

Federal Home Loan Mortgage Corporation

**Freddie
Mac**

Federal
Home Loan
Mortgage
Corporation

Owned by America's
Savings Institutions

Mortgage Participation Certificates

(Guaranteed)

Mortgage Participation Certificates ("PCs") represent undivided interests in specified fixed rate, first lien, conventional, residential mortgages or participations therein ("Mortgages") purchased by the Federal Home Loan Mortgage Corporation ("Freddie Mac"). Freddie Mac guarantees the timely payment of interest at the applicable PC interest rate (the "PC Coupon") on the unpaid principal balance of the related Mortgages calculated as described herein and the ultimate collection of principal of the Mortgages.

Freddie Mac offers PCs under its Cash Program and Home Mortgage Guarantor Program ("Guarantor Program"). Under Freddie Mac's Cash Program, Freddie Mac purchases Mortgages for cash, forms pools of such Mortgages and sells PCs representing undivided interests in such Mortgages on a continuous basis ("Cash PCs"). Under Freddie Mac's Guarantor Program, Freddie Mac purchases Mortgages from a single seller in exchange for PCs representing undivided interests in the same Mortgages ("Guarantor PCs"). Mortgage pools formed under these programs are likely to differ in significant respects from each other and from PCs sold by Freddie Mac under other programs. See "Cash Program" and "Guarantor Program" for a more detailed description of the differences between PC pools formed under the Cash and Guarantor Programs.

PCs sold by Freddie Mac on and after January 2, 1985 are sold in book-entry form only. See "Book-Entry Ownership and Transfer."

This Offering Circular applies to sales by Freddie Mac of Cash PCs and Guarantor PCs. Freddie Mac furnishes to purchasers of Guarantor PCs from Freddie Mac an Offering Circular supplement which provides, as of the date of PC pool formation, the weighted average remaining term to maturity and weighted average coupon rate of the Mortgages, the state location of the real property securing the Mortgages and the number of Mortgages. If an original purchaser of Guarantor PCs sells or offers such PCs for sale, such seller is required to furnish to prospective purchasers the applicable Offering Circular supplement.

This Offering Circular should be read in conjunction with any applicable Offering Circular supplement, Freddie Mac's current Information Statement and any supplement thereto. See "Availability of Information and Incorporation by Reference."

PCs are not guaranteed by the United States or by any Federal Home Loan Bank and do not constitute debts or obligations of the United States or any Federal Home Loan Bank. Income from the PCs has no exemption under federal law from federal, state or local taxation.

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

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No dealer, salesman or other person has been authorized by Freddie Mac to give any information or to make any representations on behalf of Freddie Mac other than those contained in this Offering Circular, Freddie Mac's current Information Statement, any subsequent information statement or any supplement to any of the foregoing prepared by Freddie Mac for use in connection with the offer made by this Offering Circular and, if given or made, such information or representations must not be relied upon as having been authorized by Freddie Mac. Neither the delivery of this Offering Circular nor any sale of PCs made hereunder shall under any circumstances create an implication that the information provided herein is correct at any time subsequent to the date hereof. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the securities offered hereby or an offer to sell or solicitation of an offer to buy such securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

OFFERING CIRCULAR SUMMARY

The following summary information relating to PCs is qualified in its entirety by the detailed information appearing elsewhere herein.

PCs PCs represent undivided interests in specified Mortgages purchased by Freddie Mac and placed in a discrete pool ("PC Pool") bearing a unique PC Pool number.

The Mortgages The Mortgages are fixed rate, first lien, fully amortizing, conventional, residential mortgages or participation interests therein. See "The Mortgages."

PC Pools and Identifying

Prefixes The first two digits ("Prefix") of each PC Pool number indicate the type of mortgages in that PC Pool.

<u>Prefix</u>	<u>Program</u>
16, 17.....	30-Year Cash PC Pools are comprised of 1-4 family ("Home") and 5 or more unit ("Multifamily") Mortgages with Original Maturities (as defined below) of not more than 30 years. Five percent or less of the PC Pools may consist of Multifamily Mortgages. Not more than 2.5% of the PC Pools may be flexible payment Mortgages. These PC Pools contain at least 500 Mortgages and have original unpaid principal balances of at least \$50 million.
18, 25.....	30-Year Guarantor PC Pools are comprised of Home Mortgages purchased from one seller which have Original Maturities of not more than 30 years. Not more than 2.5% of the PC Pools may be flexible payment Mortgages. These PC Pools have original unpaid principal balances of at least \$1 million.
20.....	15-Year Cash PC Pools are comprised of Home Mortgages with Original Maturities of not more than 15 years. These PC Pools contain at least 500 Mortgages and have original unpaid principal balances of at least \$50 million.
21.....	15-Year Guarantor PC Pools are comprised of Home Mortgages purchased from one seller which have Original Maturities of not more than 15 years. These PC Pools have original unpaid principal balances of at least \$1 million.

Interest..... Passed through monthly at the applicable PC Coupon on the holder's pro rata share of the unpaid principal balance of the related Mortgages as calculated by the Pool Factor (as defined below). See "Interest and Principal Payments."

Principal..... Passed through pro rata monthly as collected. All principal payments and determinations of the unpaid principal balance of the Mortgages are calculated under the Pool Factor method. See "Pool Factors" and "Interest and Principal Payments."

Guarantees..... Freddie Mac unconditionally guarantees to each PC holder the timely payment of interest at the applicable PC Coupon on the holder's pro rata share of the unpaid principal balance of the related Mortgages. Freddie Mac also unconditionally guarantees to each PC holder ultimate collection of all principal on the Mortgages, pro rata, without offset or deduction. See "Guarantees."

Payments..... Credited on or about the 15th day of each month by the Federal Reserve Bank of New York in accordance with a holder's instructions. As used in this Offering Circular, a "holder" is the person whose name appears on the books and records of the Federal Reserve Bank of New York as the person for whose account PCs have been deposited.

Final Payment Date For Cash PCs, the first of the month 30 years or 15 years from the month of settlement of the initial 30-Year PC or 15-Year PC sale. For Guarantor PCs, the first of the month and year on which the last payment on the latest maturing Mortgage in the PC Pool is scheduled to be paid by the mortgagor. PC holders may receive payments after the Final Payment Date. See "Final Payment Date."

Book-Entry Ownership and Denominations PCs are sold, maintained and transferred only on the book-entry system of the Federal Reserve Bank of New York in a minimum denomination of \$25,000 and in additional increments of one dollar. The denomination represents the holder's pro rata share of the original unpaid principal balance of the Mortgages as of PC Pool formation. See "Book-Entry Ownership and Transfer."

Yield and Price Information Daily yield and price information is available from Freddie Mac (outside Washington, D.C. metropolitan area, telephone 800/424-5401; within Washington, D.C. metropolitan area, telephone 202/789-4800).

Secondary Market Certain securities dealers and Freddie Mac make a market in PCs. See "Secondary Market."

Legality of Investment PCs described herein:

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

In addition, any person, trust or business entity created pursuant to or existing under the laws of the United States or any state is authorized to purchase, hold and invest in PCs to the same extent that the investor is authorized to purchase, hold or invest in obligations issued or guaranteed as to principal and interest by the United States. See "Legality of Investment."

Tax Status Income from the PCs has no exemption under federal law from federal, state or local taxation. PCs constitute "loans secured by an interest in real property" within the meaning of Section 7701(a)(19)(C)(v) of the Internal Revenue Code for purposes of determining whether an institution qualifies as a "domestic building and loan association." PCs also constitute "qualifying real property loans" within the meaning of Section 593(d) of the Internal Revenue Code with respect to certain thrift institutions. See "Tax Status."

FEDERAL HOME LOAN MORTGAGE CORPORATION

Freddie Mac is a corporate instrumentality of the United States created pursuant to the Federal Home Loan Mortgage Corporation Act (Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§ 1451-1459, the "Freddie Mac Act"). The principal activity of Freddie Mac consists of the purchase of first lien, conventional, residential mortgage loans and participation interests in such mortgage loans from mortgage lending institutions and the resale of the whole loans and participations so purchased in the form of guaranteed mortgage securities. To minimize interest rate risk, Freddie Mac generally matches its purchases of mortgages and sales of guaranteed mortgage securities. Mortgages retained by Freddie Mac are financed with debt and equity capital.

AVAILABILITY OF INFORMATION AND INCORPORATION BY REFERENCE

Freddie Mac has prepared an Information Statement dated April 12, 1984 (the "Information Statement") which describes Freddie Mac, its business, operations and financial condition. The Information Statement contains Freddie Mac's audited financial statements as of December 31, 1982 and December 31, 1983. Freddie Mac has prepared an Information Statement supplement dated November 7, 1984 ("Information Statement Supplement") which includes certain unaudited nine-month financial data as of September 30, 1983 and September 30, 1984. The Information Statement, Information Statement Supplement, any subsequent information statement and any subsequent information statement supplement are incorporated by reference into this Offering Circular and made a part hereof.

The Information Statement, the Information Statement Supplement, any subsequent information statement, any supplement to any of the foregoing and any quarterly report prepared and made available by Freddie Mac can be obtained by writing or calling the office of the Senior Vice President—Corporate Finance and Treasurer at Freddie Mac at P.O. Box 37248, 1776 G Street, N.W., Washington, D.C. 20013-7248 (202/789-4787).

APPLICATION OF PROCEEDS

The proceeds received by Freddie Mac from the sale of the PCs described herein, including commitment fees and management and guarantee income, will provide funds for Freddie Mac to engage in activities consistent with its statutory purposes, including the purchase of additional mortgages and interests in mortgages, repayment of borrowings and satisfaction of working capital needs.

DESCRIPTION OF MORTGAGE PARTICIPATION CERTIFICATES

PCs represent undivided interests in the Mortgages which comprise the PC Pools. PCs are sold under the terms of the Mortgage Participation Certificate Agreement, Series 700 (January 1985) (the "PC Agreement") included in this Offering Circular as Exhibit A, which qualifies this summary in its entirety. PC holders should refer to the PC Agreement for a complete description of the holders' and Freddie Mac's rights and obligations with respect to PCs.

PCs are sold in book-entry form only and must remain on deposit with the Federal Reserve Bank of New York in accordance with the provisions of Title 1, Part 462 of the Code of Federal Regulations.

PCs are sold in a minimum denomination of \$25,000 and in additional increments of one dollar. The denomination of a PC represents the holder's pro rata share of the original unpaid principal balance of the Mortgages as of the date of formation of the PC Pool.

The Mortgages

The Mortgages are conventional mortgages and therefore do not have the benefit of any guarantee or insurance by the United States or any agency or instrumentality of the United States (other than the Freddie Mac guarantees described herein).

Freddie Mac purchases whole Mortgages (“whole loans”) and participation interests in Mortgages (“participations”). The participations vary from a minimum of 50% to a maximum of 95% on Home Mortgages and from a minimum of 50% to a maximum of 85% on Multifamily Mortgages.

The Mortgages provide for level payments of principal and interest with principal payments based on an amortization schedule which results in payment of the original principal balance of the Mortgage in full over the term of the Mortgage, except as specifically described below. See “Cash Program—30-Year Cash PCs” and “Guarantor Program—30-Year Guarantor PCs.”

The general characteristics of the Mortgages are summarized below. The requirements generally applicable to mortgages acceptable for purchase by Freddie Mac are described in Freddie Mac’s Purchase Documents, including the Sellers’ & Servicers’ Guide and program announcements, which qualify this summary in its entirety. Copies may be obtained from Freddie Mac upon payment of the prescribed fee.

Credit, Appraisal and Underwriting Guidelines

The Freddie Mac Act requires Freddie Mac to purchase only such mortgages as Freddie Mac deems to be of such quality and type as to meet generally the purchase standards imposed by private institutional mortgage investors.

The Mortgages conform to the credit, appraisal and underwriting guidelines established by Freddie Mac. These guidelines are designed primarily to evaluate the value of the real property securing the Mortgage and the creditworthiness of the mortgagor. Freddie Mac’s administration of its credit, appraisal and underwriting guidelines, including the required documentation and the extent of pre- and post-purchase audits of documentation provided by the seller, may differ based on Freddie Mac’s evaluation of and experience with the seller of the Mortgages, the loan-to-value ratio and age of the Mortgages and other factors. Any of Freddie Mac’s credit, appraisal and underwriting guidelines and procedures are subject to change at any time and at Freddie Mac’s sole discretion so long as the guidelines and procedures as modified continue to be prudent.

Mortgages on investment properties or second homes are underwritten in accordance with guidelines established specifically for investment properties or second homes. A second home must be suitable for year-round occupancy as a primary residence, and no income derived from the property will be considered for underwriting purposes. An investment property must be leased as a year-round residence.

Loan-to-Value Ratio

Under the Freddie Mac Act, Freddie Mac may not purchase a conventional Home Mortgage if the outstanding principal balance at the time of origination exceeds 80% of the value of the real property securing the mortgage unless one of the following conditions is met: (1) the seller retains a participation interest in the mortgage of not less than 10% of the mortgage; (2) the seller agrees, for such period and under such circumstances as Freddie Mac may prescribe, to repurchase or replace the mortgage upon demand by Freddie Mac in the event that the mortgage is in default; or (3) the portion of the unpaid principal balance of the mortgage which is in excess of 80% of such value is insured by a qualified mortgage insurer as determined by Freddie Mac.

