal payments. It is not entirely clear whether the Call Right would thus be deemed to lapse as the Callable Asset is paid down, and if so, at what rate. However, Freddie Mac intends to assume that the Call Right lapses, and you would recognize the related premium, proportionately as principal is paid on the Callable Asset (whether as scheduled principal payments or prepayments) after the first date on which the Call Right may be exercised. The Service may or may not agree with this method of determining income from the lapse of the Call Right.

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

Taxation of Income from GIFC. If a Callable Class is redeemed, the amount received by the Pass-Through Pool from the Call Class Holder and not immediately payable to the Holders of the Callable Class will be invested by Freddie Mac in a Guaranteed Investment and Fee Contract

(“GIFC”). The GIFC allows Freddie Mac to invest these amounts for the period from the date received to the date paid to Holders, and it provides for payment of a fee to Freddie Mac. If you own a redeemed Callable Class, you should treat your proportionate share of any accrued interest for the month of redemption as income earned under the GIFC for that period.

The Call Class

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

1. Added to the purchase price of the Callable Asset (in addition to any fee for the exchange) if the Callable Asset is purchased upon exercise of the Call Right.
2. Treated as a loss as the Call Right lapses.

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

Application of the Straddle Rules

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

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

Tax-Exempt Organizations

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

EXCHANGE TRANSACTIONS

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

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

BACKUP WITHHOLDING, FOREIGN WITHHOLDING AND INFORMATION REPORTING

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

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

- The Mortgages underlying the investor's Pass-Through Certificates all were originated after July 18, 1984;
- The Pass-Through Certificate is not held by the investor in connection with a trade or business in the United States (or if an income tax treaty applies, is not attributable to a U.S. permanent establishment);
- The investor is not with respect to the United States a corporation that accumulates earnings in order to avoid United States federal income tax;
- The investor is not a U.S. expatriate or former U.S. resident who is taxable in the manner provided in Section 877(b) of the Code; and
- The investor provides a statement (on Internal Revenue Service Form W-8BEN or W-8BEN-E (or similar substitute forms)) signed under penalties of perjury that includes its name and address and certifies that it is not a U.S. Person in accordance with applicable requirements.

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

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

In general, an investor in a CPC will not be subject to federal withholding tax on amounts received or deemed received with respect to the option associated with the CPC.

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

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

- An individual who, for federal income tax purposes, is a citizen or resident of the United States.
- A corporation (or other business entity treated as a corporation for federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia.
- An estate whose income is subject to federal income tax, regardless of its source.
- A trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. Persons have the authority to control all substantial decisions of the trust.
- To the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as U.S. Persons prior to such date, that elect to be treated as U.S. Persons.

If a partnership (or other entity treated as a partnership for federal income tax purposes) holds Pass-Through Certificates, the treatment of a partner will generally depend upon the status of the particular partner and the activities of the partnership. If you are a partner in such a partnership, you should consult your own tax advisors.

FOREIGN ACCOUNT TAX COMPLIANCE ACT

Investors should be aware that under legislation and related administrative guidance (commonly known as “**FATCA**”), certain payments in respect of the Pass-Through Certificates after June 30, 2014 and payments of the gross proceeds from the sale or other disposition of such Pass-Through Certificates after December 31, 2018 received by a non-U.S. entity may be subject to withholding of U.S. federal income tax at a rate of 30% if such non-U.S. entity fails to take the required steps to provide certain information regarding its “United States accounts” or its direct or indirect “substantial U.S. owners.” The required steps and the information to be provided will depend on whether the non-U.S. entity is considered a “foreign financial institution” for this purpose, and if an intergovernmental agreement exists between the United States and an applicable foreign country that may modify the applicable requirements. Investors should consult their tax advisors regarding the potential application and impact of the FATCA withholding rules based on their particular circumstances, including the applicability of any intergovernmental agreement modifying these rules.

ERISA CONSIDERATIONS

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

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

Unless otherwise stated in the applicable supplement, the Pass-Through Certificates should qualify as "guaranteed governmental mortgage pool certificates."

