

Freddie Mac

MORTGAGE PARTICIPATION CERTIFICATES AGREEMENT

AGREEMENT dated as of February 1, 2001, among Freddie Mac and Holders of PCs offered pursuant to Freddie Mac's Offering Circular for Mortgage Participation Certificates dated February 1, 2001 (the "Agreement").

WHEREAS:

(a) Freddie Mac is a corporation duly organized and existing under and by virtue of the Freddie Mac Act and has full corporate power and authority to enter into this Agreement and to undertake the obligations undertaken by it herein; and

(b) Freddie Mac may from time to time (i) purchase Mortgages, in accordance with the provisions of the Freddie Mac Act, (ii) create and issue PCs representing undivided ownership interests in such Mortgages and (iii) guarantee the payment of interest and principal for the benefit of the Holders of such PCs.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained in this Agreement, it is hereby agreed that the following terms and conditions of this Agreement shall govern the creation, transfer, sale and assignment of the PCs and the rights and obligations of Freddie Mac and Holders with respect to the PCs.

Definitions

The following terms used in this Agreement have the respective meanings set forth below.

Accrual Period: As to any Payment Date, (i) the calendar month preceding the month of the Payment Date for Gold PCs or (ii) the second calendar month preceding the month of the Payment Date for ARM PCs.

ARM PC: A PC with a Payment Delay of 75 days and which is backed by adjustable rate Mortgages. ARM PCs include Deferred Interest PCs.

Book-Entry Rules: The provisions from time to time in effect, currently contained in Title 24, Part 81, Subpart H of the Code of Federal Regulations, setting forth the terms and conditions under which Freddie Mac may issue securities on the book-entry system of the Federal Reserve Banks and authorizing a Federal Reserve Bank to act as its agent in connection with such securities.

Business Day: A day other than (i) a Saturday or Sunday, (ii) a day when the offices of the federal government in the District of Columbia generally are closed, (iii) a day when Freddie Mac's main offices in Virginia are closed, and (iv) a day when the Federal Reserve Bank of New York (or other agent acting as Freddie Mac's fiscal agent) is closed or, as to any Holder, a day when the Federal Reserve Bank that maintains the Holder's account is closed.

Conventional Mortgage: A Mortgage that is not guaranteed or insured by the United States or any agency or instrumentality of the United States.

Deferred Interest: The amount by which the interest due on a Mortgage exceeds the borrower's monthly payment, which amount is added to the unpaid principal balance of the Mortgage.

Deferred Interest PC: A PC representing an undivided interest in a PC Pool containing Mortgages that provide for negative amortization.

FHA/VA Mortgage: A Mortgage fully insured by the Federal Housing Administration or by the Rural Housing Service or guaranteed in part by the Department of Veterans Affairs.

Final Payment Date: As to any PC, the first day of the latest month in which the related Pool Factor will be reduced to zero. Freddie Mac publishes the Final Payment Date upon formation of the related PC Pool.

Freddie Mac: The Federal Home Loan Mortgage Corporation, a corporation created pursuant to the Freddie Mac Act for the purpose of establishing and supporting a secondary market in residential mortgages.

Freddie Mac Act: Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§ 1451-1459.

Gold PC: A PC with a Payment Delay of 45 days and which is backed by fixed-rate Mortgages.

Guide: Freddie Mac's Single-Family Seller/Servicer Guide, as supplemented and amended from time to time, in which Freddie Mac sets forth its mortgage purchase standards, credit, appraisal and underwriting guidelines and servicing policies.

Holder: Any entity that appears on the records of a Federal Reserve Bank as a holder of PCs.

Monthly Reporting Period: The period during which servicers report Mortgage payments to Freddie Mac, generally from the 16th of a month through the 15th of the next month, which period Freddie Mac has the right to change as provided in Section 3.05(d).

Mortgage: A mortgage or a participation interest in a mortgage that is secured by a first or second lien on a one-to-four family dwelling and that has been purchased by Freddie Mac and identified in the records maintained by Freddie Mac as included in a PC Pool.

MultiLender Swap Program: A program under which Freddie Mac purchases Mortgages from one or more sellers in exchange for PCs representing undivided interests in a PC Pool consisting of Mortgages that may or may not be those delivered by the seller(s).

Negative Amortization Factor: For PC Pools containing Mortgages that provide for negative amortization, a truncated seven-digit decimal number that reflects the amount of Deferred Interest added to the principal balances of the related Mortgages in the preceding month.

Mortgage Coupon: The per annum fixed or adjustable interest rate of a Mortgage.

Offering Circular: Freddie Mac's Mortgage Participation Certificates Offering Circular dated February 1, 2001, or any successor thereto.

Payment Date: The 15th of each month or, if the 15th is not a Business Day, the next Business Day.

Payment Delay: The delay between the first day of the Accrual Period for a PC and the related Payment Date.

PC: A Mortgage Participation Certificate issued pursuant to this Agreement, representing a beneficial ownership interest in a PC Pool. The term “PC” includes a Gold PC or an ARM PC unless the context requires otherwise.