Currently Freddie Mac does not purchase a Mortgage on the primary residence of a mortgagor where the Mortgage has an original loan-to-value ratio exceeding 95% of the lower of the appraised value at origination or the purchase price of the real property securing the Mortgage for a one- or two-family dwelling or 90% for a three- or four-family dwelling. Freddie Mac does not purchase an owner-occupied Home Mortgage which refinances a mortgagor’s existing mortgage if the loan-to-value ratio exceeds 90% of the newly-appraised value of the property. The maximum loan-to-value ratio for a second home or investment property is 90%. Freddie Mac does not purchase a mortgage which refinances a mortgage secured by an investment property or second home. Freddie Mac does not purchase a Multifamily Mortgage having a loan-to-value ratio in excess of 80% of the appraised value of the property at the time of origination.

Mortgage Insurance

Freddie Mac generally purchases a Home Mortgage with a loan-to-value ratio exceeding 80% only if the unpaid principal balance in excess of 75% of the value of the property at the date of origination is

insured by a mortgage insurer that meets Freddie Mac's eligibility requirements. Under conditions specified by Freddie Mac, mortgage insurance may not be required on such a Mortgage if the seller agrees to repurchase the Mortgage in the event of default. If a seller retains a participation interest in a Mortgage, Freddie Mac requires mortgage insurance based on the amount of Freddie Mac's participation interest. Freddie Mac will purchase a purchase-money Home Mortgage secured by a second home or by an investment property with a loan-to-value ratio exceeding 80% only if the unpaid principal balance of the loan in excess of 65% of the value of the property at the date of origination is insured by an eligible mortgage insurer.

Mortgage Size

The Freddie Mac Act establishes limitations on the maximum original mortgage amount of any conventional mortgage which may be purchased by Freddie Mac. Currently, the original mortgage amount may not exceed \$115,300 for a one-family dwelling, \$147,500 for a two-family dwelling, \$178,200 for a three-family dwelling and \$221,500 for a four-family dwelling. The amounts applicable to properties located in Alaska, Guam, and Hawaii may be increased by 50%. Freddie Mac's present limitations on the original mortgage amounts of Multifamily Mortgages range from \$24,375 to \$54,697 per unit (depending primarily on the number of bedrooms) except if the property is located in an area determined by the Secretary of the United States Department of Housing and Urban Development to be a high cost area, in which case the range per unit is \$46,800 to \$105,019. Currently Freddie Mac does not purchase a Multifamily Mortgage having an original mortgage amount exceeding \$7,500,000 for inclusion in any PC Pool described herein.

Properties

Home Mortgages may be secured by any combination of detached and semi-detached dwellings, town houses, condominium units, dwellings in a planned unit development and on-site or factory-built units which are treated as real property under state law. The Home Mortgages may be secured by properties which are not occupied by mortgagors as primary residences, such as investment properties or second homes. Multifamily Mortgages may be secured by high- or low-rise buildings, garden apartments, townhouse apartments or any other dwellings designed principally for residential use, including dwellings owned by cooperative corporations or associations.

Special Financing Arrangements

Under conditions specified in the Sellers' & Servicers' Guide, Freddie Mac may purchase Mortgages secured by properties as to which the mortgagors have obtained secondary or special financing arrangements. These arrangements may include junior and subordinated lien mortgages. Any junior mortgages may contain features such as the absence of regular amortization of principal and deferred interest and/or principal payments. Freddie Mac may also purchase a Mortgage securing a loan on property on which the mortgagor has placed a subordinate lien for an amount which includes the unpaid principal balance of the first lien where the holder of the subordinate lien may repay the first lien if market interest rates decline or at any other time.

Under certain conditions, Freddie Mac permits special payment arrangements, sometimes referred to as "buydown" arrangements, in which funds are placed in an account by a third party or the borrower and are used to pay a portion of the monthly payment on the mortgage for a specified period.

Freddie Mac also purchases Mortgages as to which an individual third party makes contributions to the down payment on the purchase of the property by the home purchaser-occupant and shares in the equity in the property. The third party may also contribute to the purchaser-occupant's monthly payments. Any agreement for sharing of equity cannot require sale of the property or buyout of the third party's interest prior to seven years following mortgage origination.

Variations

Consistent with the standards imposed by the Freddie Mac Act, Freddie Mac's mortgage purchase programs have differed and may differ with regard to such matters as the percentage of the unpaid principal balance of the Mortgages retained by sellers (in participation purchase programs), loan-to-value

ratios and maximum unpaid principal amounts for individual Mortgages, required documentation, payment of interest in advance or in arrears, owner-occupancy and primary residence requirements and the particular requirements of Freddie Mac's credit, appraisal and underwriting guidelines. Freddie Mac believes that these variations have had and will have no material impact upon the quality of the Mortgages purchased in the various programs.

Cash Program

Freddie Mac forms PC Pools from the Mortgages which it holds pending sale. The PC Pools formed under the Cash Program have original unpaid principal balances of at least \$50 million and normally consist of at least 500 Mortgages.

Freddie Mac purchases groups of whole loans from sellers at specified percentages of their unpaid principal balances, adjusted for accrued or prepaid interest, which, when applied to the interest rate of the whole loans purchased (after deduction of a minimum servicing fee), results in the yield (expressed as a percentage) required by Freddie Mac. No whole loan is purchased at greater than 100% of the outstanding unpaid principal balance.

Freddie Mac purchases groups of participations at their face amount (par) and at a required yield. To the extent that the interest rate on a Mortgage sold to Freddie Mac on a participation basis exceeds the yield required by Freddie Mac, the seller retains the excess interest as its servicing compensation. To the extent that the interest rate is less than the required yield, the seller makes up the difference from interest payments attributable to its retained participation interest in the Mortgage. There is no minimum servicing fee for participations. Freddie Mac will not purchase participations which would require more than 100% of the interest income from the seller's retained interest to be paid to Freddie Mac.

The range of interest rates on the Mortgages in a PC Pool will vary. The yield required by Freddie Mac on whole loans and participations included in the Mortgages will be equal to or greater than the interest payable to PC holders at the PC Coupon, with any difference retained by Freddie Mac as its management and guarantee fee.

Any Home Mortgage originated after January 1, 1976 must have been originated on a FNMA/FHLMC 1-4 Family Uniform Instrument. Any Multifamily Mortgage originated after October 1, 1977 must have been originated on a FNMA/FHLMC Multifamily Uniform Instrument. Accordingly, Freddie Mac expects that generally the mortgages will be on uniform documents. See "Mortgage Servicing—Assumption and Due-on-Sale Policies."

Historically, Freddie Mac has purchased Mortgages under its Cash Program in heavier volumes from areas of the United States which are mortgage capital deficit areas. Accordingly, the Mortgages in particular PC Pools may be geographically concentrated. The extent to which Freddie Mac purchases Mortgages in any particular capital deficit area is affected by the size of the deficit in that area, the extent to which mortgage originators in the area determine to rely on secondary mortgage market financing and their choice of sources of that financing, and the yields at which particular mortgage originators offer to sell Mortgages to Freddie Mac as compared to other yields offered to Freddie Mac. The areas of geographic concentration and the extent of that concentration may change as national or regional economic developments cause changes in areas of capital deficit and surplus.

30-Year Cash PCs. PC Pools having the Prefix 16 or 17 contain Home Mortgages with original maturities of not more than 30 years. The original maturity ("Original Maturity") of a Mortgage is calculated from the date of the first principal and interest payment on such Mortgage. If a Mortgage has been modified or refinanced prior to delivery to Freddie Mac with respect to the term, interest rate, principal and interest payment or principal amount, the Original Maturity is calculated from the date of the first principal and interest payment on the modified Mortgage. Five percent or less of the original unpaid principal balance of the PC Pool may be Multifamily Mortgages. The Mortgages may also include flexible payment Home Mortgages in which amortization of principal may not be required for up to the first five years. Not more than 2.5% of the original unpaid principal balance of the Mortgages in these PC Pools may be flexible payment Mortgages which have not yet begun to pay the principal balance. The

Home and Multifamily Mortgages included may or may not contain due-on-sale clauses permitting automatic acceleration. See “Mortgage Servicing—Assumption and Due-on-Sale Policies.”

15-Year Cash PCs. PC Pools having the Prefix 20 contain Home Mortgages with Original Maturities of not more than 15 years originated after October 15, 1982. The Home Mortgages include due-on-sale clauses permitting automatic acceleration and are not subject to state laws prohibiting automatic acceleration. See “Mortgage Servicing—Assumption and Due-on-Sale Policies.”

Guarantor Program

Under the Guarantor Program, Freddie Mac purchases Mortgages from a single seller in exchange for PCs representing interests in such Mortgages. The original unpaid principal balance of and the number of Mortgages in a PC Pool formed under the Guarantor Program are dependent on the minimum dollar amount a seller may offer for sale to Freddie Mac as well as the dollar amount and number of Mortgages accepted for purchase by Freddie Mac. Freddie Mac’s minimum purchase amount and minimum original PC Pool balance are \$1 million. The minimum purchase and original PC Pool balance are subject to change from time to time.

The original unpaid principal balance of a PC Pool is equal to the unpaid principal balance of the related Mortgages as of the date of their delivery to Freddie Mac rounded down to the nearest dollar. Principal payments on the Mortgages made during the period between delivery and settlement are reflected in the Pool Factor of the related PC Pool for the month following the month of initial sale and are paid to the PC holder accordingly.

Both whole loans and participations are purchased at par and at a required yield to Freddie Mac. The PC Coupon is fixed by reference to the lowest interest rate on any Mortgage in the PC Pool. The range between the lowest and highest interest rates on the Mortgages in a PC Pool may not exceed 2.00%. The PC Coupon will always be lower than the lowest interest rate on any Mortgage in the PC Pool. The difference between the interest rate on a Mortgage and Freddie Mac’s required yield is retained by the servicer as its servicing fee, and the difference between Freddie Mac’s required yield and the PC Coupon is retained by Freddie Mac as its management and guarantee fee.

Freddie Mac may also purchase Mortgages from a seller or group of sellers participating in programs to assist in the relocation of employees (“relocation” mortgages). Such Mortgages could be any combination of: (1) Mortgages of transferred employees of a corporation at their new locations, including the refinancing of mortgages previously made to such employees, and (2) Mortgages of purchasers of the former residences of the transferred corporate employees. Such Mortgages would generally be originated or refinanced no more than two years prior to their purchase by Freddie Mac at interest rates below current market rates. These PC Pools may be composed of a large number of Mortgages made to employees of one or a small number of employers. The seller of such Mortgages to Freddie Mac may not be the originator or the servicer of the Mortgages. PC Pools formed under relocation programs will be identified on the list of Pool Factors. See “Pool Factors.”

Freddie Mac prepares an Offering Circular supplement which contains the following information regarding the Mortgages as of the date of formation of the PC Pool: (1) the weighted average remaining term to maturity, (2) the weighted average coupon rate, (3) the state location of the real property securing the Mortgages, and (4) the number of Mortgages. Principal payments on the Mortgages made subsequent to the date of PC Pool formation may result in changes in these characteristics of the PC Pool.

30-Year Guarantor PCs. PC Pools having the Prefix 18 or 25 contain Home Mortgages with Original Maturities of not more than 30 years. Any Home Mortgages on which interest, taxes, hazard insurance premiums and/or late charges have been capitalized will amortize in full within 30 years from the date of delivery to Freddie Mac. The Mortgages may also include flexible payment Home Mortgages in which amortization of principal may not be required for up to the first five years. Not more than 2.5% of the original unpaid principal balance of the Mortgages in these PC Pools may be flexible payment Mortgages which have not yet begun to pay the principal balance. The Mortgages originated two or more years prior to delivery to Freddie Mac may or may not contain due-on-sale clauses permitting automatic acceleration

and may be subject to state laws prohibiting automatic acceleration. Mortgages originated less than two years prior to delivery to Freddie Mac include due-on-sale clauses permitting automatic acceleration and are not subject to state laws prohibiting automatic acceleration. See "Mortgage Servicing—Assumption and Due-on-Sale Policies."

15-Year Guarantor PCs. PC Pools having the Prefix 21 contain Home Mortgages with Original Maturities of not more than 15 years originated after October 15, 1982. The Mortgages include due-on-sale clauses permitting automatic acceleration and are not subject to state laws prohibiting automatic acceleration. See "Mortgage Servicing—Assumption and Due-on-Sale Policies."

Eligible Sellers and Documentation

Substantially all of the Mortgages are purchased from financial institutions the deposits or accounts of which are insured by the Federal Savings and Loan Insurance Corporation ("FSLIC") or the Federal Deposit Insurance Corporation ("FDIC") or from mortgage bankers approved for participation in any mortgage insurance program under the National Housing Act. All FSLIC-insured institutions are eligible sellers. In the case of other sellers, such as FDIC-insured financial institutions and mortgage bankers, Freddie Mac approves the institution on an individual basis after consideration of factors such as financial condition, facilities and mortgage origination and servicing experience. The seller of a Mortgage to Freddie Mac need not be the originator of that Mortgage.