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

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

In addition, because Freddie Mac (the "**Transaction Party**") or its affiliates may receive certain benefits in connection with the sale or holding of the Pass-Through Certificates, the purchase or holding of the Pass-Through Certificates using "plan assets" of any employee benefit plan over which any of the Transaction Party or its affiliates has discretionary authority or control, or renders "investment advice" (within the meaning of Section 3(21) of ERISA and/or Section 4975 of the Code and applicable regulations) for a fee (direct or indirect) with respect to the assets of a plan, or is the employer or other sponsor of a plan, might be deemed to be a violation of the prohibited transaction provisions of Part 4, Subtitle B, Title I of ERISA or Section 4975 of the Code (or could otherwise constitute a violation of fiduciary responsibilities under Title I of ERISA). Accordingly, the Pass-Through Certificates may not be purchased using the assets of any plan if the Transaction Party or any of its affiliates has discretionary authority or control or renders investment advice for a fee with respect to the assets of the plan, or is the employer or other sponsor of the plan, unless an applicable prohibited transaction exemption is available (all of the conditions of which are satisfied) to cover the purchase and holding of the Pass-Through Certificates or the transaction is not otherwise prohibited.

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

ACCOUNTING CONSIDERATIONS

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

LEGAL INVESTMENT CONSIDERATIONS

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

If you are subject to legal investment laws and regulations or to review by regulatory authorities, you may be subject to restrictions on investing in some types of Pass-Through Certificates or in Pass-Through Certificates generally. Institutions regulated by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, the Treasury or any other federal or state agency with similar authority should review applicable regulations, policy statements and guidelines before purchasing or pledging Pass-Through Certificates.

DISTRIBUTION ARRANGEMENTS

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

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

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

Certain Dealers may buy, sell and make a market in Pass-Through Certificates. The secondary market for Pass-Through Certificates may be limited. If a Dealer sells a Pass-Through Certificate, the

Dealer is required to confirm the sale, notify the purchaser of the settlement date, purchase price, concessions and fees and deliver a copy of this Offering Circular and the applicable supplement to the purchaser.

INCREASE IN SIZE

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

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INDEX OF TERMS

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

| | <u>Page</u> | | <u>Page</u> |
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| Accrual Period | | Legacy | |
| Adjustment Date | | LIBOR | |
| Administrator | | LTV | |
| Annual Interest Amount | | MACS | |
| Business Day | | MBS | |
| Call Classes | | MBS Mirror Certificate | |
| Call Fee | | Megas | |
| Call Payment | | Mirror Certificates Offering Circular | |
| Call Right | | Modifiable And Combinable Securities | |
| Callable Asset | | Modified Mortgages with Step Rate Increases | |
| Callable Classes | | Modified Step Rate MBS | |
| Callable Pass-Through Certificates | | Mortgages | |
| Certificates | | New MACS | |
| Class Factor | | Notional Class | |
| Code | | Offering Circular | |
| Commingled Pass-Through Certificates | | OID Regulations | |
| Conservator | | Old MACS | |
| CPCs | | Pass-Through Certificates | |
| CPR | | Pass-Through Class | |
| CSP | | Pass-Through Pools | |
| CUSIP Number | | Pass-Through Trust Agreement | |
| Dealer | | Payment Date | |
| Depositor | | Payment Delay | |
| Designated Page | | PO Classes | |
| DTC | | Pricing Speed | |
| DTC Participants | | Principal Only Classes | |
| DTC System | | PSA | |
| Eligible PCs | | Proposed UMBS Rule | |
| Enterprises | | Purchase Agreement | |
| ERISA | | Record Date | |
| Events of Default | | Redemption Date | |
| Exchange Act | | Redemption Price | |
| Exchange Date | | Reform Act | |
| Fannie Mae | | Registrar | |
| FATCA | | REMIC | |
| Fed Participants | | SCs | |
| Fed System | | SEC | |
| FHFA | | Service | |
| Final Call Payment | | SPCs | |
| Final Payment Date | | Step Rate Increases | |
| Fixed Rate Class | | Strip | |
| Floating Rate Class | | Stripped Certificates | |
| Freddie Mac | | Stripped Giant MBS | |
| Freddie Mac Act | | Stripped Interest Certificates | |
| Freddie Mac MBS | | Stripped Supers | |
| Giant MBS | | Structured Formula Class | |
| Giant MBS Mirror Certificate | | Structured Pass-Through Certificates | |
| Giant MBS Prefix | | Supers | |
| Giant PC | | Supers Prefix | |
| GIFC | | Supers UMBS Mirror Certificate | |
| Gold PCs | | TBA | |
| Guarantor | | Terms Supplement | |
| Holder | | Toggle Class | |
| ICE | | Transaction Party | |
| ICE Method | | Treasury | |
| Incorporated Documents | | Trustee | |
| IO Classes | | U.S. Person | |
| Initial Call Payment | | UMBS | |
| Interest Only Classes | | UMBS and MBS Offering Circular | |
| Inverse Floating Rate Class | | UMBS Mirror Certificate | |
| IP Classes | | WAC Class | |