PC Coupon: The per annum fixed or adjustable rate of a PC calculated as described in the Offering Circular or any applicable Supplement, computed on the basis of a 360-day year of twelve 30-day months.

PC Pool: A discrete pool of Mortgages formed by Freddie Mac.

Pool Factor: A truncated seven-digit decimal Freddie Mac calculates for each month for each PC Pool which, when multiplied by the original principal balance of the related PCs, will equal their remaining principal amount. The Pool Factor for any month reflects the remaining principal amount after the payment to be made on the Payment Date in the same month for Gold PCs or in the following month for ARM PCs.

Record Date: As to any Payment Date, the close of business on the last day of (i) the preceding month for Gold PCs or (ii) the second preceding month for ARM PCs.

Supplement: A document that amends or supplements the Offering Circular and/or this Agreement. Any Supplement for each PC Pool shall be binding and effective upon formation of the related PC Pool and issuance of the related PCs, whether or not such Supplement is executed, delivered or published by Freddie Mac.

ARTICLE I

Conveyance of Undivided Interests in Mortgages

Section 1.01. Sale of PCs. Freddie Mac’s sale of a PC pursuant to this Agreement will be deemed to occur upon the date of settlement and payment for such PC and shall constitute a sale, assignment, transfer and conveyance to the Holder of a pro rata undivided interest in the Mortgages constituting the related PC Pool. Freddie Mac will be bound by all of the terms and conditions of this Agreement at such time as Freddie Mac sells a PC to a Holder. Upon settlement of and payment for a PC, a Holder will, by virtue thereof, acknowledge, accept and agree to be bound by all of the terms and conditions of this Agreement.

Section 1.02. Identity of the Mortgages; Substitution and Repurchase.

(a) A PC Pool will consist of those Mortgages Freddie Mac acquired (i) for cash, (ii) in exchange for PCs and/or (iii) for such other consideration as Freddie Mac deems appropriate.

(b) Freddie Mac may determine the amount and identity of the Mortgages constituting a PC Pool at any time prior to the first Payment Date. Once the amount and identity of the Mortgages have been determined, Freddie Mac will establish the original unpaid principal balance of the PC Pool on its books and records in accordance with this Agreement and its current mortgage purchase and pooling procedures.

(c) Except as provided in this Section 1.02 or in Section 1.03, once Freddie Mac has identified the Mortgages to a particular PC Pool, such identification may not change, except that:

(i) Freddie Mac may repurchase a Mortgage in connection with a guarantee payment under Section 3.09(a)(ii).

(ii) Freddie Mac may repurchase, or require or permit a seller or servicer of a Mortgage to repurchase, any Mortgage if a repurchase is necessary or advisable (A) to maintain proper servicing of the Mortgage, (B) to minimize loss, (C) to maintain the status of the PC Pool as a fixed investment trust for federal income tax purposes or (D) if there is an impending or actual default or delinquency on the Mortgage.

(iii) Freddie Mac may repurchase a Mortgage if a bankruptcy court approves a plan that materially affects the terms of the Mortgage or authorizes a transfer or substitution of the underlying property.

(iv) Freddie Mac may require or permit the seller or servicer of a Mortgage to repurchase any Mortgage or (within six months of the settlement of the related PCs) substitute for any Mortgage a Mortgage of comparable type, unpaid principal balance, remaining term and yield, if there is (A) a material breach of warranty by a seller or servicer of any Mortgage, (B) a material defect in documentation as to any Mortgage or (C) a failure by a seller or servicer to comply with any requirements or terms set forth in the Guide and other Mortgage purchase documents.

(v) Freddie Mac will repurchase any Mortgage or (within two years of the settlement of the related PCs) substitute for any Mortgage a Mortgage of comparable type, unpaid principal balance, remaining term and yield, if (A) a court of competent jurisdiction or a federal government agency duly authorized to oversee or regulate Freddie Mac's mortgage purchase business determines that Freddie Mac's purchase of such Mortgage was unauthorized and Freddie Mac determines that a cure is not practicable without unreasonable effort or expense or (B) such court or government agency requires repurchase of such Mortgage.

(d) Any repurchase of a Mortgage by a seller or servicer will be at its then unpaid principal balance, less any principal on such Mortgage that the seller or servicer advanced to Freddie Mac. Freddie Mac's repurchase of any Mortgage will be at its then unpaid principal balance, less any outstanding advances of principal on such Mortgage that Freddie Mac paid to Holders.

(e) In determining whether a Mortgage will be repurchased from a PC Pool as described in this Section 1.02, Freddie Mac may consider such factors as it deems appropriate, including reduction of its administrative costs or possible exposure under its guarantees.

Section 1.03. Post-Settlement Purchase Adjustments.

(a) Freddie Mac will make any post-settlement purchase adjustments necessary to reflect the actual aggregate unpaid principal balance of the related Mortgages or other Mortgage characteristics as of the date of their purchase by Freddie Mac or their delivery to Freddie Mac in exchange for PCs, as the case may be.