Sellers are required to give certain warranties to Freddie Mac. These warranties cover such matters as the validity of the Mortgage as a first lien; the fact that mortgage payments are current at the time of delivery to Freddie Mac; proper execution and recordation of the Mortgage; compliance by the originator with the requirements of all state and federal laws, including those relating to settlement procedures, authorization to do business in the state in which the mortgaged property is located, licensing, truth-in-lending and usury; and existence and validity of title, hazard and private mortgage insurance policies. Sellers also warrant that each Mortgage complies with the requirements of the applicable Freddie Mac purchase program and with such requirements as are generally imposed by private institutional mortgage investors in the area in which the mortgaged property is located. Under certain circumstances Freddie Mac may modify the warranties required to be made by a seller.

In the case of Home and Multifamily Mortgage whole loans and Multifamily Mortgage participations, the mortgage notes are endorsed to and held by Freddie Mac. Where local law or practice requires, assignments of the whole loan mortgages are recorded in Freddie Mac's name. In the case of Home Mortgage participations, Freddie Mac holds participation certificates which evidence Freddie Mac's ownership interest, but the originator or seller holds the mortgage notes, the mortgages are recorded in the originator's or seller's name and no assignment is made or recorded in Freddie Mac's name.

Mortgage Servicing

Sellers agree, subject to Freddie Mac's general supervision, to perform diligently all services and duties customary to the servicing of mortgages. Sellers must retain a minimum servicing fee on whole loans. Sellers are not required to retain a servicing fee on participations. The seller's servicing duties include collection and payment of principal and interest, administration of escrow accounts, collection of insurance claims and, if necessary, foreclosure. Subject to Freddie Mac's approval, sellers may contract to have servicing performed by other servicers acceptable to Freddie Mac.

Freddie Mac requires servicing of its Mortgages in a manner consistent with prudent servicing standards. Freddie Mac monitors servicers' performance through periodic and special reports according to detailed servicing policies and procedures for efficient and uniform servicing of Mortgages. Any of Freddie Mac's servicing policies and procedures are subject to change or waiver at any time and at Freddie Mac's sole discretion so long as the policies and procedures as modified continue to be prudent. Such changes or waivers may be made on a uniform basis, such as by amendment of Freddie Mac's Sellers' & Servicers' Guide, or on an individual basis in connection with the servicing of a particular Mortgage.

Set forth below is a brief description of certain aspects of Freddie Mac's current servicing policies and procedures concerning prepayments, assumption and due-on-sale policies, fees, delinquencies and

foreclosures. This description is not intended to be complete and is qualified in its entirety by the applicable provisions of Freddie Mac's Sellers' & Servicers' Guide. Further, in view of the highly individualized nature of many servicing situations, informal adaptation, including waiver in whole or in part, of the requirements in the Sellers' & Servicers' Guide to fit particular situations can be expected to occur with some frequency. Freddie Mac will, however, require servicers to service the Mortgages in substantially the same manner as for mortgages purchased by Freddie Mac but not sold.

Prepayments

A full prepayment of principal on a Mortgage may occur upon a transfer of the real property securing the Mortgage or a refinancing of the Mortgage. A mortgagor may prepay a Mortgage in full at any time subject to the payment of any applicable prepayment charge. See "Fees."

A servicer may permit a mortgagor who has made a partial prepayment of principal to reduce subsequent scheduled monthly payments of principal and interest, provided that payment on the Mortgage is current and that the reduction will not result in an extension of the term or a change in the interest rate.

Assumption and Due-on-Sale Policies

A "due-on-sale clause" is a provision in a security instrument which permits acceleration of the unpaid balance upon transfer of the property or an interest therein. To the extent permitted under the security instrument and state and federal law as described below, Freddie Mac requires its servicers to enforce due-on-sale clauses and to demand full payment of the remaining principal balance of a promissory note upon the sale or transfer of the property securing the note, irrespective of the creditworthiness of the transferee (referred to herein as a policy of "automatic acceleration").

The FNMA/FHLMC 1-4 Family Uniform Instruments permit automatic acceleration. The FNMA/FHLMC Multifamily Uniform Instruments do not; however, any Multifamily Mortgage originated after July 1, 1983 must include a FHLMC Multifamily Due-on-Transfer Rider which provides for a right of automatic acceleration substantially equivalent to that conferred by the due-on-sale clause in the FNMA/FHLMC 1-4 Family Uniform Instruments. Any Multifamily Mortgage which is originated on Uniform Instruments but which does not include a Due-on-Transfer Rider may be assumed subject to Freddie Mac's requirements concerning the creditworthiness of the assumptor. Any Home or Multifamily Mortgage originated on non-uniform instruments may or may not permit automatic acceleration depending on its terms.

The Garn—St Germain Depository Institutions Act of 1982 (the "DIA") provides for federal preemption of state laws and judicial decisions which restrict the exercise of due-on-sale clauses. Except as described below, under the DIA, as implemented by regulations adopted by the Federal Home Loan Bank Board, Freddie Mac is permitted to require automatic acceleration subject to certain specified transactions excluded by the DIA with respect to owner-occupied homes.

Under the DIA any mortgage originated by a lender other than a federal savings and loan association or a federal savings bank or any such mortgage assumed during the period beginning on the date a state adopted (whether by statute, constitutional provision or specified judicial decision) a restriction on the enforcement of due-on-sale clauses and ending on October 15, 1982 ("window period" mortgages) would remain subject to any applicable state law restriction until October 15, 1985. However, prior to that date: (1) the state may enact legislation applicable to the enforcement of the due-on-sale clauses in window period mortgages originated by lenders other than national banks, federal savings and loan associations, federal savings banks and federal credit unions (Arizona has enacted legislation extending the October 15, 1985 date to October 15, 1987); and (2) the Comptroller of the Currency and the National Credit Union Administration may promulgate regulations applicable to enforcement of due-on-sale clauses in window period mortgages originated by national banks and federal credit unions. The National Credit Union Administration and the Comptroller of the Currency have adopted regulations allowing federal credit unions and national banks, respectively, to require automatic acceleration of window period mortgages. Freddie Mac requires automatic acceleration in accordance with such regulations.

Freddie Mac has identified those states in which it believes window period mortgages exist and the period during which a window period mortgage could have been originated or assumed. Such states and window periods are: Arizona—July 8, 1971 to October 15, 1982; Arkansas—June 19, 1972 to October 15, 1982; California—August 25, 1978 to October 15, 1982; Colorado—July 1, 1975 to October 15, 1982; Georgia—July 1, 1979 to October 15, 1982; Iowa—July 1, 1979 to October 15, 1982; Michigan—January 5, 1977 to October 15, 1982; Minnesota—June 1, 1979 to May 8, 1981; New Mexico—March 15, 1979 to October 15, 1982; Utah—May 12, 1981 to October 15, 1982; and Washington—August 19, 1976 to October 15, 1982. Any subsequent judicial interpretation of the DIA, state legislation or further regulations of the Federal Home Loan Bank Board may affect Freddie Mac's interpretation of the term of the window period and/or the window period states. Except as otherwise specifically set forth in this Offering Circular, Freddie Mac makes no representations concerning whether the Mortgages contain due-on-sale clauses or are window period mortgages.

Freddie Mac permits a window period Mortgage to be assumed by a transferee at the existing interest rate once the transferee's credit has been reviewed and found acceptable by either Freddie Mac or the servicer. If a servicer desires to permit the assumption of a Mortgage in circumstances where Freddie Mac requires automatic acceleration, the servicer must repurchase such Mortgage.

Subject to applicable law or regulation, Freddie Mac permits a servicer to make a charge for credit underwriting on Home Mortgage assumptions equal to the greater of \$400 or 1 percent of the unpaid principal balance, with a maximum charge of \$900. For Multifamily Mortgage assumptions, Freddie Mac charges a transfer fee in an amount equal to the greater of \$750 or 1 percent of the unpaid principal balance and permits a servicer to make a credit underwriting charge which may not exceed the amount allowed under applicable law or regulation.

Fees

Freddie Mac collects prepayment fees on Home Mortgages which it purchased before December 31, 1979 and on Multifamily Mortgages. Prepayment fees are passed through to PC holders pro rata and constitute additional income to PC holders over and above interest at the applicable PC Coupon. Other fees, such as late payment fees and credit underwriting charges on assumptions, are retained by servicers or Freddie Mac and are not passed through to PC holders.

Delinquencies

A servicer is required to report to Freddie Mac any Home Mortgage which is delinquent 60 days or more (20 days for Multifamily Mortgages) and, when applicable, to make a recommendation for appropriate action. Freddie Mac requires such a recommendation to reflect the servicer's familiarity with and knowledge of the mortgagor, the location and type of property securing the Mortgage and the extent of any delinquency.

Freddie Mac authorizes a servicer to resolve a delinquency through a variety of measures, including payment plans which do not exceed six months without Freddie Mac's approval and longer payment plans with Freddie Mac's approval, reduction or suspension of regular mortgage payments for a period up to 12 months and modification of mortgage terms. Payment plans are the usual method for resolving delinquencies. Payment plans typically provide for liquidation of delinquent amounts within a specified period of time. When payment plans are employed, Freddie Mac's general policy is that Mortgages subject to such plans should be amortizing on a current basis within one year of the commencement of the plan. Any one or more of these measures may be implemented before a demand for accelerated payment of principal is made. Payment plans or periods of forbearance will not affect Freddie Mac's guarantees of timely payment of interest and ultimate collection of principal but may defer payment of principal by the mortgagor and may delay or eliminate demand for acceleration of principal by Freddie Mac.

Freddie Mac requires that a servicer take all reasonable steps to resolve any delinquency prior to Freddie Mac's authorizing a servicer to make demand upon a mortgagor for accelerated payment of principal. A demand is authorized when Freddie Mac believes that no reasonable prospect exists for payment of delinquent amounts within a reasonable period of time. The length of time necessary for Freddie Mac to determine that a Mortgage should be accelerated varies with the particular circumstances

of each mortgagor, and Freddie Mac has adopted no servicing standards which require that the demand be made within any specified period.

Freddie Mac's servicing discretion may be limited by state legislation prohibiting acceleration or by a court. When a bankruptcy proceeding is instituted prior to demand for accelerated payment of principal, no demand for acceleration is permitted to be made without court approval, and the bankruptcy court has broad powers to delay or deny such approval. If Freddie Mac is precluded from making a demand for acceleration, for purposes of Freddie Mac's guarantee of collection of principal, demand for acceleration shall be deemed to have been made on the later of the date on which Freddie Mac receives notice from the servicer that the mortgagor is delinquent or the date a bankruptcy petition is filed.

Both prior and subsequent to a demand for accelerated payment of principal, a bankruptcy court may have broad discretion to approve or deny various payment plans. In the event a bankruptcy court approves a plan which materially affects the terms of a Mortgage, authorizes a transfer of the underlying property or provides for substitution of collateral, Freddie Mac will repurchase the Mortgage from the PC Pool.

Foreclosures

Demand for accelerated payment of principal is the typical initial step in the foreclosure process. Freddie Mac's Sellers' & Servicers' Guide sets forth policies and procedures for instituting and monitoring foreclosure proceedings, including demand upon the mortgagor for accelerated payment of principal. Freddie Mac may accept a voluntary deed in lieu of foreclosure in those jurisdictions in which this practice is authorized. If after demand for accelerated payment of principal a mortgagor pays all delinquent amounts, foreclosure proceedings are terminated. If the mortgagor thereafter becomes delinquent, a new demand for accelerated payment of principal generally must be made and new foreclosure proceedings commenced. The length of the foreclosure process varies significantly from state to state. Some state laws may provide mortgagors with a right to redeem before or after foreclosure, and the foreclosure process typically is not final until the expiration of any such right. In any event, payment pursuant to Freddie Mac's guarantee of ultimate collection of principal on a then delinquent Mortgage is made no later than one year following demand upon the mortgagor for accelerated payment of principal. See "Guarantees."

Variations in PC Pools

PC Pools may vary with respect to matters such as number of Mortgages included in the Pools; interest rates of the Mortgages; the original unpaid principal balance of the Pools; the geographic location of the mortgaged properties; remaining maturities and ages of the Mortgages; types of mortgagors; types of dwellings securing the Mortgages; number of Mortgages purchased from a single seller, made to employees of a single employer or secured by properties which are not occupied by mortgagors as their primary residences; number of Mortgages containing enforceable due-on-sale clauses; and nature and extent of special financing arrangements. A particular PC may represent undivided interests in Mortgages which are located in a single geographic area or in a single state. Except as otherwise specifically set forth herein or in any Offering Circular supplement, Freddie Mac makes no representation with respect to the characteristics of the Mortgages which comprise any PC Pool.

Once identified to a PC Pool, the Mortgages will not thereafter be changed other than by prepayments, foreclosures, repurchases or substitutions. Mortgages may be repurchased from a PC Pool as a result of material breaches of warranty by sellers, defects in documentation or other rights of recourse to seller, in order to permit assumptions of Mortgages containing enforceable due-on-sale clauses, in connection with certain payment plans and bankruptcy court actions, by virtue of Freddie Mac's guarantee of principal collection, and under certain other circumstances. The proceeds of any Mortgage repurchased will be passed through to the PC holder as if the Mortgage had been prepaid. In the event of a material breach of warranty or a defect in documentation Freddie Mac may also require the seller, within six months of the purchase of the Mortgage, to substitute another Mortgage of comparable type, unpaid principal balance, remaining maturity and required yield. See "PC Principal Payment Experience."