EXCHANGE PROCEDURES FOR STRIPPED CERTIFICATES

Information About Securities Eligible for Exchange

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

Notice

- If you want to enter into an exchange involving Stripped Certificates (including MACS), you must notify Freddie Mac's Mortgage Funding and Investor Relations Department through a Dealer that belongs to Freddie Mac's REMIC dealer group. The Dealer must notify Freddie Mac by telephone (866-903-2767).
- The notice must be received at least one business day before the proposed exchange date, and must include:
 - The outstanding principal or notional principal amounts of the securities to be exchanged and received.
 - The proposed exchange date, which is subject to Freddie Mac's approval.
- Your notice becomes irrevocable on the business day before the proposed exchange date.

Exchange Fee

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

Payments Following an Exchange

- Freddie Mac will make the first payment on the securities issued in an exchange in either the first or second month after their issuance, as determined by their Payment Delay.
- Freddie Mac will make the last payment on the securities surrendered in an exchange in either the month of the exchange or the following month, as determined by their Payment Delay.

Limitations on Ability to Exchange Classes

- You must own the right classes in the right proportions in order to enter into an exchange. The principal amount of the securities received in an exchange must equal the principal amount of the securities exchanged, and interest must be payable on the securities received in the same amount as would have been payable on the securities exchanged.

- If you do not own the right classes, you may not be able to obtain them because:
 - The owner of a class that you need for an exchange may refuse or be unable to sell that class to you at a reasonable price or at any price.
 - Some classes may be unavailable because they have been placed into other financial structures, such as a REMIC.
 - Principal payments and prepayments over time will decrease the amounts available for exchange.

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EXAMPLES OF MACS EXCHANGES

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

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

- The aggregate outstanding principal amount of the New MACS (rounded to whole dollars) immediately after the exchange equals that of the Old MACS immediately before the exchange. In this calculation, the outstanding principal amount of the IO Class always equals \$0.
- The aggregate Annual Interest Amount of the New MACS (rounded to whole dollars) equals that of the Old MACS. The “**Annual Interest Amount**” for any class equals its outstanding principal or notional principal amount times its class coupon. If an exchange includes one or more Floating Rate or Inverse Floating Rate Classes, the Annual Interest Amount for the classes received and the classes surrendered must be equal at all levels of the applicable index.
- If Floating Rate and/or Inverse Floating Rate Classes are being exchanged for other Floating Rate and/or Inverse Floating Rate Classes, the Classes being surrendered are first exchanged for corresponding amounts of the IO and/or PO Classes.

Exchanges that include both Floating Rate or Inverse Floating Rate Classes and Fixed Rate or Principal Only Classes are permitted only from the 15th through the last day of a month. Exchanges involving only Fixed Rate and Principal Only Classes and exchanges involving only Floating Rate and Inverse Floating Rate Classes are permitted at any time.