(b) Post-settlement adjustments may be made in such manner as Freddie Mac deems appropriate, but will not adversely affect any Holder's rights to monthly payments of interest at the PC Coupon, any Holder's pro rata share of principal or any Holder's rights under Freddie Mac's guarantees. Freddie Mac will pass through on a pro rata basis any adjustment that reduces the principal balance of a PC Pool.

Section 1.04. Custody of Mortgage Documents. Freddie Mac, a custodian acting as its agent (which may be either a third party or a trust department of the seller or servicer), or the originator or seller of the Mortgage may hold the Mortgage documents, including Mortgage notes and

participation certificates evidencing Freddie Mac's ownership interest in the Mortgages. Freddie Mac may adopt and modify its policies and procedures for the custody of Mortgage documents at any time, provided such modifications are prudent and do not materially and adversely affect the Holders' interests.

Section 1.05. Interests Held or Acquired by Freddie Mac. PCs held or acquired by Freddie Mac from time to time and PCs held by other Holders shall have equal and proportionate benefits, without preference, priority or distinction. In the event that Freddie Mac retains any interest in a Mortgage, the remaining interest in which is part of a PC Pool, Freddie Mac's interest in such Mortgage will rank equally with that of Holders of the related PCs, without preference, priority or distinction. No Holder will have any priority over any other Holder.

ARTICLE II

Administration and Servicing of the Mortgages

Section 2.01. Freddie Mac as Principal Servicer. Freddie Mac will service or supervise servicing of the Mortgages in accordance with the provisions of the Guide, including management of any property acquired through foreclosure or otherwise, for the benefit of Holders. Freddie Mac will have full power and authority to do or cause to be done any and all things in connection with such servicing that Freddie Mac deems necessary or desirable. Freddie Mac will act as the representative of Holders in the control, management and servicing of the Mortgages in the related PC Pools.

Section 2.02. Servicing Responsibilities. Freddie Mac will service or supervise servicing of the Mortgages in a manner consistent with prudent servicing standards and in substantially the same manner as Freddie Mac services or supervises the servicing of unsold mortgages of the same type in its portfolio. In performing its servicing responsibilities hereunder, Freddie Mac may employ servicing agents or independent contractors. Freddie Mac may discharge its responsibility to supervise servicing of the Mortgages by monitoring servicers' performance on a reporting and exception basis. Except as provided in Article V of this Agreement, Freddie Mac will not be subject to the control of Holders in the discharge of its responsibilities pursuant to this Article. Except with regard to its guarantee obligations pursuant to Section 3.09, Freddie Mac will have no liability to any Holder other than for any direct damage resulting from its failure to exercise that degree of ordinary care it exercises in the conduct and management of its own affairs. Freddie Mac will have no liability for consequential damages.

Section 2.03. Realization Upon Defaulted Mortgages. Freddie Mac (or its agent) will foreclose upon (or otherwise comparably convert 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 (or its agent) will follow such practices or procedures as it deems necessary or advisable and consistent with general mortgage servicing standards.

Section 2.04. Automatic Acceleration and Assumptions.

(a) Freddie Mac will enforce the terms of a mortgage that gives the mortgagee the right to demand full payment of the unpaid principal balance of the Mortgage upon sale or transfer of the property securing the Mortgage regardless of the creditworthiness of the transferee (a right of

“automatic acceleration”), as permitted by applicable state and federal law and to the extent consistent with its then-current servicing policies.

(b) Freddie Mac will permit the assumption by a new mortgagor of an FHA/VA Mortgage upon the sale or transfer of the underlying property, as required by applicable regulations. Any such assumption will be in accordance with applicable regulations, policies, procedures and credit requirements and will not result in loss or impairment of any insurance or guaranty.

Section 2.05. Fees. Unless otherwise provided in the related offering documents, Freddie Mac will not pass through to Holders any prepayment premiums, assumption fees or other fees charged on the Mortgages.

Section 2.06. Mortgage Insurance and Guarantees.

(a) If a Conventional Mortgage is insured by a mortgage insurer, the insurer will have no obligation to recognize or deal with any person other than Freddie Mac or its agent regarding the mortgagee’s rights, benefits and obligations under the related insurance contract. If a mortgage insurer exercises an option under an insurance contract to purchase a Mortgage, the proceeds of such purchase will be considered to be repurchase proceeds for purposes of Article III.

(b) Each FHA/VA Mortgage will have in full force and effect a certificate or other satisfactory evidence of insurance or guaranty, as the case may be, as may be issued by the applicable government agency from time to time. None of these agencies has any obligation to recognize or deal with any person other than Freddie Mac or its agent with regard to the rights, benefits and obligations of the mortgagee under the contract of insurance or guaranty relating to each FHA/VA Mortgage.

ARTICLE III

Payments to Holders and Guarantees

Section 3.01. Monthly Reporting Period. For purposes of this Agreement, any payment or any event with respect to any Mortgage reported to Freddie Mac by the related servicer as having been made or having occurred within a Monthly Reporting Period will be deemed to have been received by Freddie Mac or to have in fact occurred within such Monthly Reporting Period used by Freddie Mac for such purposes. Payments reported by servicers include all principal and interest payments made by a borrower, insurance proceeds, liquidation proceeds and repurchase proceeds. Events reported by servicers include foreclosure sales, payments of insurance claims and payments of guarantee claims.