Pool Factors

The Pool Factor is a seven digit decimal used by Freddie Mac to calculate the amount which Freddie Mac determines to be the unpaid principal balance of the Mortgages in each PC Pool as of the end of that month. The amount of a holder's pro rata share of the unpaid principal balance of the Mortgages for a given month can be determined by multiplying the original unpaid principal balance of the holder's PC by the Pool Factor for that month. The Pool Factor for each PC Pool for a given month is published on the first business day of that month by The Bond Buyer, One State Street Plaza, New York, New York 10004.

The PC Agreement permits Freddie Mac to make payments to PC holders of principal and interest based on the unpaid principal balance of the related Mortgages as determined by the Pool Factor. Principal payments are paid to PC holders by Freddie Mac in an amount based on the difference between the Pool Factor for the second month prior to the month in which payment is made and the Pool Factor for the month prior to the month in which payment is made. For example, a PC holder's March payment (which is the first payment received if the PC was purchased in January) contains a principal payment based on the difference between the January and February Pool Factors. See "Interest and Principal Payments."

The Pool Factor for a Cash PC Pool for a particular month is based upon a moving average of the payment experience of the Mortgages included in that PC Pool over a period of time, generally three months, adjusted for seasonal and cyclical variations and Freddie Mac's assessment of the then-current economic environment. For example, the Pool Factor for March is based on anticipated March principal payments as predicted by the average principal payments for December, January and February, as adjusted. Any difference between the amount of principal paid to a PC holder for a particular month based upon the Pool Factor for that month and the amount of principal actually received by Freddie Mac with respect to the Mortgages for that month will be accounted for by adjustment to subsequent Pool Factors and, as a result, to subsequent principal payments made to the PC holder.

The Pool Factor for a Guarantor PC Pool for a particular month generally reflects the unpaid principal balance of the related Mortgages as of the end of the preceding monthly reporting period based on principal collections reported by the servicer. For example, the Pool Factor for March represents the unpaid principal balance of the related Mortgages as of the end of the February reporting period. A Guarantor PC Pool Factor is estimated by Freddie Mac if the servicer fails to file a timely report of its principal collections for a particular month. Because the Guarantor PC Pool Factor reflects servicer-reported principal collections for a particular month, the month-to-month variation in the amount of principal paid on such PC Pools may be greater than the variation produced by Freddie Mac's estimation procedure for Cash PC Pools.

Use of the Pool Factor method determines the timing of receipt of payments by PC holders but does not affect Freddie Mac's guarantees of timely payment of interest at the applicable PC Coupon and ultimate collection of principal on the Mortgages.

Interest and Principal Payments

Freddie Mac's fiscal agent for PCs is the Federal Reserve Bank of New York. The Federal Reserve Bank of New York maintains book-entry accounts with respect to PCs and makes payments of interest and principal each month to holders in accordance with holders' instructions. As used in this Offering Circular, a "holder" is the person whose name appears on the books and records of the Federal Reserve Bank of New York as the person for whose account a PC has been deposited.

The first payment to a PC holder will normally be received by the holder by the 15th day of the second month following the month in which the PC was purchased. This payment procedure may result in a delay in the receipt of the initial payment of up to 75 days. Thereafter, payments will normally be received by the holder by the 15th day of each month.

Record ownership as of the last day of the month of purchase entitles a PC holder to interest from the first day of the month in which settlement occurs; accordingly, the first payment will include interest for the

entire month. Under the Cash Program, a purchaser of a PC from Freddie Mac pays Freddie Mac on the settlement date interest computed at the PC Coupon for the period between the first day of the month of settlement and the date of settlement. Under the Guarantor Program, Freddie Mac pays to the Mortgage seller on the settlement date an amount of interest equal to the difference between (1) the amount of interest at the required yield to Freddie Mac on the Mortgages, and (2) the amount of interest at the PC Coupon for the period between the first day of the month of settlement and the date of settlement.

PC holders are entitled to receive interest at the PC Coupon on the unpaid principal balance of the related Mortgages calculated as described above to the extent of their pro rata share. Under the Pool Factor method, interest is paid based on the unpaid principal balance of the Mortgages as determined by the Pool Factor for the second month prior to the month in which such payment is made. For purposes of computing payments of interest, the Mortgages are deemed to have scheduled payment dates on the first day of a calendar month. Interest at the PC Coupon is computed on the basis of a 360 day year, each month being assumed to have 30 days. Any interest received by Freddie Mac on the Mortgages in excess of the PC Coupon will be retained by Freddie Mac as management and guarantee income.

PC holders are entitled to receive monthly their pro rata share of all principal payments on the related Mortgages received by Freddie Mac, including any scheduled principal payments, full and partial prepayments of principal, and principal received by virtue of condemnation, insurance or foreclosure. PC holders are also entitled to receive their pro rata share of repurchases of the Mortgages by Freddie Mac or the sellers of the Mortgages. All principal payments which occur during a given monthly reporting period are deemed to be made on the first day of the calendar month in which such monthly reporting period ends.

As set forth in the PC Agreement, Freddie Mac pays each PC holder's pro rata share of principal payments on the Mortgages, interest at the applicable PC Coupon and any prepayment fees within 60 days of the date on which Freddie Mac is deemed to receive such payments. All payments which occur during a given monthly reporting period and events reported to Freddie Mac with respect to the Mortgages are deemed to be made or to occur on the last day of the calendar month in which such monthly reporting period ends. However, under the Pool Factor method, certain adjustments may occur more than 60 days after the related principal amounts are received by Freddie Mac. See "Pool Factors."

Freddie Mac's servicers report the receipt of interest and principal payments and actions taken with respect to the Mortgages on a monthly reporting period cycle. Freddie Mac normally receives from servicers payments of principal (including partial prepayments), interest and prepayment fees (if any) made with respect to the Mortgages during the first week of the month following the monthly reporting period in which the payments were made and all full prepayments of principal within five business days of the date on which such prepayments were made. Pending payment to PC holders as described above, Freddie Mac may invest these funds at its own risk and for its own benefit.

If Freddie Mac acquires any PC for its own account, Freddie Mac shares in all payments of principal, interest and prepayment fees, if any, on a pro rata basis with other holders of PCs representing interests in such PC Pool.

Guarantees

Freddie Mac guarantees to each holder of a PC the timely payment of interest by each mortgagor to the extent of the applicable PC Coupon on the holder's pro rata share of the unpaid principal balance outstanding on the Mortgages as determined by the applicable Pool Factor. Freddie Mac also guarantees to each holder of a PC collection by such holder of all principal on the Mortgages, without any offset or deduction, to the extent of such holder's pro rata share thereof, but does not guarantee the timely payment of scheduled principal. Pursuant to its guarantees, Freddie Mac indemnifies holders of PCs against any diminution in principal by reason of charges for property repairs, maintenance and foreclosure.

Freddie Mac may pay the amount due on account of its guarantee of collection of principal at any time after default on a Mortgage, but not later than (1) thirty days following foreclosure sale, (2) thirty

days following payment of the claim by any mortgage insurer, or (3) thirty days following the expiration of any right of redemption, whichever occurs later, but in any event no later than one year after demand has been made upon the mortgagor for accelerated payment of principal.

In taking actions regarding the collection of principal after default on a Mortgage in a PC Pool, including the timing of the demand for acceleration, Freddie Mac requires servicers to service the Mortgage in substantially the same manner as for mortgages which Freddie Mac has purchased but has not sold. The effect that Freddie Mac's servicing policies (as well as a mortgagor's bankruptcy proceeding) may have on the timing of the demand for accelerated payment of principal and on payment pursuant to Freddie Mac's guarantee of ultimate collection of principal is described in "Mortgage Servicing."

PCs are not guaranteed by the United States or by any Federal Home Loan Bank and do not constitute debts or obligations of the United States or any Federal Home Loan Bank.

Final Payment Date

The Final Payment Date of a Cash PC Pool is a date on the first day of the month 30 years or 15 years from the month of 30-Year or 15-Year PC Pool formation, respectively, which is the latest possible maturity date of any Mortgage included in the PC Pool.

The Final Payment Date of a Guarantor PC Pool is the first of the month and year in which the last monthly payment on the last maturing Mortgage in the PC Pool is scheduled to be paid. Because the Mortgages are not required to have scheduled maturity dates within a limited range of years, the Final Payment Date may reflect the maturity date of only a single Mortgage within that PC Pool.

Holders of PCs normally will receive payments after the Final Payment Date because monthly payments of principal and interest, as described in "Interest and Principal Payments," do not begin until up to 75 days after the record date of PC ownership. Payment plans, periods of forbearance or other actions which delay the receipt of payments by Freddie Mac may also result in payments after the Final Payment Date. See "Mortgage Servicing."

Weighted Average Life

The weighted average life of an investment is dependent upon the amount of principal returned periodically. Freddie Mac's experience suggests that the payment patterns of Mortgages included in 30-Year PCs will produce a weighted average life that is less than the weighted average life resulting from the 12-year prepayment assumption used as the basis for yield quotations. See "Distribution Arrangements—Yield and Price Information." Freddie Mac's experience with respect to Mortgages included in 15-year PCs is insufficient to draw any conclusions with respect to the weighted average life of 15-Year PCs. See "PC Principal Payment Experience."

Freddie Mac currently amortizes purchase and sales discount on its mortgage purchases and PC sales based on the assumptions that the payment pattern of Mortgages included in 30-Year PC Pools will produce a weighted average life of approximately 10 years and Mortgages in 15-Year PC Pools will produce a weighted average life of approximately 7 years. These estimates may be revised from time to time to better reflect both actual and projected payment experience on Freddie Mac's mortgage portfolio. The estimated weighted average life used by Freddie Mac for 30-Year PC Pools has undergone three significant revisions since 1978. Freddie Mac anticipates that holders of PCs will receive principal payments in excess of scheduled amortization payments with respect to the Mortgages, but that final payment of all principal may not be received until after the Final Payment Date. See "Final Payment Date."

PC Principal Payment Experience

The payment behavior of a PC Pool may be influenced by a variety of economic, social, geographic, demographic and other factors. These factors may include the age, geographic distribution and payment terms of the Mortgages in the PC Pool, characteristics of the mortgagors, the availability and cost of mortgage financing and the difference between the interest rates on the Mortgages (giving consideration to the cost of any secondary financing) and prevailing mortgage rates, the extent to which the Mortgages are assumed or refinanced or the underlying properties are sold or conveyed, changes in local industry and

population as they affect population migration and the use of second-lien or other individualized financing arrangements. Freddie Mac believes that in a fluctuating interest rate environment the predominant factor affecting the payment rate on a large, geographically diverse group of mortgages underwritten on a consistent basis is the difference between the interest rates on the mortgages (giving consideration to the cost of any secondary financing) and prevailing mortgage rates. The enforcement of "due-on-sale" clauses in Mortgages may increase payment rates in certain periods. With respect to PC Pools containing Multifamily Mortgages, payment may also be affected by such factors as changes in local industry and population as they affect vacancy rates, the attractiveness of other investment alternatives and the tax treatment of investment in multifamily properties. The relative contribution of these factors may vary over time.

The number of foreclosures in a PC Pool and the number of repurchases of Mortgages will also affect payment behavior. For certain information concerning foreclosures of conventional mortgages, see "Business—Delinquencies, Defaults and Foreclosures" in the Information Statement. The extent of a defaulting mortgagor's equity in the real property securing a Mortgage may affect the frequency with which foreclosures occur. In addition, servicing decisions made with respect to the Mortgages, including the use of payment plans prior to demand for acceleration and the restructuring of Mortgages in bankruptcy proceedings, may also have an impact upon the payment behavior of particular PC Pools. For a description of Freddie Mac's servicing policies, see "Mortgage Servicing." The principal payment experience of PC Pools comprised of relocation Mortgages may be affected by the practices of employers in transferring employees and the number of Mortgages in a PC Pool made to such employees.

The payment behavior of PC Pools has varied significantly. Some PC Pools have exhibited very low rates of principal payment during the same period in which other PC Pools have exhibited very high rates of payment. Some PC Pools have exhibited very low rates of principal payment during the early years while others have exhibited very high rates of payment during these years. Freddie Mac has not formed any opinion as to the reasons for such variations in payment experience among PC Pools and makes no representation as to the weighted average life of any PC Pool or the percentage of the original unpaid principal balance of any PC Pool which will be paid to holders at any particular point in time. A PC Pool may experience a rate of principal payment which is significantly greater or less than the rates experienced by other PC Pools.

Freddie Mac will publish Pool Factors in the Bond Buyer for each PC Pool which may be used to determine principal payments made during a given period for such PC Pool. Until such information is available in the Bond Buyer, a statement of principal payments for each PC Pool may be obtained by writing Freddie Mac at P.O. Box 37248, Washington, D.C. 20013, Attention: Investor Relations Department.