The following examples illustrate some of the possible exchanges of Old MACS for New MACS involving Fixed Rate and PO Classes. Assume that your Old MACS have the following characteristics. Also assume that the class coupon of the underlying security (e.g., a Supers or a Giant MBS), and therefore that of the IO Class, is 8.5%.

Old MACS

| <u>Outstanding Principal Amount</u> | <u>Class</u> | <u>Class Coupon</u> | <u>Annual Interest Amount</u> |
|---|--------------|-------------------------|---------------------------------------|
| \$10,000,000 | 4.0 | 4.0% | \$ 400,000 |
| 10,000,000 | 8.0 | 8.0 | 800,000 |
| 10,000,000 | 18.0 | 18.0 | 1,800,000 |
| <u>\$30,000,000</u> | | | <u>\$3,000,000</u> |

New MACS

Example 1: You can receive New MACS consisting entirely of the 10.0 Class:

| <u>Outstanding Principal Amount</u> | <u>Class</u> | <u>Class Coupon</u> | <u>Annual Interest Amount</u> |
|---|--------------|-------------------------|---------------------------------------|
| <u>\$30,000,000</u> | 10.0 | 10.0% | <u>\$3,000,000</u> |

Example 2: You can receive New MACS consisting of the PO and IO Classes:

| <u>Outstanding Principal Amount</u> | <u>Class</u> | <u>Class Coupon</u> | <u>Annual Interest Amount</u> |
|---|--------------|-------------------------|---------------------------------------|
| \$30,000,000 | PO | 0.0% | \$ 0 |
| 35,294,118(notional) | IO | 8.5 | 3,000,000 |
| <u>\$30,000,000</u> | | | <u>\$3,000,000</u> |

Example 3: You can receive New MACS consisting of the 6.0, 9.0 and IO Classes:

| <u>Outstanding Principal Amount</u> | <u>Class</u> | <u>Class Coupon</u> | <u>Annual Interest Amount</u> |
|---|--------------|-------------------------|---------------------------------------|
| \$20,000,000 | 6.0 | 6.0% | \$1,200,000 |
| 10,000,000 | 9.0 | 9.0 | 900,000 |
| 10,588,236(notional) | IO | 8.5 | 900,000 |
| <u>\$30,000,000</u> | | | <u>\$3,000,000</u> |

Example 4: You can receive New MACS consisting of the PO, 6.0, 9.0, and 20.0 Classes:

| <u>Outstanding Principal Amount</u> | <u>Class</u> | <u>Class Coupon</u> | <u>Annual Interest Amount</u> |
|---|--------------|-------------------------|---------------------------------------|
| \$ 500,000 | PO | 0.0% | \$ 0 |
| 5,000,000 | 6.0 | 6.0 | 300,000 |
| 20,000,000 | 9.0 | 9.0 | 1,800,000 |
| 4,500,000 | 20.0 | 20.0 | 900,000 |
| <u>\$30,000,000</u> | | | <u>\$3,000,000</u> |

You also may exchange your Old MACS for an equivalent part of the underlying security (e.g., a Supers or a Giant MBS). Continuing with the above examples, you could exchange \$10,000,000 of the 4.0 Class, \$10,000,000 of the 8.0 Class and \$5,263,158 of the 18.0 Class for \$25,263,158 of the underlying security, and vice versa. Such exchanges may occur repeatedly.

Other possible exchanges of MACS may involve Floating Rate, Inverse Floating Rate and WAC Classes. The applicable supplement will describe MACS exchanges of this type and may include additional examples.

REDEMPTION AND EXCHANGE PROCEDURES FOR CPCs**Notice**

If you own a Call Class and want to call the related Callable Class on any permitted Payment Date (the “**Redemption Date**”), you must notify Freddie Mac at least five business days before the related Record Date.

- You must notify Freddie Mac through a Dealer that belongs to Freddie Mac’s REMIC dealer group. The Dealer must notify Freddie Mac by telephone (866-903-2767), followed by written confirmation on the same day in a form specified by Freddie Mac.