Section 3.02. Holder’s Undivided Interest. The Holder of a PC on the Record Date will be the owner of record of a pro rata undivided interest in the remaining principal balance of the related PC Pool as of such date and will be entitled to interest at the PC Coupon on such pro rata undivided interest, in each case on the related Payment Date. Such pro rata undivided interest will change accordingly if any Mortgage is added to or removed from the PC Pool in accordance with this Agreement. A Holder’s pro rata undivided interest in the PC Pool is calculated by dividing the original unpaid principal balance of the Holder’s PC by the original unpaid principal balance of the related PC Pool.

Section 3.03. Pass-Through of Principal. Freddie Mac will pass through to each Holder of a PC its pro rata share of principal payments made on the related Mortgages (including, if applicable, each Holder's pro rata share of the aggregate amount of any Deferred Interest that has been added to the principal balance of the related Mortgages), any net income, profits or proceeds of the Mortgages and net proceeds realized from any property of any kind received in substitution for or upon realization on the Mortgages. Freddie Mac will pass through all such payments of principal, whether from insurance, guaranty payment, condemnation, foreclosure or otherwise; *provided, however,* that its obligations herein will be subject to its subrogation rights pursuant to Section 3.10 with respect to payments made under Freddie Mac's guarantees. Freddie Mac may retain from any prepayment or delinquent principal payment on any Mortgage any amount not previously received by Freddie Mac but paid to Holders under its guarantees. For Mortgages purchased by Freddie Mac in exchange for PCs under its MultiLender Swap Program, Freddie Mac will retain principal payments made on such Mortgages in the amount of any difference between the aggregate unpaid principal balance of the Mortgages as of delivery by the seller and the aggregate unpaid principal balance as of the settlement date and Freddie Mac will purchase additional Mortgages with such principal payments; such additional Mortgages may or may not be included in the PC Pool represented by the PCs received by the seller. Freddie Mac will pass through insurance proceeds, liquidation proceeds (including those resulting from the acquisition of any property securing a Mortgage) and repurchase proceeds to Holders in the same manner as a prepayment.

Section 3.04. Pass-Through of Interest. Freddie Mac will pass through to each Holder its pro rata share of the interest paid by borrowers with respect to each Mortgage at a rate equal to the PC Coupon (excluding, if applicable, each Holder's pro rata share of any Deferred Interest that has been added to the principal balance of the related Mortgages). Interest will accrue during the applicable Accrual Periods. Freddie Mac may retain from any payment of delinquent interest on any Mortgage any amount not previously received by Freddie Mac but paid to Holders under its guarantees. A partial month's interest retained by Freddie Mac or remitted to each Holder with respect to prepayments will constitute an adjustment to Freddie Mac's management and guarantee fee.

Section 3.05. Payments.

(a) Payments of principal and interest on PCs will begin in the month after issuance for Gold PCs and in the second month after issuance for ARM PCs.

(b) Federal Reserve Banks (at Freddie Mac's direction) will credit payments on PCs to the appropriate Holders' accounts. Freddie Mac's payment obligations will be met upon transmittal of Freddie Mac's payment order to the Federal Reserve Banks. A Holder will receive the payment of principal, if applicable, and interest on each Payment Date on each PC held by such Holder as of the related Record Date.

(c) Freddie Mac relies on servicers' reports of mortgage activity to prepare the Pool Factors. There may be delays or errors in processing mortgage information, 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 these situations Freddie Mac's calculation of scheduled principal to be made on Gold PCs may not reflect actual payments on the related Mortgages. Freddie Mac will account for any differences as soon as practicable.

(d) Freddie Mac reserves the right to change the period during which a servicer may hold funds prior to payment to Freddie Mac, as well as the period for which servicers report payments to Freddie Mac, including adjustments to the Monthly Reporting Period. Either change may change the time at which prepayments are passed through to Holders. Any such change, however, will not impair Holders' rights to payments as otherwise provided in this Section.

(e) Pending payment to Holders of funds received by Freddie Mac from servicers, Freddie Mac will have the right to invest and reinvest such funds for its own sole risk and benefit. Freddie Mac's guarantees will continue to be effective or will be reinstated in the event that any principal or interest payment made 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 3.06. Pool Factors.

(a) Freddie Mac will calculate and make payments to Holders on any Payment Date based on the monthly Pool Factors (including Negative Amortization Factors) until such time as it determines that a more accurate and practicable method for calculating such payments is available and implements that method. Pursuant to Section 6.05(e), Freddie Mac may modify the Pool Factor methodology from time to time, without the consent of Holders.

(i) Freddie Mac will publish or cause to be published for each month a Pool Factor with respect to each PC Pool. Beginning in the month after PC Pool formation, Pool Factors will be published on or about the first business day of the month for Gold PCs and on or about the seventh business day of the month for ARM PCs. However, Freddie Mac may, in its own discretion, publish Pool Factors on any other business day. The Pool Factor for the month of PC Pool formation is 1.0000000 and need not be published.