Book-Entry Ownership and Transfer

The Fiscal Agency Agreement between Freddie Mac and the Federal Reserve Bank of New York makes generally applicable to PCs the Freddie Mac book-entry regulations, 1 C.F.R. Part 462, and such procedures, insofar as applicable, as may from time to time be established by regulations of the United States Department of the Treasury governing United States securities, as now contained in Treasury Department Circular No. 300. These regulations and procedures relate primarily to registration, transfer and pledge of PCs. A copy of Circular No. 300 may be obtained upon request from any Federal Reserve Bank, the Department of the Treasury or Freddie Mac.

PCs held in book-entry form are freely transferable in a minimum denomination of \$25,000 on the records of the Federal Reserve Bank of New York, which maintains book-entry accounts with respect to PCs. The Federal Reserve Bank of New York accepts wire transfers to transfer PCs. PCs must remain on deposit with the Federal Reserve Bank of New York. A holder must maintain PCs in a minimum denomination of \$25,000 in its book-entry account.

Requests for transfer of PCs presented on or before the last business day of each month are made effective as of the opening of business on the first day of that month. A holder who acquires a PC from another holder acquires such PC subject to all terms and conditions of the PC Agreement.

Remedies

In the event of Freddie Mac's default in the payment of principal or interest or in the performance of any other covenant in the PC Agreement, all to the extent and as set forth in the PC Agreement, the holders of a majority in aggregate unpaid principal balance of the PCs in any affected PC Pool may, subject to certain notice requirements and the rights of Freddie Mac and other PC holders, remove Freddie Mac and nominate a successor under the PC Agreement. Appointment of a successor does not relieve Freddie Mac of its guarantee obligations as set forth in the PC Agreement. The right of a PC holder to receive payment of interest or principal due in respect of the holder's PC or to institute suit for enforcement of any such payment cannot be impaired without the consent of such holder but is subject to certain notice and indemnity requirements and the rights of other PC holders. For complete information concerning holders' rights and remedies with respect to a PC, see the PC Agreement.

Tax Status

Neither the PCs nor the income derived therefrom is exempt from federal income, estate or gift taxes under the Internal Revenue Code of 1954, as amended (the "Code") by virtue of the status of Freddie Mac as a corporate instrumentality of the United States. Further, neither the Code nor the Freddie Mac Act contains an exemption from taxation of the PCs or the income derived therefrom by any state, any possession of the United States or any local taxing authority.

Each PC holder will be furnished with annual information for federal income tax purposes that will itemize with respect to each PC held the total amount of interest paid by mortgagors at the underlying interest rates, seller/servicers' fees, if any, Freddie Mac's management and guarantee fees, the total amount of interest at the PC Coupon on the PCs, prepayment fees, if any, received by that holder and withholding information, if any, for the calendar year.

PCs have the following characteristics for federal income tax purposes:

(A) A PC Pool formed as described herein will not be classified as an association taxable as a corporation, but rather will be classified as a grantor trust under subpart E, Part I of subchapter J of the Code. Each PC holder will be treated as the owner of a pro rata undivided interest in the ordinary income and the corpus of the grantor trust attributable to that particular PC Pool and will be considered the beneficial owner of a pro rata undivided interest in each of the whole loans and/or participations included therein. Accordingly, PC holders will be required to report on their federal income tax returns their pro rata share of the entire income from the Mortgages, including gross interest income at the interest rate (the "Mortgage Coupon") on each of the mortgages included in the Mortgages and incidental fees, if any. PC holders will be entitled to deduct, under Sections 162 or 212 of the Code, their pro rata shares of seller/servicers' fees, including incidental fees retained by seller/servicers, if any, and Freddie Mac's management and guarantee fees.

(B) A PC held by a "domestic building and loan association" within the meaning of Section 7701(a)(19) of the Code represents "loans secured by an interest in real property" within the meaning of Section 7701(a)(19)(C)(v) of the Code. A PC also represents "qualifying real property loans" within the meaning of Section 593(d) of the Code with respect to certain thrift institutions.

(C) Interest income on PCs is "interest on obligations secured by mortgages on real property" as that phrase is used in Section 856(c)(3)(B) of the Code; ownership of a PC by a real estate investment trust is ownership of "real estate assets" as that phrase is used in Section 856(c)(5)(A) of the Code.

(D) In the case of a PC held by a holder other than the seller of the Mortgages under the Guarantor Program, any difference between interest at the Mortgage Coupon on the PC holder's undivided interest in each Mortgage in the PC Pool (the holder's gross income) and the sum of the interest at the PC Coupon on the PC and Freddie Mac's management and guarantee fee with respect to such undivided interest is to be accounted for as discount income or premium expense, as described in Revenue Ruling 71-399, 1971-2 Cum. Bull. 433. When interest at the PC Coupon plus the fee exceeds interest at the Mortgage Coupon, such additional gross income is characterized as "discount."

When interest at the PC Coupon plus the fee is exceeded by interest at the Mortgage Coupon, the diminution of gross income is characterized as "premium expense." The Internal Revenue Service has ruled that any such discount income is to be included in ordinary gross income in accordance with the PC holder's method of accounting, and that any such premium expense may be deductible in accordance with applicable rules. The aggregate of any such discount or premium, as well as the gross interest income at the Mortgage Coupon rates on the Mortgages, will be reported to PC holders, as a part of the annual information furnished for federal income tax purposes. Holders of PCs will be required to report as ordinary income their pro rata share of any "original issue discount" with respect to the Mortgages in the relevant PC Pool. The rules of Sections 1271-1275 of the Code will apply in determining PC holders' pro rata shares of any such original issue discount to the extent that the conditions for application of those sections are met. As to any undivided interest in a Mortgage purchased at a premium, a PC holder will not be entitled to a deduction for amortization under the special rules of Section 171 of the Code unless applicable conditions are met. Since it is anticipated that no substantial amount of Mortgages included in the PC Pools will be obligations of persons other than natural persons, any premium will not be "amortizable bond premium" within the meaning of Section 171 of the Code.

(E) The qualification of an employees' pension or profit-sharing trust under Section 401 of the Code and its exemption under Section 501(a) will not be adversely affected by the purchase of PCs, provided that the purchase meets the investment requisites applicable to such trust.

PC holders who are not exempt recipients under the Code may be subject to "backup withholding" under Section 3406 of the Code on interest and certain other payments reportable to the Internal Revenue Service if such holders fail to furnish the payor certain information, including their taxpayer identification numbers, or if the payor is notified by the Secretary of the Treasury that particular holders are subject to such withholding. PC holders exempt from backup withholding include corporations, organizations that are exempt from taxation under Section 501(a) of the Code, individual retirement plans, the United States Government and any wholly owned agency or instrumentality thereof, state and local governments, foreign governments, international organizations, securities or commodities dealers who are required to register under the laws of the United States or a state, futures commission merchants, real estate investment trusts, entities registered at all times during the taxable year under the Investment Company Act of 1940, common trust funds under Section 584 of the Code, nominees and custodians known generally in the investment community as nominees or listed in the most recent edition of the Nominee List, published by the American Society of Corporate Secretaries, Inc., financial institutions, and certain charitable trusts. The payor must deduct and withhold from each distribution made or credited to PC holder who has not provided the information required under Section 3406, and may deduct and withhold from each distribution made or credited to a PC holder who has not furnished information establishing an exemption from withholding, an amount equal to 20% of the reportable interest or other reportable component of such distribution. Any such withheld amounts would be allowed as a credit against the PC holder's federal income tax.

The Tax Reform Act of 1984 generally repealed the 30% tax collected through withholding with respect to payments of United States source "portfolio interest" made to non-resident alien individuals, foreign corporations or other non-United States persons ("foreign persons"). Under temporary regulations issued by the United States Department of the Treasury, it appears that interest paid to foreign persons that are PC holders is not treated as portfolio interest and is thus subject to the 30% tax. The 30% tax is subject to reduction or elimination under an applicable tax treaty and does not apply if the interest is effectively connected with the conduct by the PC holder of a trade or business in the United States.

Treasury regulations (or other administrative determination) may ultimately treat interest on PCs as portfolio interest, in which event the repeal of 30% withholding generally would apply to PCs. However, the repeal of 30% withholding applies only to obligations originated on or after July 18, 1984. It is unclear whether such regulations (or other administrative determination), if adopted, will treat the date of initial sale of the PCs as the origination date rather than the date of origination of each mortgage included in the Mortgages. If the repeal were to be held applicable to PCs, holders of PCs that are foreign persons would be required to furnish a statement that the beneficial owner of the PC is not a United States person. In

addition to the foregoing, holders of PCs that are foreign persons may be required to deliver a certificate as to their non-United States status to a paying agent or broker in order to claim entitlement to an exemption from the 20% "backup" withholding tax and information reporting described above.

The foregoing is intended to provide general tax information for PC holders. Potential investors should consult their own tax advisors regarding the federal tax treatment of the PCs as well as the consequences of state, local and foreign tax laws.

Legality of Investment

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

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

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

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

PCs are eligible as security for 5-year advances by Federal Home Loan Banks to federal savings and loan associations and other members for which PCs are legal investments. 12 U.S.C. § 1431(g)(3) and 12 C.F.R. § 525.25. The PCs are also eligible as security for advances up to 20 years pursuant to 12 U.S.C. §§ 1430(a) and 1455(e) and 12 C.F.R. § 525.10.

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

Federal credit unions may purchase PCs without regard to limitations generally applicable to investments. 12 U.S.C. § 1757(7)(E).

For private pension funds subject to the Employee Retirement Income Security Act of 1974, the PCs, and not the Mortgages underlying the PCs, are considered to be plan assets. 29 U.S.C. § 1101 and 29 C.F.R. § 2550.401b-1.

In addition to the specific authorizations discussed above, pursuant to Section 106 of the Secondary Mortgage Market Enhancement Act of 1984, any person, trust, corporation, partnership, association, business trust or business entity created pursuant to or existing under the laws of the United States or any state (including the District of Columbia and Puerto Rico) is authorized to purchase, hold and invest in PCs to the same extent as the investor is authorized to purchase, hold or invest in obligations issued or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof. Prior to October 4, 1991, a state may enact legislation which specifically refers to Section 106 and either prohibits or limits an investor's authority to invest in PCs. To Freddie Mac's knowledge, no state has enacted any such legislation. The enactment by any state of legislation which prohibits or limits authority to invest in PCs will not affect the validity of any contractual commitment to purchase, hold or invest in PCs made prior to the date of enactment and such legislation cannot require the sale or other disposition of any PCs acquired prior to the date of enactment.

Regulatory Constraints

Any financial institution subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the FDIC, the Federal Home Loan Bank Board, the National Credit Union Administration or other agencies with similar authority should review any applicable rules, guidelines and regulations prior to purchasing PCs.

FHLBB Regulatory Matters

The staff of the Federal Home Loan Bank Board (“FHLBB”) has taken the following positions concerning PCs held by institutions the deposits or accounts of which are insured by the FSLIC or held by federal savings and loan associations and federal savings banks:

- PCs are to be reported in the asset classification “Mortgages, participations, or mortgage-backed securities insured or guaranteed by an agency or instrumentality of the U.S.” (FHLBB Staff Memorandum R-29a).
- No loss need be reported for regulatory accounting purposes on sales of mortgages or interests in mortgages in exchange for PCs backed by the same or substantially identical mortgages (FHLBB Staff Memoranda R-49 and R-49-1).
- PCs current with respect to guaranteed principal and interest payments, regardless of the performance of any underlying loan, are not “scheduled items” for institutions the deposit or accounts of which are insured by FSLIC (FHLBB Staff Memorandum R-29a).
- PCs constitute “home mortgage loans” for the purpose of computing a Federal Home Loan Bank member’s stock requirement under section 6(c)(4) of the Federal Home Loan Bank Act (FHLBB General Counsel Opinion—October 30, 1972).
- PCs are eligible collateral for use by savings and loan associations engaging in retail repurchase agreements (FHLBB Staff Memorandum R-51-1).

Accounting Matters

Freddie Mac treats a sale of PCs as a sale of assets and accordingly such sale does not affect Freddie Mac’s capitalization. However, Freddie Mac provides for losses as a consequence of its guarantees of principal and interest.

Federal Securities Laws

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

DISTRIBUTION ARRANGEMENTS

Cash Program

Under the Cash Program, Freddie Mac will offer PCs for mandatory and optional delivery for a variety of periods on a continuous basis through one or a combination of the following methods: auction or allocation to selected securities dealers; firm commitment underwriting; and direct placement with securities dealers or investors. Freddie Mac allows a sales concession to dealers of no more than .25% of the purchase price of the PCs. The purchase price of the PCs will be based on the unpaid principal balance of the PC Pool as of the month of settlement as determined by the Pool Factor. See “Description of Mortgage Participation Certificates—Pool Factors.”

The original unpaid principal balance of a PC represents the unpaid principal balance of that PC during the month of initial sale of the related PC Pool. If the PCs are purchased at a premium or discount, the purchase price will be more or less than the unpaid principal balance of the PCs as of the month of settlement. Payments made with respect to the Mortgages between the date on which Freddie Mac accepts the offer to purchase PCs (“trade date”) and the settlement date are for the account of, and are retained by, Freddie Mac. Therefore, the unpaid principal balance of a PC as of the month of settlement also may be less than the original unpaid principal of the PC and/or the unpaid principal balance contracted for on the trade date as a result principal payments on the Mortgages between the date of initial sale of the PC Pool and/or the trade date and the settlement date.

