

**April 22, 2004**

**FREDDIE MAC ENHANCES MORTGAGE PARTICIPATION  
CERTIFICATE DISCLOSURE PRACTICES**

**McLean, VA -- Freddie Mac announced today that, as part of its ongoing review of its mortgage participation certificate (PC) disclosure practices, it will implement enhancements for all PC pools beginning in July 2004. These enhancements are intended to promote transparency as well as improve the accuracy of payment and disclosure.**

**Effective July 1, 2004, the enhancements will be as follows:**

- 1) Freddie Mac will disclose three new elements: "First Payment Distribution," "First P&I Payment" and "Weighted Average Original Loan Size" (WAOLS).**

**The "First Payment Distribution" element will provide the loan count, the percentage of unpaid principal balance (UPB), and the percentage of all loans underlying the related PC that have not yet reached their first payment date. We will disclose this element only upon issuance of a PC that includes such loans. This element will apply to all new PC pools that include such loans, commencing with PC pools issued in July 2004.**

**The "First P&I Payment" element applies to the introduction of the new Initial Interest mortgage products announced by Freddie Mac on April 19, 2004. Freddie Mac will begin**

**purchasing these mortgages in July 2004. This new disclosure will represent the first date on which principal as well as interest will be due on this type of mortgage in a PC pool.**

**“WAOLS” represents the weighted average of the origination amounts for mortgages in all PCs as of pool formation. WAOLS will be available for fixed-rate and ARM PCs. Freddie Mac will also provide AOLS for ARM PCs and we will provide the quartile distributions for Original Loan Size for ARM PCs. We will continue to provide “Average Original Loan Size” (AOLS) for fixed-rate PCs.**

**2) Related to the “First Payment Distribution” element described above, Freddie Mac is improving its Weighted Average Loan Age (WALA)/Weighted Average Remaining Maturity (WARM) calculation for fixed-rate PCs. Under the new methodology, WARM plus WALA will not exceed two months more than the stated maturity of the pool. For example, a 30-year fixed rate Gold PC would not exceed 362 months, as compared to 360 months, which is generally the case under the current methodology. This methodology will align the WALA and WARM calculations for PCs to prevailing industry standards. Based on an analysis using historical data, Freddie Mac does not currently expect that this change will affect a significant percentage of existing PCs. For affected PCs, this change may result in a one-time adjustment of the WALA/WARM and is generally expected to increase WALA by one month. For a theoretical example using three loans that illustrate the effect of these changes on WALA/WARM, visit**

**[www.freddiemac.com/mbs/data/f247news.pdf](http://www.freddiemac.com/mbs/data/f247news.pdf).**

**3) Freddie Mac is also introducing enhancements to its methodology for calculating principal payments on PCs. As discussed in Freddie Mac's PC Offering Circular, the principal balance of a PC pool sometimes is different from the aggregate principal balance of the underlying mortgages due to a variety of factors, such as a servicer's failure to file an accurate or timely report of its collections of principal or its having filed a report that cannot be processed. In calculating principal payments on PCs, Freddie Mac makes adjustments as necessary to reconcile such differences. Freddie Mac is introducing loan-level enhancements that will allow it to reconcile PC pool and mortgage balances in a more timely and accurate manner. Based on an analysis using historical data, Freddie Mac does not currently expect that this enhancement will have a significant impact on existing PCs.**

**4) For 75-day fixed rate Cash PCs, which were issued by Freddie Mac before 1991, Freddie Mac will no longer apply a "predicted payoff" component in calculating principal payments, thereby also better aligning the PC pool and mortgage balances.**

**5) Freddie Mac will provide enhanced disclosure for all Hybrid ARM PCs, which we expect will provide investors with a basis for better analytics and valuation. Five new data elements will be available in data fields. These elements are currently only disclosed in the PC pools' "Legend" fields. These fields consist of:**

1. **“Initial Cap Up %”**: The maximum amount a note rate can increase on the first rate adjustment date
2. **“Initial Cap Down %”**: The maximum amount a note rate can decrease on the first rate adjustment date.
3. **“Initial Period”**: A numeric code that defines the eligible months to the first interest rate adjustment date for the mortgages in each PC pool
4. **“Servicing: Min 10.0/Max 24.9 bps”**: Indicates whether the minimum servicing spread will be less than 25 bps
5. **“Prepayment Protection Mortgages: Yes or No”**: A prepayment protection mortgage is a mortgage with respect to which the borrower is, or at any time has been, obligated to pay a premium in the event of certain prepayments of principal

Freddie Mac will also disclose additional Component Information for all ARM PCs. The high and low ranges of coupon rate, margins, and lifetime ceilings will now be available.

For a more detailed description of this component information, refer to the Glossary of PC Terms available at [http://www.freddiemac.com/mbs/html/cs\\_terms.html](http://www.freddiemac.com/mbs/html/cs_terms.html).

6) Freddie Mac will provide enhanced breakout disclosure for its PCs. Freddie Mac will disclose the seller name, as well as the Weighted Average Coupon (WAC), WARM, and WALA and the high and low ranges in the breakout files for the loans associated with each seller. In addition, the WAC, WARM, and WALA and their high and low ranges will be available for each servicer of loans in a

**PC. Entities selling or servicing less than 1% of the UPB of the loans in a PC Pool will be combined under a separate heading designated as “Less than 1% UPB.”**

**For more information about these enhancements, please contact Investor Inquiry at (800) 336-3672 or [Investor\\_Inquiry@FreddieMac.com](mailto:Investor_Inquiry@FreddieMac.com).**

**This press release includes forward-looking statements. These statements are based on assumptions, estimates, current plans and historical analyses. Forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond Freddie Mac’s control. Factors that could cause forward-looking statements in this press release to differ materially from the expectations expressed in these statements include, among others: mortgage borrower activity, such as full or partial prepayment, delinquencies and defaults; and mortgage servicer activity, such as reporting errors and delays.**

**Freddie Mac is a stockholder-owned corporation established by Congress in support of homeownership and rental housing. Freddie Mac purchases single-family and multifamily residential mortgages and mortgage-related securities, which it finances primarily by issuing mortgage passthrough securities and debt instruments in the capital markets. Over the years, Freddie Mac has opened doors for one in six homebuyers and more than two million renters in America.**