(ii) Freddie Mac will pay principal each month to a Holder of a Gold PC in an amount equal to such Holder's pro rata share of such principal, calculated by multiplying the original principal balance of the Gold PC by the difference between its Pool Factors for the preceding and current months.

(iii) Freddie Mac will pay principal each month to a Holder of an ARM PC in an amount equal to such Holder's pro rata share of such principal, calculated by multiplying the original principal balance of the ARM PC by the difference between its Pool Factors for the two preceding months.

(iv) Freddie Mac will pay interest each month in arrears to a Holder (assuming no Deferred Interest) in an amount equal to 1/12th of the applicable PC Coupon multiplied by such Holder's pro rata share of principal, calculated by multiplying the original principal balance of such Holder's PC by the preceding month's Pool Factor for Gold PCs or by the second preceding month's Pool Factor for ARM PCs.

(v) For any month that Deferred Interest has accrued on a Deferred Interest PC, Freddie Mac will pay principal (if any is due) to a Holder in an amount equal to such Holder's pro rata share of principal, calculated by (A) subtracting the preceding month's Pool Factor from the second preceding month's Pool Factor, (B) adding to the difference the Negative Amortization Factor for the preceding month and (C) multiplying the resulting sum by the original PC principal balance. The interest payment on the Deferred Interest PC in that month will be

(i) 1/12th of the PC Coupon multiplied by (ii) the original principal balance of the Holder's PC multiplied by (iii) the preceding month's Pool Factor minus the preceding month's Negative Amortization Factor.

(b) Each Pool Factor will reflect prepayments reported for the applicable Monthly Reporting Period. Freddie Mac may also, in its discretion, reflect in a Pool Factor any prepayments reported after the end of the applicable Monthly Reporting Period. To the extent a given Pool Factor (adjusted as necessary for payments made pursuant to Freddie Mac's guarantee of timely payment of scheduled principal on Gold PCs) does not reflect the actual unpaid principal balance of the Mortgages, Freddie Mac will account for any difference by adjusting subsequent Pool Factors as soon as practicable.

(c) In the case of ARM PCs, each Pool Factor applicable to a PC Pool will be based upon the unpaid principal balance of the related Mortgages that servicers report to Freddie Mac for the Monthly Reporting Period that ended in the second month preceding the month in which the Pool Factor is published. Freddie Mac may also, in its discretion, include as part of the aggregate principal payment in any month any prepayments received after the Monthly Reporting Period that ended in the second month preceding the month in which the Pool Factor is published. To the extent a given Pool Factor does not reflect the actual unpaid principal balance of the Mortgages, Freddie Mac will account for any difference by adjusting subsequent Pool Factors as soon as practicable.

(d) The Pool Factor method may affect the timing of receipt of payments by Holders but shall not affect Freddie Mac's guarantees as set forth in Section 3.09. Freddie Mac's guarantees will not be affected by the implementation of any different method for calculating and paying principal and interest as permitted by this Section 3.06.

Section 3.07. Amounts Retained by Servicers or Sellers.

(a) To the extent provided by contractual arrangement with Freddie Mac, the servicer of each Mortgage will be entitled to retain each month, as a servicing fee, any interest payable by the borrower on a Mortgage that exceeds the servicer's required remittance to Freddie Mac. Each servicer is required to pay all expenses incurred by it in connection with its servicing activities and will not be entitled to reimbursement for those expenses, except as provided in Section 3.08(c). If a servicer advances any principal and/or interest on a Mortgage to Freddie Mac prior to the receipt of such funds from the borrower, the servicer may retain (i) from prepayments or collections of delinquent principal on such Mortgage any payments of principal so advanced, or (ii) from collections of delinquent interest on such Mortgage any payments of interest so advanced. To the extent permitted by its servicing agreement, the servicer is entitled to retain as additional compensation certain incidental fees related to Mortgages it services.

(b) A seller may retain each month as extra compensation a fixed amount of interest on a Mortgage. In such event, the servicer will retain each month as a servicing fee the excess of any interest payable by the borrower on a Mortgage (less the seller's retained interest amount) over the servicer's required remittance to Freddie Mac.

Section 3.08. Amounts Retained by Freddie Mac.

(a) Subject to any adjustments required by Section 3.04, Freddie Mac will retain from monthly interest payments on each Mortgage a management and guarantee fee, which equals any interest

received by Freddie Mac from the servicer over the amount of interest payable to Holders; *provided, however,* that any such amount retained by Freddie Mac will be adjusted automatically to the extent a Pool Factor does not reflect the unpaid principal balance of the Mortgages. Any such adjustment will equal the difference between (i) interest at the applicable PC Coupon computed on the aggregate unpaid principal balance of the Mortgages for such month based on monthly principal payments actually received by Freddie Mac and (ii) interest at the applicable PC Coupon computed on the remaining PC Pool balance derived from the Pool Factor. Freddie Mac is entitled to retain as additional compensation for services certain incidental fees on the Mortgages as provided in Section 2.05.