The settlement date for PC purchases will be established on the trade date by mutual agreement. Confirmation and settlement of PC purchases will be made in accordance with the Uniform Practices for

the Clearance and Settlement of Mortgage-Backed Securities of the Public Securities Association (“Uniform Practices”). If a PC is purchased from a securities dealer, the dealer is required to confirm the sale; notify the purchaser of the settlement date, purchase price, concessions and fees; deliver a copy of the PC Offering Circular and any applicable Offering Circular supplement; and otherwise act in accordance with the Uniform Practices.

Guarantor Program

Under the Guarantor Program, Freddie Mac purchases the Mortgages from a seller and, in exchange for the Mortgages purchased, sells to the seller PCs representing interests in the same Mortgages. Freddie Mac will accept offers for mandatory and optional delivery for a variety of periods on a daily basis in accordance with terms and procedures set forth in Freddie Mac’s Sellers’ & Servicers’ Guide. Freddie Mac’s commitment to sell PCs is conditioned on the seller’s full compliance with the terms and conditions of the Agreement To Purchase Conventional Home Mortgages and To Sell Mortgage Participation Certificates, including the seller’s timely delivery of acceptable Mortgages of at least \$1 million.

Yield and Price Information

Freddie Mac quotes yields based on the assumption that there will be a 75-day delay in the receipt by a PC holder of the first payment. See “Description of Mortgage Participation Certificates—Interest and Principal Payments.” With respect to 30-Year PCs, Freddie Mac uses a 12-year prepayment assumption as the basis for yield quotations. With respect to 15-Year PCs, Freddie Mac uses a 7-year prepayment assumption as the basis for yield quotations. The 12- and 7-year prepayment assumptions are based on the premise that only scheduled principal payments will be made on the Mortgages until the end of the twelfth and seventh years, respectively, at which time all Mortgages will prepay. Although the 12- and 7-year prepayment assumptions are the industry conventions for quoting yields on mortgage pass-through securities representing interests in mortgages having original terms to maturity of approximately 30 and 15 years, respectively, the actual yield associated with a PC purchased at a given price will be determined by the actual timing of principal payments. The actual repayment pattern of the Mortgages included in a PC Pool is likely to be different than the mortgage repayment pattern associated with the 12- and 7-year prepayment assumptions. See “Description of Mortgage Participation Certificates—Weighted Average Life” and “—PC Principal Repayment Experience.”

Yield tables for PCs are available from Financial Publishing Co., 82 Brookline Avenue, Boston, Massachusetts 02215, and show yields at various PC Coupons and price levels under various payment assumptions. Price and yield information is also available from Freddie Mac (outside Washington, D.C. metropolitan area, telephone 800/424-5401; within Washington, D.C. metropolitan area, telephone 202/789-4800).

Secondary Market

Certain securities dealers make a market in PCs. Freddie Mac may sell and repurchase PCs in the secondary market. Freddie Mac makes no representation, however, as to the nature of the secondary market trading in any PCs. Freddie Mac’s prices for primary and secondary market sales and repurchases of PCs may differ from those of securities dealers. Prospective PC purchasers and PC holders wishing to obtain available prices may contact the securities dealers selling and making a market in PCs and Freddie Mac (outside Washington, D.C. metropolitan area, telephone 800/424-5401; within the Washington, D.C. metropolitan area, telephone 202/789-4800).

Federal Home Loan Mortgage Corporation

Mortgage Participation Certificate Agreement

(Guaranteed)

Series 700

AGREEMENT among the Federal Home Loan Mortgage Corporation ("Freddie Mac") and Holders of undivided interests in certain mortgages (and/or interests therein) which are owned by and identified in the records maintained by Freddie Mac and which are represented by Mortgage Participation Certificates ("PCs").

Whereas:

(a) Freddie Mac is a corporation duly organized and existing under and by virtue of the laws of the United States (Title III of the Emergency Home Finance Act of 1970, as amended (the "Act")) and has full corporate power and authority to enter into this Agreement and to undertake the obligations undertaken by it herein; and

(b) Pursuant to Section 305 of the Act, Freddie Mac owns certain conventional residential mortgages (as defined in Section 302 of the Act), including Whole Loans and/or Participations, all of which are identified in the records maintained by Freddie Mac; and

(c) Pursuant to Section 305 of the Act, Freddie Mac intends to create and sell undivided interests in certain Whole Loans and/or Participations acquired as set forth above, and to guarantee timely payment of interest and ultimate collection of principal, for the benefit of Holders; and

(d) Freddie Mac intends to transfer said undivided interests to Holders by sale of the PCs.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereby agree that the following terms and conditions of this Agreement shall govern the creation by Freddie Mac of undivided interests in specified Whole Loans and/or Participations and the transfer, sale and assignment of such interests as are represented by the PCs:

ARTICLE I

DEFINITIONS

Whenever used in this Agreement, the following words and phrases shall have the following meanings, unless the context otherwise requires:

Book-Entry Form: A security which is issued in Book-Entry Form (i) is issued by means of an entry on the books and records of the Federal Reserve Bank of New York, which entry includes the name of the Holder, the principal balance owned by such Holder, the designation and the Final Payment Date of the security, and (ii) is evidenced only by such entry and is not evidenced by a definitive security.

Book-Entry Rules: The provisions from time to time in effect, presently contained in Title I, Part 462 of the Code of Federal Regulations, setting forth the terms and conditions under which Freddie Mac may issue securities in Book-Entry Form and authorizing the Federal Reserve Banks to act as Freddie Mac's agents in connection with securities issued by means of entries on the books and records of such Federal Reserve Banks.

Business Day: A day other than (i) a Saturday or Sunday, (ii) a day on which the Federal Reserve Bank of New York (or other agent maintained for the purpose of making payments on the PCs) is authorized or obligated by law or executive order to remain closed, or (iii) a day in which offices of the federal government located in the District of Columbia are generally closed for business.

Cash Program: The program pursuant to which Freddie Mac purchases Whole Loans and Participations from eligible sellers, holds them and periodically forms PC Pools and sells PCs.

Final Payment Date: For PC Pools formed under the Cash Program, the date which is 15 years or 30 years, as applicable, from the first day of the Month of Initial Sale of a PC in a given PC Pool. For PC Pools formed under the Guarantor Program, the date which corresponds to the first day of the month and year in which the last monthly payment on the latest maturing mortgage in a given PC Pool is scheduled to be paid.

Guarantor Program: Any one or more of the programs offered by Freddie Mac from time to time pursuant to which all of the Mortgages comprising a PC Pool are acquired by Freddie Mac from the person or persons to which the PCs with respect to such PC Pool are sold by Freddie Mac.

Holder: The person whose name appears in the books and records of the Federal Reserve Bank of New York as the person for whose account a PC has been deposited.

Month of Initial Sale: The month in which occurs the first settlement of a PC against a PC Pool.

Mortgages: The Whole Loans and/or Participations identified in the records maintained by Freddie Mac as comprising a PC Pool, which Mortgages consist of or represent interests in promissory notes secured by residential real property comprising one-to-four family dwelling units ("Home Mortgages") and five- or more family dwelling units ("Multifamily Mortgages"). A "Mortgage" shall mean any mortgage included, in whole or in part, in the Mortgages.

Original Unpaid Principal Balance: In the case of PCs representing undivided interests in a PC Pool formed pursuant to the Cash Program, the Original Unpaid Principal Balance shall be the aggregate unpaid principal balance of the Mortgages as of the last day of the Month of Initial Sale after the identity of all the Mortgages has been finally determined pursuant to Section 2.02. In the case of PCs representing undivided interests in a PC Pool formed pursuant to the Guarantor Program, the Original Unpaid Principal Balance shall be the aggregate unpaid principal balance of the Mortgages as of the date the Mortgages are delivered to Freddie Mac, which shall be equal to the aggregate original unpaid principal balance of such PCs.

PC: A Mortgage Participation Certificate sold pursuant to this Agreement, representing undivided interests in the Mortgages identified by a particular PC pool number.

PC Coupon: The annual rate at which interest is passed through to a Holder of a PC. Interest at the PC Coupon shall be computed on the basis of a 360-day year, each month being assumed to have 30 days.

PC Pool: A discrete pool of Whole Loans and/or Participations identified in records maintained by Freddie Mac by a unique pool number.

Participation: A percentage undivided interest in one or more conventional residential mortgages purchased and owned by Freddie Mac.

Pool Factor: A seven digit decimal calculated by Freddie Mac with respect to a calendar month which, when multiplied by the Original Unpaid Principal Balance of the PC which reflects the Holder's pro rata share of the Original Unpaid Principal Balance of the Mortgages, represents the amount determined by Freddie Mac to be the Holder's pro rata share of the aggregate unpaid principal balance of the Mortgages with respect to that calendar month.

Whole Loan: A conventional residential mortgage purchased and owned in its entirety by Freddie Mac.

ARTICLE II
CONVEYANCE OF UNDIVIDED INTERESTS IN MORTGAGES

Section 2.01. Sale of PCs. Sale of a PC by Freddie Mac pursuant to this Agreement shall be deemed to occur upon the date of settlement and payment for such PC and shall constitute a sale, assignment, transfer, and conveyance by Freddie Mac to the Holder of the Holder's pro rata undivided interest in the Mortgages determined in accordance with Section 4.02. Freddie Mac shall be bound by all of the terms and conditions of this Agreement at such time as a PC is sold to such Holder. Upon settlement of and payment for a PC, a Holder shall, by virtue thereof, acknowledge, accept and agree to be bound by all of the terms and conditions of this Agreement. Under the Guarantor Program, payment for a PC shall be deemed to occur upon the settlement date as of which PCs are sold to the initial Holder thereof.

Section 2.02. Identity of the Mortgages; Substitution and Repurchase. In the case of a PC Pool formed under the Cash Program, Freddie Mac shall have power and authority to determine the amount and identity of the Whole Loans and/or Participations which comprise the Mortgages up to the day prior to the date the first payment of principal and interest is payable to Holders pursuant to Section 4.05. Any Mortgage added to or withdrawn from such a PC Pool after the Month of Initial Sale shall be added or withdrawn at its unpaid principal balance as of the last day of the Month of Initial Sale. A PC Pool formed under the Guarantor Program shall be comprised of only those Whole Loans and/or Participations transferred to Freddie Mac under such Guarantor Program. Except as provided in Section 2.03, once the identity of the Mortgages has been so determined, such identity shall not thereafter be changed; provided, however, (i) that Freddie Mac may, in connection with its performance of servicing responsibilities pursuant to Section 3.02, repurchase any Mortgage at its then unpaid principal balance, (ii) that a seller to Freddie Mac of a Mortgage may repurchase such Mortgage at its then unpaid principal balance pursuant to seller's obligation to Freddie Mac to do so in the event such Mortgage is in default, (iii) that Freddie Mac may, in the exercise of its judgment in performing its servicing responsibilities pursuant to Section 3.02, agree to a repurchase by the seller of any Mortgage at its then unpaid principal balance, and (iv) in the case of a material breach of warranty by a seller of any such Mortgage, or a material defect in documentation, Freddie Mac may require such a repurchase or may, within six months of the settlement for the first PC representing an undivided interest in such Mortgage, permit a substitution for such Mortgage of another Mortgage of comparable type, unpaid principal balance, remaining term and yield.

Section 2.03. Post-Settlement Purchase Adjustments. Freddie Mac shall make such post-settlement purchase adjustments with respect to the unpaid principal balance of any Mortgage as may be necessary to reflect the actual unpaid principal balance of such Mortgage as of the date of its purchase by Freddie Mac. Freddie Mac shall make such post-settlement purchase adjustments with respect to PCs sold pursuant to the Guarantor Program as may be necessary to reflect the difference between the aggregate Original Unpaid Principal Balance of such PCs and the actual unpaid principal balance of the Mortgages as of the last day of the Month of Initial Sale. The foregoing adjustments shall not affect the Holder's entitlement to interest at the PC Coupon and to receipt of the Holder's pro rata share of principal payments made with respect to the Mortgages.

Section 2.04. Custody of Mortgage Documents. In the case of Home and Multifamily Mortgage Whole Loans and Multifamily Mortgage Participations, the mortgage notes are endorsed to and held by Freddie Mac. Where local law or practice requires, assignments of the Mortgages are recorded in Freddie Mac's name. In the case of Home Mortgage Participations, Freddie Mac holds the participation certificates which evidence Freddie Mac's ownership interest, but the seller or originator holds the mortgage notes and mortgages.

Section 2.05. PCs Acquired by Freddie Mac. PCs acquired by Freddie Mac from time to time shall have an equal and proportionate benefit to PCs owned by Holders, without preference, priority or distinction. In the event that Freddie Mac retains any undivided interest in the Mortgages not represented by a PC, Freddie Mac and Holders shall share pro rata, without preference, priority or distinction. No Holder shall have any priority over any other Holder.