Related Fees and Payments

- The “**Initial Call Payment**” will equal 5% of the principal amount of the Callable Class being redeemed, based on its Class Factor for the month preceding the Redemption Date.
- The “**Final Call Payment**” will equal 95% of the principal amount of the Callable Class being redeemed, based on its Class Factor for the month preceding the Redemption Date.
- The “**Call Payment**” will equal the Initial Call Payment plus the Final Call Payment.
- The “**Redemption Price**” of a Callable Class will equal:
 1. 100% of the outstanding principal amount of the Callable Class, based on its Class Factor for the month preceding the Redemption Date, plus
 2. accrued interest at its class coupon for the related Accrual Period on its outstanding principal amount
- The “**Call Fee**” equals $\frac{1}{32}$ of 1% of the outstanding principal amount of the Callable Class being redeemed (but not less than \$10,000).

Deposit of Initial Call Payment; Pledge

- You must deposit the Initial Call Payment with Freddie Mac at the time that you notify Freddie Mac that you want to redeem the Callable Class.
- At the same time, you must pledge all of your interest in the underlying security (e.g., a Supers or a Giant MBS) to Freddie Mac as security for your obligation to pay the Final Call Payment and Call Fee. You must sign a pledge agreement prepared by Freddie Mac for this purpose.

Effect of Notice

- Your notice of redemption and your pledge will become irrevocable when you deposit the Initial Call Payment.
- By the Record Date relating to the Redemption Date, Freddie Mac will post a notice on either the Fed or DTCC System stating that the Callable Class will be redeemed.
- In the month of redemption, Freddie Mac will reduce the Class Factors of both the Callable Class and the Call Class to zero to reflect the redemption that will occur in that month.

Exchange of Callable Asset

- On the first Business Day of the month of redemption (the “**Exchange Date**”), Freddie Mac will transfer the related Callable Asset to you in exchange for:
 - The Call Class.
 - The Call Fee.
 - The Final Call Payment.
- Freddie Mac will give you instructions for delivery of the Call Class, Call Fee and Final Call Payment.
- Principal and interest on the Callable Asset received in the exchange will first become payable to you in the month following the exchange.

Redemption of Callable Class

- On the Redemption Date, Freddie Mac will redeem the Callable Class by paying its Holders, on a pro rata basis, the Redemption Price.
- Freddie Mac will not make any other payment on the Callable Class.
- Once redeemed, a Callable Class and its related Call Class will not be reissued.

Payment to Call Class Holder

On the Redemption Date, Freddie Mac will pay to you the excess of (a) the Call Payment plus payments received on the underlying Callable Asset in the month of redemption over (b) the Redemption Price.

Defaulting Call Class Holder

If you fail to deliver the Call Class, Final Call Payment and Call Fee on the Exchange Date, then:

- On the next Business Day, Freddie Mac will liquidate the related security (e.g., a Supers or a Giant MBS), in accordance with your pledge, in a commercially reasonable manner.
- Freddie Mac will apply the net proceeds of the liquidation and the Initial Call Payment, as necessary, to redeem the Callable Class.
- Freddie Mac will charge you a liquidation fee in an amount equal 1% of the Call Payment.
- On the Redemption Date, Freddie Mac will pay to you the excess, if any, of:
 1. the Initial Call Payment, plus
 2. payments received on the underlying Callable Asset in the month of redemption, plus
 3. net proceeds to Freddie Mac from the liquidation of the security

over

 1. the Redemption Price for the related Callable Class, plus
 2. the liquidation fee.
- You will have no further right to or interest in the Call Class or the related Callable Asset.

Limitations

Freddie Mac will permit the redemption of a Callable Class only if the underlying security has at least the market value specified in the related supplement.

- Freddie Mac will determine market value upon request of the Dealer providing the redemption notice. The Dealer must make the request at the same time as it gives the redemption notice by telephone.
- Freddie Mac will determine the market value based on bid quotations available at the time of the request.
- Freddie Mac's determination of the market value will be final and binding.

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FREQUENTLY USED SUPERS AND GIANT MBS PREFIXES

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EXAMPLE SUPERS POOL SUPPLEMENT

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TERMS USED IN POOL SUPPLEMENTS

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