(b) Freddie Mac will pay all expenses it incurs in connection with the administration of a PC Pool and the related Mortgages, except that any amounts expended by Freddie Mac (or the servicers on Freddie Mac's behalf) for the protection, preservation or maintenance of the Mortgages, or of the real property securing the Mortgages, or of property received in liquidation of or realization upon the Mortgages, will be expenses to be borne pro rata by Freddie Mac and the Holders in accordance with their interests in each Mortgage. Freddie Mac may pay such expenses borne pro rata by Holders from payments otherwise due to Holders, which may affect the timing of receipt of payments by Holders.

(c) Freddie Mac will reimburse a servicer for any amount it expends (on Freddie Mac's behalf and with Freddie Mac's approval) for the protection, preservation or maintenance of the Mortgages, or of the real property securing the Mortgages, or of property received in liquidation of or realization upon the Mortgages. Freddie Mac will reimburse such expenses in accordance with the Guide.

(d) Any fees and expenses described above will not affect Freddie Mac's guarantees as set forth in Section 3.09.

Section 3.09. Guarantees.

(a) Freddie Mac guarantees to each Holder of a PC:

(i) the timely payment of interest at the applicable PC Coupon.

(ii) the full and final payment of principal on the underlying Mortgages on or before the Payment Date that falls (A) in the month of its Final Payment Date, for Gold PCs, or (B) in the month after its Final Payment Date, for ARM PCs.

(iii) for Gold PCs only, the timely payment of scheduled principal on the underlying Mortgages.

In the case of Deferred Interest PCs, Freddie Mac's guarantee of principal includes, and its guarantee of interest excludes, any Deferred Interest added to the principal balances of the related Mortgages.

(b) Freddie Mac will compute guaranteed scheduled monthly principal payments on any Gold PC, subject to any applicable adjustments, in accordance with procedures adopted by Freddie Mac from time to time. Any payment Freddie Mac makes to Holders on account of its guarantee of scheduled principal payments will be considered to be a payment of principal for purposes of calculating the Pool Factor for the related PC Pool and the Holder's pro rata share of the remaining unpaid principal balance of the Mortgages.

Section 3.10. Subrogation. Freddie Mac will be subrogated to all the rights, interests, remedies, powers and privileges of each Holder in respect of any Mortgage on which it has made guarantee payments of principal and/or interest to the extent of such payments.

Section 3.11. Termination Upon Final Payment. Except as provided in Sections 3.05(e) and 6.01, Freddie Mac's obligations and responsibilities under this Agreement to a Holder of any PC will terminate upon (i) the full payment to the Holder of all principal and interest due the Holder of such PC based on the Pool Factors or by reason of Freddie Mac's guarantees or (ii) the payment to the Holder of all amounts held by Freddie Mac and required to be paid hereunder.

Section 3.12. Effect of Final Payment Date. The actual final payment on a PC may occur prior to the Payment Date specified in Section 3.09(a)(ii) due to prepayments of principal, including prepayments made in connection with the repurchase of any Mortgage.

ARTICLE IV

PCs

Section 4.01. Form and Denominations. PCs will be issued, held and transferable only on the book-entry system of the Federal Reserve Banks in minimum original principal amounts of \$1,000 and additional increments of \$1. PCs will at all times remain on deposit with a Federal Reserve Bank in accordance with the provisions of the Book-Entry Rules. A Federal Reserve Bank will maintain a book-entry recordkeeping system for all transactions in PCs with respect to Holders.

Section 4.02. Transfer of PCs. PCs may be transferred only in minimum original principal amounts of \$1,000 and additional increments of \$1. PCs may not be transferred if, as a result of the transfer, the transferor or the new Holder would have on deposit in its account PCs of the same issue with an original principal amount of less than \$1,000. The transfer, exchange or pledge of PCs will be governed by the fiscal agency agreement between Freddie Mac and a Federal Reserve Bank, the Book-Entry Rules and such other procedures as will be agreed upon from time to time by Freddie Mac and a Federal Reserve Bank. A Federal Reserve Bank will act only upon the instructions of the Holder in recording transfers of a PC. A charge may be made for any transfer of a PC and will be made for any tax or other governmental charge imposed in connection with a transfer of a PC.

Section 4.03. Record Date. The Record Date for each Payment Date will be the close of business on the last day of the preceding month for Gold PCs and the second preceding month for ARM PCs. A Holder of a PC on the books and records of a Federal Reserve Bank on the Record Date will be entitled to payment of principal and interest on the related Payment Date. A transfer of a PC made on or before the Record Date in a month will be recognized as effective as of the first day of such month.

ARTICLE V

Remedies

Section 5.01. Events of Default. "Events of Default" means any one of the following events:

(a) Default in the payment of interest to Holders at the applicable PC Coupon when it is due and payable as provided in this Agreement, and the continuance of such default for a period of 30 days.