ARTICLE III
ADMINISTRATION AND SERVICING OF THE MORTGAGES

Section 3.01. Freddie Mac to Act as Principal Servicer. Freddie Mac shall service or supervise servicing of the Mortgages, including management of any property acquired through foreclosure or otherwise, for the benefit of Holders and shall have full power and authority to do or cause to be done any and all things in connection with such servicing which it deems necessary or desirable. Freddie Mac shall act as the representative of Holders in the control, management, and servicing of the Mortgages or property acquired in realization or liquidation of the Mortgages.

Section 3.02. Servicing Responsibilities. Freddie Mac shall service or supervise servicing of the Mortgages in a manner consistent with and to the extent required by prudent servicing standards and in the same manner as for unsold mortgages in its own portfolio. In performing its servicing responsibilities hereunder, Freddie Mac may employ servicer agents or independent contractors. Freddie Mac shall be entitled to discharge its responsibility to supervise servicing of the Mortgages by monitoring servicers' performance on a reporting and exception basis. In discharging its responsibility pursuant to this Article III, Freddie Mac shall not be subject to the control of Holders in any manner whatsoever. Except with regard to its guarantee obligations pursuant to Section 4.09, Freddie Mac shall have no liability to any Holder other than for any direct damage resulting from Freddie Mac's failure to exercise that degree of ordinary care which it exercises in the conduct and management of its own affairs. Freddie Mac shall have no liability of whatever nature for consequential damages.

Section 3.03. Realization Upon Defaulted Mortgages. Freddie Mac shall foreclose upon or otherwise comparably convert, or cause to be foreclosed upon or comparably converted, the ownership of any real property securing a Mortgage which comes into and continues in default and as to which no satisfactory arrangements can be made for collection of delinquent payments. In connection with such foreclosure or conversion, Freddie Mac shall cause to be followed such practices or procedures as it shall deem necessary or advisable and as shall be normal and usual in general mortgage servicing activities.

Section 3.04. Automatic Acceleration and Assumptions. If the security instrument of a Mortgage contains a due-on-sale clause or is accompanied by a due-on-transfer rider, Freddie Mac requires a servicer to enforce such provision to the extent permitted by law and to require the full payment of the principal balance of a Mortgage upon the sale or the transfer of the property securing the Mortgage. For purposes of this Section 3.04, a security instrument shall be considered to contain a due-on-sale clause or a due-on-transfer rider if the terms of the security instrument taken as a whole accord the mortgagee the right to demand full payment of the unpaid principal balance of the promissory note upon sale or transfer of the property securing the note irrespective of the creditworthiness of the transferee. In jurisdictions where the enforcement of such provisions is prohibited or where the security instrument contains no due-on-sale clause or is not accompanied by a due-on-transfer rider, Freddie Mac will allow assumption by a new mortgagor of a Mortgage only if the assuming borrower is found by the servicer or by Freddie Mac to meet Freddie Mac's credit requirements. Any fees charged by Freddie Mac or servicers in connection with the assumption of a Mortgage are retained by Freddie Mac or servicers and are not remitted to Holders. While Freddie Mac requires, in connection with any assumption of a Mortgage, that no change be made in the rate of interest or the terms of payment applicable to the Mortgage, Freddie Mac reserves the right to amend its policy as it shall deem necessary or advisable.

Section 3.05. Prepayment Fees. Any prepayment fees collected by Freddie Mac shall be passed through to Holders pursuant to the procedures specified in Article IV.

Section 3.06. Mortgage Insurance. To the extent that a Mortgage may be insured by a mortgage insurer, such insurer shall have no obligation to recognize or deal with any person with respect to such Mortgage, other than Freddie Mac, with regard to the rights, benefits and obligations of the mortgagee under the respective contract of insurance relating to each such Mortgage insured by such insurer. If a mortgage insurer exercises an option under any contract of insurance to purchase any Mortgage, the proceeds of such purchase shall be considered to be repurchase proceeds for purposes of Article IV.

ARTICLE IV
PAYMENTS TO HOLDERS AND GUARANTEES

Section 4.01. Monthly Reporting Period. For purposes of this Agreement, the payments of principal, interest or any other sums, including prepayment fees, insurance proceeds, liquidation proceeds and repurchase proceeds, with respect to the Mortgages and the occurrence of any event with respect to any Mortgage, including foreclosure sale, payment by any insurer and expiration of any redemption period, reported to Freddie Mac by servicers for a monthly reporting period employed by Freddie Mac for the purpose of accounting for such payments and of reporting such occurrences, shall be deemed to be received or to occur within the calendar month within which such monthly reporting period ends, and the last day of such monthly reporting period shall be deemed to correspond to the last day of such calendar month. For purposes of Section 4.04, scheduled payment dates on all Mortgages shall be deemed to be the first day of the calendar month within which such a monthly reporting period ends, and all scheduled principal payments and full and partial payments of principal, including amounts treated as full prepayments under Section 4.03, with respect to the Mortgages made within such a monthly reporting period shall be deemed to be made on the first day of the calendar month within which such monthly reporting period ends.

Section 4.02. Holder's Undivided Interest. A person recognized as a Holder of a PC on the last day of a month pursuant to Section 5.03 shall be the owner of a pro rata share of the aggregate unpaid principal balance outstanding on the Mortgages as of such date and shall be entitled to interest at the PC Coupon on such pro rata undivided interest from the first day of that month. Such pro rata undivided interest in the Mortgages will change if any Mortgage is added to or removed from the PC Pool in accordance with Section 2.02. For purposes of determining a Holder's pro rata undivided interest in the Mortgages evidenced by a PC, the original unpaid principal balance of the PC shall be divided by the Original Unpaid Principal Balance of the Mortgages.

Section 4.03. Pass-Through of Principal. Freddie Mac shall pass through to each Holder such Holder's pro rata share of principal payments made in respect of the Mortgages, such Holder's pro rata share of any net income, net profits or proceeds of the Mortgages (including prepayment fees, if any), and such Holder's pro rata share of the net proceeds realized from any property of whatever character received or acquired in substitution or realization thereof, whether through insurance, condemnation, foreclosure, or otherwise; provided, however, that Freddie Mac's obligations herein shall be subject to Freddie Mac's rights pursuant to Section 4.10 with respect to payments made pursuant to Freddie Mac's guarantees. Insurance proceeds, the proceeds of any liquidation of a Mortgage, including proceeds resulting from acquisition by Freddie Mac of the real property securing the Mortgage, and the proceeds of any repurchase of a Mortgage as described in Section 2.02 shall be treated in the same manner as a full prepayment of principal and shall be passed through to Holders in accordance with this Article IV.

Section 4.04. Pass-Through of Interest. Freddie Mac shall pass through to each Holder such Holder's pro rata share of the interest paid by mortgagors with respect to each Mortgage in an amount sufficient to produce the PC Coupon, including, if necessary for such purpose, interest received by servicers attributable to their retained undivided interest in any Participation. A partial month's interest retained by Freddie Mac or paid to each Holder with respect to full and partial prepayments of principal deemed to have been made on the first day of a calendar month in accordance with Section 4.01 shall constitute an adjustment to Freddie Mac's management and guarantee fee.

Section 4.05. Payments. Payments of principal, interest or any other sum due to Holders will be made to Holders by the Federal Reserve Bank of New York which will maintain the book-entry accounts relating to PCs. Such payments will be paid or credited in accordance with each Holder's instructions. A Holder shall receive the first payment of principal and interest with respect to the Mortgages on or about

the fifteenth day of the second month following the month in which the Holder becomes recognized as such pursuant to Section 5.03. Thereafter, a Holder shall receive on or about the fifteenth day of each month a payment with respect to the Mortgages. Subject to the provisions of this Article IV, Freddie Mac shall pay to each Holder such Holder's pro rata share of principal received by Freddie Mac, interest to the extent of the PC Coupon and any other sums due to Holders under this Agreement within 60 days of the date on which such payments are received by Freddie Mac from servicers of the Mortgages. Freddie Mac requires that a servicer pay to Freddie Mac all funds received for Mortgages paid in full within five business days of the date of payment in full. All other principal payments must be paid to Freddie Mac not later than the first week of the second month following the month of the mortgagor's payment. Freddie Mac reserves the right to change the period during which a servicer may hold funds prior to payment to Freddie Mac; provided, however, that any such change shall not delay the time of payments to Holders as otherwise provided in this Section 4.05. Pending payment to Holders of funds received by Freddie Mac from servicers, Freddie Mac shall be entitled to invest and reinvest such funds for Freddie Mac's sole risk and benefit. Freddie Mac's guarantees as set forth in Section 4.09 shall continue to be effective or shall be reinstated in the event that any payment of principal or interest with respect to the Mortgages paid under this Agreement to a Holder is, for any reason, returned by the Holder pursuant to an order, decree or judgment of any court of competent jurisdiction that the Holder was not entitled to retain such payment pursuant to this Agreement.

Section 4.06. Pool Factors. On or about the first business day of each month, Freddie Mac may publish or cause to be published a Pool Factor with respect to each PC Pool. Interest at the PC Coupon may be paid by Freddie Mac on the Holder's pro rata share of the unpaid principal balance of the Mortgages as determined by the Pool Factor for the second month prior to the month in which payment to Holders is made. Principal payments may be paid to Holders by Freddie Mac in an amount equal to the difference between the Holder's pro rata share of the unpaid principal balance of the Mortgages as determined by the Pool Factor for the second month prior to the month in which payment is made to Holders and such pro rata share as determined by the Pool Factor for the month prior to the month in which payment is made to Holders. The Pool Factor applicable to each PC Pool may be based upon principal collections with respect to the Mortgages as reported to Freddie Mac by servicers or upon an estimation of principal collections with respect to the Mortgages under such procedure as may be adopted by Freddie Mac. To the extent a given Pool Factor does not reflect the monthly principal payments actually made in respect of the Mortgages, Freddie Mac shall correct any difference as soon as practicable by adjustment of subsequent Pool Factors. Subject to this Article IV, the Pool Factor method of determining principal payments shall not affect Freddie Mac's guarantee of collection of principal as set forth in Section 4.09.

Section 4.07. Amounts Retained by Servicers. Pursuant to their contractual arrangements with Freddie Mac, servicers shall be entitled to retain an amount equal to the excess, if any, of interest at the interest rate on each Mortgage serviced by them and interest at the contractual net yield which they are obligated to pay monthly to Freddie Mac. Each servicer shall be required to pay all expenses incurred by it in connection with its servicing activities and shall not be entitled to reimbursement therefor, except as provided in Section 4.08. Each servicer shall be entitled to retain any incidental fees with respect to the Mortgages other than assumption fees paid to Freddie Mac and prepayment fees, if any.

Section 4.08. Amounts Retained by Freddie Mac. Freddie Mac shall retain as a management and guarantee fee an amount equal to the excess, if any, of interest payments received by Freddie Mac from servicers at its contractual net yield on each Mortgage over the amount of such interest remitted to Holders at the PC Coupon; provided, however, that the amounts retained by Freddie Mac hereunder shall be automatically adjusted, to the extent a Pool Factor does not reflect the monthly principal payments actually made in respect of the Mortgages. Any such adjustment shall be equal to the difference between (i) interest at the PC Coupon computed on the unpaid principal balance of the Mortgages for such month based on monthly principal payments actually received by Freddie Mac and (ii) interest at the PC Coupon computed on such principal balance derived from the Pool Factor based on Freddie Mac's determination of monthly principal payments. Freddie Mac shall pay all expenses incurred by it in connection with administration of the PC Pool and the Mortgages; provided, however, that any amounts expended by Freddie Mac or on Freddie Mac's behalf by servicers for the protection, preservation or maintenance of

the Mortgages, or property received in liquidation or realization thereof, shall be deemed expenses to be borne pro rata by Freddie Mac and the Holders in accordance with their interests in each Mortgage. Such expenses borne pro rata by Holders may be paid by Freddie Mac from payments otherwise due to Holders. In no event shall Freddie Mac's guarantees of collection of principal or timely payment of interest at the PC Coupon as set forth in Section 4.09 be affected by fees deducted by Freddie Mac or servicers or by amounts expended by Freddie Mac or servicers for the protection, preservation or maintenance of the Mortgages.

Section 4.09. Freddie Mac Guarantees. Freddie Mac hereby guarantees to each Holder of a PC:

(a) Timely payment of interest by each mortgagor at the applicable PC Coupon on the Holder's pro rata share of the unpaid principal balance outstanding on the Mortgages as determined pursuant to this Agreement; and

(b) Collection of principal, without offset or deduction of any fees due Freddie Mac or servicers hereunder. For purposes of this guarantee, principal shall include the Holder's pro rata share of the unpaid principal plus the Holder's pro rata share of amounts expended by any servicer of the Mortgages or by Freddie Mac under Section 4.08. Freddie Mac shall pay the amount due on account of its guarantee of collection of principal at any time after default on a Mortgage, but not later than: (i) thirty days following foreclosure sale, (ii) thirty days following payment of a claim by any mortgage insurer, if applicable, or (iii) thirty days following the expiration of any redemption period, whichever occurs later, but in any event no later than one year after demand upon the mortgagor for accelerated payment of principal.

Section 4.10. Freddie Mac Subrogation. Freddie Mac shall be subrogated to all the rights, interests, remedies, powers and privileges of each Holder in respect of any Mortgage on which guarantee payments have been made by Freddie Mac of principal and/or interest.

Section 4.11. Termination Upon Final Payment. Except as provided in Section 4.05, Freddie Mac's obligations and responsibilities to a Holder created by this Agreement shall terminate upon: (i) the payment to the Holder of all principal and interest due the Holder pursuant to the Pool Factor procedure or by reason of Freddie Mac's guarantees of collection of principal and timely payment of interest, or (ii) the payment to the Holder of all amounts held by Freddie Mac and required to be paid hereunder or required to be paid under Freddie Mac's guarantees of collection of principal and timely payment of interest.

Section 4.12. Modification of Final Payment Date. The Final Payment Date of a PC may be accelerated by virtue of prepayments of principal or extended by virtue of (i) the procedure for payment of principal and interest as described in Section 4.05, (ii) forbearance or payment plans affecting any Mortgage, or (iii) payment under Freddie Mac's guarantee of collection of principal after a mortgagor default as described in Section 4.09(b).

ARTICLE V

THE PCs

Section 5.01. Denominations; Form. PCs shall be sold in Book-Entry Form only in minimum denominations of \$25,000 and in additional increments of \$1.00 and shall at all times remain on deposit with the Federal Reserve Bank of New York in accordance with the provisions of the Book-Entry Rules.

Section 5.02. Transfer of PCs. PCs may be transferred only in denominations of \$25,000 or more. PCs may not be transferred if, as a result of such transfer, the Holder would have on deposit in its account PCs having an original unpaid principal balance of less than \$25,000. The transfer, exchange or pledge of PCs shall be governed by the Book-Entry Rules and such procedures, insofar as applicable, as may from time to time be established by regulations of the Treasury Department governing obligations of the United States as now set forth in Treasury Department Circular No. 300, and such other procedures as shall be agreed upon from time to time by Freddie Mac and the Federal Reserve Bank of New York.

Section 5.03. Book-entry Recordkeeping. The Federal Reserve Bank of New York shall maintain a book-entry recordkeeping system for all transactions in PCs. A purchaser of a PC from Freddie Mac is a Holder of the PC effective as of the opening of business on the first day of the month of settlement for that purchase. A request for transfer of a PC presented on or before the last business day of each month is effective as of the opening of business on the first day of that month. A charge may be made for any transfer. A charge will be made for any tax or other governmental charge imposed in connection with a transfer of a PC.

ARTICLE VI

REMEDIES

Section 6.01. Events of Default. “Event of Default” wherever used herein means any one of the following events:

(a) Default in the payment to Holders of interest at the PC Coupon as and when the same shall become due and payable as herein provided, and continuance of such default for a period of thirty days; or

(b) Default in the payment to Holders of principal as and when the same shall become due and payable as herein provided, and continuance of such default for a period of thirty days; or

(c) Failure on the part of Freddie Mac to observe or perform any other of the covenants of this Agreement, continued for a period of sixty days after the date on which written notice of such failure, requiring Freddie Mac to remedy the same, shall have been given to Freddie Mac by the Holders of not less than 25 percent in the aggregate unpaid principal balance of the PCs in any affected PC Pool; or

(d) A court having jurisdiction in the premises shall enter a decree or order for relief in respect of Freddie Mac in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, sequestrator (or similar official) of Freddie Mac or for all or substantially all of its property, or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of sixty consecutive days; or

(e) Freddie Mac shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of Freddie Mac or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or Freddie Mac shall fail generally to pay its debts as they become due.

Section 6.02. Remedies. If an Event of Default occurs and is continuing, then and in each and every such case, the Holders of a majority in aggregate unpaid principal balance of the PCs in any affected PC Pool may by written notice to Freddie Mac remove Freddie Mac and nominate a successor to Freddie Mac under this Agreement with respect to such PC Pool, which nominee shall be deemed appointed as successor to Freddie Mac unless within ten days after such nomination Freddie Mac objects thereto, in which case Freddie Mac may petition any court of competent jurisdiction for the appointment of a successor or any Holder who has been a bona fide Holder for at least six months may, on behalf of such Holder and all others similarly situated, petition any such court for appointment of a successor to Freddie Mac. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor to Freddie Mac. Upon the appointment of any successor pursuant to this Section 6.02, Freddie Mac shall submit to its successor a complete written report and accounting of the Mortgages and shall take all other steps necessary or desirable to transfer its interest in and administration of this Agreement to the successor. Subject to the Act, such successor may take such action with respect to the Mortgages as may be reasonable and appropriate in the circumstances. Prior to any such designation of a successor, the Holders

of a majority in aggregate unpaid principal balance of the PCs in any affected PC Pool may waive any past default or Event of Default. Appointment of a successor will not, however, relieve Freddie Mac of its guarantee obligations as set forth in this Agreement.

Section 6.03. Limitation on Suits by Holders. Except as provided in Section 6.02, no Holder shall have any right to institute any action or proceeding at law or in equity or in bankruptcy or otherwise, upon, under or with respect to this Agreement, the PCs or the Mortgages, or for the appointment of a receiver or trustee, or for any other remedy whatever, unless such Holder previously shall have given to Freddie Mac written notice of default and of the continuance thereof, as hereinbefore provided, and unless also the Holders of a majority in aggregate unpaid principal balance of the PCs in any affected PC Pool shall have made written request upon Freddie Mac to institute such action or proceedings in its own name and shall have offered to Freddie Mac such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and Freddie Mac for sixty days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action or proceedings, and no direction inconsistent with such written request has been given to Freddie Mac during such sixty day period by the Holders of a majority in aggregate unpaid principal balance of the PCs in any affected PC Pool, it being understood and intended, and being expressly covenanted by the Holder of every PC in any affected PC Pool with every other Holder in such PC Pool and with Freddie Mac that no one or more Holders shall have any right in any manner whatever by virtue of or by availing themselves of any provision of this Agreement, to affect, disturb or prejudice the rights of any other Holder, or to obtain or seek to obtain priority over or preference to any other such Holder or to enforce any right under this Agreement, except in the manner herein provided and for the ratable and common benefit of all Holders of PCs in any affected PC Pool. For the protection and enforcement of the provisions of this Section 6.03, each and every Holder and Freddie Mac shall be entitled to such relief as can be given either at law or in equity. Notwithstanding any other provision in this Agreement, the right of any Holder to receive payment of principal and interest as herein provided, on or after the respective due date of such payment, or to institute suit for the enforcement of any such payment on or after such date, shall not be impaired or affected without the consent of such Holder.

ARTICLE VII

MISCELLANEOUS PROVISIONS

Section 7.01. Annual Statements. Freddie Mac and/or its designated agent shall furnish, within a reasonable time after the end of each calendar year, to each Holder of record at any time during such year, information regarding the amount of the Holder's pro rata share of coupon interest on the Mortgages, net interest paid at the PC Coupon, and such other customary information as Freddie Mac deems necessary or desirable to enable Holders to prepare their United States income tax returns.

Section 7.02. Limitation on Liability of Freddie Mac and Others. Neither Freddie Mac nor any of the directors, officers, employees or agents of Freddie Mac shall be under any liability to Holders for any action taken by them or by a servicer or for their or any servicer's refraining from the taking of any action in good faith pursuant to this Agreement, or for errors in judgment; provided, however, that this provision shall not protect Freddie Mac or any such person against any liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of reckless disregard of obligations and duties hereunder. Freddie Mac and any director, officer, employee or agent of Freddie Mac may rely in good faith on any document of any kind properly executed and submitted by any person respecting any matters arising hereunder. Holders shall jointly and severally indemnify and hold harmless Freddie Mac and any director, officer, employee or agent of Freddie Mac against any loss, liability or expense incurred in connection with any legal action relating to this Agreement or the PCs, other than any loss, liability or expense relating to any Mortgage (other than as otherwise permitted in this Agreement) or incurred by reason of willful misfeasance, bad faith or gross negligence in performance of their duties or by reason of reckless disregard of obligations and duties hereunder. Freddie

Mac shall not be under any obligation to appear in, prosecute or defend any legal action which is not incidental to its duties to service the Mortgages in accordance with this Agreement and which in its opinion may involve it in any expense or liability; provided, however, that Freddie Mac may in its discretion undertake any such action which it may deem necessary or desirable in respect of any Mortgage, this Agreement, the PCs or the rights and duties of the parties hereto and the interests of the Holders hereunder. In such event, the legal expenses and costs of such action and any liability resulting therefrom shall be expenses for the protection, preservation, and maintenance of the Mortgages borne pro rata by Freddie Mac and Holders as provided by Section 4.08.

Section 7.03. Limitation on Rights of Holders. The incapacity of any Holder and/or the death or incapacity of any others having a beneficial interest in a PC shall not operate to terminate this Agreement or any PC Pool, nor entitle such Holder's or others' legal representatives or heirs to claim an accounting or to take any action or proceeding in any court for a partition or winding up of any PC Pool nor otherwise to affect the rights, obligations and liabilities of the parties hereto or any of them.

Section 7.04. Control by Holders. Except as otherwise provided in Article VI, no Holder shall have any right to vote or in any manner otherwise control the operation and management of the Mortgages or any PC Pool, or the obligations of the parties hereto, nor shall anything herein set forth, or contained in the terms of the PCs, be construed so as to constitute the Holders from time to time as partners or members of an association; nor shall a Holder be under any liability to any third person by reason of any action taken by the parties to this Agreement pursuant to any provision hereof.

Section 7.05. Amendment. This Agreement may be amended from time to time by Freddie Mac, without the consent of any Holder or Holders, to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Agreement, which shall not be inconsistent with the provisions of this Agreement, provided that such action shall not adversely affect in any material respect the interests of any Holder. This Agreement shall be deemed to amend, supersede and restate in its entirety each Mortgage Participation Certificate Agreement of Freddie Mac prior to the date hereof.

Section 7.06. Persons Deemed Owners. Freddie Mac and the Federal Reserve Bank of New York, or any agent of Freddie Mac or the Federal Reserve Bank of New York, may deem and treat the Holder as the absolute owner of a PC and the undivided interests in the Mortgages represented by such PC for the purpose of receiving payment of principal and interest and for all other purposes; and neither Freddie Mac nor the Federal Reserve Bank of New York, nor any agent of Freddie Mac or the Federal Reserve Bank of New York, shall be affected by any notice to the contrary. All such payments so made to any such person, or upon such person's order, shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the duty for monies payable by Freddie Mac upon such PC.

Section 7.07. Governing Law. This Agreement and the Holder's and Freddie Mac's rights and obligations with respect to PCs shall be construed in accordance with and governed by the laws of the United States. Insofar as there may be no applicable precedent, and insofar as to do so would not frustrate the purposes of the Act or any provision of this Agreement or the transactions governed thereby, the local laws of the State of New York shall be deemed reflective of the laws of the United States.

Section 7.08. Payments Due on Non-Business Days. If the date fixed for payment on the PCs shall be a day which is not a Business Day, then such payment need not be made on such date, but may be made on the next succeeding day which is a Business Day, with the same force and effect as though made on the date fixed for payment, and no interest shall accrue for the period after such date.

Section 7.09. Successors. This Agreement shall be binding upon and shall inure to the benefit of any successor to Freddie Mac, including any successor by operation of law.

Section 7.10. Effect of Section Headings. The Article and Section headings herein are for convenience only and shall not affect the construction of this Agreement.

Section 7.11. Notice and Demand. Any notice, demand or other communication which by any provision of this Agreement is required or permitted to be given or served to or upon any Holder may be

given or served in writing by deposit thereof, postage prepaid, in the United States mail addressed to such Holder as such Holder's name and address may appear in the records of the Federal Reserve Bank of New York or by transmission to such Holder through the communication system linking the Federal Reserve Banks. Such notice, demand or other communication to or upon a Holder shall be deemed to have been sufficiently given or made, for all purposes, upon mailing or transmission.

Any notice, demand or other communication which by any provision of this Agreement is required or permitted to be given or served to or upon Freddie Mac shall be given or served in a writing addressed (until another address is published by Freddie Mac) as follows: Federal Home Loan Mortgage Corporation, 1776 G Street, N.W., P.O. Box 37248, Washington, D.C. 20013-7248, Attention: Senior Vice President—Corporate Finance and Treasurer. Such notice, demand or other communication to or upon Freddie Mac shall be deemed to have been sufficiently given or made only upon actual receipt of the writing by Freddie Mac.

RECEIPT AND ACCEPTANCE OF PCs BY OR ON BEHALF OF A HOLDER, WITHOUT ANY SIGNATURE OR FURTHER MANIFESTATION OF ASSENT, SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE HOLDER AND ALL OTHERS HAVING A BENEFICIAL INTEREST IN SUCH PC OR PCs OF ALL OF THE TERMS AND PROVISIONS OF THIS AGREEMENT, AND THE AGREEMENT OF SUCH HOLDER AND SUCH OTHERS THAT THOSE TERMS AND PROVISIONS SHALL OPERATE AND BE EFFECTIVE AS BETWEEN FREDDIE MAC AND THEMSELVES.

(January 1985)



Freddie Mac

Federal

Home Loan

Mortgage

Corporation



Owned by America's
Savings Institutions