(b) Default in the payment of principal to Holders when it is due and payable as provided in this Agreement, and the continuance of such default for a period of 30 days.

(c) Freddie Mac's failure to observe or perform any other covenants of this Agreement, and the continuance of such failure for a period of 60 days after the date of its receipt of written notice of such failure and a demand for remedy by the Holders representing not less than 65 percent of the remaining principal balance of any affected PC Pool.

(d) The entry by any court having jurisdiction over Freddie Mac of a decree or order for relief in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian or sequestrator (or other similar official) of Freddie Mac or for any substantial part of its property, or for the winding up or liquidation of its affairs, if such decree or order remains unstayed and in effect for a period of 60 consecutive days.

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

The appointment of a conservator (or other similar official) by a regulator having jurisdiction over Freddie Mac, whether or not Freddie Mac consents to such appointment, shall not constitute an Event of Default.

Section 5.02. Remedies.

(a) If an Event of Default occurs and is continuing, the Holders of PCs representing a majority of the remaining principal balance of any affected PC Pool may, by written notice to Freddie Mac, remove Freddie Mac and nominate its successor under this Agreement with respect to such PC Pool. The nominee will be deemed appointed as Freddie Mac's successor unless Freddie Mac objects within 10 days after such nomination. Upon such objection:

(i) Freddie Mac may petition any court of competent jurisdiction for the appointment of its successor; or

(ii) Any bona fide Holder that has been a Holder for at least six months may, on behalf of such Holder and all others similarly situated, petition any such court for appointment of Freddie Mac's successor.

(b) If Freddie Mac's successor is appointed, Freddie Mac will submit to its successor a complete written report and accounting of the Mortgages in the affected PC Pool and will take all other steps necessary or desirable to transfer its interest in and administration of such PC Pool to its successor.

(c) Subject to the Freddie Mac Act, a successor may take any action with respect to the Mortgages as may be reasonable and appropriate in the circumstances. Prior to the designation of a successor, the Holders of PCs representing a majority of the remaining principal balance of any affected PC Pool may waive any past or current Event of Default.

(d) Appointment of a successor will not relieve Freddie Mac of its guarantee obligations as set forth in this Agreement.

Section 5.03. Limitation on Suits by Holders.

(a) Except as provided in Section 5.02, no Holder will have any right to institute any action or proceeding at law or in equity or in bankruptcy or otherwise or seek any other remedy whatsoever with respect to this Agreement, the PCs or the Mortgages, unless:

(i) Such Holder previously has given Freddie Mac written notice of an Event of Default and the continuance thereof;

(ii) The Holders of PCs representing a majority of the remaining principal balance of any affected PC Pool have made a written request to Freddie Mac to institute an action or proceeding in its own name and have offered Freddie Mac reasonable indemnity against the costs, expenses and liabilities to be incurred;

(iii) Freddie Mac has failed to institute any such action or proceeding for 60 days after its receipt of the written notice, request and offer of indemnity described above; and

(iv) Freddie Mac has not received from such Holders any direction inconsistent with the written request described above during the 60-day period.

(b) No Holder will have any right under this Agreement to prejudice the rights of any other Holder, to obtain or seek preference or priority over any other Holder or to enforce any right under this Agreement, except for the ratable and common benefit of all Holders of PCs representing interests in any affected PC Pool.

(c) For the protection and enforcement of the provisions of this Section, Freddie Mac and each and every Holder shall be entitled to such relief as can be given either at law or in equity. Notwithstanding the foregoing, no Holder's right to receive payment (or to institute suit to enforce payment) of principal and interest as provided herein on or after the due date of such payment will be impaired or affected without the consent of the Holder.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Annual Statements. Within a reasonable time after the end of each calendar year, Freddie Mac (or its agent) shall furnish to each Holder on any Record Date during such year information Freddie Mac deems necessary or desirable to enable Holders and beneficial owners of PCs to prepare their United States federal income tax returns, if applicable.

Section 6.02. Limitations on Liability. Neither Freddie Mac nor any of its directors, officers, employees or agents ("related persons") shall be liable to Holders for any action taken, or not taken, by them or by a servicer in good faith pursuant to this Agreement or for errors in judgment. This provision shall not protect Freddie Mac or any related 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 under this Agreement. Freddie Mac and any related person shall not be liable for any consequential damages. Freddie Mac and any related person may rely in good faith on any document of any kind properly executed and submitted by any person with respect to any matter arising under this Agreement.

Freddie Mac has no 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 any expense or liability for Freddie Mac. Freddie Mac may, in its discretion, undertake or participate in any action it deems necessary or desirable with respect to 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 resulting liability shall be expenses for the protection, preservation and maintenance of the Mortgages borne pro rata by Freddie Mac and Holders as provided in Section 3.08(b).

Section 6.03. Limitation on Rights of Holders. The death or incapacity of any person having an interest in a PC shall not terminate this Agreement or any PC Pool. Such death or incapacity shall not entitle the legal representatives or heirs of such person, or any Holder for such person, to claim an accounting, take any action or bring any proceeding in any court for a partition or winding up of any PC Pool, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

Section 6.04. Control by Holders. Except as otherwise provided in Article V, no Holder shall have any right to vote or to otherwise control in any manner the operation and management of the Mortgages or any PC Pool, or the obligations of the parties hereto. This Agreement is not to be construed so as to make the Holders from time to time partners or members of an association. Holders shall not be liable to any third person by reason of any action taken by the parties to this Agreement pursuant to any provision hereof.

Section 6.05. Amendment.

(a) Freddie Mac may amend this Agreement from time to time without the consent of any Holders to (i) cure any ambiguity or correct or supplement any provision in this Agreement, *provided, however*, that any such amendment shall not have a material adverse effect on any Holder; (ii) maintain the classification of any PC Pool as a fixed investment trust for federal income tax purposes; or (iii) avoid the imposition of any state or federal tax on a PC Pool.

(b) Except as provided in Section 6.05(c), Freddie Mac may amend this Agreement as to any PC Pool, with the consent of Holders representing not less than a majority of the remaining principal balance of the affected PC Pool.

(c) Freddie Mac may not amend this Agreement, without the consent of a Holder, if such amendment would impair or affect the right of such Holder to receive payment of principal and interest on or after the due date of such payment or to institute suit for the enforcement of any such payment on or after such date.

(d) To the extent that any provisions of this Agreement differ from the provisions of any Freddie Mac Mortgage Participation Certificates Agreement dated prior to the date of this Agreement, this Agreement shall be deemed to amend such provisions of the prior agreement, but only if Freddie Mac, under the terms of such prior agreement, could have effected such change as an amendment of such prior agreement without the consent of holders of PCs thereunder.

(e) Notwithstanding any other provision of this Section, Freddie Mac (in its own discretion and in its own interest) may amend this Agreement to reflect any modification in its methodology of calculating payments to Holders, including any modifications described in Section 3.05 and Section 3.06 and the manner in which it passes through prepayments.

Section 6.06. Persons Deemed Owners. Freddie Mac and a Federal Reserve Bank (or any agent of either) 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 payments and for all other purposes, and neither Freddie Mac nor a Federal Reserve Bank (nor any agent of either) shall be affected by any notice to the contrary. All payments made to a Holder, or upon such Holder's order, shall be valid, and, to the extent of the payment, shall satisfy and discharge Freddie Mac's payment obligations upon the Holder's PC. Freddie Mac and a Federal Reserve Bank will have no direct obligation to any beneficial owner unless it is also the Holder of a PC.

Section 6.07. Governing Law. This Agreement and the Holders' and Freddie Mac's rights and obligations with respect to PCs shall be 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 Freddie Mac Act or any provision of this Agreement or the transactions governed hereby, the local laws of the State of New York shall be deemed reflective of the laws of the United States.

Section 6.08. Trust Status. No provision in this Agreement shall be construed to grant Freddie Mac or any other person authority to act in any manner which would cause a PC Pool not to be treated as a fixed investment trust for federal income tax purposes.

Section 6.09. Payments Due on Non-Business Days. If the date fixed for any payment on any PC is a day that is not a Business Day, then such payment shall be made on the next succeeding Business Day, with the same force and effect as though made on the date fixed for such payment, and no interest shall accrue for the period after such date.

Section 6.10. Successors. This Agreement shall be binding upon and inure to the benefit of any of Freddie Mac's successors, including any successor by operation of law.

Section 6.11. Headings. The headings in this Agreement are for convenience only and shall not affect the construction of this Agreement.

Section 6.12. Notice and Demand.

(a) Any notice, demand or other communication required or permitted under this Agreement to be given to or served upon any Holder may be given or served (i) in writing by deposit in the United States mail, postage prepaid, and addressed to such Holder as such Holder's name and address may appear on the books and records of a Federal Reserve Bank or (ii) by transmission to such Holder through the communication system of the Federal Reserve Banks. Any 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.

(b) Any notice, demand or other communication which is required or permitted to be given to or served upon Freddie Mac by this Agreement may be given in writing addressed (until Freddie Mac publishes another address) as follows: Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102, Attention: Executive Vice President — General Counsel and Secretary.

(c) Any notice, demand or other communication to or upon Freddie Mac shall be deemed to have been sufficiently given or made only upon its actual receipt of the writing.

FREDDIE MAC'S SALE OF A PC AND RECEIPT AND ACCEPTANCE OF A PC BY OR ON BEHALF OF A HOLDER, WITHOUT ANY SIGNATURE OR FURTHER MANIFESTATION OF ASSENT, SHALL CONSTITUTE THE UNCONDITIONAL ACCEPT-

ANCE BY THE HOLDER AND ALL OTHERS HAVING A BENEFICIAL INTEREST IN SUCH PC OF ALL THE TERMS AND PROVISIONS OF THIS AGREEMENT, AND THE AGREEMENT OF FREDDIE MAC, SUCH HOLDER AND SUCH OTHERS THAT THOSE TERMS AND PROVISIONS SHALL BE BINDING, OPERATIVE AND EFFECTIVE.

FREDDIE MAC